

# HAYS PLC

## INVESTOR CALL SCRIPT – Q1: 12<sup>th</sup> October 2023

### INTRODUCTION

Thank you, David. Good morning, everyone, and thanks for joining us.

I will present the highlights and key themes of today's update, and discuss regional performances, before taking questions. As usual, all net fee growth percentages are on a like-for-like basis versus prior year unless stated otherwise.

### OVERVIEW

FY 24 has begun in line with our expectations with Group fees down 7%, versus a record quarter in the prior year. Temp continued to outperform Perm and delivered a resilient performance, with fees flat and volumes broadly stable through the quarter. As expected, Perm was tougher and declined 15%, with increased time-to-hire globally.

The Group's September net fee exit rate was in-line with Q1 overall at minus 7%.

Currency translation had a 2% negative impact in the quarter, primarily due to the weakening Australian dollar versus Sterling.

I would highlight the following:

1. Our key strategic markets continue to face skill shortages, and our fee performance was again driven by our actions to increase fee margins and our focus on higher value markets, together with the positive effects of wage inflation globally.
2. Our resilient performance in Temp was entirely driven by 6% growth from margins and positive mix, offset by lower volumes YoY. As with recent quarters, the decrease in Perm fees was entirely volume-driven, down 26%, partially offset by an 11% increase in average Perm fee.
3. Regionally, growth was led by our largest business of Germany up 7%, or 8% when adjusted for 1 fewer working day YoY. EMEA fees were flat, while ANZ, Asia and the Americas remained the most challenging markets.
4. Fees in our largest global specialism of Technology (25% of Group) declined by 7% versus a record prior year performance, with Temp significantly outperforming Perm. Accountancy & Finance declined by 4%, and showed greater resilience in more senior markets, and Engineering, our third largest specialism, grew by 10%.
5. Group consultant headcount decreased by 2% in the quarter, and 9% year-on-year, as we continued to focus on driving productivity which remained at good levels overall.
6. Our balance sheet remains strong with quarter end cash of c.£75m, in line with our expectations and reflecting normal working capital seasonality.

I will now comment on the performance by each division in more detail.

Our largest market of **GERMANY** delivered a strong performance with fee growth of 7%, or 8% on a working-day-adjusted basis.

Contracting, our largest German business, delivered another good quarter, up 6%, or 8% WDA. This was driven by 1% growth in contractor volumes, together with a 7% benefit from higher margins.

Temp increased by 12%, or 14% WDA, with volume up 5% and higher margins adding a further 9%. Perm fees increased by 2%.

At the specialism level, our three largest specialisms, Technology, Engineering and Accountancy & Finance increased by 1%, 17% and 4% respectively.

Consultant headcount increased by 1% in the quarter and by 2% year-on-year.

In **UK & IRELAND**, fees decreased by 11%.

Temp decreased by 8%, with Perm down 14%. The Private sector, roughly 2/3rds of UK&I fees, declined by 16%, with the Public sector stronger, up 4%.

At the specialism level, Accountancy & Finance and Technology decreased by 6% and 20% respectively. Education increased by 7%, although Construction & Property decreased by 10%.

In Ireland, our fees decreased by 10%.

Consultant headcount decreased by 1% in the quarter and by 13% year-on-year.

In **ANZ**, fees decreased by 17%.

Temp, 62% of ANZ, decreased by 13%, with Perm down 24%. The Private sector, two thirds of fees, decreased by 20%, with the Public sector down 11%, and we continued to see challenging Temp markets with the Federal government.

At the specialism level, Construction & Property decreased by 24%, while Accountancy & Finance and Technology decreased by 12% and 21% respectively.

In New Zealand fees decreased by 17%.

Consultant headcount decreased by 6% in the quarter and by 14% year-on-year.

In our **REST OF WORLD** division, comprising 28 countries, fees decreased by 11%. Perm, 63% of RoW net fees, decreased by 17%, with Temp up 4%.

**EMEA-ex Germany** fees were flat. France, our largest RoW country, grew by 6%, with the UAE and Italy up 25% and 10% respectively. Belgium and Switzerland increased by 2% and 3% respectively while fees in Poland declined by 21%.

**The Americas** decreased by 28%, with conditions difficult through the quarter, particularly in perm. Canada and USA continued to be tough, down 31% and 27% respectively, with Latam down 29%.

**Asia** declined by 17%. Japan decreased by 4% with Malaysia down 15%. China decreased by 25%, with Mainland China not yet showing any post-pandemic recovery, and underperforming Hong Kong, which was down 15%.

Overall RoW consultant headcount decreased by 2% in the quarter and by 10% year-on-year.

## CURRENT TRADING and GUIDANCE

### I would make the following points:

1. Overall, our Q1 was in line with our expectations and our fees continue to benefit from the positive effects of wage inflation and pricing and mix globally.
2. Volumes remain broadly stable in Temp and Contracting, with only the Australian public sector below pre-summer levels. This reflects modestly lower numbers of new assignments, offset by greater contract extensions. In Perm, we continue to see lower client and candidate confidence, with increased time-to-hire.
3. With Group fees down 9% including FX in Q1, as we stated at our prelim results in August, we expect Group Conversion rate and operating profit will also decline in H1 24.

As many of you know, historically we have seen such percentage fee declines usually drive a 2 to 2.5x multiplier to the percentage operating profit decline in the short term, as we protect key strategic investments to benefit from future recovery and structural growth opportunities.

And as previously reported, we also have 2 fewer working days in Germany in H1, which will have a further c.£3.5m negative profit impact in H1.

4. We remain firmly focused on driving consultant productivity and managing our cost base. We expect Group consultant headcount will reduce by c.2-3% in Q2, as we balance shorter-term cost management with protecting our infrastructure and longer-term investments.

In conclusion, while we remain vigilant of macroeconomic uncertainties, we are market leaders in many of the most attractive structural growth markets globally. Our focus is on delivering excellence of execution, including driving consultant productivity, and increasing Group profitability. Our strong balance sheet and flexible business model mean we are well-positioned to adapt to near-term market conditions, while continuing to target structural growth opportunities.

I will now hand you back to the administrator, and we are happy to take your questions.

## Q&A

If that is all the questions for today, we'd like to thank you all again for joining the call.

I look forward to speaking to you next at our Q2 results on 18<sup>th</sup> January. Should anyone have any follow up questions, David, Rob and I will be available to take calls for the rest of the day.