

# HAYS PLC

## INVESTOR CALL SCRIPT – Q1: 11 October 2024

### 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 14%, with Temp down 10% and Perm down 20%. Net fees in the quarter were down as expected, reflecting the tough market conditions, particularly in Perm where we see longer time to hire and low levels of confidence which we expect to continue.

The Group's September net fee exit rate was in-line with the quarter overall.

I would highlight the following key items from the results:

1. In our Temp business, fees decreased by 10%, against a strong prior year comparator. Group average Temp volumes decreased by 7% YoY, including Germany down 9%, ANZ down 17%, UK&I down 10% and EMEA up 6%. On a sequential basis, Temp volumes remained stable overall and average Group Temp margin was flat YoY.
2. Perm fees decreased by 20%, driven by volumes down 23%. This was partially offset by an increase in our Group average Perm fee of 3%. Activity levels remained subdued but stable through the quarter and we

- continue to see longer than normal 'time-to-hire', impacted by low levels of client and candidate confidence.
3. Consultant productivity was up 5% YoY driven by our continued focus on operational rigour and resource allocation. Consultant headcount was reduced by 2% in the quarter and is now down 18% versus prior year. We also closed seven offices across the Group, predominantly in the US and UK.
  4. Our programme to deliver structural savings of c.£30m per annum by the end of FY27 is progressing well and, as a result of our actions, our periodic cost base is currently c.£80m or slightly below, lower than our previous guidance of c.£82m and we expect this to reduce further through Q2 as we continue to make progress on this programme.
  5. The Group's net cash position was c.£nil, in line with our expectations, down from £56.8m in June 2024 and driven by normal cash outflows through the summer months and c.£10m cash outflow from exceptionals.

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

Our largest market of **GERMANY** saw fees down 13% YoY, or 15% on a working-day-adjusted basis.

Temp & Contracting fees decreased by 12% YoY, or down 14% working-day-adjusted with Contracting showing greater resilience but more challenging conditions in Temp where we have a greater exposure to the Automotive sector.

Temp margin and mix was flat versus the prior year, and as I mentioned earlier, volumes declined by 9%. The headwind from fewer average hours worked moderated to minus 5% in Q1, driven by client cost controls and adverse placement mix changes.

In Perm, activity levels remained subdued and decreased by 17%.

At the specialism level, Technology and Engineering, our two largest specialisms, were down 15% and 18% respectively. Accounting & Finance was more resilient and up 1%, with Construction and Property up 3%.

Consultant headcount decreased by 1% in the quarter and by 11% YoY.

In **UK & IRELAND**, fees decreased by 20%.

Temp decreased by 16%, with Perm down 26%. Activity levels remain subdued but sequentially stable in the Private sector, where net fees declined by 18%. The public sector was tougher with fees down 25% YoY and where we saw modest sequential Temp volume reductions through the quarter.

Perm remains tough but sequentially stable and was down 26% vs prior year.

At the specialism level, Accountancy & Finance and Technology decreased by 23% and 32% respectively. Construction & Property decreased by 12%, although Enterprise was more resilient, up 1%.

In Ireland, our fees decreased by 24%.

Consultant headcount decreased by 2% in the quarter and 17% year-on-year.

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

Temp decreased by 13%, with Perm down 32%. The Private sector decreased by 21%, with the Public sector down 17%.

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

At the specialism level, Construction & Property decreased by 19%, while Accountancy & Finance and Technology decreased by 20% and 12% respectively.

New Zealand remained tough, with fees down 42%.

ANZ consultant headcount was flat in the quarter and down 27% year-on-year, which drove an increase in consultant productivity for the third consecutive quarter.

In our **REST OF WORLD** division, comprising 28 countries, fees decreased by 9%, with activity stable through the quarter. Perm decreased by 16%, with Temp fees up 3% driven by volume growth.

EMEA ex Germany, the Americas and Asia were down 11%, 2% and 10% respectively with overall activity stable across all three regions through the quarter.

In **France**, our largest RoW country, fees were down 17% against a record prior year comparator. However, the Olympics impact was more modest than feared and consultant productivity increased by 7%.

**North America** has been an early beneficiary of our business line prioritisation, resource reallocation, and operational efficiency initiatives. These actions have improved consultant productivity by 30% YoY and significantly improved profitability versus losses made in Q1 FY24.

**Asia** profits increased by 7% versus the prior year, driven by Mainland China fees up 11%, returning to profitability.

For RoW as a whole, consultant headcount decreased by 2% 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 in both Temp and Perm are sequentially stable in ANZ, EMEA, Asia and the Americas but remain at subdued levels driven by low levels of client and candidate confidence and longer time to hire.

The UK&I has seen a modest sequential reduction in Temp volumes in the Public sector, while Perm remains tough but stable with no clear signs of improvement in activity.

In Germany, Contracting volumes are stable and in line with our expectations, whereas Temp is more challenging due to our exposure to the Automotive sector. We continue to see the impact of lower Temp & Contracting hours worked and currently anticipate a c5% headwind in Q2. Perm activity remains at a subdued but stable levels.

2. We believe our consultant headcount capacity is appropriate for current market conditions and expect this will remain broadly stable in Q2 25.
3. It is difficult to predict the shape of FY25 given we only have limited forward visibility, but based on what we currently know, unless we see a material recovery in end markets, we continue to expect that pre-exceptional operating profit 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 Q2 results on 15th January. Should anyone have any follow up questions, Kean, Rob and I will be available to take calls for the rest of the day.