

# QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 JUNE 2019

16 July 2019

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## Financial summary

Growth in net fees for the quarter ended 30 June 2019 (Q4 FY19)  
(versus the same period last year)

	Growth	
	Actual	LFL
By region		
Australia & New Zealand (ANZ)	(5)%	(3)%
Germany	2%	2%
United Kingdom & Ireland (UK&I)	(2)%	(2)%
Rest of World (RoW)	3%	2%
<b>Total</b>	<b>0%</b>	<b>0%</b>
By segment		
Temporary	0%	0%
Permanent	0%	0%
<b>Total</b>	<b>0%</b>	<b>0%</b>

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

- Group net fees flat, with underlying growth of c.1%<sup>(1)</sup> adjusted for the timing of Easter, against a tough growth comparative. Net fees in both Perm and Temp were flat year-on-year. Group consultant headcount was down 2% in the quarter, and up 4% year-on-year
- Full-year operating profit expected to be in line with current consensus market expectations, which we understand to be £248.0 million<sup>(2)</sup>
- **Australia & New Zealand:** net fees down 3% (underlying down c.2%<sup>(1)</sup>) versus a tough comparative and some negative impact from the run-up to the General Election. Temp grew by 3% and Perm fell 15%
- **Germany:** growth of 2% (c.4%<sup>(1)</sup> underlying), against a more challenging macroeconomic backdrop. Solid Perm growth of 4%, with Contracting & Temp up 2% (up c.4%<sup>(1)</sup> underlying)
- **UK & Ireland:** net fees down 2% (underlying down c.1%<sup>(1)</sup>), with both Temp and Perm down 2%. Good growth of 7% in Public sector net fees, although the Private sector was tougher and fell by 6%
- **Rest of World:** net fee growth of 2% versus a very tough growth comparative. Strong growth of 10% in Asia, with our third largest RoW market of Greater China up 9%. Europe tougher, with France and Belgium down 2% and 4%, respectively. In the Americas, the USA fell 4% and Canada grew 2%
- Strong Q4 cash performance with record year-end net cash of c.£130 million (30 June 2018: £122.9 million)

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

"We delivered a solid end to our financial year with underlying fees up 1%<sup>(1)</sup> and strong cash generation, despite tough comparatives, more mixed macroeconomic conditions and some signs of reduced business confidence. Asia performed strongly, up 10%, although Australia slowed in the run-up to its General Election. Europe saw mixed conditions, although our largest market of Germany delivered solid underlying growth, and Southern Europe performed well. The UK was understandably more subdued, particularly in the Private sector.

Looking ahead, we are mindful of economic and political uncertainties and will continue to focus on driving consultant productivity, while making selective investments in our key markets to reinforce our market leadership. Our strong financial position means we have an excellent platform to balance short-term performance with our long-term strategic goals, allowing us to invest to capitalise on numerous opportunities in the changing world of work."

## Group

In the fourth quarter ended 30 June 2019, Group net fees were flat on both a headline and like-for-like basis against the prior year. On an underlying<sup>(1)</sup> basis, this represented our 25th consecutive quarter of year-on-year growth. The modest weakening of Sterling versus the US Dollar and some Asian currencies was offset by modest Sterling strength versus the Australian Dollar.

Net fees in both our Temp and Perm business were flat year-on-year. Temp represented 58% of Group net fees, with Perm 42%.

Easter fell 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 in Q4 FY19.

We estimate the Group net fee exit rate, on a working day-adjusted basis, was in line with the underlying rate of growth in the quarter.

Full-year operating profit is expected to be in line with current consensus market expectations, which we understand to be £248.0 million<sup>(2)</sup>.

Consultant headcount was down 2% in the quarter and up 4% year-on-year. We expect headcount growth in Q1 FY20 to be up c.1-3% sequentially, including the impact of our normal seasonal graduate intake. During the quarter we opened one new office, in Erfurt, Germany.

For comparison purposes, if we re-translate our FY18 profits at the average exchange rates seen during FY19, our reported operating profit of £243.4 million would be c.£240 million. Looking forward, exchange rate movements remain a material sensitivity to the Group's reported profitability.

## Australia & New Zealand (18% net fees)

Net fees in Australia & New Zealand (ANZ) declined by 3% in the quarter (underlying down c.2%<sup>(1)</sup>), against tough year-on-year growth comparatives and more mixed market conditions. Additionally, the run-up to the Australian General Election in May also led to the usual slowdown in market activity.

Our Temp business, which represented 70% of our ANZ net fees, delivered solid growth of c.3%<sup>(1)</sup>. Perm net fees, which had a particularly tough growth comparative, continued to slow and declined by 15%. Public sector net fees, which represented 32% of ANZ, were flat while Private sector net fees fell by 4%.

Australia continued to slow and fell by an underlying c.2%. Our largest regions of New South Wales and Victoria, which represented 57% of Australia net fees, declined by 4% and 7%, respectively. Queensland grew by 1% and ACT by 2%, although Western and South Australia fell by 6% and 1%, respectively.

At the Australian specialism level, net fee growth in IT was a good 7%, and HR grew by 4%. Construction & Property, our largest business in ANZ, remains challenging and net fees declined by 16%, while Accountancy & Finance fell by 11%.

New Zealand trading (which represented c.5% of ANZ net fees) continued to be tough and net fees fell 8%, similar to the previous quarter.

Consultant headcount in ANZ was down 6% in the quarter and up 1% year-on-year.

## Germany (25% net fees)

Our largest market of Germany delivered solid net fee growth of 2%, or c.4%<sup>(1)</sup> underlying, versus tough comparatives and broad signs of client cost control and slower decision-making. This was increasingly evident in the Manufacturing and Automotive sectors.

Our Temp & Contractor business, which represents 83% of Germany net fees, grew by a solid c.4%<sup>(1)</sup> underlying. Contracting, the larger of the two businesses, was flat<sup>(1)</sup> on an underlying basis, while Temp delivered strong underlying growth of 13%<sup>(1)</sup>. Our Perm net fees grew by 4%.

Our largest Germany specialism of IT grew by a good 6%, with Engineering flat year-on-year. Legal continued to be excellent, up 31%, Sales & Marketing grew by a strong 10% and Accountancy & Finance by 3%. Construction & Property was tougher and declined 11%.

Consultant headcount was down 1% in the quarter but increased 6% year-on-year.

## United Kingdom & Ireland (23% net fees)

Net fee growth in the United Kingdom & Ireland (UK&I) was understandably more subdued and fell 2% (underlying down c.1%<sup>(1)</sup>). Growth in our Public sector business, which represented 26% of UK&I net fees, was good at 7%, although conditions in the Private sector were tougher and net fees fell by 6%.

Net fees in both our Perm and Temp fell by 2%, with Temp down c.1%<sup>(1)</sup> on an underlying basis.

All regions traded broadly in line with the overall UK business, with the exception of the South West & Wales and East of England, up 8% and 3% respectively, and the North of England and Scotland, down 12% and 7% respectively. Our largest UK region of London fell by 2%. In Ireland, our business declined by 11%.

At the specialism level, IT again delivered growth with net fees up by 2%. Accountancy & Finance and Office Support both fell by 1%, while Construction & Property fell by 3%. Education continues to be impacted by tough market conditions, with net fees down 15%.

Consultant headcount was flat in the quarter and up 2% year-on-year.

## Rest of World (34% net fees)

Our Rest of World (RoW) division, encompassing 28 markets, delivered net fee growth of 2%, against a very tough growth comparative. Growth in Perm, which represented 69% of RoW net fees, was 5% while Temp fell by 5%. Eight countries delivered growth of more than 10%, including six all-time quarterly records. As our net fees in RoW are predominantly Perm, we estimate there was no material trading day impact year-on-year.

**EMEA ex-Germany** net fees were flat, versus tough year-on-year comparatives. Net fees in France and Belgium fell by 2% and 4% respectively, although Spain had a record net fee quarter, growing by a good 6%. Growth in Italy was again excellent at 23%, however Poland and the Netherlands were tougher, with net fees falling by 9% and 15%, respectively.

**Asia** delivered a strong performance overall, with net fees up 10%. Greater China, our largest Asian market, delivered a record quarter and grew by 9%, including Hong Kong up a strong 18%. Japan grew by 8%, also producing record net fees, while growth in Singapore was an excellent 48%.

Net fees in the **Americas** fell by 1%. The USA declined by 4% and Canada grew by 2%. Mexico delivered strong growth of 17%, and Brazil was also good, up 6%.

Consultant headcount was down 1% in the quarter but increased 6% year-on-year.

## Cash flow and balance sheet

Cash performance in the quarter was strong, underpinned by good credit control, resulting in a closing net cash position of c.£130 million (31 March 2019: c.£30 million, 30 June 2018: £122.9 million). This will enable the board to consider increasing shareholder returns, in line with our clear dividend policy.

- (1) The estimated working day impact is calculated in relation to the Temp and Contractor businesses only. For Q3 and Q4 FY19, this equates to an adjustment of one working day in our major Temp and Contractor markets. Consistent with our historical approach, we make no estimate for any impact on our Perm business, or for any 'bridge' holiday days that Temps may take, which occur around public holidays and can impact our Temp business.
- (2) As of 12 July 2019 we understand the median FY19 EBIT forecast shown on Bloomberg is £248.0m. A consensus summary of analysts with 'live' forecasts is also available on [www.haysplc.com/investors](http://www.haysplc.com/investors).

## Enquiries

### Hays plc

Paul Venables  
David Phillips

Group Finance Director  
Head of Investor Relations

+44 (0) 20 3978 2520  
+44 (0) 20 3978 3173

### Finsbury

Guy Lamming  
Anjali Unnikrishnan

+ 44 (0) 20 7251 3801

## 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 July 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	5483909#

## Reporting calendar

Preliminary Results for the year ended 30 June 2019	29 August 2019
Trading Update for the quarter ending 30 September 2019	15 October 2019
Trading Update for the quarter ending 31 December 2019	16 January 2020

## Hays Group overview

As at 30 June 2019, Hays had c.11,500 employees in 265 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, with no sector specialism representing more than 22% of Group net fees at 30 June 2019. 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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