

# PRELIMINARY RESULTS

FOR THE YEAR  
ENDED 30 JUNE 2024

22 August 2024

**PREPARED  
REMARKS**



## SLIDE 1-4

### < Dirk Hahn, Group Chief Executive >

Good morning and welcome everyone. I'm Dirk Hahn, Chief Executive and here with our CFO, James Hilton, to present our FY24 results. As you know, I became CEO on 1 September, and while it has been a challenging first year, our senior team of leaders and I have firmly embraced these challenges.

Three key areas that we will cover throughout the presentation today are:

- 1) implementing our focused strategy and driving enhanced operational rigour
- 2) Closely managing our cost base; and
- 3) Actively shifting our business mix into more resilient, higher value areas, where we see sustainably higher productivity levels, driving stronger profitability

So, while we are not satisfied with our financial performance last year, we are firmly focused on ensuring that we benefit strongly from market recovery. And when the recovery comes, I remain confident we can return to, and then exceed, our prior peak profits of £250 million.

And right up front, I would like to sincerely thank all our expert Hays colleagues for the deep commitment they show every day.

I will begin on our operating performance and the decisive actions we have taken.

James will then cover our financial performance, and our trading outlook.

And before we take your questions, I will give you an update on implementing and delivering our focused strategy, which we set out in February.

I am determined to make Hays a far more resilient business and, despite current market challenges, I believe our future is bright.

## SLIDE 5

During FY24, client and candidate confidence reduced, and time-to-hire extended. We estimate it is taking about 15-20% longer on average to secure a placement, although in terms of input activity, our teams are as busy as ever. This creates a material drag on the average number of placements per consultant, and our profitability.

But as we have previously highlighted, we have tried to balance cost reductions with protecting our strong positions in key markets.

Group fees were down 12% to £1.1 billion, and this inevitably drove negative operational leverage, meaning operating profit declined by 43% working-day adjusted to £105.1 million. Our profit decline was magnified by the impact of lower average hours worked per contractor in Germany, which I will cover later. And as fees particularly slowed at the end of H1 and H2, most of the fee reduction flowed straight to profit and contributed to conversion rate down 580 basis points YoY to 9.4%.

Our cash generation was excellent, with cash conversion of 107%, and we ended the year with a robust cash position of £57 million.

As a sign of confidence in our strategy, the Board has proposed an unchanged final dividend of 2.05 pence per share, which would make our full-year dividend 3.00p.

## SLIDE 6

Given tough markets, we have taken difficult – but decisive - decisions to manage our costs. Group headcount is down 15% overall. The largest reductions were in markets seeing the toughest conditions, such as Australia, the USA and China.

We restructured operations in several countries, better aligning operations to market opportunities, delaying management and reducing operating costs. We accelerated our back-office efficiency programmes, reducing non-consultant heads, and these programmes are ongoing.

In doing this, we incurred £42 million of exceptional costs. However, these actions have already driven c.£30 million of structural annual cost savings, and as James will outline later, we expect a further £30 million of structural cost savings per annum within 3 years.

So, given how challenging conditions have been, I believe we have achieved a balance between managing our costs in the short-term, while positioning Hays to benefit from recovery once markets stabilise and inflect.

## SLIDE 7

Turning to our countries, our largest market of Germany saw fees decrease by 7%, with operating profit down 27% working-day adjusted, at a conversion rate of 20.1%. After a relatively resilient H1, conditions slowed sharply in H2, with our activity catching up with the negative GDP in Germany which has been evident for the last 2 years.

Clients increasingly looked to control costs, with lower volumes. We also saw lower average hours worked per Contractor, which led to a £16 million negative fee and profit impact in H2.

Temp & Contracting saw fees down 6% WDA. Average volumes were sequentially stable in H1, but weakened through the year, including Q4 down 6%.

Perm declined 5%, but with Q4 down 20%, as client demand reduced, and placement processes lengthened.

After several years of significantly outperforming the market, we consolidated our market-leading share in Germany. Fees with MSP clients were flat, demonstrating greater resilience.

Sector wise, Engineering declined 3%, with Automotive increasingly tough but better performance in energy and renewables, where we have several MSP contracts. This said, Utility companies tend to have lower average hours and contributed to the hours impact. Our largest sector, Technology, decreased by 12%.

Consultant headcount decreased by 9% YoY, including a 10% reduction YoY in H2. Also, we took significant actions to restructure the business, particularly in H2. Overall, we are balancing cost savings in Germany with ensuring we fully benefit from recovery when it comes.

## SLIDE 8

Moving to the UK & Ireland, where conditions were challenging as the wider economy experienced a recession. We also saw a slowdown towards the end of our financial year in the run into the general election. Fees decreased by 15%, and profit was down 78%. Temp fees declined by 13%. Perm was particularly tough and slowed through the year, with fees down 17%.

We acted to reduce costs, with consultant headcount down 16% YoY, or down 27% versus our peak level in September 2022. We also closed 10 offices and made improvements to our Temp operating model.

By specialism, Technology decreased by 29%, versus a tough growth comparator. C&P decreased by 12%, and A&F by 13%.

Despite tough market conditions, we maintained our market share in UK&I. Significant actions were also taken to restructure the UK&I business appropriately for market conditions, particularly in H2. Our actions will help to increase conversion rate when markets recover.

## SLIDE 9

Conditions in ANZ have also been difficult for some time, and markets further slowed through the year, especially in Perm. Fees declined by 20%, with operating profit down 61%.

We restructured the business under new leadership, focusing on improving consultant productivity, driving operational efficiencies and aligning management capacity to market conditions. Consultant headcount decreased 32% YoY.

Temp fees fell by 16%, driven by volume down 17%, including ongoing lower Public sector activity. Perm fees were down 28%.

Most specialisms traded broadly in line with the overall average, including C&P, our largest ANZ business, down 24%

Although conditions in ANZ remain challenging, we maintained our market share in Australia and our management team's decisive actions and increased rigour are improving our operational performance, and productivity increased by 1% YoY. We also enter FY25 with positive conversion rate momentum.

## SLIDE 10

In our Rest of World division fees declined by 11% overall, with operating profit down 46%. Lower profit was driven by slowing markets in EMEA and losses in China and the Americas in H1. However, following restructures, we delivered consistent profitability in both the USA and China in H2.

Temp fees were resilient and flat overall, with Perm down 17%.

Regionally, EMEA decreased by 7% and, as a result of the slowdown in fees, we reduced headcount in several countries in H2. France fees fell 6%, with Poland down 26%, although Portugal and Italy delivered records, up 10% and 8%.

Overall, the Americas declined 21% and made modest profits, after a loss-making H1. Asia decreased by 13% and overall, we ended the year with broadly stable conditions.

A key part of our focused strategy is delivering at least 25% conversion rates in each country. Given many markets are currently facing cyclical pressure, we will give our businesses an appropriate time to improve their profitability. So, while we are not satisfied with our overall RoW profitability, we are confident our actions will improve performance, particularly in our Americas and Asian Focus countries, where productivity is currently increasing.

I will now hand over to James, who will present our detailed financials.

## SLIDE 11

**< James Hilton, Chief Financial Officer >**

Thank you, Dirk and good morning, everyone.

## SLIDE 12

FY24 was a year of significant operational and strategic transition, against a backdrop of increasingly challenging market conditions. Client and candidate confidence decreased through the year, driving lower placement volumes and a material lengthening of 'time-to-hire'.

Summarising our financial performance.

On a like-for-like basis, net fees decreased by 12% to £1.114 billion, with pre-exceptional operating profit down 46% to £105.1 million. FY24 cash conversion was good at 107% and our balance sheet remained strong, finishing the year with £56.8 million of net cash, after paying out £83.3 million in dividends and completing our £12.3 million in Treasury share buyback.

## SLIDE 13

Moving onto the income statement.

Turnover decreased by 6%, with net fees down 12%.

The difference between the headline and like-for-like growth rates was primarily the strengthening of sterling versus the Australian dollar. Overall FX movements decreased net fees and operating profits by £28.7 million and £4.2 million, respectively.

Pre-exceptional earnings per share was 4.03p, a 53% decrease versus prior year, driven by 47% lower reported operating profit, a higher net finance charge and a higher tax rate of 32.4%.

## SLIDE 14

Moving on to the performances of Perm and Temp.

Perm fees decreased by 17%, driven by volumes down 25% as job inflow decreased and hiring processes extended through FY24, partially offset by good growth in our average Perm fee, up 8%.

Temp fees were more resilient and decreased by 8% YoY. Temp volumes decreased by 7%, with a further 2%, or c.£16 million, fee reduction from lower average hours worked per contractor in Germany. We saw a 1% positive impact from an increased average placement rate partially offset by a 40bps reduction in our underlying temp margin.

And as the chart in the top right corner shows, our actions to drive pricing and focus on higher value placements increased Group fees by £54.9 million.

## SLIDE 15

This slide sets out our year-on-year operating profit bridge and provides additional colour on our cost control actions.

Starting with FY23 profit of £197.0 million, we deduct the negative exchange impact of £4.2 million and the 12% decrease in our LFL fees of £152.3 million, explained on the previous slide.

Like-for-like administrative expenses decreased by 6% or £64.6 million, driven by the following:

- A £59.6 million reduction in payroll costs resulting from the actions taken to reduce consultant, operational and back-office headcount in the year which reduced total headcount by c.1900 employees
- A £19.9 million decrease in commissions and bonus payments, driven by the decline in fees and overall financial performance,
- Partially offsetting this, our average 3% Group pay rise in July 2023 increased payroll costs by £18.6 million,
- Our overhead costs decreased by c.£5 million, including lower advertising and travel & entertainment costs,
- Property costs also reduced by £1.6 million YoY, as we consolidated and reduced our overall office footprint, net of lease indexation increases
- The increase in other costs was primarily driven by higher insurance and IT related costs

## SLIDE 16

Since our FY23 preliminary results, our actions have reduced our costs per period by c.£5 million from c.£87 million to c.£82 million, equating to annualised Group cost savings of c.£60 million. Of these savings, c.£30 million arose from the reduction in consultant headcount, as we managed our consultant capacity through the year.

A further c.£30 million of savings is more structural and resulted from the operational and back-office restructuring undertaken across the business to better align to market opportunities, improve efficiencies and save costs.

Our Q4 FY24 cost base was c.£81 million. Following our annual pay reviews in July 2024, our current cost base is c.£82 million per period.

In addition, our ongoing actions to transform our Technology and Finance functions will continue to drive efficiencies and deliver additional cost saves going forward of c.£30 million per annum by FY27, these include greater use of Group shared service centres and outsourcing arrangements.

## SLIDE 17

During the year, we incurred an exceptional cost of £80.0 million which comprised two parts.

Firstly, a £42.2 million charge related to restructuring the business operations of several countries, to better align business operations to market opportunities and reduce operating costs. The restructuring exercise led to the redundancy of a number of employees, including senior and operational management and back-office positions. In addition, we closed several business units and consolidated a number of our offices around the world, including ten offices in the UK. We estimate these restructuring costs will result in c.£30 million per annum longer-term cost saves, which are included in the overall £60 million annualised cost saves.

Additionally, we incurred a non-cash exceptional charge of £37.8 million. £22.5 million related to the impairment of intangible assets following initiation of a group-wide project to transform our IT infrastructure to better support the operations of the business. The remaining £15.3 million non-cash exceptional charge, previously announced at H1, resulted from the partial impairment of goodwill related to the 2014 US Veredus acquisition. The remaining Veredus goodwill balance at 30 June 2024 was £7.2 million.

## SLIDE 18

I have explained how challenging market conditions and in particular the lengthening time-to-hire reduced fees in FY24. Despite our decisive cost management, this fee decline drove negative profit leverage, which directly impacted our operating profit. Our cost actions limited the drop through of lower reported fees to profit to 51%, with fees down £181 million and profit down £92 million. Overall, group conversion rate decreased by 580 bps to 9.4%, or 9.7% adjusted for working days.

## SLIDE 19

Moving onto interest and tax.

Our net finance charge for the year increased to £10.4 million driven by a £1.3 million charge on defined benefit pension scheme obligations (FY23: credit of £1.1 million) and is non-cash. In addition, we saw a £0.8 million increase in IFRS16 interest (again non-cash) and a £2.3 million increase in net bank interest driven by higher average interest rates. We expect a finance charge of c.£10 million in FY25, broadly in-line with FY24

Our pre-exceptional effective tax rate increased by 440 basis points to 32.4%, driven by the geographic mix of operating profit, notably the impact of Germany which has one of our highest corporation tax rates and represented 65% of Group profits in the year. Unless our geographic profit mix changes materially, we expect our FY25 tax rate will remain at c.32%.

## SLIDE 20

We delivered a strong cash performance in the year, with cash from operations of £112.3 million. This represented a conversion of pre-exceptional operating profit into cash from operations of 107%.

Our working capital outflow was £16.5 million, driven by an increase in debtor days to 36 days. This was due to greater resilience in our Enterprise client business and relative resilience in Germany and EMEA, each of which have longer payment terms than the Group average.

From this, we paid tax of £26.4 million, which included some pre-payments, cash interest of £4.0 million, and we incurred cash restructuring payments of £22.9 million. We expect the restructuring exceptional to drive a cash outflow of £17.8 million in FY25

Overall, this led to free cash flow of £59.0 million.

On the right-hand side, we detail how we used the cash generated.

The main items were:

- The payment of £35.7 million of special dividends and £47.6 million of core dividends
- The purchase of £12.3 million in Treasury shares, with that scheme now completed
- Capex of £23.4 million
- And pension deficit payments of £18.2 million

Our FY25 capex guidance remains at c.£30 million, slightly higher than FY24 as we undertake a number of Technology projects.

## SLIDE 21

Despite the increase in debtor days, we ended the year with cash of £56.8 million. Although DSOs increased by three days in FY24, they remain below pre-pandemic levels, and our aged debt profile and bad debt write-offs are both at historically low levels.

## SLIDE 22

On this slide we compare the balance sheet of June 2024 with June 2023. The main movements were:

- Our cash position reduced by £78.8 million, as outlined earlier
- Our defined benefit surplus decreased by £6.3 million, driven by lower expected returns from scheme assets and a decrease in the discount rate, partially offset by company contributions

## SLIDE 23

- Our priorities for free cash flow remain unchanged, namely, to fund the Group's investment and development, maintain a strong balance sheet, deliver a sustainable, progressive and appropriate core dividend and to return surplus cash to shareholders.
- Given confidence in our strategy and our strong financial position, the Board has proposed a final dividend of 2.05 pence per share, delivering a full year core dividend of 3.00 pence per share, or £47.5 million, in line with prior year.

- As a reminder, our policy for returning surplus cash to shareholders is based on distributing all funds above a cash buffer of £100 million at each financial year end, through an appropriate combination of special dividends and share buybacks, subject to the economic outlook. As our closing net cash position was £56.8 million, there will be no surplus cash return for FY24.

## SLIDE 24

In summary, fees declined by 12%, with markets increasingly challenging through the year. Volumes declined in both Temp and Perm, although we saw good increases in average pricing in both temp and Perm, as we targeted the most skill-short and higher value areas of the Perm and Temp markets.

Our decisive actions reduced costs through the year by an annualised c.£60 million, half of which will be structural savings and which drove the £42.2 million restructuring exceptional charge. Our focus on operational rigour and careful management of our capacity meant that our average productivity per consultant was up 1% YoY, and increased sequentially in H2, despite our volume productivity being down significantly.

In addition, our ongoing back-office efficiency programmes, particularly in our technology and finance functions, mean we now expect to deliver a further c.£30 million in annual savings by the end of FY27

We continue to maintain a strong balance sheet underpinned by good levels of cash conversion, and I am confident that our actions have better positioned Hays to benefit from the market recovery when it comes.

## SLIDE 25

Turning to current trading.

July and August to date have been in line with our expectations.

As normal, September is our largest trading month of the quarter, and it is currently too early to assess trends.

Overall Temp & Contracting volumes are in line with Q4 FY24, after adjusting for normal seasonal trends, and are c.8% down YoY.

In Perm, as reported at Q4, weaker activity levels have resulted in more subdued summer trading than normal in Germany, UK&I and EMEA. Perm trading in the Americas, Asia and ANZ remains stable overall.

Overall, given our focus on driving consultant productivity in recent quarters, we expect Group consultant headcount will remain broadly stable in Q1 25. Our cost base per period is currently c.£82 million. Our current capacity has significant scope to deliver material fee and profit growth when our key markets recover.

I'd now like to hand back to Dirk to cover strategy.

## SLIDE 28

**< Dirk Hahn, Group Chief Executive >**

Thank you, James. I will spend the next few minutes updating you on progress made in executing on our focused strategy.



We are working hard to better position Hays and make our profits and cashflow more resilient – and deliver our conversion rate target for each business line of 25%.

To repeat what I said in February, my personal goal is to return to, and then exceed, our previous peak profits of £250 million. To do this we will deliver improved consultant productivity in excess of inflation, better leverage our overhead costs and drive improved conversion rates.

So, what is our goal? We want to build the leading business in **Recruitment and workforce solutions globally**. And to be clear on what this means - Contracting, Temp and Perm recruitment is our core expertise, and will remain so. Placing talented workers in roles to meet and solve our client's skills needs is the heart of Hays.

We serve large Enterprise clients, the Public sector, SME's and start-ups. We have market-leading direct outsourcing expertise, mainly via Managed Service Provision. And our Workforce Solutions capability is evolving, including DE&I Consulting, Training & Skills, workforce planning and Assessment & Development. Each of these has great potential to enhance our relationships with clients and drive a 'flywheel' effect for further recruitment - and to generate modest profits for the Group.

## SLIDE 29

This slide shows the key strategic levers we set out in February, and I am pleased to say we are making good progress.

We have completed our work to analyse the Group on a business-line basis. Each country's FY25 budget is now measured by job sector and by each contract form. This allows us to properly measure pillars 1, 2 and 3 – and better allocate our resources towards more resilient and higher value areas going forward. As evidence of this, across Hays we have moved 400 consultants to business lines where they have a better chance of delivering our 25% CR target.

I will now go into more detail on the repositioning we have done in the last six months.

## SLIDE 30

Looking at our **Key countries**, Germany conducted a management de-layering, and is progressing ongoing back-office efficiency programmes to create leaner structures. Our ratio of fee earning consultants to non-billing resourcers improved by 10% YoY.

In ANZ, we enter FY25 with improving productivity and positive conversion rate momentum, despite fees being down. This was achieved via greater focus and increased productivity.

And in the UK, we have made material operating model improvements, particularly in our Temp business, and analysed each business line, ensuring our medium-term growth plans are fit-for-purpose. We closed two specialisms

In our **Focus countries**, we are also ensuring we have appropriate, and scalable, operating models. All countries are focused on implementing our 'Golden Rule', namely that operating profit growth should be greater than fee growth, which should in turn exceed headcount growth through the cycle.

Early examples of success include in the USA, where delivery model improvements have significantly improved productivity. We have gone from a loss-making position in the USA in H1 to consistently delivering profitability through H2 24.

We increased Contractor and Temp volumes in the USA, Italy, Poland and Japan.

Each country and business line must have a credible medium-term plan to deliver our 25% CR target. Where we don't believe this target is achievable, we will redeploy our resources into markets where it is realistic.

And we have taken difficult decisions to close areas which were sub-scale and unlikely to reach our group conversion rate target.

This includes our Temp business in Italy, refocusing our resources on the more profitable Contracting market. Also, our Healthcare & Education in ANZ, and Healthcare & Social care in UK&I, again re-allocating resources. And Sales & Marketing Temp in Germany and Statement of Works in France.

## SLIDE 31

So, in conclusion, while we know that our markets are challenging today, they will recover. We are determined to deliver high drop through of incremental fees to operating profit growth, and we can do this via a relatively modest volume improvement given our current capacity.

Our focused strategy and the actions we are taking now will allow us to maximise our recovery – and strongly capitalise from powerful structural megatrends.

We have strong, market leading businesses at Hays, many of which are implementing parts of our strategy well. But in all our countries, we can improve our focus on the key growth industries and job categories of the future.

We are financially strong and are increasing our focus on the most attractive and skill short markets worldwide.

We have outstanding people here at Hays, and I am determined to capitalise on our expertise and make Hays an even better place to work in the future.

And now, we would now be happy to hand back to the operator to take your questions.

## Results presentation & webcast

Our results webcast will take place at 8.30am on 22 August 2024. To register for the webcast only, please click or copy <https://edge.media-server.com/mmc/p/kury92js> To register and be able to ask questions via our audio link, please click or copy this link <https://register.vevent.com/register/BI4c328f5731dc47beae29f90462288e60>

A recording of the webcast will be available on our website later the same day along with a copy of this press release and all presentation materials.

## Reporting calendar

Trading update for the quarter ending 30 September 2024 (Q1 25)	11 October 2024
Trading update for the quarter ending 31 December 2024 (Q2 25)	16 January 2025
Half-year results for six months ending 31 December 2024 (H1 25)	20 February 2025

## Hays Group Overview

As at 30 June 2024, Hays had c.11,100 employees in 236 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 FY24, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 21 professional and skilled specialisms. Our four largest specialisms of Technology (25% of Group net fees), Accountancy & Finance (15%), Engineering (11%) and Construction & Property (10%) collectively represented c.61% of Group fees in FY24. In addition to our international and sectoral diversification, in FY24 the Group's net fees were generated 59% from temporary and 41% from permanent placement markets. This well-diversified business model continues to be a key driver of the Group's financial performance. In our 2024 employee 'YourVoice' survey, 73% of employees said they would recommend Hays as a great place to work.

## Enquiries

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## Cautionary statement

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