

HAYS PLC

INVESTOR CALL SCRIPT – Q2: 9 January 2024

INTRODUCTION

Thank you, David. Good morning, everyone, and thanks for joining us today at short notice.

I will present an overview 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. Please note that given we have brought forward our Q2 statement, we have not yet finished our normal period-end accounting, so are presenting slightly less regional and sector detail than usual.

OVERVIEW

As you will have seen in our statement, overall market conditions became increasingly challenging through the quarter, including a clear slowdown in most markets in December. This drove a Group net fee exit rate of minus 15% or minus 13% on WDA basis, below our October fee decline of minus 7%, and November at minus 8%. Our fee exit rate in Temp was down c.5% on a WDA basis, with Perm down 25%.

As a result, we expect pre-exceptional operating profit in our first half to be c.£60 million, below consensus expectations, despite our ongoing actions to reduce costs which I will cover later.

I would highlight the following key items from the results:

1. Our Temp business, with fees down 5% or 4% WDA, continued to outperform Perm, with fees down 17%. Temp volumes remained broadly stable sequentially through the quarter, however we did not see our normal seasonal step-up in worker volumes, leading to temp volumes down 8% YoY. We continued to benefit from positive margin/mix effects, although this was partially offset by higher sickness and holiday leave.
2. In Perm, markets were increasingly challenging, particularly in December, where we saw increased levels of placement decision deferrals from clients and candidates. Overall, new job registrations remained down YoY but were broadly stable overall and in line with seasonal trends, however we have seen lower conversion of this activity into placements, and further increases in time-to-hire. Partially offsetting Perm volume decline of 25%, our average Perm fee increased by 8%.
3. Group consultant headcount decreased by 5% in the quarter, and 12% year-on-year, as we actively managed our costs and capacity. We also reduced our non-consultant headcount by 3% in the quarter, and targeted other overhead cost saves. As a result of our actions to reduce costs in H1 24 we have delivered £30 million in annualised savings, with further material savings expected in H2. As a result, we expect to incur a restructuring exceptional charge in H1 FY24 of c.£12 million.
4. Our balance sheet remains strong with cash of c.£60m in December, in line with our expectations and after paying £68.3 million in core and special dividends in the quarter.

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

Our largest market of **GERMANY** delivered flat fees YoY, or up 2% on a working-day-adjusted basis. As previously reported, there was 1 fewer working day in Germany in Q2 and, in combination with one fewer day in Q1, this had a c.£3.5m negative impact on fees and profit in H1.

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.

Overall volumes in Germany were impacted by lower new project sales YoY through the quarter.

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

In **UK & IRELAND**, fees decreased by 17%.

Temp decreased by 13%, with Perm slowing through the quarter and down 21%. The Private sector, roughly 2/3rds of UK&I fees, declined by 21%, with the Public sector down 6%.

At the specialism level, Accountancy & Finance and Technology decreased by 16% and 32% respectively. Construction & Property decreased by 11%, although Education was flat.

In Ireland, our fees decreased by 4%.

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

In **ANZ**, fees decreased by 20%.

Temp, 65% of ANZ, decreased by 16%, with Perm slowing through the quarter, down 27%. The Private sector, 59% of fees, decreased by 25%, with the Public sector down 13%.

At the specialism level, Construction & Property decreased by 23%, while Accountancy & Finance and Technology decreased by 21% and 19% respectively.

In New Zealand fees decreased by 35%.

Consultant headcount decreased by 11% in the quarter and by 20% year-on-year.

In our **REST OF WORLD** division, comprising 28 countries, fees decreased by 11%. Perm, 61% of RoW net fees, decreased by 17%, with Temp down 1%.

EMEA-ex Germany decreased by 6% and slowed through the quarter. France declined by 5% with Poland and Switzerland down 25% and 9% respectively. The UAE and Belgium performed stronger, up 28% and 10% respectively, and Spain was flat.

The Americas decreased by 25%, with challenging but broadly stable conditions through Q2. Canada and the USA remained tough, down 25% and 24% respectively, with Latam down 27%.

Asia declined by 11%, with conditions broadly stable through Q2. China decreased by 18%, with Mainland China down 14% and showing modest improvement through the quarter. Fees in Japan were flat, while Malaysia performed well, up 8%.

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

CURRENT TRADING and GUIDANCE

I would make the following points:

1. 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 whether this was due to short-term deferrals of client and candidate decisions. However, we expect near-term market conditions to remain challenging.
2. We accelerated our cost reduction and efficiency programmes, while focusing on increased operational performance and rigour. Our actions to reduce consultant and non-consultant headcount, and target other overhead costs, have reduced the Group's cost base by c.£2.5m per period since August. This drives the c.£30m pro forma annualised Group cost saving that I mentioned earlier. We also expect our ongoing actions will deliver further material Group costs reductions in H2 FY24 and I expect Group headcount will reduce by a further c.3-4% in Q3.
3. Clearly though, we are also managing the business to deliver on the many long-term opportunities that we see. We are therefore balancing cost control with protecting our key infrastructure and investments in strategic growth markets. 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.

In conclusion, although we are disappointed with the Group's performance in December, we have been decisive in our actions to address costs and are firmly focusing on delivering increased operational rigour and performance. I am confident our current initiatives will materially benefit profitability once our end markets stabilise.

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, thank you again for joining the call.

I look forward to speaking to you next at our H1 results on 22nd Feb. Should anyone have any follow up questions, David, Rob and I will be available to take calls for the rest of the day.