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QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2021

13 April 2021

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Financial summary

Growth in net fees for the quarter ended 31 March 2021 (Q3 FY21)

(versus the same period last year)	Growth	
	Actual	**LFL**
By region:		
Australia & New Zealand (ANZ)	(5)%	**(13)%**
Germany	(4)%	**(5)%**
United Kingdom & Ireland (UK&I)	(14)%	**(14)%**
Rest of World (RoW)	(10)%	**(8)%**
Total	(9)%	**(10)%**
By segment:		
Temporary	(6)%	**(7)%**
Permanent	(13)%	**(13)%**
Total	(9)%	**(10)%**

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.

Overview

- Fees down 10% (Q2 21: (19)%). Although markets remain impacted by the pandemic, Temp and especially Perm activity improved in all regions. Encouragingly, we saw strong sequential fee growth, particularly in March
- Given improving fees and good underlying cost management, and assuming a continuation of current market conditions, FY21 operating profit is expected to be at least £85 million
- **Australia & New Zealand:** fees down 13%, with momentum improving gradually through the quarter, particularly in Perm. Temp and Perm fees declined by 14% and 10% respectively
- **Germany:** fees down 5%, with good sequential improvement through the quarter as business confidence improved. Fees in our largest market of Contracting declined by 4%, with improving volumes. Temp fees were down 1%, driven by record hours per Temp worker and high Temp utilisation. Perm fees down 16%
- **UK & Ireland:** fees down 14%, with momentum improving through the quarter, particularly in Perm. Temp & Perm down 12% and 18% respectively, while the Public sector again showed resilience, down 8%, despite school closures impacting Education fees
- **Rest of World:** fees down 8%. EMEA ex-Germany down 10%, with France and Belgium down 16% and 15%, while Switzerland and Italy grew by 2% and 7% respectively. Americas fees down 8%, helped by flat fees in the USA. Asia down 2%, led by China up 20%, partly helped by easier growth comparatives
- Group consultant headcount was up 3% in the quarter and down 12% year-on-year
- Cash collection remains strong, with underlying net cash of c.£385 million (31 December 2020: £379.5 million; 30 June 2020: £366.2 million). All short-term tax deferrals have now been paid in full

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

"Despite our markets remaining impacted by the pandemic, we continued to see improving momentum across the quarter and I am pleased to say Group fees were ahead of our expectations. This was most evident in our largest market of Germany, driven by increased business confidence and client investments. Australia and the UK saw improvement, particularly in Perm, while fees in the Americas and Asia both grew sequentially, led by the USA and China. Overall, there are clear signs of skill shortages in certain industries, notably Technology and Life Sciences.

"Looking ahead, we expect operating profit for FY21 to be at least £85 million, ahead of market expectations(1). This is despite making significant investments in our 'Return to Growth' programme, which is on-track and performing well. Our market-leading positions, strong management teams globally and financial strength mean we are well-placed to capitalise on the opportunities we see. We are confident we will continue to take further market share as clients and candidates look for our expert recruitment guidance, both during and after COVID."

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Group

Q3 trading overview and sequential fee progress

The Board remains extremely grateful for the commitment and innovation shown by our colleagues as they continue to operate through challenging circumstances, including third-wave lockdowns in most of Europe.

In our third quarter, Group net fees continued to be impacted by the pandemic, decreasing by 10% on a like-for-like basis versus the prior year. On an actual basis, net fees decreased by 9%, with the weakening of Sterling versus the Australian Dollar and the Euro modestly increasing our reported net fees. Overall consultant engagements with clients and candidates increased during the quarter and since the onset of the pandemic, the Group's quarterly net fee trend has improved from minus 34% (Q4 FY20) to minus 29% (Q1 FY21), minus 19% (Q2 FY21) and now minus 10%. For reference, fees in Q3 FY20 declined by 7%.

Like-for-like net fees in Temp (61% of Group fees) and Perm (39% of Group fees) declined by 7% and 13% respectively. Encouragingly, in Temp we have seen a lengthening of the average duration of assignments, together with an increase in average Temp hours worked, helped by very low levels of Temp worker vacations and sickness. Perm activity also significantly increased in February and March.

Overall, our largest specialism of IT (c.26% of Group fees) fell by 7%, Construction & Property fell by 11% and Accountancy & Finance by 17%. Life Sciences grew by a strong 12%, and our large Corporate Accounts business, Hays Talent Solutions, was again resilient, with fees down 1%.

FY21 operating profit outlook and Group headcount

Activity levels improved in all regions and we saw strong sequential Group fee growth, particularly in March which encouragingly delivered our highest period[2] of net fees since the start of the global pandemic. March 2021 fees were c.4% above March 2020 fees, although remain c.13% below March 2019. To date, second and third-wave lockdowns have had minimal negative impact on our fees. However, the unpredictable nature of the pandemic means our forward visibility remains limited.

Our cost base increased slightly over the quarter to an average of c.£68 million per period[2], primarily as consultant commissions increased proportionately with the rise in net fees, together with the additional cost of increased consultant headcount. We continue to tightly manage all discretionary costs, but also recognise that lockdowns and travel restrictions mean our non-payroll costs remain artificially low, c.£3.5 million per period[2] below pre-pandemic levels. As restrictions ease and offices reopen, we expect some of these costs will increase, especially in FY22.

As a result of improving net fee performance and good cost control, Group operating profit for FY21 is expected to be at least £85 million.

This includes c.£15 million of operating expenditure relating to our 'Return to Growth' (RTG) investment programme. As previously guided, c.£11 million of RTG investment is expected in H2, and is included in the above cost base per period[2]. We remain confident that our RTG projects, targeting attractive structural growth sectors including IT, Life Sciences and large Corporate Accounts, will accelerate medium-term growth and position Hays to take further market share. We anticipate investing at least the same net amount in RTG projects in FY22.

Group consultant headcount increased by 3% in the quarter and decreased by 12% year-on-year. Overall, we expect Group headcount will increase by a further 2-4% in Q4 FY21, as we invest in both our 'Return to Growth' investment programme and in other recruitment specialisms. The positive fee momentum noted above has significantly improved our average productivity per consultant to historically high levels and, going forward, material fee growth will increasingly be driven by additional consultant headcount.

As with FY20, Easter falls entirely in our fourth quarter. We therefore expect no material year-on-year working day effects in Q4 FY21.

(1) As at 12 April 2021, Bloomberg reports market consensus operating profit for the year to 30 June 2021 to be c.£61 million.

(2) Due to the cycle of our internal Group reporting, the Group's annual cost base equates to c.12.5x our cost base per period. We report our annual fees over 13 periods, based on a mixture of four-weekly and monthly reporting businesses This is consistent with prior years.

Australia & New Zealand (17% net fees)

Net fees in Australia & New Zealand (ANZ) declined by 13%, against a relatively resilient Q3 FY20, particularly in Temp. Overall net fees improved modestly through the quarter, with Perm rebounding faster than Temp.

Our Temp business, which represented 69% of our ANZ net fees, reduced by 14% while Perm net fees fell by 10%. Public sector net fees, which represented 36% of ANZ, decreased by 10%, while Private sector net fees fell by 15%.

Australia net fees decreased by 14%. Our largest regions of New South Wales and Victoria, which represented 51% of Australia net fees, declined by 16% and 21% respectively. South Australia, ACT and Queensland demonstrated relative resilience, down 3%, 6% and 11% respectively.

At the Australia specialism level, Construction & Property, our largest business, declined by 17%. Accountancy & Finance, IT and Office Support were also difficult, down 25%, 16% and 15% respectively, although HR grew by a good 7%. Our other smaller specialisms collectively fell by 4%.

New Zealand decreased by 1%, as momentum improved following the relaxing of lockdown rules.

ANZ consultant headcount increased by 7% in the quarter and declined by 6% year-on-year.

Germany (27% net fees)

Net fees in Germany fell by 5%, with good sequential fee improvement through the quarter. Overall business confidence continued to improve, including increased client investments, particularly in Contracting.

Our largest Germany specialism of IT decreased by 9%, while our second largest, Engineering, declined by 10%. Accountancy & Finance fell by 6%, although Life Sciences and Construction & Property were both much stronger and each grew by 15%. We also saw solid growth in fees in the Public sector (14% of Germany fees), which increased by 4%.

Our largest area of Contracting (c.56% of Germany net fees), which is primarily in the IT sector and where we operate a freelance model, declined by 4%, with improving volumes.

Temp (c.29% of Germany net fees), where we employ temporary workers as required under German law, primarily in Automotive and Manufacturing sectors, saw net fees decline by 1%. Average Temp volumes, while down versus prior year, improved through the quarter. We also saw record hours per Temp worker, driven by very high levels of Temp utilisation, mainly due to low vacation and sickness levels, some of which will reverse in the coming months. As expected, there were no temp severance costs in the quarter.

Perm, which represented c.15% of Germany net fees, declined by 16%.

Consultant headcount increased by 3% in the quarter and declined by 5% year-on-year.

United Kingdom & Ireland (22% net fees)

Net fees in the United Kingdom & Ireland (UK&I) declined by 14%, but with improved momentum, particularly in Perm. Our largest business of Temp, 63% of UK&I fees, fell by 12% while Perm fees decreased by 18%.

The Private sector, 66% of UK&I net fees, declined by 17%. The Public sector again showed relative resilience and decreased by 8%, despite c.£2 million lower Education fees as schools were closed due to the pandemic for much of the quarter. Encouragingly, activity in Education has significantly rebounded since schools reopened.

All regions traded broadly in line with the overall UK business, apart from the South West & Wales and Northern Ireland, which both declined by 10%, and Scotland and the North, down 20% and 19% respectively. Our largest UK region of London fell by 17%, and in Ireland our business decreased by 11%.

At the specialism level, Life Sciences and IT again performed resiliently, with fees down 3% and 4% respectively. Our large Corporate Accounts business, Hays Talent Solutions, again substantially outperformed the UK average, with flat fees. Construction & Property and Office Support both saw improved momentum, down 13% and 12% respectively, although Accountancy & Finance and Education remained tough, down 25% and 34% respectively, with the latter driven by school closures.

Consultant headcount increased by 3% in the quarter and declined by 17% year-on-year.

Rest of World (34% net fees)

Our Rest of World (RoW) division, comprising 28 countries, saw net fees decline by 8%, with improvement across all sub-regions. Perm, which represented 65% of RoW net fees, decreased by 11%. Temp was more resilient and declined by 2%.

EMEA ex-Germany (61% of RoW net fees) net fees decreased by 10%. Fees in France, our largest RoW country, declined by 16%, while Belgium and Spain declined by 15% and 14% respectively. Poland again demonstrated relative resilience, with flat fees, while encouragingly Italy and Switzerland both grew, by 7% and 2% respectively.

The Americas (22% of RoW) net fees decreased by 8%. The USA, our second-largest RoW country, showed strong momentum through the quarter and delivered flat fees, including a record performance in March, although Canada was weaker and declined by 17%. Latin America fell by 20%, including Brazil down 6%.

Asia (17% of RoW) net fees decreased by 2%, helped in part by easier year-on-year growth comparatives given the pandemic started earlier in parts of Asia. China, our third largest RoW country, grew by an excellent 20%, with Mainland China again significantly outperforming Hong Kong. Singapore grew by 1% and Malaysia declined by 4%, although Japan remained tough with fees down 23%.

RoW consultant headcount increased by 2% in the quarter and declined by 14% year-on-year.

Cash flow and balance sheet

Underlying net cash of c.£385 million as at 31 March 2021 (31 December 2020: £379.5 million; 30 June 2020: £366.2 million). Cash collection from our clients remained strong, and during the quarter we paid the last remaining pandemic-related short-term tax payment deferrals.

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 9:00am United Kingdom time on 13 April 2021. The dial-in details are as follows:

Dial-in number	+44 (0) 330 551 0200
Dial-in number (UK toll free)	+44 (0) 808 109 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 1480
Access code	7065337#

Reporting calendar

Trading update for the quarter (Q4 FY21) ending 30 June 2021	15 July 2021
Preliminary results for the year (FY21) ending 30 June 2021	26 August 2021
Trading update for the quarter (Q1 FY22) ending 30 September 2021	14 October 2021
Trading update for the quarter (Q2 FY22) ending 31 December 2021	18 January 2022

Hays Group overview

As at 31 December 2020, Hays had c.10,000 employees in 257 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.78% of the Group's net fees in H1 FY21, compared with 25% in FY05.

Our consultants work in a broad range of sectors covering 20 professional and skilled recruitment specialisms, and during H1 FY21 our three largest specialisms of IT (26% of Group net fees), Accountancy & Finance (14%) and Construction & Property (12%) together represented 52% of Group fees.

In addition to our international and sectoral diversification, in H1 FY21 the Group's net fees were generated 62% from temporary and 38% from 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.

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Purpose, Net Zero, Equality and our Communities

Our purpose is to benefit society by helping people succeed and enabling organisations to thrive, creating opportunities and improving lives. Becoming lifelong partners to millions of people and thousands of organisations also helps to make our business sustainable.

Our key company value is that we should always try to focus on doing the right thing. As part of this, Hays has endorsed three United Nations Sustainable Development Goals (UNSDG's) - Decent Work & Economic Growth, Gender Equality and Climate Action. These call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt.

We believe that responsible companies should have Equality, Diversity & Inclusion at their heart. Our global ED&I council helps co-ordinate and drive our actions, sharing best practice.

As a business which exists to help people further their careers and fulfil their potential, the goal of Decent Work already sits very close to Hays' purpose. Over the last four years we have placed over one million people worldwide in their next job. We are proud of this as it helps the individual, their employer and society in general. We have reinforced our Decent Work and Economic Growth commitment through the launch of Hays Thrive, our free-to-use online Training & Wellbeing platform, which is designed to help candidates upskill and to help employees deal with very difficult times.

We also believe we have a significant role to play in combating climate change. Accordingly, as part of our ongoing commitment to Environmental, Social & Governance matters (ESG), we will set material, ongoing carbon reduction targets across our businesses, and we will become 'Net Zero' in terms of carbon emissions by the end of 2021. We also recognise the significant opportunities which 'Green' and 'Sustainable' economies present. We are already a large recruiter of skilled workers into low carbon, social infrastructure and ESG roles, and we are actively looking to grow our ESG talent pools, helping to solve global skill and talent shortages.

Cautionary statement

This announcement contains inside information.
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