HAYS PLC

INVESTOR CALL SCRIPT – Q4: 11 July 2024

INTRODUCTION

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

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

Group fees decreased by 15%, with a June net fee exit rate of minus 18%. Market conditions remained challenging in the quarter and we continued to see longer-than-normal 'time-to-hire' in most markets as both our client and candidate confidence levels remained low, leading to lower levels of activity and longer decision making.

However, despite more difficult trading in Q4, our cost actions mean that we still expect FY24 pre-exceptional operating profit of c.£105 million, around the bottom end of current market consensus expectations.

I would highlight the following key items from the results:

1. In our Temp business, fees decreased by 12%, against a strong prior year comparator. Group average Temp volumes decreased by 7% YoY, including Germany down 6%, ANZ down 18% and UK&I down 12%. Our average Group Temp margin was broadly flat YoY
2. In addition, and similar to the trend we outlined last quarter, in Germany, increased client cost controls, together with the impact of placement mix,

drove a 10% reduction in average hours worked per contractor. This led to a c.£8 million fee and operating profit impact in Q4.

3. Perm fees decreased by 20%, driven by volumes down 27%. This was partially offset by a 7% increase in our Group average Perm fee. We continued to see low levels of client and candidate confidence, and overall Perm activity levels reduced through the quarter.

4. We remain focused on managing our costs and productivity on a business-by-business basis. During Q4, our consultant headcount decreased by 5%, and was down 18% YoY. Therefore, despite tougher markets our average consultant productivity improved by 3% YoY. We also closed 12 offices in our network in the fourth quarter, ending FY24 with 236 offices, down 16 YoY.

   Since the start of FY24, our actions have reduced costs per period by £5m. We have delivered £60 million of annualised cost savings, an increase of £10m versus our previous expectation. Importantly, around £30m of these savings are expected to be structural.

5. We continue to have a strong balance sheet with net cash at 30 June of c.£55 million (31 March 2024: net debt of c.£20 million), an increase of £75 million versus Q3 and in line with our expectations.

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

Our largest market of **GERMANY** saw fees down 17% YoY.

Temp & Contracting fees decreased by 16% YoY.

Temp margin was flat versus the prior year, and as I mentioned earlier, volumes declined by 6%, with a 10% reduction in average hours worked. This said, the negative impact of lower Contractor and Temp hours worked has started to ease. As a result, our June Temp & Contracting fee exit rate in Germany was minus 13%, slightly better than the overall quarter.

In Perm, activity slowed through the quarter and decreased by 20%.

At the specialism level, Technology and Engineering, our two largest specialisms, were down 19% and 18% respectively. Accounting & Finance was more resilient and down 11%, with Construction and Property flat, in part supported by a more resilient public sector market which was down 7%.

Consultant headcount decreased by 5% in the quarter and by 9% YoY.

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

Temp decreased by 14%, with Perm down 22%. Fees in the Private sector and Public sector each reduced by 17%, both slower in June given the impact of the election and increased market uncertainty.

At the specialism level, Accountancy & Finance and Technology decreased by 20% and 35% respectively. Construction & Property decreased by 15%, although Engineering was more resilient, up 9%.

In Ireland, our fees decreased by 18%.

Consultant headcount decreased by 3% in the quarter and 16% year-on-year.

In **ANZ,** fees decreased by 22% YoY, although fees were sequentially stable through the quarter.

Temp, 67% of ANZ, decreased by 16%, with Perm down 32%. The Private sector decreased by 23%, with the Public sector down 19%.

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

New Zealand remained tough, with fees down 43%.

ANZ consultant headcount decreased by 10% in the quarter and by 32% year-on-year, driving an increase in consultant productivity. Encouragingly, this has driven an improvement in ANZ conversion rate in Q4, and we enter FY25 with improving profitability.

In our **REST OF WORLD** division, comprising 28 countries, fees decreased by 11%. Perm, 59% of RoW net fees, decreased by 16%, with Temp fees down 1%.

EMEA-ex Germany decreased by 10%. France declined by 13%, with June particularly impacted by the election, and Poland and Switzerland decreased by 26% and 14% respectively. Portugal, the UAE and Italy performed significantly stronger, up 12%, 3% and 2% respectively.

The Americas decreased by 11%, although conditions were stable through the quarter and our actions to improve productivity and manage costs drove a return to profitability in North America through H2. Canada and the USA fees decreased by 14% and 7% respectively, with Latam down 19%.

Asia declined by 13%, with mixed but overall stable conditions. Mainland China increased by 8% and was consistently profitable, although Hong Kong was tough, down 30%, and Japan was also more difficult, down 13%

RoW productivity increased, with consultant headcount down 6% in the quarter and 20% year-on-year.

CURRENT TRADING and GUIDANCE

I would highlight the following:

1. Overall, we expect near-term market conditions will remain challenging.

   Activity levels are sequentially stable in ANZ, the Americas and Asia. In the UK&I and France, we expect the recent activity slowdown will lead to subdued summer trading, and it is too early to determine when we will see a meaningful recovery.

   In Germany, we expect lower Temp starter numbers will further reduce volumes by 2-3% in Q1 25. This said, the impact of lower Temp & Contracting hours that we experienced in H2 24 has started to ease, and we expect sequentially less fee and profit impact in Q1 25.

2. Given our focus on driving consultant productivity in recent quarters, we believe our current capacity is appropriate for today's market conditions. We therefore expect overall Group consultant headcount will remain broadly stable in Q1 25

3. As I mentioned, our June fee exit rate was below the Q4 average, and supported by our significant cost reduction actions, we expect to deliver £45 million profit in H2 24. It is difficult to predict the shape of FY25 given we only have 4-5 weeks forward visibility, but based on what we currently know, unless we see a material recovery in end markets, I think it is likely that profits in in H1 25 will be sequentially lower than H2 24.

4. Overall, while it is difficult to predict timing, we know our markets will recover. When they do, we will be firmly focused on delivering a high drop-through of fee growth to profit 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 full-year results on 22nd August. Should anyone have any follow up questions, David, Rob and I will be available to take calls for the rest of the day.