HAYS PLC

INVESTOR CALL SCRIPT – Q2: 15 January 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 fees decreased by 12%, with Temp & Contracting down 7% and Perm down 19%.

The Group's December growth rate was in-line with the quarter overall, at -12%. Perm slowed through the quarter and exited at -20% while Temp & Contracting was more resilient and exited at -5%.

I would highlight the following key items from the results:

1. In our Temp business, fees decreased by 7%, with activity levels sequentially stable through the quarter. Group average Temp volumes decreased by 6% YoY, including Germany down 8%, ANZ down 15%, UK&I down 12% and EMEA up 3%.
2. Perm fees decreased by 19%, driven by volumes down 21%. This was partially offset by an increase in our Group average Perm fee of 2%. Perm markets in EMEA, UK&I, and Germany became more challenging through the quarter and markets were subdued but stable elsewhere.

3. Our Enterprise business was strong and net fee growth accelerated to 12% in Q2, driven by resilient performance in MSP contracts and several new client wins.

4. Consultant productivity was up 4% YoY driven by our continued focus on operational rigour and resource allocation. Consultant headcount reduced by 2% in the quarter and is now down 15% versus prior year.

5. Our initiatives to deliver structural savings of c.£30m per annum by the end of FY27 are progressing well and, consequently, our current periodic cost base has improved to c.£77m from c.£80m in Q1, representing a c.£2m underlying reduction and a modest benefit from exchange rate movements.

6. The Group's net cash position was c.£25m, in line with our expectations, after paying a £33m dividend in the quarter, a £13m upfront cash contribution related to the defined benefit pension buy-in, and c.£5m cash exceptionals.

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

Our largest market of **GERMANY** saw fees down 13% YoY.

Temp & Contracting fees decreased by 10% YoY, in line with our expectations. We continue to see greater resilience in Contracting, where we believe we are taking market share, but more challenging markets in Temp where we have a greater exposure to the Automotive sector.

Temp margin and mix was up 3% versus the prior year, and as I mentioned earlier, volumes declined by 8%. Client cost controls once again drove a 5% reduction in average hours worked but the comparable eases next quarter.

In Perm, activity levels remained subdued and fees decreased by 27% as client decision making slowed during the quarter.

At the specialism level, Technology and Engineering, our two largest specialisms, were down 13% and 18% respectively. Accounting & Finance was more resilient and down 3%, with Construction and Property up 12%.

Consultant headcount decreased by 3% in the quarter and by 13% YoY.

In **UK & IRELAND,** fees decreased by 14%.

Temp decreased by 11% but was sequentially stable. Perm slowed through the quarter with fees down 19%.

Fees in the private sector declined by 10%, while public sector was tougher with fees down 21% YoY.

At the specialism level, Accountancy & Finance and Technology decreased by 13% and 22% respectively. Construction & Property decreased by 5%, although Enterprise performed strongly and was up 11% driven by volume growth in existing contracts and new wins.

In Ireland, our fees decreased by 30%, against a challenging market.

Consultant headcount decreased by 6% in the quarter and 17% year-on-year.

In **ANZ,** fees decreased by 14% YoY.

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

Temp decreased by 9%, with Perm down 23%. The Private sector decreased by 11%, with the Public sector down 18%.

At the specialism level, Construction & Property decreased by 13%, while Accountancy & Finance and Technology decreased by 20% and 10% respectively.

ANZ consultant headcount was down 2% in the quarter and down 20% year-on-year.

In our **REST OF WORLD** division, comprising 28 countries, fees decreased by 9%. Temp fees increased by 3% but Perm declined by 16%.

In **EMEA ex-Germany**, Temp and Contracting fees declined by 1% YOY and were sequentially stable, but Perm, down 21%, slowed in several countries through the quarter. In **France,** our largest RoW country, fees were down 21%, and we saw a clear step-down in Perm activity during the quarter.

In **Americas,** fees increased by 2%. We saw return to growth in US, up 7%, and accelerating growth in Canada, up 10%. Both businesses are seeing improving momentum, particularly in the Enterprise market. Latam, down 26%, was more challenging.

Asia net fees decreased by 6%, with mixed but overall stable activity through the quarter. Net fee growth in Mainland China continued to accelerate, increasing by 18% YoY in the quarter, although Hong Kong remained tough, down 38%.

For RoW as a whole, consultant headcount increased by 1% in the quarter although it is down 13% year-on-year.

OUR STRATEGY TO BUILD A STRUCTURALLY MORE PROFITABLE AND RESILIENT BUSINESS

Before moving to current trading, I wanted to take a few moments to update you on our initiatives to build a structurally more profitable and resilient business underpinned by our culture and talented colleagues worldwide.

Through our Five Levers, we will achieve this by increasing our exposure to the most in-demand future job categories, growing industries and end-markets, higher skilled and higher paid roles, non-perm recruitment and large Enterprise clients. Our strategy is not ‘one-size-fits-all’ and we will tailor each region and country to its market and customer needs.

Despite challenging markets, we are delivering on our strategy and have made good progress during the quarter. Consultant fee productivity increased by 4% YOY, net fee growth in Enterprise accelerated to 12%, and our structural cost savings initiatives are progressing well.

Within Temp & Contracting, net fee growth exited the quarter at -5% and YOY growth was positive in five of our eight Focus countries in Q2.

Business line prioritisation, optimised resource allocation, and scaling our eight Focus countries will establish a broader base and 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 H1 pre-exceptional operating profit of c.£25m, towards the bottom of the consensus range. Given ongoing economic uncertainty, our New Year Temp & Contracting ‘return to work’ will again be particularly

important in FY25 and we are closely monitoring activity levels, but it is too early to gauge meaningful trends at this stage.

2. It is also too early to say if Perm weakness in EMEA, UK&I, and Germany through the quarter reflects a more sustained market slowdown, or shorter-term deferrals of client and candidate decision making. However, we expect near-term market conditions to remain subdued.
3. In countries where we see headwinds to net fees we will continue to focus on improving productivity. Elsewhere, we are modestly adding headcount in North America and parts of Asia where activity levels and net fees are increasing. Overall, we expect consultant headcount to remain broadly stable in Q3 and we continue to work on our back office efficiency programmes.
4. At a Group level there are no material working-day effects in H2 FY25. However, Easter falls entirely in Q4, while in FY24 it was evenly split between Q3 and Q4. We expect this to have a c.1% positive impact on year-on-year net fee growth in Q3 FY25, with a corresponding c.1% headwind to Q4 FY25.
5. 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 H1 results on 20th February. Should anyone have any follow up questions, Kean, Rob and I will be available to take calls for the rest of the day.