

# QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2019

15 October 2019

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## Financial summary

Growth in net fees for the quarter ended 30 September 2019 (Q1 FY20)  
(versus the same period last year)

	Growth	
	Actual	LFL
By region		
Australia & New Zealand (ANZ)	(2)%	<b>(2)%</b>
Germany	1%	<b>0%</b>
United Kingdom & Ireland (UK&I)	(4)%	<b>(4)%</b>
Rest of World (RoW)	7%	<b>4%</b>
<b>Total</b>	<b>1%</b>	<b>0%</b>
By segment		
Temporary	1%	<b>0%</b>
Permanent	2%	<b>0%</b>
<b>Total</b>	<b>1%</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 (down c.1%<sup>(1)</sup> working day-adjusted (WDA)), with difficult economic conditions and tough growth comparatives. Flat fees in Perm and Temp, but 8 countries still delivered all-time records
- **Australia & New Zealand:** net fees down 2% YoY (WDA down c.3%<sup>(1)</sup>), although broadly sequentially stable at near-record levels through the quarter. Temp down 1%, with Perm down 3%
- **Germany:** flat net fees (WDA down c.2%<sup>(1)</sup>), with macroeconomic conditions increasingly challenging. Net fees in Contracting & Temp flat, with Perm down 2%
- **UK & Ireland:** net fees down 4% (WDA down c.5%<sup>(1)</sup>), with Temp flat and Perm down 8%, in increasingly difficult markets. Net fees in the Private sector down 7%, with the Public sector up 6%
- **Rest of World:** solid net fee growth of 4%. EMEA was broadly sequentially stable, and net fees increased by 2%, with France up 3%. Good growth of 7% in the Americas and Asia, led by record net fees in both the USA, our second largest RoW market, up 12%, and China up 7%
- Group consultant headcount increased by 1% both in the quarter and YoY
- Good net cash position of c.£90 million, in line with our expectations (30 September 2018: c.£80million; 30 June 2019: £129.7 million)

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

"We have delivered a solid quarter of stable net fees, despite tougher global macroeconomic conditions and reduced business confidence. Even with these challenges, ten countries grew fees by more than 10%, and we produced eight quarterly country fee records, including the USA and China. Asia and the Americas performed well, both growing by 7%. Fees were down slightly in Australia, but remained at near-record levels, while EMEA ex-Germany remained stable. Germany saw increased signs of client cost control, and the UK Private sector remained tough.

"Over many years we have built a highly diversified business which gives us access to the world's most exciting markets and sectors. Looking ahead, our strong market positions, combined with our highly experienced management teams and financial strength, means I am confident we will continue to appropriately balance investing for the long-term while managing the more challenging markets we currently face."

## Group

In the first quarter, ended 30 September 2019, Group net fees increased by 1% on a headline basis and were flat on a like-for-like basis against the prior year. The modest weakening of Sterling, primarily versus the Euro, increased our reported net fee growth.

Like-for-like net fees in both our Temp and Perm business were flat year-on-year. Temp represented 57% of Group net fees, and Perm 43%.

There was one additional trading day in the quarter in our main markets of Australia, Germany and the UK. We estimate that this increased net fees by c.1%, and therefore our WDA net fees decreased by 1%<sup>(1)</sup> year-on-year. The Group net fee exit rate was in-line with the WDA rate of growth in the quarter.

Consultant headcount increased by 1% both in the quarter and year-on-year. This included the effect of our annual graduate intake which, as expected, was significantly lower than in recent years. We expect Group headcount to remain broadly flat in Q2 FY20. During the quarter we opened one new office, in Bremen, Germany.

For comparison purposes, if we re-translate our FY19 profits at the average exchange rates seen to date during FY20, our reported operating profit of £248.8 million would be c.£248 million. This is a c.£6 million reduction versus the re-translated c.£254 million position at our preliminary results on 29 August 2019. 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 2% in the quarter (WDA down c.3%<sup>(1)</sup>), versus a tough year-on-year growth comparative. The overall market is broadly sequentially stable at near-record levels, although conditions in Construction & Property remain tough.

Our Temp business, which represented 68% of our ANZ net fees, declined by 1% and Perm net fees fell by 3%. Public sector net fees, which represented 34% of ANZ, decreased by 1% while Private sector net fees fell by 2%.

Australia net fees decreased by 3%. Our largest regions of New South Wales and Victoria, which represented 57% of Australia net fees, declined by 6% and 5%, respectively. Queensland fell by 2%, although South Australia grew by 5% and ACT by 1%.

At the Australian specialism level, net fee growth in IT was strong at 11%, and HR grew by 6%. Construction & Property, our largest business with 20% of Australian net fees, remains challenging and declined by 16%, while Accountancy & Finance was also difficult and reduced by 13%.

Encouragingly, New Zealand (which represented c.6% of ANZ net fees) returned to growth with a strong 19%.

Consultant headcount in ANZ increased by 1% in the quarter but declined by 2% year-on-year.

## Germany (27% net fees)

Our largest market of Germany delivered flat net fees (WDA down c.2%<sup>(1)</sup>), versus tough growth comparatives and broad signs of reduced business confidence and increased client cost control. This was especially evident in the Manufacturing and Automotive sectors.

Our Temp & Contractor business, which represents 83% of Germany net fees, was flat on a like-for-like basis. Contracting, the larger of the two businesses, declined by 2%, while Temp delivered solid growth of 5%. Perm continued to slow and decreased by 2%.

Our largest Germany specialism of IT grew by a solid 4%, with Engineering down 5%. Sales & Marketing grew by an excellent 21%, although Construction & Property was difficult and declined 16%. Net fees in Accountancy & Finance were flat.

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

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

Net fee growth in the United Kingdom & Ireland (UK&I) decreased by 4% (WDA down c.5%<sup>(1)</sup>). Growth in our Public sector business, which represented 28% of UK&I net fees, was good at 6%. In the Private sector, net fees fell by 7%, as business confidence continued to be impacted by ongoing uncertainties. Additionally, candidate confidence also weakened across the quarter.

Net fees in Temp, 57% of UK&I net fees, were flat, although Perm markets were tougher and net fees decreased by 8%.

All regions traded broadly in line with the overall UK business, with the exception of the South West & Wales which grew by 4%, and the Midlands and the North, down 10% and 7% respectively. Our largest UK region of London fell by 2%. In Ireland, our business declined by 13%.

At the specialism level, IT delivered solid growth with net fees up by 5%. Accountancy & Finance and Office Support both fell by 4%, while Construction & Property fell by 7%. Education continues to be impacted by difficult market conditions in Perm, with net fees down 11%.

Consultant headcount increased by 2% in both the quarter and year-on-year.

## Rest of World (32% net fees)

Our Rest of World (RoW) division, encompassing 28 countries, delivered net fee growth of 4%, versus a tough growth comparative. Growth in Perm, which represented 69% of RoW net fees, was 6% while Temp was flat. Nine countries delivered growth of more than 10%, including eight 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** (57% of RoW net fees) delivered 2% net fee growth and was broadly sequentially stable. Our largest RoW country, France, grew by 3%, Switzerland grew by 7% and Italy increased by a strong 11%. However, the Netherlands and Belgium were tougher, decreasing by 12% and 7% respectively, and Spain declined by 6%.

**The Americas** (23% of RoW) increased net fees by 7%. This was driven by a record quarter in the USA, our second-largest RoW country, with strong 12% growth. Mexico grew by an excellent 36%, although Canada was weaker and fell by 5%.

**Asia** (20% of RoW) also grew by a good 7% overall, led by a quarterly record in China, our largest Asian country, also up 7%. Japan grew by 3%, while growth in Malaysia was an excellent 32%.

Consultant headcount increased by 2% in the quarter and by 1% year-on-year.

## Cash flow and balance sheet

Net cash was c.£90 million at 30 September 2019 (30 September 2018: c.£80 million; 30 June 2019: £129.7million). The decrease in the quarter was in-line with our expectations and is due to the normal timing and phasing of cash flows.

- (1) The estimated working day impact is calculated in relation to the Temp and Contractor businesses only. For Q1 FY20, this equates to an adjustment for the quarter's one additional 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.

## Enquiries

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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 15 October 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	2902738#

## Reporting calendar

Trading Update for the quarter ending 31 December 2019	16 January 2020
Half-year results for the six months ending 31 December 2019	20 February 2020
Trading Update for the quarter ending 31 March 2020	16 April 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. 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 57% from temporary and 43% 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.

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