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QUARTERLY UPDATE

FOR THE THREE MONTHS ENDED 31 DECEMBER 2019

16 January 2020

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Financial summary

Growth in net fees for the quarter ended 31 December 2019 (Q2 FY20)

(versus the same period last year)	Growth	
	Actual	**LFL**
By region		
Australia & New Zealand (ANZ)	(11)%	**(7)%**
Germany	(12)%	**(9)%**
United Kingdom & Ireland (UK&I)	(4)%	**(4)%**
Rest of World (RoW)	(1)%	**1%**
Total	(7)%	**(4)%**
By segment		
Temporary	(5)%	**(3)%**
Permanent	(8)%	**(6)%**
Total	(7)%	**(4)%**

Note: unless otherwise stated, all growth rates discussed in this statement are LFL (like-for-like) fees, representing year-on-year organic growth of continuing operations at constant currency.

Highlights

- Group fees down 4%, with an exit rate down 6%. Specific external events in France, Australia and the UK, together c.45% of Group fees, drove a deceleration in December. Given tough market conditions, continuing strategic investments and adverse FX moves, we anticipate H1 FY20 operating profit of c.£100 million
- **Australia & New Zealand (ANZ):** net fees down 7%, with a resilient performance in Temp, down 2%. Perm down 15%, impacted by tough private sector markets and, latterly, the catastrophic bushfires
- **Germany:** net fees fell by 9% in tough macroeconomic conditions, with increased client cost controls and reduced overall business confidence across multiple sectors. Temp & Contracting net fees down 10%, with Perm down 3%
- **UK & Ireland (UK&I):** net fees down 4%, with Temp and Perm decreasing by 1% and 7% respectively. Private sector significantly impacted by economic and political uncertainty and fell by 8% in the quarter
- **Rest of World:** net fee growth of 1%. EMEA ex-Germany declined by 1%, and slowed in December, particularly France which fell 3% overall, impacted by the general strike. The Americas grew by 6%, led by strong USA fees, up 13%. Asia fees flat, with strong growth in Japan of 12% but China down 9%
- Group consultant headcount was down 1% in the quarter and by 2% year on year
- Cash performance has been good. After paying £121.6 million of special and final dividends in November, we ended Q2 with c.£15 million cash (30 Sept 2019: c.£90 million, 31 Dec 2018: £32.5 million)

Commenting on the Group's performance, Alistair Cox, Chief Executive, said:

"Growth slowed markedly in December, driven by specific events in key markets: general strikes in France, tragic Australian bushfires and the UK election. Each event impacted markets already facing challenging economic conditions and low business confidence. Germany weakened further, with economic uncertainties driving increased client cost controls. The Americas performed well, with the USA a standout, while Asia was flat. Conditions in the UK remained uncertain, particularly before the election, although the result may provide impetus over time."

"The rebound from these events and our New Year 'return to work' are thus particularly important, and we are closely monitoring activity levels. Overall, we expect near-term macro conditions to remain difficult, but see continued opportunities for growth in key specialisms like IT. Our task is to balance such investment opportunities with managing our cost base, while protecting our infrastructure and market leadership. Our highly experienced management teams, combined with our financial strength, gives us confidence in achieving this balance."

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Group

In the second quarter, ended 31 December 2019, Group net fees decreased by 7% on a headline basis and by 4% on a like-for-like basis against the prior year. The strengthening of Sterling, primarily versus the Euro and Australian Dollar, reduced our reported net fee growth.

Like-for-like net fees in our Temp and Perm businesses declined by 3% and 6% respectively. Temp represented 58% of Group net fees, and Perm 42%.

The Group net fee exit rate was down 6%. It was materially impacted by the general strike in France, tragic bushfires in Australia, the UK election and, to a lesser extent, a further slowdown in activity in Germany. When combined with our continuing investments in strategically important, long-term growth markets, plus recent adverse FX movements, we anticipate that H1 FY20 operating profit will be around £100 million.

We are closely monitoring the rebound from these events, plus our New Year 'return to work' levels. During the quarter, we reviewed our cost base in detail, and as a result we expect our overhead costs to reduce by c.£5 million in the second half. Additionally, given the step down in Germany, we are reviewing the cost base of that business.

Consultant headcount decreased by 1% in the quarter and by 2% year-on-year. We expect Group headcount to be down in Q3 FY20. During the quarter we opened one new office in Australia.

Our main markets of Germany, ANZ and UK&I each had the same number of trading days versus the prior year, meaning there were no material trading day impacts in the quarter. Looking ahead, Easter falls entirely in our fourth quarter. We therefore expect minimal impact from the timing of Easter on our growth rates in Q3 and Q4 FY20.

For comparison purposes, if we re-translate our FY19 profits of £248.8 million at current exchange rates (AUD1.8870 and €1.1701 as at 14 January 2020), the actual reported result would be c.£245 million. This is c.£3 million lower than the position at our Q1 trading update in October and represents a c.£9 million reduction versus the number stated at our preliminary results in August 2019. Looking forward, exchange rate movements remain a material sensitivity to the Group's reported profitability.

Australia & New Zealand (17% net fees)

The bushfires in Australia are a tragic and unprecedented situation and our first priority is the safety and well-being of our colleagues, temps and clients. We will do everything we can to provide any support that they need at this very difficult time.

Net fees in Australia & New Zealand (ANZ) declined by 7%, versus a tough growth comparative. Having been broadly sequentially stable in October and November, the Perm market slowed materially in December, with sentiment heavily impacted by the bushfires.

Our Temp business, which represented 70% of our ANZ net fees, was resilient and declined by 2%, while Perm net fees fell by 15%. Public sector net fees, which represented 37% of ANZ, decreased by 2% while Private sector net fees fell by 9%.

Australia net fees decreased by 7%. Our largest regions of New South Wales and Victoria, which represented 56% of Australia net fees, declined by 7% and 11% respectively. Queensland decreased by 6%, Western Australia by 5% and ACT by 4%.

At the Australian specialism level, Office Support fell by 19%, and Construction & Property, our largest business representing c.20% of Australian net fees, remains challenging and declined by 14%. Accountancy & Finance was also difficult and reduced by 14%, while IT fell by 2%. However, net fee growth in HR was strong at 12%, and Sales & Marketing grew by 4%.

New Zealand (which represented c.5% of ANZ net fees) grew by a solid 4%.

Consultant headcount decreased by 1% in the quarter and by 6% year-on-year.

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Germany (26% net fees)

Net fees fell by 9% in Germany, versus a tough growth comparative. There are broad signs of reduced business confidence and increased levels of client cost control, particularly evident in the Manufacturing and Automotive sectors. There are also clear signs that weakness has begun to spread to the Financial and Services sectors.

Our Temp & Contracting business, which represented 83% of Germany net fees, decreased by 10% as we experienced a c.4% reduction in assignment volumes, plus a reduction in average hours worked per Contracting & Temp assignment of c.6% year-on-year. Perm, which represented 17% of Germany net fees, also slowed and declined by 3%.

Our largest Germany specialism of IT decreased 6%, while our second largest, Engineering, declined by 12%. Construction & Property and Accountancy & Finance were also tough, down 17% and 9% respectively. However, Sales & Marketing and Legal grew by a strong 16% and a good 7% respectively.

Consultant headcount decreased by 2% in the quarter and by 4% year-on-year.

United Kingdom & Ireland (23% net fees)

Net fee growth in the United Kingdom & Ireland (UK&I) decreased by 4%. Growth in our Public sector business, which represented 31% of UK&I net fees, was good at 8%. In the Private sector, net fees fell by 8%, significantly impacted by continued economic and political uncertainty. Candidate confidence weakened through the quarter, and client confidence also reduced, particularly in December.

Net fees in Temp, which represented 59% of UK&I net fees, decreased by 1%, although Perm markets were tougher and net fees decreased by 7%.

All regions traded broadly in line with the overall UK business, with the exception of Northern Ireland which grew by 4%, and the North West, down 12%. Our largest UK region of London fell by 1%, and in Ireland our business declined by 7%.

At the specialism level, IT delivered strong growth with net fees up by 11%. Accountancy & Finance and Office Support fell by 4% and 3% respectively, while Construction & Property fell by 8%. After a number of difficult quarters, Education showed some signs of stabilisation, with net fees down 3%.

Consultant headcount decreased by 1% in the quarter but increased by 1% year-on-year, driven by investment in our IT specialism.

Rest of World (34% net fees)

Our Rest of World (RoW) division, comprising 28 countries, delivered net fee growth of 1%, versus a tough growth comparative. Perm, which represented 66% of RoW net fees, fell by 4% while Temp grew a strong 12%. Five countries delivered growth of more than 10%.

EMEA ex-Germany (59% of RoW net fees) net fees decreased by 1%. Fees were sequentially stable in October and November, however we saw a significant step down in growth in December, primarily in our largest RoW country of France, which was impacted by the general strike and declined by 3% overall in the quarter. The Netherlands was tough, down 12%, and Spain fell by 2%. Growth in Italy and Belgium was good, up 9% and 6% respectively.

The Americas (23% of RoW) increased net fees by 6%. This was driven by a strong quarter in the USA, our second-largest RoW country, with 13% growth. Mexico grew by a superb 57% and Brazil by 1%, although Canada was weaker and fell by 5%.

Asia (18% of RoW) was flat overall, led by strong 12% growth in Japan. China, our largest Asian country, declined by 9%, with conditions in Hong Kong SAR becoming increasingly difficult and net fees declining by 10%. Malaysia grew by an excellent 25%.

Consultant headcount increased by 1% in the quarter but decreased by 1% year-on-year.

Cash flow and balance sheet

Cash flow and balance sheet

Net cash was c.£15 million as at 31 December 2019 (30 September 2019: c.£90 million; 31 December 2018: £32.5 million). This represents a good performance and was after the payment of £121.6 million of special and final dividends in November 2019.

Enquiries

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Conference call

Paul Venables and David Phillips of Hays plc will conduct a conference call for analysts and investors at 8:00am United Kingdom time on 16 January 2020. The dial-in details are as follows:

Dial-in number	+44 (0) 20 3003 2666
Dial-in number (UK toll free)	+44 (0) 80 8109 0700
Password	Hays

The call will be recorded and available for playback for seven days as follows:

Replay dial-in number	+44 (0) 20 8196 1998
Access code	4656156#

Reporting calendar

Half-year results for the six months ended 31 December 2019	20 February 2020
Trading update for the quarter ending 31 March 2020	16 April 2020
Trading update for the quarter ending 30 June 2020	16 July 2020
Full-year results for the year ending 30 June 2020	27 August 2020

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Hays Group overview

As at 31 December 2019, Hays had c.11,600 employees in 266 offices in 33 countries. In many of our global markets, the vast majority of professional and skilled recruitment is still done in-house, with minimal outsourcing to recruitment agencies, which presents substantial long-term structural growth opportunities. This has been a key driver of the diversification and internationalisation of the Group, with the International business representing c.77% of the Group's net fees, compared with 25% in 2005.

Our c.7,800 consultants work in a broad range of sectors. Our expertise stretches across 20 professional and skilled recruitment specialisms, and as at 30 June 2019 our three largest sectors of IT (23% of Group net fees), Accountancy & Finance (15%) and Construction & Property (13%) together represented 51% of Group net fees.

In addition to this international and sectoral diversification, the Group's net fees are generated 58% from temporary and 42% permanent placement markets, and this balance gives our business model relative resilience.

This well-diversified business model continues to be a key driver of the Group's financial performance.

Cautionary statement

This announcement contains inside information.
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