

HAYS PLC

INVESTOR CALL SCRIPT – Q3: 16 April 2024

INTRODUCTION

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

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

OVERVIEW

Market conditions in the quarter remained challenging. Group fees decreased by 14%, or down 13% on a working day-adjusted basis. On an actual basis, fees decreased by 17%, with the strengthening of sterling versus the Australian dollar and Euro reducing reported Group fees.

The Group's fee exit rate, on a WDA basis, was in line with the quarter.

I would highlight the following key items:

1. In our Temp business, fees were down 12% or 10% WDA, against a record prior year comparator. In the UK&I and ANZ, Temp volumes rebuilt through Q3 in line with the prior year, although remained modestly below pre-Christmas levels and each decreased by c.15% YoY. In Germany, Temp and Contractor volumes rebuilt 2% below prior year and decreased by 5% YoY.

2. In addition, in Germany, 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.
3. Perm fees decreased 18%, in line with the prior quarter, with volumes down 23%, as we continued to see longer than normal time to hire globally, driven by low client and candidate confidence. This was partially offset by a 5% increase in our Group average Perm fee.
4. We have remained focused on managing our costs. Consultant headcount decreased by 6% in the quarter, and 16% year-on-year, as we continue to manage our overall capacity on a business line basis. As a result, consultant productivity improved by 2% versus prior year, despite tougher markets.
5. Since August our actions have already reduced our costs per period by c.£4m. We are well on track to deliver our planned £50 million of annualised cost savings by the end of FY24, of which around £20m is expected to be structural.
6. Our 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. We estimate that this had a c.£50 million cash impact, which has subsequently reversed post quarter-end. Importantly, our Debtor days remain in line with H1 at 36 days.

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

Our largest market of **GERMANY** saw fees down 13% YoY, or down 11% on a working-day-adjusted basis.

Temp & Contracting fees decreased by 15% YoY, or down 13% on a WDA basis. As previously mentioned, volumes declined by 5% and 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.

Perm fees declined by 5% YoY, and remained stable through the quarter.

Consultant headcount decreased by 5% in the quarter and by 7% YoY.

In **UK & IRELAND**, fees decreased by 16% although were sequentially stable through the quarter. Activity levels were also stable and while some recent macro data has improved, we are yet to see any signs of material improvement.

Temp decreased by 15%, with Perm down 18%. The Private sector, 68% of UK&I fees, declined by 17%, with the Public sector down 14%.

At the specialism level, Accountancy & Finance and Technology decreased by 11% and 31% respectively. Construction & Property decreased by 8% and Education was down 2%.

In Ireland, our fees decreased by 11%.

We managed our capacity in line with fees, with consultant headcount down 6% in the quarter and 16% year-on-year.

In **ANZ**, fees decreased by 23%. Similar to the UK&I, fees and activity levels were sequentially stable through the quarter.

Temp, 65% of ANZ, decreased by 16%, with Perm down 33%. The Private sector, 65% of fees, decreased by 25%, with the Public sector down 18%.

At the specialism level, Construction & Property decreased by 25%, while Accountancy & Finance and Technology decreased by 22% and 17% respectively.

In New Zealand fees decreased by 45%.

Productivity increased slightly, as consultant headcount decreased by 7% in the quarter and by 24% year-on-year.

In our **REST OF WORLD** division, comprising 28 countries, fees decreased by 11%. Perm, 61% of RoW net fees, decreased by 18%, with Temp fees up 1%.

EMEA-ex Germany decreased by 9%. France 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 decreased by 19%, with challenging but broadly stable conditions through Q3. Canada and the USA decreased by 20% and 16% respectively, with Latam down 27%.

Asia declined by 8%, with conditions stable through Q3. China was flat and improved through the quarter. Fees in Japan were also flat, although Malaysia was more difficult, down 14%.

Productivity improved across RoW, with consultant headcount down 7% in the quarter and 18% year-on-year.

CURRENT TRADING and GUIDANCE

I would highlight the following:

1. Whilst significant economic uncertainties remain, we expect overall near-term market conditions to remain challenging, but broadly stable.
2. The impact of Temp & Contracting hours 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.
3. We are well on-track to deliver our cost reduction and efficiency programmes and are firmly focused on driving consultant productivity.
4. We are making good progress in implementing our updated strategy, which is underpinned by increased operational rigour. Once our end markets stabilise and recover, I am confident that our 'Golden rule' of profit growth exceeding fee growth, which in turn should exceed headcount growth, will lead to significant profit and conversion rate growth.

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 Q4 results on 11th July. Should anyone have any follow up questions, David, Rob and I will be available to take calls for the rest of the day.