

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2019

16 April 2019

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Financial summary

Growth in net fees for the quarter ended 31 March 2019 (Q3 FY19)
(versus the same period last year)

	Growth	
	Actual	LFL
By region		
Australia & New Zealand (ANZ)	0%	3%
Germany	5%	6%
United Kingdom & Ireland (UK&I)	3%	3%
Rest of World (RoW)	10%	9%
Total	5%	6%
By segment		
Temporary	4%	5%
Permanent	6%	7%
Total	5%	6%

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

Highlights

- Good net fee growth of 6% (underlying c.5% adjusted for the timing of Easter⁽¹⁾), led by 7% growth in our International businesses
- **Australia & New Zealand:** solid growth of 3% despite increasingly difficult comparatives and a tough Construction & Property market. Good Temp net fee growth of 6%, with Perm down 4%
- **Germany:** good net fee growth of 6%, despite tough comparatives and a more challenging macro-economic backdrop. Temp & Contracting net fees grew by 6%, with Perm up 7%
- **UK & Ireland:** solid growth of 3%, with Temp up 4% and Perm up 2%. Public sector net fees up 14%, with Private sector net fees down 1%
- **Rest of World:** good net fee growth of 9% against tough comparatives, including eight all-time quarterly records. Greater China and Canada delivered excellent growth, up 21% and 18% respectively. Our largest RoW business of France delivered good growth, up 8%, with Spain up a strong 18%
- Group consultant headcount down 1% in the quarter, although up 5% year-on-year and led by our International business up 7%
- Good cash generation, with net cash of c.£30m at 31 March 2019 (31 March 2018: c.£5m)

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

“Against increasingly tough comparatives, we have delivered another good quarter of broad-based growth, with net fees up 6% and 17 of our 33 countries growing above 10%. Asia performed strongly, up 12%, and our Americas business continued to do well, growing by 7%. Despite a mixed economic backdrop across Europe, our largest business of Germany grew by 6% and EMEA ex-Germany grew 10%. ANZ recorded its 19th consecutive quarter of growth, and despite political uncertainties our UK&I business produced another highly creditable performance, with net fees up 3%. Our underlying cash generation also continues to be good.

While we remain mindful of macroeconomic conditions, the outlook remains positive across most of our markets. Our consistent focus is to drive consultant productivity, while selectively investing in our key markets to reinforce our market leadership and capture the many opportunities the changing world of work is presenting us with. Our financial strength and highly experienced management teams give us an excellent platform to balance our short-term performance with our long term strategic goals.”

Group

In the third quarter, ended 31 March 2019, Group net fees increased 5% on a headline basis and 6% on a like-for-like basis versus the prior year. This represented our 24th consecutive quarter of year-on-year growth. The relative strength of Sterling against the Euro and Australian Dollar reduced our reported net fee growth.

Net fee growth was 5% in our Temp business and 7% in Perm, which represented 58% and 42% of net fees respectively.

Easter falls entirely in Q4 this year, whereas in FY18 it was split between Q3 and Q4. We estimate this had a c.1% benefit to Group net fees in Q3 FY19, with a corresponding c.1% negative impact anticipated in Q4 FY19. Additionally, Q4 FY19 has one fewer trading day year-on-year in Germany.

We estimate the exit rate, on a working day-adjusted basis, was broadly in line with the underlying performance of the quarter as a whole.

Consultant headcount was down 1% in the quarter and up 5% year-on-year, as we focused on driving productivity. During the quarter we added two offices to our network, in Utrecht, Netherlands and Bunbury, Australia, taking us to 264 offices worldwide.

Exchange rate movements remain a material sensitivity to the Group's reported profitability. If we re-translate FY18 profits of £243.4m at 12 April 2019 exchange rates (AUD1.8249 and €1.1581), we currently estimate a negative c.£4 million operating profit currency headwind for FY19. This represents a further negative c.£1 million move since we reported our half-year results on 21 February 2019, and a c.£7 million reversal from the position at our preliminary results on 30 August 2018.

Australia & New Zealand (17% net fees)

Australia & New Zealand (ANZ) delivered a solid quarter with net fees up 3% (underlying c.2%⁽¹⁾ adjusted for Easter), against increasingly tough year-on-year growth comparatives and mixed market conditions. This represented our 19th consecutive quarter of growth.

Our Temp business, which represented 67% of our ANZ net fees, grew by a good 6%, although our Perm business continued to be more subdued and declined 4%. Private sector net fees, which represented 66% of ANZ, grew by 1%, with public sector net fees up 7%.

Australia delivered a solid quarter of net fee growth, up 3%, although growth slowed over the quarter, mainly in Perm and in line with the broader market. Our largest regions of New South Wales and Victoria, which represented 59% of Australia net fees, were up 11% and 3% respectively. Queensland grew by 2%, and ACT by a good 9%, while South and Western Australia were tougher and fell by 14% and 12% respectively.

At the Australian specialism level, net fee growth in IT of 20% was again excellent, and HR grew by 9%. Construction & Property, our largest business in ANZ, remained tough and net fees declined 7%, and Accountancy & Finance fell 4%. We remain mindful that the upcoming Australian General Election may lead to a short-term market hiatus, particularly in public sector activity.

New Zealand trading (which represented c.5% of ANZ net fees) continued to be tough and net fees fell 8%, although, encouragingly, momentum improved through the quarter.

Consultant headcount in ANZ grew 1% in the quarter and was up 5% year-on-year.

Germany (27% net fees)

Our largest market of Germany delivered good net fee growth of 6% (underlying c.5%⁽¹⁾ adjusted for Easter), against tough comparatives and a more challenging macroeconomic backdrop.

Our Temp & Contracting business, which together represented 85% of Germany net fees, grew by 6%. Within this, Contracting, which represented 56% of Germany net fees, grew 3% and Temp, 29% of net fees, delivered growth of 14%. Growth in Perm net fees was good at 7%.

Our largest specialism of IT grew net fees by a good 9%, while growth in our second largest, Engineering, slowed to 2%, in part due to weaker Automotive markets. Growth in Accountancy & Finance was good at 7%, and Sales & Marketing strong at 19%.

Consultant headcount was flat in the quarter and increased 7% year-on-year.

United Kingdom & Ireland (23% net fees)

Net fee growth in the United Kingdom & Ireland (UK&I) was solid at 3% (underlying c.2%⁽¹⁾ adjusted for Easter), led by our public sector business, which represented 29% of UK&I net fees, up 14%. Net fees in our private sector business, 71% of UK&I net fees, fell 1%, with market conditions remaining broadly stable.

Both our Temp and Perm businesses were solid, growing net fees by 4% and 2% respectively.

All regions traded broadly in line with the overall UK business, with the exception of the South West & Wales and Northern Ireland, up 20% and 18% respectively, and Scotland and the North, down 12% and 6% respectively. Our largest UK region of London grew by 3%.

In Ireland, our business delivered another good performance, with net fees up 6%.

At the specialism level, IT again delivered strong growth in net fees, up 15%. Accountancy & Finance and Office Support grew by 6% and 4% respectively. Construction & Property was flat, and Education continues to be impacted by tough market conditions, with net fees down 6%.

Consultant headcount was flat in the quarter and year-on-year, as we continued to focus on driving productivity.

Rest of World (33% net fees)

Our Rest of World (RoW) division, comprising 28 countries, delivered good net fee growth of 9%, including eight country net fee records and growth of more than 10% in 17 countries.

EMEA ex-Germany produced strong growth of 10%, despite tough year-on-year comparatives. France, our largest RoW country by net fees, and Spain both delivered record net fee quarters, growing 8% and 18% respectively. Growth in Italy was excellent at 26%, however Belgium and the Netherlands continued to be tougher, with net fees falling by 7% and 9% respectively.

Asia delivered another strong performance overall, with net fees up 12%. Greater China, our third largest RoW country, grew by an excellent 21%, including Hong Kong up 34%, despite very tough comparatives. Japan was tougher, down 5%, although Singapore continued to rebound and delivered an excellent 29% growth.

Net fee growth in the **Americas** was good, up 7%, led by strong 18% growth in Canada. The USA, our second largest RoW country, was flat against a tough growth comparator from the prior year. Brazil grew by 2%, and Mexico returned to growth with net fees up 15%.

Consultant headcount in RoW was down 2% in the quarter, although up 9% year-on-year.

Cash flow and balance sheet

Underlying cash generation continues to be good, with net cash of c.£30 million as at 31 March 2019 (31 March 2018: c.£5 million; 31 December 2018: £32.5 million).

- (1) Easter falls entirely in Q4 FY19, whereas in FY18 Easter was split equally across our third and fourth quarters. We estimate this benefitted Q3 FY19 by c.1%, with a corresponding 1% negative impact anticipated in Q4 FY19.

Enquiries

Hays plc

Paul Venables	Group Finance Director	+44 (0) 20 7383 2266
David Phillips	Head of Investor Relations	+44 (0) 20 3486 2022

Finsbury

Guy Lamming		+ 44 (0) 20 7251 3801
Anjali Unnikrishnan		

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 April 2019. 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	2137863#

Reporting calendar

Trading Update for the quarter ending 30 June 2019	16 July 2019
Preliminary Results for the year ending 30 June 2019	29 August 2019
Trading Update for the quarter ending 30 September 2019	15 October 2019

Hays Group overview

As at 31 December 2018, Hays had c.11,600 employees in 262 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.8,000 consultants work in a broad range of sectors, with no sector specialism representing more than 23% of Group net fees at 31 December 2018. While Accountancy & Finance, Construction & Property and IT & Digital represent 51% of Group net fees, our expertise across 20 professional and skilled recruitment specialisms gives us opportunities to rapidly develop newer markets by replicating these long-established, existing areas of expertise.

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 Quarterly Update (the "Report") has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and is not audited. No representation or warranty, express or implied, is or will be made in relation to the accuracy, fairness or completeness of the information or opinions contained in this Report. Statements in this Report reflect the knowledge and information available at the time of its preparation. Certain statements included or incorporated by reference within this Report may constitute "forward-looking statements" in respect of the Group's operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance shall not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities shall not be taken as a representation that such trends or activities will continue in the future. The information contained in this Report is subject to change without notice and no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this Report shall be construed as a profit forecast. This Report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied upon as a guide to future performance. Liability arising from anything in this Report shall be governed by English Law, and neither the Company nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report. Nothing in this Report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

This announcement contains inside information.

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