

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2023

9 January 2024



Financial summary

Growth in net fees for the quarter ended 31 December 2023 (Q2 FY24)

(versus the same period last year)

	Growth	
	Actual	LFL
By division:		
Germany	0%	0%
United Kingdom & Ireland (UK&I)	(17)%	(17)%
Australia & New Zealand (ANZ)	(24)%	(20)%
Rest of World (RoW)	(13)%	(11)%
Total	(12)%	(10)%
By segment:		
Temporary	(7)%	(5)%
Permanent	(18)%	(17)%
Total	(12)%	(10)%

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. WDA = working-day adjusted

Highlights

- Group fees down 10%, impacted by a more difficult December, where fees fell by 15% (minus 13% WDA). As a result of this slowdown at the end of the quarter, we now expect H1 pre-exceptional operating profit of c.£60 million, below current market consensus expectations*
- **Germany:** flat fees, or up 2% on a WDA basis. Temp & Contracting flat (up 2% WDA), with volumes down 1%, impacted by lower new sales YoY through the quarter. Perm fees flat YoY
- **UK & Ireland:** fees down 17%, with Temp down 13% and Perm slowing through the quarter, down 21%
- **Australia & New Zealand:** fees down 20%, with Temp down 16% and Perm slowing through the quarter, down 27%
- **Rest of World:** fees down 11%. EMEA ex-Germany fees declined by 5%, with Asia down 11%. The Americas continued to be tough, down 25%
- Consultant headcount decreased by 5% in the quarter and by 12% YoY. Overall, our actions to reduce costs in H1 24 will deliver c.£30 million in annualised savings, with further material savings expected in H2. As a result, we expect to incur an exceptional restructuring charge in H1 FY24 of c.£12 million
- Strong balance sheet with net cash of c.£60 million (30 Sept 2023: c.£75 million), in line with our expectations, and after paying £68.3 million in core and special dividends in the quarter

Commenting on the Group's performance, Dirk Hahn, Chief Executive, said:

"Overall market conditions became increasingly challenging through the quarter, including a clear slowdown in most markets in December, notably in our Perm businesses as client and candidate decision-making slowed. Temp volumes remained broadly stable sequentially through the quarter, but declined YoY as we did not see our normal seasonal step-up in worker volumes. As a result, we expect operating profit in our first half to be c.£60 million, despite our ongoing actions to reduce costs.

Given increased uncertainties and reduced client and candidate confidence, our New Year 'return to work' is particularly important, and we are closely monitoring activity levels. It is too early to say if December's weakness reflects a sustained market slowdown or some placement deferrals, however, we expect near-term market conditions to remain challenging. Consequently, we accelerated our cost reduction and efficiency programmes, while focusing on increased operational performance and rigour. Looking ahead, our strategy is increasingly focused on enhancing our leading positions in the most attractive and skill-short markets globally, including Germany, non-Perm and Enterprise clients. I am confident our current initiatives will materially benefit profitability once our end markets stabilise."

* Company compiled consensus operating profit for H1 FY24 is c.£73m, based on 6 analysts.

Group

Q2 trading overview

Group fees declined by 10% year-on-year on a like-for-like basis, particularly impacted by a slowdown in December where fees fell by 15%, or 13% on a WDA basis. The Group's net fee exit rate in Temp was minus 5% WDA, and was minus 25% in Perm. On an actual basis, net fees decreased by 12% in the quarter, with a weakening of the Australian and US dollar versus sterling decreasing Group fees.

Temp and Contracting (59% of Group fees) declined by 5% (down 4% WDA), against a challenging YoY growth comparative. Whilst overall volumes remained broadly stable on a sequential basis, we did not see our normal seasonal step-up in worker volumes, and therefore volumes were down c.8% YoY. We continued to see some benefit from our actions to increase fee margins and our focus on higher value markets, together with the positive effects of wage inflation.

Fees in Perm (41% of Group fees) decreased by 17%, driven by volumes down 25%. This was partially offset by an increase in our Group average Perm fee, up 8%. Overall, Perm markets were increasingly challenging, particularly in December, where slower client and candidate decision-making led to a lower conversion of activity to successful placements. Overall, new job registrations remained down YoY, but were broadly stable sequentially, with lower conversion into placements and further increases in time-to-hire.

Group headcount and H1 FY24 working days

Group consultant headcount decreased by 5% in the quarter and decreased by 12% year-on-year, as we managed our overall capacity, which remained in line with market conditions until the end of November. Additionally, our non-consultant headcount was reduced by 3% in the quarter, as we accelerated our efficiency programmes and targeted overhead cost savings.

Also, as previously reported, Germany had two fewer working days in the first half of FY24, which negatively impacted fees and profit in our Temp & Contracting businesses by c.£3.5 million in H1.

Outlook & Group cost savings

Given increased uncertainties and reduced client and candidate confidence, our New Year 'return to work' will be particularly important in FY24, and we are closely monitoring activity levels. It is too early to say if December's weakness reflects a more sustained market slowdown, or shorter-term deferrals of client and candidate decision-making. However, we expect near-term market conditions to remain challenging. Consequently, we accelerated our cost reduction and efficiency programmes, while focusing on increased operational performance and rigour.

Since our FY23 preliminary results in August, our actions have reduced our costs per period by c.£2.5 million. This equates to pro forma annualised Group cost savings of c.£30 million and, as a result, we expect to incur an exceptional restructuring charge in H1 FY24 of c.£12 million. We also expect our ongoing actions will deliver further material Group costs reductions in H2 FY24.

Looking ahead to H2 FY24, at a Group level there are no material working-day effects year-on-year. However, Easter is evenly split between Q3 and Q4, while in FY23 it fell entirely in Q4. We expect this to have a c.1% negative impact on net fees at Group level in Q3 FY24, with a corresponding c.1% benefit to Q4 FY24.

Germany (32% of net fees)

Germany fees were flat YoY, or up 2% on a working day-adjusted (WDA) basis.

Our largest specialism of Technology, 33% of Germany fees, decreased by 7%, with our second largest, Engineering, up 12%. Accountancy & Finance declined by 1%, with Construction & Property up 4%.

Temp & contracting fees were flat YoY, or up 2% on a WDA basis. This was driven by a 5% increase from higher margins, offset by a 1% reduction in volumes, a 2% reduction from fewer working day YoY and a 2% reduction from hours worked and higher sickness rates. The decline in volumes was driven by lower new assignment sales YoY through the quarter.

Perm fees, which represented 18% of Germany fees, were flat YoY.

Consultant headcount decreased by 2% in the quarter and by 3% year-on-year.

United Kingdom & Ireland (20% of net fees)

Net fees in the United Kingdom & Ireland decreased by 17%. Temp (58% of UK&I fees) fees decreased by 13%, with Perm slowing through the quarter and down 21%. The Private sector (64% of UK&I fees) declined by 21%, with the Public sector down 6%.

Most regions traded broadly in line with the overall UK&I business, apart from the Midlands and North of England, each down 10%, and Scotland, down 26%. Our largest region of London decreased by 21%, and in Ireland, our business decreased by 4%.

At the specialism level, our two largest UK&I businesses, Accountancy & Finance and Technology, decreased by 16% and 32% respectively. Construction & Property decreased by 11%, although Education fees were flat.

Consultant headcount decreased by 3% in the quarter and by 10% year-on-year.

Australia & New Zealand (12% of net fees)

Net fees in Australia & New Zealand fell by 20%. Temp, 65% of ANZ, decreased by 16%, with Perm slowing through the quarter and down 27%. Private sector fees, 59% of ANZ, decreased by 25%, with the Public sector down 13%.

Australia net fees decreased by 19%. Our largest regions of New South Wales and Victoria, which together represented 51% of Australia fees, decreased by 24% and 17% respectively. ACT and Western Australia fell by 21% and 14%, with Queensland down 12%.

At the ANZ specialism level, Construction & Property (19% of ANZ fees) decreased by 23%. Technology, our second largest specialism, fell by 19%, while Accountancy & Finance and HR decreased by 21% and 7% respectively.

New Zealand, 8% of ANZ net fees, decreased by 35%.

ANZ consultant headcount decreased by 11% in the quarter and by 20% 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 61% of RoW net fees, decreased by 17%, with Temp fees down 1%.

EMEA ex-Germany (64% of RoW) fees decreased by 6% and slowed through the quarter. France, our largest RoW country, declined by 5%, with Poland and Switzerland down 25% and 9% respectively. The UAE, Belgium and Italy performed stronger, up 28%, 10% and 8% respectively, while Spain was flat YoY.

The Americas (21% of RoW) fees decreased by 25%, with challenging but broadly stable conditions through the quarter. Canada and the USA remained tough, down 25% and 24% respectively, with Latam down 27%.

Asia (15% of RoW) fees decreased by 11%, with conditions broadly stable through the quarter. China fees decreased by 18%, with Mainland China down 14% and improving through the quarter, although Hong Kong fell 21%. Fees in Japan were flat, while Malaysia was more resilient and grew by 8%.

RoW consultant headcount decreased by 6% in the quarter and by 15% year-on-year.

Cash flow and balance sheet

Our balance sheet remains strong with net cash at 31 December 2023 of c.£60 million (30 September 2023: c.£75 million), in line with our expectations. This is after paying £68.3 million in core and special dividends and purchasing 8.6 million shares (c.£8.6 million) in the quarter under the Treasury Share Programme announced on 7 September 2023, which has been completed.

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This announcement contains inside information. 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 9:00am United Kingdom time on 9 January 2024. Participants are invited to register via the URL link below:

<https://protect-eu.mimecast.com/s/j95ECQnkRHkBxj3WCvtWdm?domain=register.vevent.com>

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

Half-year results for the six months ended 31 December 2023 (H1 FY24)	22 February 2024
Trading update for the quarter ending 31 March 2024 (Q3 FY24)	18 April 2024
Trading update for the quarter ending 30 June 2024 (Q4 FY24)	11 July 2024

Hays Group overview

As at 31 December 2023, Hays had c.12,300 employees in 249 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 FY24, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 21 professional and skilled specialisms. In H1 FY24 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 addition to our international and sectoral diversification, in Q2 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.

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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