

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2022

17 January 2023



Financial summary

Growth in net fees for the quarter ended 31 December 2022 (Q2 FY23)
(versus the same period last year)

| | Growth | |
|---------------------------------|------------|-------------|
| | Actual | LFL |
| By division: | | |
| Germany | 25% | 22% |
| United Kingdom & Ireland (UK&I) | 4% | 4% |
| Australia & New Zealand (ANZ) | (1)% | (4)% |
| Rest of World (RoW) | 12% | 6% |
| Total | 11% | 8% |
| By segment: | | |
| Temporary | 12% | 9% |
| Permanent | 11% | 7% |
| Total | 11% | 8% |

Note: unless otherwise stated, all growth rates discussed in this statement are LFL (like-for-like) fees, representing year-on-year organic growth of continuing operations at constant currency.

Highlights

- Good quarter, with fees up 8%. Temp up 9% and Perm up 7%, both driven by management actions to increase fee margins and target higher value markets, plus wage inflation. Overall, fees were stable through the quarter and November matched our previous fee record (Sept 2022). The Group's WDA fee growth exit rate was 6%
- Operating profit in H1 FY23 between £95-97 million, in line with our expectations
- **Germany:** record fees up 22%. Sequential growth through the quarter driven by record contractor volumes, with Temp & Contracting up 20%. Perm up an excellent 32%
- **UK & Ireland (UK&I):** fees up 4%, with Temp up 5% and Perm up 2%. Fees were sequentially stable through the quarter, with the Public sector up 6%, slightly outperforming the Private sector, up 3%
- **Australia & New Zealand (ANZ):** fees down 4%. Temp down 6%, driven by 12% lower volumes, and Perm down 1%. Public sector fees, down 2%, outperformed the Private sector, with fees down 6%
- **Rest of World (RoW):** fees up 6%, with eight country records. Temp up 7% and Perm up 6%. Growth was led by EMEA ex-Germany, up 13% with fees sequentially stable through the quarter. Asia decreased by 5%, with tough conditions in China, and the Americas was down 1%
- Group consultant headcount down 2% in the quarter and up 10% YoY. We expect overall headcount will be broadly flat in Q3 as we focus on driving productivity while selectively investing in structural growth areas
- Net cash position of c.£100 million, in line with our expectations and after paying c.£150 million in core and special dividends in November 2022 (30 September 2022: £185 million; 31 December 2021: £237 million)

Commenting on the Group's performance, Alistair Cox, Chief Executive, said:

"We performed well in the quarter, with fees stable at high levels and delivering a record in November. Growth was the result of our actions to increase fee margins and our focus on the most in-demand markets, supported by overall wage inflation. For the first time in seven quarters, our largest business of Temp & Contracting grew faster than Perm, and Temp volumes increased through the quarter, while overall Perm volumes decreased modestly. Around the world we delivered a number of quarterly fee records, including our largest market of Germany, in EMEA and our global Technology business.

"Our forward-looking client and candidate activity remains at good levels in our Temp and Contracting business, but we have seen modest reductions in Perm in several markets as client and candidate uncertainties increase. That said, our key markets continue to be characterised by acute skill shortages and wage inflation, and we are focused on further increasing fee margins while closely managing our overheads. I am confident our highly experienced management teams globally will continue to navigate the shorter-term macroeconomic challenges while capitalising on the long-term opportunities which are so apparent."

Group

Q2 trading overview

The Group delivered good growth in the quarter, up 8% on a like-for-like basis versus the prior year, despite tough prior year quarterly growth comparatives, and up by 10% on a working-day adjusted basis. On an actual basis, net fees increased by 11%, with the weakening of sterling versus the Euro, US dollar and Australian dollar increasing our actual net fees. Overall, net fees were sequentially stable at high levels through the quarter, and November matched our previous record monthly fee performance (September 2022). Nine countries delivered record fees, and the Group's December net fee growth exit rate was 5%, or 6% on a working-day adjusted (WDA) basis.

For the first time in seven quarters, Temp and Contracting grew faster than Perm. Net fees in Temp (56% of Group) increased by 9%, driven by our actions to increase fee margins and our focus on higher value markets, together with the positive effects of wage inflation. Overall Temp volumes increased through the quarter, in line with normal seasonal trends. Fees in Perm (44% of Group) increased by 7%, driven by strong improvement in our average Perm fee. Perm volumes reduced modestly through the quarter, as client hiring processes extended and with reduced candidate confidence in several markets. Fees in the Private sector (83% of Group fees) increased by 8%, with the Public sector up 10%.

Our largest global specialism of Technology (26% of Group fees) delivered another record performance, with fees up 10%, despite a tough prior year growth comparator. Accountancy & Finance also increased by 10%, with Construction & Property up 4%. Our fourth largest specialism, Engineering, also produced a fee record, up 23%. Direct outsourcing fees in Enterprise clients increased by 7%, and we continue to win Enterprise market share, with a strong pipeline of opportunities.

Group headcount and FX

Group consultant headcount decreased by 2% in the quarter, in line with our expectations, and increased by 10% year-on-year. We remain focused on cost control, and the Group's cost base per period⁽¹⁾ decreased through the quarter. Overall, average productivity per consultant remained stable at good levels. We expect consultant headcount will be broadly flat in Q3 FY23 overall, as we focus on driving productivity while selectively investing in attractive structural areas such as Technology via our Strategic Growth Initiative (SGI) programme. SGI investment in H1 FY23 was c.£8 million, in line with our expectations.

The weakening of Sterling versus our main trading currencies of the Euro and Australian dollar is currently a tailwind to Group operating profit in FY23. If we re-translate FY22 profits of £210.1m at 13 January 2023 exchange rates (AUD1.7547 and €1.1272), operating profit would increase by c.£10 million, an increase of £1 million versus the position at Q1 FY23.

H1 FY23 operating profit and outlook

Group operating profit in H1 FY23 of between £95-97 million, in line with our expectations. As previously stated, due to the timing of public holidays, our Germany business had three fewer trading days in the quarter versus the prior year, which negatively impacted H1 FY23 fees and operating profit by c.£5 million. Additionally, the closure of our Russia business in March 2022 negatively impacted H1 FY23 operating profit by c.£1 million versus the prior year.

Our forward-looking client and candidate activity remains at good levels in our Temp and Contracting business, but we have seen some modest reductions in Perm in several markets as client and candidate uncertainties increase.

Easter falls entirely in Q4 FY23, as it did in FY22, and therefore we do not anticipate any material working day impacts in Q3.

¹ Due to the cycle of our internal Group reporting, the Group's annual cost base equates to c.12.5x our cost base per period. This is consistent with prior years.

Germany (28% of net fees)

Germany delivered a record fee performance, up 22%, or up 28% when adjusted for three fewer working days versus the same period last year. We ended the quarter with record Contractor volumes, driven by skills shortages and good levels of client demand.

Our largest specialism of Technology, 36% of Germany fees, increased by 12%, with our second largest, Engineering, up 20%. Accountancy & Finance and Construction & Property grew by 29% and 12% respectively, with HR up an excellent 160%. Private sector fees (86% of Germany) increased by 21%, with the Public sector up 30%.

Contracting (59% of Germany fees) delivered a record quarter with fees up an excellent 26%, driven by 19% growth in contractor volumes, to record levels. Margin and Contractor rates mix added a further 11%, partially offset by a 5% headwind from fewer working days year-on-year. Helpfully, average weekly hours per contractor was flat versus the prior year, in contrast to a trend of decline in recent quarters.

Fees in Temp (23% of Germany fees), where we employ temporary workers as required under German law, increased by 5%, or by 20% on a working-day adjusted basis. Underlying Temp volumes increased by 17%.

Perm, which represented 18% of Germany fees, also delivered a record performance and increased by 32%.

Consultant headcount increased by 3% in the quarter and by 19% year-on-year.

United Kingdom & Ireland (21% of net fees)

Net fees in the United Kingdom & Ireland (UK&I) increased by 4%, with fees sequentially stable through the quarter. Performance was led by Temp (55% of UK&I fees), up 5%, all driven by margin and mix. Perm fees increased by 2%. The Private sector (68% of UK&I fees) grew by 3% and the Public sector increased by 6%.

Most regions traded broadly in line with the overall UK&I business, apart from Northern Ireland and the South West and Wales, which grew by 9% and 8% respectively, and the North West, which declined by 3%. Our largest region of London was flat, including London City up 4%. In Ireland, our business increased by an excellent 22%.

At the specialism level, Technology delivered another record performance, up 13%. Accountancy & Finance grew by 4%, while Construction & Property and Office Support decreased by 2% and 7% respectively.

Consultant headcount decreased by 6% in the quarter and increased by 6% year-on-year.

Australia & New Zealand (14% of net fees)

Net fees in Australia & New Zealand (ANZ) fell by 4%, with fees broadly stable through the quarter.

Perm fees, which represented 38% of ANZ, were down 1%. Temp, 62% of ANZ, decreased by 6%, with volumes down 12% year-on-year, partially offset by improved margin and mix of 6%. Private sector net fees, which represented 61% of ANZ, decreased by 6%, with the Public sector fees down 2%.

Australia net fees decreased by 6%. Our largest regions of New South Wales and Victoria, which together represented 52% of Australia fees, decreased by 3% and 12% respectively. Queensland fell by 3%, ACT by 16% while Western Australia was flat.

At the ANZ specialism level, Construction & Property, our largest business representing 20% of ANZ fees, increased by 4%. Technology, our second largest specialism, was flat, and Accountancy & Finance increased by a strong 15%. Sales & Marketing declined by 10%, with HR down 11% and our 'Other' smaller specialisms also down 11% in aggregate.

New Zealand, 9% of ANZ net fees, delivered another good performance, with fees up 10%.

ANZ consultant headcount decreased by 5% in the quarter and increased by 5% year-on-year.

Rest of World (37% of net fees)

Our Rest of World (RoW) division, comprising 28 countries, grew net fees by 6%, including eight quarterly fee records. Excluding the fee impact of the closure of our Russia business in March 2022, RoW growth was 9%. Perm, which represented 66% of RoW net fees, increased by 6% with Temp up 7%.

EMEA ex-Germany (59% of RoW) produced record fees, up 13%, or 19% excluding Russia, with broad-based growth. France, our largest RoW country, and Switzerland both grew by 23% and delivered record performances. Italy and Spain grew by 24% and 14% respectively, and the Netherlands grew by 4%. The UAE was a standout performer, up 69%.

The Americas (25% of RoW) fees decreased by 1%. Latam delivered excellent growth, up 21%. Canada increased by 10%, while the USA decreased by 9%, with fees and activity slowing through the quarter, particularly in Perm.

Asia (16% of RoW) fees decreased by 5%. Performance in Japan was excellent, up 38%, with Malaysia up 9%. China decreased by 28%, with Mainland China particularly impacted by strict pandemic restrictions, and continuing to significantly underperform Hong Kong, which grew year-on-year.

RoW consultant headcount decreased by 1% in the quarter and increased by 9% year-on-year.

Cash flow, balance sheet and dividends

Net cash position at 31 December 2022 of c.£100 million (30 September 2022: £185 million; 31 December 2021: £237 million), in line with our expectations and after paying c.£150 million in core and special dividends in November 2022. Working capital increased in H1 FY23, driven by the excellent growth in Temp and Contracting in Germany and EMEA, which are our highest salary markets and are therefore most working-capital-intensive.

During the quarter, we also purchased £18.6 million under our share buyback programme. As at 31 December 2022, c.£18 million remained in our share buyback programme.

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Conference call

James Hilton and David Phillips will conduct a conference call for analysts and investors at 8:00am United Kingdom time on 17 January 2023. The dial-in details are as follows:

Dial-in number 0330 551 0200
Password Hays

The call will be recorded and available for playback for seven days as follows:

Replay dial-in number +44 (0) 208 196 1480
Access code 7185062#

Reporting calendar

| | |
|---|------------------|
| Half-year results for the six months ended 31 December 2022 | 23 February 2023 |
| Trading update for the quarter (Q3 FY23) ending 31 March 2023 | 14 April 2023 |
| Trading update for the quarter (Q4 FY23) ending 30 June 2023 | 13 July 2023 |

Hays Group overview

As at 31 December 2022, Hays had c.13,000 employees in 254 offices in 33 countries. In many of our global markets, the vast majority of professional and skilled recruitment is still done in-house, with minimal outsourcing to recruitment agencies, which presents substantial long-term structural growth opportunities. This has been a key driver of the diversification and internationalisation of the Group, with the International business representing 80% of the Group's net fees in Q2 FY23, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 20 professional and skilled specialisms. In Q2 FY23 our four largest specialisms of Technology (26% of Group net fees), Accountancy & Finance (14%), Construction & Property (10%) and Engineering (10%) collectively represented 60% of Group fees.

In addition to our international and sectoral diversification, in Q2 FY23 the Group's net fees were generated 56% from temporary and 44% from permanent placement markets, and this balance gives our business model relative resilience. This well-diversified business model continues to be a key driver of the Group's financial performance.

Purpose, Net Zero, Equity and our Communities

Our purpose is to benefit society by investing in lifelong partnerships that empower people and organisations to succeed, creating opportunities and improving lives. Becoming lifelong partners to millions of people and thousands of organisations also helps to make our business sustainable. Our core company value is that we should always focus on 'doing the right thing'. Linked to this and our commitment to Environmental, Social & Governance (ESG) matters, Hays has endorsed four United Nations Sustainable Development Goals (UNSDG's) - Decent Work & Economic Growth; Gender Equality; Climate Action and Supporting Industry Innovation and Infrastructure. These call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt.

We believe that responsible companies should have Equity, Diversity & Inclusion at their heart. Our global ED&I Council helps co-ordinate and drive our actions. We made progress in FY22 by further embedding UNSDG Goal 5: Gender Equality in our strategy. We have set stretching targets on female representation in senior management. By 2025, we have committed to reach a level of 45% female leaders (FY22: 42% female) among our senior leadership of c.630 individuals, and to reach 50% by 2030.

As a business which exists to help people further their careers and fulfil their potential, Goal 8: Decent Work & Economic Growth aligns very closely with Hays' purpose. Over the last four years we are proud to have placed well over one million people globally in their next job; helping the individual, their employer and society. Our commitment to this goal is further reinforced through Hays Thrive, our free-to-use online Training & Wellbeing platform. Overall, across all our online platforms, over 850,000 individual training courses were undertaken on our web platforms in the last year.

We believe we have a significant role to play in combating climate change. In 2021, we became a Carbon Neutral company – our first step under Goal 13: Climate Action to achieve emissions reductions consistent with limiting global warming to 1.5°C, the most ambitious goal of the Paris Agreement. In March 2022, the Science-Based Targets initiative (SBTi) approved Hays' Science-Based targets to reduce i) absolute scope 1 and 2 GHG emissions by 50% by FY26; ii) absolute scope 3 GHG emissions from purchased goods and services and capital goods by 50% by FY30; and, iii) absolute scope 3 GHG emissions from business travel by 40% by FY26. This landmark step demonstrates Hays' firm commitment to be the first global specialist recruitment firm to reach Net Zero.

During FY22, Hays added a further UNSDG - Goal 9: Supporting Industry, Innovation and Infrastructure. Actions to support Goal 9 include our global Green Labs initiative, which identifies and supports growth in 'Green Collar' and Sustainability jobs. We are already a large recruiter of skilled workers in low carbon, social infrastructure and ESG roles, and we are investing to grow these areas, helping to solve global skill shortages. As Technology is our largest recruitment specialism, Hays clearly supports the growth of higher-technology industries, and our position as global leaders in Construction & Property supports resilient infrastructure development. Also, our MyLearning training portal also gives access to learning and development for candidates. Given many courses are free, MyLearning also supports marginalised groups to access labour markets.

Cautionary statement

This Quarterly Update (the "Report") has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and is not audited. No representation or warranty, express or implied, is or will be made in relation to the accuracy, fairness or completeness of the information or opinions contained in this Report. Statements in this Report reflect the knowledge and information available at the time of its preparation. Certain statements included or incorporated by reference within this Report may constitute "forward-looking statements" in respect of the Group's operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance shall not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities shall not be taken as a representation that such trends or activities will continue in the future. The information contained in this Report is subject to change without notice and no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this Report shall be construed as a profit forecast. This Report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied upon as a guide to future performance. Liability arising from anything in this Report shall be governed by English Law, and neither the Company nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report. Nothing in this Report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

This announcement contains inside information.
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