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QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 JUNE 2021

15 July 2021

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Financial summary

Growth in net fees for the quarter ended 30 June 2021 (Q4 FY21)

(versus the same period last year)

	Growth	
	Actual	**LFL**
By region:		
Australia & New Zealand (ANZ)	33%	**28%**
Germany	34%	**38%**
United Kingdom & Ireland (UK&I)	48%	**48%**
Rest of World (RoW)	33%	**41%**
Total	36%	**39%**
By segment:		
Temporary	23%	**24%**
Permanent	61%	**67%**
Total	36%	**39%**

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

- Fees up 39%, with sequential quarterly growth and a strong performance in June. Sharp rebound in all regions, particularly in Perm with fees up 67%. We enter FY22 with positive trading momentum and are significantly investing in headcount to capitalise on strong end markets and rising business confidence
- FY21 operating profit is now expected to be c.£95 million, driven by improving fees and good underlying cost management
- **Australia & New Zealand (ANZ):** fees up 28%, with Perm delivering strong sequential improvement, up 114%. Temp up 5% versus a tough comparator which included one-off, pandemic-related contracts
- **Germany:** fees up 38%. Strong rebound in Temp & Contracting, up 39% and including record year-end Contractor volumes, plus higher than normal Temp hours worked. Perm fees up 33%
- **UK & Ireland (UK&I):** fees up 48%, led by a strong Perm performance, up 94%, with Temp up 27%. The Private sector rebounded sharpest, up 58%, with Public sector fees up 31%
- **Rest of World (RoW):** fees up 41%, led by Perm, up 56%. EMEA ex-Germany up 41%, with Spain, Italy and France up 83%, 74% and 55% respectively. Americas fees up 56%, including a record quarter in the USA, up 55%, and Brazil up 126%. Asia up 25%, led by China and Malaysia, up 33% and 56% respectively
- Group consultant headcount up 6% in the quarter and 4% year-on-year
- Cash collection remains strong, with year-end net cash of c.£410 million (31 December 2020: £379.5 million; 30 June 2020: £366.2 million). As a reminder, all short-term tax deferrals were paid in full by Q3 FY21

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

"We continued to see good momentum throughout the quarter, particularly in Perm, and I am pleased to say Group fees and profits were ahead of our expectations. All our key markets rebounded significantly as business confidence rose and we saw strong recovery in our largest markets of Germany, Australia and the U.K. This was also mirrored in RoW, including nine record fee performances including the USA and China. There are clear signs of skill shortages and wage inflation in certain industries, particularly Technology and Life Sciences".

"We now expect FY21 operating profit of c.£95 million, ahead of market expectations(1), despite making significant headcount investment including c.£15 million as part of our 'Strategic Growth Investment' programme(2), which is performing well and likely to see a further c.£20 million of investment in FY22. We see many opportunities to build much bigger businesses and we are focused on positioning Hays to be the market leader in the most attractive long-term sectors and geographies. Our strong brand and management teams globally, and our financial strength, give me confidence that we will take further market share as the economic recovery continues."

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Group

Q4 trading overview and sequential fee progress

Group net fees continued to increase sequentially in our fourth quarter and were up 39% on a like-for-like basis versus the prior year, a period which included some of the most severe pandemic impacts. On an actual basis, net fees increased by 36%, with the strengthening of Sterling versus the Euro, US Dollar and Asian currencies reducing our reported net fees. Since the onset of the pandemic, the Group's quarterly net fee trend has improved sequentially and significantly from minus 34% (Q4 FY20) to minus 29% (Q1 FY21), minus 19% (Q2 FY21), minus 10% (Q3 FY21) and has now inflected to 39% growth. Overall consultant engagements with clients and candidates continued to increase during the quarter. Activity levels continued to improve in all regions, and encouragingly June delivered our highest period(3) of fees since the start of the pandemic.

In Q4 FY21, Group net fees were 8% below Q4 FY19, with ANZ down 7%, Germany down 9%, UK&I down 15% and RoW down 2%. As previously disclosed, Group fees in March 2021 were c.13% below March 2019.

Like-for-like net fees in Temp (58% of Group fees) and Perm (42% of Group fees) increased by 24% and 67% respectively. Perm activity continued to rebound much faster than Temp, although encouragingly we are entering FY22 with good momentum in both. In Temp, the trends identified in Q3 FY21, which included the lengthening of the average duration of assignments and an increase in average Temp hours worked, have both continued, helped in part by low levels of Temp worker vacations and sickness.

Our largest global specialism of IT (c.25% of Group fees) increased by 23% and fees are modestly above pre-pandemic levels. Construction & Property, Accountancy & Finance and Life Sciences increased by 53%, 41% and 45% respectively. Hays Talent Solutions (HTS), our large Corporate Accounts business, delivered a record quarter and grew fees by 23%, and continues to win market share. We enter FY22 with an excellent pipeline of HTS opportunities and we recently signed our largest-ever USA contract, which starts in August 2021.

Group headcount, FY21 operating profit outlook and impact of foreign exchange

Group consultant headcount increased by 6% in the quarter and by 4% year-on-year. Given our positive momentum, we are investing to position the Group for longer-term growth, and we expect consultant headcount will increase by a further c.5% in Q1 FY22. Fee growth in the quarter significantly improved our average productivity per consultant to historically high levels and, as flagged previously, further material fee growth in FY22 and beyond will increasingly be driven by additional consultant headcount. The majority of this headcount will be in our key recruitment specialisms, although some will form part of our 'Strategic Growth Investment' (SGI) programme(2).

Our cost base at the end of the quarter increased to c.£71 million per period(3), primarily driven by the increase in consultant headcount, together with higher consultant commissions, which increased proportionately with the rise in net fees. We continue to tightly manage all discretionary costs, although ongoing lockdown restrictions again meant our Travel & Entertainment expenses were still below normal levels. We expect these to increase modestly as normal business practices return.

As a result of improving net fees and good cost control, Group operating profit for FY21 is now expected to be c.£95 million. This includes c.£15 million of investment relating to our SGI programme(2). As previously guided, c.£11 million of SGI investment occurred in H2 FY21, and is included in the above cost base per period(3). We remain confident that our SGI 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 a further net c.£20 million in SGI projects in FY22.

The strengthening of Sterling versus our main trading currencies of the Euro and Australian dollar, particularly versus the average exchange rates seen in H1 FY21, will likely act as a headwind to Group operating profit in FY22. If we retranslate our FY21 operating profit guidance of c.£95 million at today's exchange rates, we would see a c.£4 million decrease in FY21 Group operating profit, and clearly FX movements will have a larger negative impact as Group operating profit increases in FY22.

(1) As at 14 July 2021, Bloomberg reports market consensus operating profit for the year to 30 June 2021 to be c.£90.9 million.

(2) Previously known as our 'Return to Growth' programme

(3) 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 (18% net fees)

Net fees in Australia & New Zealand (ANZ) increased by 28% (down 7% versus Q4 FY19), with Perm rebounding faster than Temp and momentum in both accelerating through the quarter.

Perm net fees, which represented 35% of ANZ, grew by an excellent 114%. Temp, 65% of ANZ, increased by 5%, against a growth comparator which included some one-off contract wins at the start of the pandemic. Public sector net fees, which represented 35% of ANZ, increased by 10%, with Private sector net fees up 39%.

Australia net fees increased by 23%. Our largest regions of New South Wales and Victoria, which together represented 53% of Australia net fees, grew by 26% and 27% respectively. South Australia performed stronger still, up 37%, with Queensland up 28%. ACT, which benefitted most from the one-off contracts in Q4 FY20, increased by 7%.

At the Australia specialism level, Construction & Property, our largest business representing c.18% of Australia fees, increased by 22%. Accountancy & Finance and Office Support rebounded even stronger, both up 54%, with HR up an excellent 62%. IT, which had performed relatively robustly in Q4 FY20, increased by 14%. Our other smaller specialisms collectively rose 10%.

New Zealand, c.7% of ANZ net fees, increased by an excellent 123%, and accelerated through the quarter.

ANZ consultant headcount increased by 8% in the quarter and by 17% year-on-year.

Germany (26% net fees)

Net fees in Germany increased by 38% (down 9% versus Q4 FY19), with good sequential fee improvement through the quarter. Overall business confidence continued to improve, with clients increasingly investing in new projects.

Our largest specialism of IT increased by 17%, with our second largest, Engineering, up 74%. Accountancy & Finance and Construction & Property grew by 26% and 29% respectively, with growth in Life Sciences much stronger, up 63%. Private sector fees (86% of Germany) increased by 39%, with the Public sector up 28%.

Our largest area of Contracting (c.54% of Germany net fees), which is primarily in the IT sector and which was relatively robust in Q4 FY20, increased by 6%. Encouragingly, we had a record year-end number of contractors on assignments.

Fees in Temp (c.29% of Germany net fees), which is mainly in Engineering & Manufacturing and where we employ temporary workers as required under German law, increased by 230%. Our Temp business was particularly hard-hit in the early stages of the pandemic, and the prior year comparative fees included significant Temp under-utilisation (net of support from the German short-time working scheme) and severance costs. Excluding these one-off prior year items, underlying Temp fees increased by 20%. Average Temp volumes continued to improve through the quarter, and we again saw very high levels of Temp utilisation, helped by 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.17% of Germany net fees, increased by 33%.

Consultant headcount increased by 1% in the quarter and by 4% year-on-year.

United Kingdom & Ireland (22% net fees)

Net fees in the United Kingdom & Ireland (UK&I) increased by 48% (down 15% versus Q4 FY19), with improved momentum. This was particularly evident in Perm, 40% of UK&I fees, up an excellent 94%, with Temp up by 27%. The Private sector, 67% of UK&I net fees, grew by 58% and the Public sector increased by 31%.

Most regions traded broadly in line with the overall UK business, apart from the North West, East of England and the Midlands, which grew by 101%, 70% and 63% respectively, and our largest region of London, which increased by 38%. In Ireland our business increased by 56%.

At the specialism level, Accountancy & Finance, IT and Construction & Property rebounded sharply, up 71%, 66% and 63% respectively and our fastest growth came in HR and Education, up 111% and 82% respectively. Hays Talent Solutions increased by 3% and Life Sciences declined by 9%, the latter versus tougher growth comparatives as we benefitted from one-off contract wins in Q4 FY20.

Consultant headcount increased by 7% in the quarter but decreased by 4% year-on-year.

Rest of World (34% net fees)

Our Rest of World (RoW) division, comprising 28 countries, saw net fees grow by 41% (down 2% versus Q4 FY19), with improvement across all sub-regions and including nine quarterly fee records. Perm, which represented 66% of RoW net fees, increased by 56% with Temp up 19%.

EMEA ex-Germany (58% of RoW net fees) net fees increased by 41%. Fees in France, our largest RoW country, grew by 55%, with Spain and Italy up 83% and 74% respectively. Belgium grew by 35%, with Switzerland delivering a record quarter, up 11% against a resilient prior-year performance.

The Americas (24% of RoW) net fees increased by 56%. The USA, our second-largest RoW country, delivered a record quarter and grew by 55%. Canada also saw improvement, up 49%. Latin America grew by 78%, including Brazil up an excellent 126%.

Asia (18% of RoW) net fees increased by 25%. China, our third-largest RoW country, grew by 33%, with a record in Mainland China which continues to significantly outperform Hong Kong. Malaysia and Singapore grew by 56% and 38% respectively, although Japan remained tougher with fees down 3%.

RoW consultant headcount increased by 8% in the quarter and by 7% year-on-year.

Cash flow, balance sheet and dividends

Group net cash at 30 June 2021 was c.£410 million (31 December 2020: £379.5 million; 30 June 2020: £366.2 million) as cash collection from our clients remained strong. As a reminder, in Q3 FY21 we paid the last remaining pandemic-related short-term tax payment deferrals.

As announced in our half-year results in February 2021, the Board intends to resume core dividends, with a single full-year payment based on 3x earnings cover, to be declared at our Prelims in August. As previously announced, the Board has also identified £150 million of surplus capital, which it intends to return to shareholders via special dividend, in two phases. We expect to commence with a £100 million payment, declared at our FY21 Prelims.

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 15 July 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	0742036#

Reporting calendar

Preliminary results for the year (FY21) ended 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
Half-year results for the six months ending 31 December 2021	24 February 2022

Hays Group overview

As at 30 June 2021, Hays had c.10,800 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 Q4 FY21 our three largest specialisms of IT (26% of Group net fees), Accountancy & Finance (13%) and Construction & Property (12%) together represented 51% of Group fees.

In addition to our international and sectoral diversification, in Q4 FY21 the Group's net fees were generated 58% from temporary and 42% 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 core company value is that we should always focus on doing the right thing. Linked to 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 Equity, 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 sits very close to Hays' purpose. Over the last four years we have placed well over one million people globally in their next job. We are proud of this as it helps the individual, their employer and society. We have reinforced our Decent Work & Economic Growth commitment through the launch of Hays Thrive, our free-to-use online Training & Wellbeing platform, which is designed to help people upskill and 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 Science-Based Targets for Carbon reduction, in line with the Paris Agreement. We will be Carbon Neutral by the end of 2021 and are well on the way to becoming 'Net Zero' in due course. 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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