

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 JUNE 2024

11 July 2024



Financial summary

Growth in net fees for the quarter ended 30 June 2024 (Q4 FY24)

(versus the same period last year)

	Growth	
	Actual	LFL
By division:		
Germany	(18)%	(17)%
United Kingdom & Ireland (UK&I)	(17)%	(17)%
Australia & New Zealand (ANZ)	(24)%	(22)%
Rest of World (RoW)	(13)%	(11)%
Total	(17)%	(15)%
By segment:		
Temporary	(14)%	(12)%
Permanent	(22)%	(20)%
Total	(17)%	(15)%

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

Dirk Hahn, Chief Executive, commented:

“Market conditions remained challenging in the quarter. Overall, we continued to see longer-than-normal ‘time-to-hire’, impacted by low levels of confidence. Given this backdrop, we have remained focused on driving consultant productivity and tight cost control, and we have delivered annualised savings of c.£60 million during our FY24. Our proactive actions meant that average Group consultant productivity increased by 3% in Q4.

Given ongoing global uncertainties, in the near-term we expect our key markets will remain challenging. Looking ahead, we are focused on building a more resilient business, targeting the many long-term growth opportunities we see, and underpinned by our clear strategy and enhanced operational rigour. I know we can deliver substantial profit growth once our end markets recover, driven by our financial strength and strong teams of talented colleagues worldwide.”

Operational summary

- Group fees down 15%, with a June exit rate of minus 18%
- Despite a more difficult quarter, our cost actions mean we expect FY24 pre-exceptional operating profit of c.£105 million, around the bottom of the market consensus range*
- **Germany:** fees down 17%. Temp & Contracting down 16%, with volumes down 6% and a 10% reduction from lower average hours worked, driven by ongoing client cost controls and placement mix. Perm also slowed, down 20%
- **UK & Ireland:** fees down 17%, with Temp down 14% and Perm down 22%. Activity levels in the public and private sector slowed through the quarter, both impacted in June by the UK election
- **Australia & New Zealand:** fees down 22%, with Temp down 16% and Perm down 32%. While market conditions remaining challenging, fees were sequentially stable through the quarter
- **Rest of World:** fees down 11%. EMEA ex-Germany fees declined by 10%, including a particularly tough June. Asia and the Americas were stable through the quarter, decreasing by 13% and 11% respectively
- **Group headcount & costs:** Group headcount down 4% in the quarter and 15% YoY. Overall, our actions are now expected to deliver c.£60 million of annualised savings by the end of FY24 (previous estimate: c.£50 million), of which c.£30 million is expected to be structural
- **Strong balance sheet** with net cash of c.£55 million (31 March 2024: net debt of c.£20 million), in line with our expectations

* Bloomberg consensus operating profit range for FY24 is £106.0m to £113.0m

Group

Q4 trading overview

Group fees decreased by 15% year-on-year on a like-for-like basis. The Group's June fee exit rate was minus 18%, impacted by challenging conditions in Germany and ANZ, plus the negative effects of elections in the UK and France. On an actual basis, net fees decreased by 17% in the quarter, with a strengthening of sterling versus the Australian dollar and Euro decreasing Group fees.

Temp and Contracting fees (61% of Group fees) decreased by 12%, against a strong YoY comparative. Overall average Temp volumes decreased by 7% YoY, including Germany down 6%, ANZ down 18% and UK&I down 12%. On a sequential basis, Temp volumes decreased modestly in UK&I, but were stable in ANZ and Germany. In addition, ongoing client cost controls and placement mix through the quarter in Germany drove a 10% reduction in average hours worked. This drove a c.£8 million Germany fee and operating profit impact in Q4. Average Group Temp margin was broadly flat YoY.

Fees in Perm (39% of Group fees) decreased by 20%, driven by volumes down 27%. This was partially offset by an increase in our Group average Perm fee, up 7%. Overall, we continue to see longer than normal 'time-to-hire', impacted by low levels of client and candidate confidence as activity levels reduced modestly through the quarter, notably in Germany, France and the UK.

Group headcount and costs

We continued to manage our consultant capacity on a business-line basis and, despite tougher markets, our actions drove a 3% YoY improvement in average consultant productivity. Group consultant headcount decreased by 5% in the quarter and by 18% year-on-year. Given our focus on driving consultant productivity in recent quarters, we believe our current capacity is appropriate for current market conditions and expect overall Group consultant headcount will remain broadly stable in Q1 25.

Non-consultant headcount decreased by 2% in the quarter, and by 9% YoY, as we continued to focus on reducing costs via several back-office efficiency programmes. We also closed or merged 12 offices in our network in the fourth quarter, ending FY24 with 236 offices.

Since our FY23 preliminary results in August 2023, our actions have reduced our costs per period by c.£5 million and we have delivered c.£60 million in annualised savings (an increase of c.£10 million versus our previous expectation). Of these savings, c.£30 million are expected to be structural. As previously reported, we incurred a £12.6 million exceptional restructuring charge in H1 FY24, with further exceptional charges likely in H2 24. We now anticipate H2 24 restructuring costs will be c.£25-30 million.

Outlook

Overall, we expect near-term market conditions will remain challenging. Activity levels are sequentially stable in **ANZ**, **Asia** and the **Americas**.

In **Germany**, we expect recent lower Temp & Contracting starter numbers will further impact volumes by 2-3% in Q1 25. This said, the impact of lower Temp & Contracting hours we experienced in H2 24 is starting to ease, and we expect sequentially less fee and profit impact in Q1 25. Perm remains challenging, with lower activity levels.

In the **UK&I** and **France** we expect a subdued summer, and it is too early to determine when we will see a meaningful recovery. The rest of **EMEA** remains broadly stable overall.

We are focused on delivering a high drop-through of fee growth to operating profit when end markets recover, in line with our 'Golden rule' that Group profit growth should exceed fee growth, which should in turn exceed headcount growth.

Additionally, we expect our ongoing efficiency programmes will deliver further permanent back-office overhead savings in FY25 and beyond, notably in Technology and Finance. We see significant scope to increase our efficiency and rigour, while reducing overall overheads.

Germany (31% of net fees)

Germany fees were down 17%. Temp & Contracting fees decreased by 16%. Volumes reduced by 6%, in line with our expectations. Additionally, increased client cost controls, together with placement mix, drove a 10% reduction in average hours worked, which led to a c.£8 million fee and operating profit impact in Q4. This said, the negative impact of lower Contractor and Temp hours worked started to ease in June. Temp margin was flat versus the prior year.

Activity slowed through the quarter in Perm and decreased by 20%.

Our largest specialism of Technology, 32% of Germany fees, decreased by 19%, with our second largest, Engineering, down 18%. Accountancy & Finance declined by 11%, although Construction & Property was stronger, with flat fees. Public sector fees, which represented 15% of Germany, were relatively resilient and decreased by 7%.

Consultant headcount decreased by 5% in the quarter and by 9% year-on-year.

United Kingdom & Ireland (20% of net fees)

Net fees in the United Kingdom & Ireland decreased by 17%. Temp fees (59% of UK&I fees) decreased by 14%, with Perm down 22%. Fees in the Private sector (69% of UK&I fees) and Public sector each reduced by 17%, both slower in June given wider market uncertainty.

Most regions traded broadly in line with the overall UK&I business, apart from Northern Ireland, up 16%, and South West & Wales, down 27%. Our largest region of London decreased by 22%, and Ireland decreased by 18%.

At the specialism level, Accountancy & Finance and Construction & Property decreased by 20% and 15% respectively. Technology decreased by 35%, although Engineering fees were more resilient, up 9%.

Consultant headcount decreased by 3% in the quarter and by 16% year-on-year.

Australia & New Zealand (13% of net fees)

Net fees in Australia & New Zealand fell by 22%. Temp, 67% of ANZ, decreased by 16%, with Perm down 32%. Private sector fees, 63% of ANZ, decreased by 23%, with the Public sector down 19%.

Australia net fees decreased by 20%. Our largest regions of New South Wales and Victoria, which together represented 50% of Australia fees, decreased by 25% and 18% respectively. ACT and Western Australia fell by 21% and 14%, with Queensland down 16%.

At the ANZ specialism level, Construction & Property (20% of ANZ fees) decreased by 23%. Technology fell by 19%, while Accountancy & Finance and HR decreased by 21% and 25% respectively.

New Zealand, 7% of ANZ net fees, decreased by 43%.

ANZ consultant headcount decreased by 10% in the quarter and by 32% year-on-year.

Rest of World (36% of net fees)

Fees in our Rest of World division, comprising 28 countries, decreased by 11%. Perm, which represented 59% of RoW net fees, decreased by 16%, with Temp fees down 1%.

EMEA ex-Germany (63% of RoW) fees decreased by 10%. France, our largest RoW country, was impacted by the election and declined by 13%, with Poland and Switzerland down 26% and 14% respectively. Portugal, the UAE and Italy performed significantly better, up 12%, 3% and 2% respectively.

The Americas (22% of RoW) fees decreased by 11%, with conditions stable through the quarter. Canada and the USA decreased by 14% and 7% respectively, with Latam down 19%.

Asia (15% of RoW) fees decreased by 13%, with mixed but overall stable conditions through the quarter. Mainland China increased by 8%, although Hong Kong was tough, down 30%. Japan was also more difficult, down 13%.

RoW consultant headcount decreased by 6% in the quarter and by 20% year-on-year.

Cash flow and balance sheet

We ended FY24 with a strong balance sheet and net cash of c.£55 million, in line with our expectations (31 March 2024: net debt of c.£20 million). We saw strong underlying cash generation in the fourth quarter, with our net cash position increasing by c.£75 million compared to Q3 24. This was delivered despite a slight increase in Debtor days to 37 days at 30 June (H1 24: 36 days), driven by a more resilient fee performance in our Enterprise client business, where payment terms tend to be longer. Encouragingly, Group bad debts remain in line with H1 24 and are at historically low levels.

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The person responsible for releasing this announcement is Doug Evans, General Counsel & Company Secretary.

Conference call

James Hilton and David Phillips will conduct a conference call for analysts and investors at 8:00am United Kingdom time on 11 July 2024. Participants are invited to register via the URL link below:

<https://register.vevent.com/register/BI081731d5e6f445099fd9b6de9045ce7b>

Once registered, you will receive a confirmation email, with the details of the call and a personal login link and PIN which will place you directly into the call, without the need to speak to an operator. The call will be recorded and will also be available for playback via [the results centre on our investor website](#).

Reporting calendar

Preliminary results for the year ending 30 June 2024	22 August 2024
Trading update for the quarter ending 30 September 2024 (Q1 FY25)	11 October 2024
Trading update for the quarter ending 31 December 2024 (Q2 FY25)	16 January 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 Q4 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 (24% of Group net fees), Accountancy & Finance (15%), Engineering (12%) and Construction & Property (10%) collectively represented c.61% of Group fees in H1 24.

In addition to our international and sectoral diversification, in Q4 FY24 the Group's net fees were generated 61% from temporary and 39% from permanent placement markets. 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 strive to 'do the right thing'. Linked to this and our commitment to Environmental, Social & Governance (ESG) matters, Hays has shaped its Sustainability Framework around the United Nations Sustainable Development Goals (UNSDG's), and further details can be found on [pages 54-67 of our FY23 Annual report](#).

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.

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