HAYS PLC

INVESTOR CALL SCRIPT – Q3: 16 April 2025

INTRODUCTION

Thank you, Kean. 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 net fees decreased by 9%, with Temp & Contracting down 6% and Perm down 14%.

The Group's March growth rate was minus 7% on a working day adjusted basis. Perm exited at minus 13% while Temp & Contracting was more resilient and exited at minus 3% on a working day adjusted basis.

Despite ongoing macroeconomic uncertainties, we **currently** expect FY25 operating profit will be in line with consensus

I would highlight the following key items from the results:

1. In our Temp & Contracting business, net fees decreased by 6%, with activity levels and volumes rebuilding through the quarter in line with normal trends, except for Temp in Germany which remains subdued. Group Temp & Contracting volumes decreased by 7% YoY, including

Germany down 10%, ANZ down 12%, UK&I down 10%, and ROW up 6%.

2. Perm net fees decreased by 14%, driven by volumes down 19%. This was partially offset by an increase in our Group average Perm fee of 5%. Perm job flow and activity levels have returned to pre-Christmas levels in the UK&I, ANZ and North America but remain subdued in EMEA (particularly France) and in Germany. We continue to see slow conversion of Perm activity to placement in the majority of our markets globally.

3. Large Enterprise clients had another strong quarter with net fee growth of 10%, driven by headcount investment in existing clients, higher fill rates and geographic expansion. In addition, we have significantly improved our win rate over the last two years, securing 31 new client wins during the quarter and renewing existing contracts with Mitie and Kier.

4. Despite tough markets, our business line prioritisation and resource allocation actions drove a 5% YoY improvement in average consultant net fee productivity. Once again, our momentum has led the sector over this period and, on a seasonally adjusted basis, productivity has increased now for six consecutive quarters. Consultant headcount reduced by 5% in the quarter and is now down 13% versus prior year.

5. Our initiatives to deliver structural savings of c.£30m per annum by the end of FY27 continue to progress well and, consequently, our current cost base on a periodic and constant currency basis has improved to c.£76m from c.£77m in Q2. We have removed duplicated costs, delayered management, outsourced selective opportunities, further standardised and globalised processes, and expanded our shared service centres. Non-consultant headcount exited the quarter down 17% YoY.

6. The Group's net debt position was c.£30m which reflected normal seasonal outflows and timing of month end payments, and a c.£5m cash exceptional. DSOs were maintained at 37 days, in line with H1, and we expect to return to a modest net cash position in Q4 which is seasonally stronger for cashflow.

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

Our largest market of **GERMANY** saw fees down 9% YoY.

Temp & Contracting fees decreased by 6% YoY. Contracting volumes remain solid overall, with fewer finishers offsetting lower starter numbers. However, Temp, where we have a greater exposure to the Automotive sector, was again more challenging.

Temp & Contracting margin and mix was up 4% versus the prior year, and as I mentioned earlier, volumes declined by 10%. Average hours worked remain stable sequentially and, due to the easier comparable, the YoY headwind is likely to be modest in Q4.

In Perm, conditions remain challenging and fees decreased by 21%.

At the specialism level, Technology and Engineering, our two largest specialisms, were down 8% and 19% respectively. Accounting & Finance was more resilient, up 2%, while Construction and Property performed strongly and was up 34% as we saw strong growth in our infrastructure and energy businesses.

Consultant headcount decreased by 4% in the quarter and by 13% YoY. Driven by our ongoing resource allocation and back-office efficiency initiatives, consultant net fee productivity increased by 5% YoY in Q3 and non-consultant earner headcount reduced further.

In **UK & IRELAND,** fees decreased by 13%.

Following a good Return to Work, Temp & Contracting net fees were down 11% YoY. Perm, down 16%, remained challenging.

Fees in the private sector declined by 10%, while public sector was tougher with fees down 19% YoY.

At the specialism level, Accountancy & Finance and Technology decreased by 17% and 19% respectively. Construction & Property decreased by 7% but delivered a modest sequential improvement through the quarter. And again Enterprise performed well and was up 8% driven by volume growth in existing contracts and new wins.

In Ireland, our fees decreased by 24%.

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

We were not satisfied with our H1 performance and have taken action over the last six months to improve consultant net fee productivity, which increased by 8% YoY in Q3, and have made good progress with our operational efficiency initiatives. As a result, we expect an improved profit performance from the UK&I in the second half. As a reminder our new UK&I CEO joins in June 2025.

In **ANZ,** fees decreased by 11% YoY.

While market conditions remain challenging, activity levels were stable through the quarter.

Following a good return to work, Temp & Contracting net fees decreased by 6%. However, conversion of Perm activity remained challenging and net fees were down 20%.

The Private sector decreased by 9%, with the Public sector again tougher, down 14%.

At the specialism level, Construction & Property decreased by 17%, while Accountancy & Finance and Technology decreased by 19% and 8% respectively.

ANZ consultant headcount was down 4% in the quarter and down 16% year-on-year. Driven by our focus on resource allocation, consultant net fee productivity increased by 6% YoY in Q3.

In our **REST OF WORLD** division, comprising 28 countries, fees decreased by 7%. Temp & Contracting fees decreased by 2% and Perm by 10%.

In **EMEA ex-Germany**, net fees declined by 10% YoY. France, our largest RoW country, was down 19%, and action is underway to address productivity and costs. Southern Europe was stronger with Spain and Portugal up 10% and 14% respectively.

In **Americas,** net fees grew by 2% with growth in Canada and the US, up 1% and 5% respectively. Latam, down 6%, remained challenging but stable and we recently announced our intention to close our operations in Chile, Colombia, Rio de Janeiro, and Campinas and focus on our two high potential markets by expanding our existing offices in Sao Paulo and Mexico City.

Asia net fees decreased by 6%, with mixed but overall stable activity through the quarter. Mainland China increased by 9% and the YoY decline in Hong Kong moderated to minus 15%. Japan was more challenging, down 23%.

For RoW as a whole, consultant headcount decreased by 3% in the quarter and 9% year-on-year.

OUR STRATEGY TO BUILD A STRUCTURALLY MORE PROFITABLE AND RESILIENT BUSINESS

As you may recall from the Q2 IMS and half year results we have several initiatives underway to build a structurally more profitable and resilient business underpinned by our culture and talented colleagues worldwide.

Before moving to current trading, I wanted to take a few moments to update you.

Despite challenging markets, we are delivering on our strategy and have made good progress during the quarter. Consultant fee productivity increased by 5% YOY, we were pleased to deliver 10% net fee growth with large Enterprise clients, and our structural cost savings initiatives are progressing well.

Within Temp & Contracting, YOY net fee growth was positive in five of our eight Focus countries in Q3 and, at the group level, we exited the quarter with fees at minus 3%.

Driving real growth in consultant productivity through business line prioritisation, optimised resource allocation, and scaling our eight Focus countries will establish a broader base and, together with our programmes to structurally improve our cost base, will enable the Group to return to, and then exceed, our previous peak profits of £250m.

CURRENT TRADING and GUIDANCE

I would highlight the following:

1. We expect near term market conditions to remain challenging with greater resilience in Temp & Contracting. Perm markets remain difficult, notably in Germany and EMEA, due to longer time to hire. Although we have limited forward visibility, we believe this is likely to persist into FY26.

2. We have maintained good levels of productivity through Q3, believe our Group consultant headcount capacity is appropriate for current market conditions, and therefore expect it to remain broadly stable in Q4. We will continue to deliver further efficiencies, which will structurally reduce our cost base, and focus on business line prioritisation and optimal resource allocation to drive consultant productivity and position Hays strongly for when end markets recover.
3. Easter falls entirely in Q4, while in FY24 it was evenly split between Q3 and Q4. We expect this to have a c.1% negative impact on year-on-year net fee growth in Q4 FY25.
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.
5. At the half year results, we noted that due to the ongoing nature of our restructuring and transformation programmes we expected to incur further exceptional costs in H2 25. Following recent action to address productivity, performance and costs in several countries, together with ongoing actions in several back office areas, we currently expect a £15-20m exceptional P&L charge in H2.

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, Kean, Rob and I will be available to take calls for the rest of the day.