

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2024

16 April 2024



Financial summary

Growth in net fees for the quarter ended 31 March 2024 (Q3 FY24)

(versus the same period last year)

	Growth	
	Actual	LFL
By division:		
Germany	(16)%	(13)%
United Kingdom & Ireland (UK&I)	(16)%	(16)%
Australia & New Zealand (ANZ)	(29)%	(23)%
Rest of World (RoW)	(14)%	(11)%
Total	(17)%	(14)%
By segment:		
Temporary	(14)%	(12)%
Permanent	(21)%	(18)%
Total	(17)%	(14)%

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

Dirk Hahn, Chief Executive, commented:

“Market conditions remained challenging through the quarter. In Australia and UK&I, Temp activity was stable through Q3, although volumes in each are down c.15% YoY, and slightly below pre-Christmas levels. In Germany, Temp & Contractor volumes decreased by 5% YoY, and fees were also impacted by lower-than-normal average hours worked per assignment. Group Perm activity was stable through the quarter, however we continued to see extended ‘time-to-hire’, impacted by low levels of client and candidate confidence.

While economic uncertainties remain, we have a strong and clear strategy and will continue to build a more resilient business through greater focus, increased operational rigour and strong cost management. As set out at our H1 results, we are firmly focused on targeting the many structural growth opportunities we see and, over time, rebuilding our conversion rate. Driven by our strong teams of talented colleagues worldwide, I am excited by what we can achieve once our end markets recover.”

Operational summary

- Group fees down 14% (down 13% WDA), with Temp down 12% and Perm down 18%, versus a record quarter in the prior year. The Group’s fee exit rate, on a WDA basis, was in line with the quarter
- **Germany:** fees down 13% (down 11% WDA). Temp & Contracting down 15% (down 13% WDA), with volumes down 5%, in line with our expectations. Increased client cost controls also drove an 8% reduction in average hours worked, which led to a c.£8 million fee and operating profit impact in Q3. Perm fees down 5%
- **UK & Ireland (UK&I) and Australia & New Zealand (ANZ):** fees in both regions were sequentially stable through the quarter, albeit at levels modestly below H1 24. UK&I fees down 16%, with Temp down 15% and Perm down 18%. ANZ fees down 23%, with Temp down 16% and Perm down 33%
- **Rest of World:** fees down 11%. EMEA ex-Germany fees declined by 9%, with Asia down 8% and the Americas down 19%
- **Continued focus on costs:** well on-track to deliver our planned c.£50 million of annualised cost savings by the end of FY24, of which c.£20 million is expected to be structural
- **Increased consultant productivity:** up 2% YoY, despite tougher markets, as we continued to focus on driving operational rigour
- Group cash temporarily impacted by the short-term timing of payments, as Good Friday fell on the final day of Q3, with net debt of c.£20 million (31 Dec 2023: net cash of £66.9 million). We estimate that this had a c.£50 million cash impact, which has reversed post quarter-end. Debtor days remain in line with H1

Group

Q3 trading overview

Group fees decreased by 14% year-on-year on a like-for-like basis, or 13% on a WDA basis. The Group's fee exit rate, on a WDA basis was in line with the quarter, versus an all-time record month in March 2023. 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 (60% of Group fees) decreased by 12% (down 10% WDA), against a record YoY comparative. Temp volumes rebuilt in line with the prior year through Q3 in UK&I and ANZ, although remained modestly below pre-Christmas levels. Temp volumes in Germany rebuilt 2% below prior year and, in addition, increased client cost controls drove an 8% reduction in average hours worked, which led to a c.£8 million fee and operating profit impact in Q3.

Fees in Perm (40% of Group fees) decreased by 18%, in line with the prior quarter, driven by volumes down 23%. This was partially offset by an increase in our Group average Perm fee, up 5%. Importantly, Perm activity remains broadly in line with overall H1 levels. This said, we continue to see longer than normal 'time-to-hire', impacted by relatively low levels of client and candidate confidence.

Group cost savings and consultant headcount

We continued to manage our overall capacity on a business line basis, and drove a 2% improvement in consultant productivity, despite the tougher markets. Group consultant headcount decreased by 6% in the quarter and by 16% year-on-year. Total Group headcount decreased by 5% in the quarter, and by 13% YoY as we focused on our efficiency programmes.

Since our FY23 preliminary results in August, our actions have reduced our costs per period by c.£4 million, and we are well on track to deliver the previously announced annualised cost savings of c.£50 million by the end of FY24, of which c.£20 million is expected to be structural. As a result, we incurred a £12.6 million exceptional restructuring charge in H1 FY24, with further restructuring charges expected in H2 24.

Outlook

We expect overall near-term market conditions to remain challenging, but broadly stable. The impact of Temp & Contracting hours worked in Germany will be an important sensitivity to fee and profit performance going forward, and it is too early to determine whether there will be a meaningful rebound in Q4.

We remain focused on driving improved consultant productivity through increased operational performance and rigour, while delivering our cost reduction and efficiency programmes. Once our end markets stabilise and recover, our actions to deliver our focused strategy should ensure a high drop-through of fee growth to operating profit, in line with our 'Golden rule' that Group profit growth should exceed fee growth, which should in turn exceed headcount growth.

There are no material working-day effects year-on-year in the second half. However, as Easter fell evenly between Q3 and Q4 this year, while in FY23 it fell entirely in Q4, we expect the 1% negative Q3 24 Group Easter fee impact will lead to a corresponding fee benefit in Q4 24.

Germany (32% of net fees)

Germany fees were down 13%, or down 11% on a working day-adjusted (WDA) basis.

Temp & Contracting fees decreased by 15% (down 13% WDA). Volumes reduced by 5%, in line with our expectations, with our New Year return to work 2% behind the prior year. Additionally, increased client cost controls drove an 8% reduction in average hours worked, which led to a c.£8 million fee and operating profit impact in Q3. This was partially offset by a 1% increase in average Temp margin.

Our largest specialism of Technology, 32% of Germany fees, decreased by 19%, with our second largest, Engineering, down 10%. Accountancy & Finance declined by 13%, although Construction & Property was stronger and increased by 4%.

Perm fees, which represented 17% of Germany fees, decreased by 5% YoY.

Consultant headcount decreased by 5% in the quarter and by 7% year-on-year.

United Kingdom & Ireland (20% of net fees)

Net fees in the United Kingdom & Ireland decreased by 16%. Temp fees (59% of UK&I fees) decreased by 15%, with Perm down 18%. The Private sector (68% of UK&I fees) reduced by 17%, with the Public sector down 14%.

Most regions traded broadly in line with the overall UK&I business, apart from the Scotland and South West & Wales, down 26% and 23% respectively. Our largest region of London decreased by 18%, and in Ireland, our business decreased by 11%.

At the specialism level, Accountancy & Finance and Construction & Property decreased by 11% and 8% respectively. Technology decreased by 31%, although Education fees were more resilient, down 2%.

Consultant headcount decreased by 6% in the quarter and by 16% year-on-year.

Australia & New Zealand (12% of net fees)

Net fees in Australia & New Zealand fell by 23%. Temp, 65% of ANZ, decreased by 16%, with Perm down 33%. Private sector fees, 65% of ANZ, decreased by 25%, with the Public sector down 18%.

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 15% respectively. ACT and Western Australia fell by 29% and 22%, with Queensland down 18%.

At the ANZ specialism level, Construction & Property (21% of ANZ fees) decreased by 25%. Technology fell by 17%, while Accountancy & Finance and HR decreased by 22% and 21% respectively.

New Zealand, 7% of ANZ net fees, decreased by 45%.

ANZ consultant headcount decreased by 7% in the quarter and by 24% 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 18%, with Temp fees up 1%.

EMEA ex-Germany (66% of RoW) fees decreased by 9%. France, our largest RoW country, declined by 10%, with Poland and Switzerland down 29% and 11% respectively. The UAE and Italy performed strongly, up 14% and 10% respectively.

The Americas (20% of RoW) fees decreased by 19%, with challenging but stable conditions through the quarter. Canada and the USA decreased by 20% and 16% respectively, with Latam down 27%.

Asia (14% of RoW) fees decreased by 8%, with conditions stable through the quarter. China was flat and improved through the quarter. Fees in Japan were also flat, although Malaysia was more difficult, down 14%.

RoW consultant headcount decreased by 7% in the quarter and by 18% year-on-year.

Cash flow and balance sheet

The Group's cash position was temporarily impacted by the short-term timing of payments, as Good Friday fell on the final day of Q3, with net debt of c.£20 million (31 Dec 2023: net cash of £66.9 million). We estimate that this had a c.£50 million cash impact, which has reversed post-quarter end. Debtor days remain in line with H1 (36 days).

Enquiries

Hays plc

James Hilton
David Phillips

Group Finance Director
Head of Investor Relations & ESG

+44 (0) 203 978 2520
+44 (0) 333 010 7122

FGS Global

Guy Lamming
Anjali Unnikrishnan

hays@fgsglobal.com

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 16 April 2024. Participants are invited to register via the URL link below:

<https://register.vevent.com/register/BI867476e399794f888ceb94db82e4464b>

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

Trading update for the quarter ending 30 June 2024 (Q4 FY24)	11 July 2024
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

Hays Group overview

As at 31 March 2024, Hays had c.11,600 employees in 248 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 Q3 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 (12%) and Construction & Property (10%) collectively represented c.62% of Group fees.

In addition to our international and sectoral diversification, in Q3 FY24 the Group's net fees were generated 60% from temporary and 40% 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.

LEI code: 213800QC8AWD4BO8TH08