

# QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020

15 October 2020

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## Financial summary

Growth in net fees for the quarter ended 30 September 2020 (Q1 FY21)

(versus the same period last year)

	Growth	
	Actual	LFL
By region:		
Australia & New Zealand (ANZ)	(26)%	<b>(26)%</b>
Germany	(31)%	<b>(31)%</b>
United Kingdom & Ireland (UK&I)	(34)%	<b>(34)%</b>
Rest of World (RoW)	(29)%	<b>(27)%</b>
<b>Total</b>	<b>(30)%</b>	<b>(29)%</b>
By segment:		
Temporary	(26)%	<b>(25)%</b>
Permanent	(36)%	<b>(35)%</b>
<b>Total</b>	<b>(30)%</b>	<b>(29)%</b>

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

- Group fees down 29%, significantly impacted by the pandemic. Temp markets stable overall, and down 25%. Perm remained tough with fees down 35%, although improved sequentially, particularly in markets previously hardest-hit by lockdowns
- **Australia & New Zealand:** fees down 26%. Temp declined 19% and was sequentially stable. While Perm remained tough, down 40%, trends improved through the quarter
- **Germany:** fees down 31%, with Automotive and Manufacturing remaining very tough. Relative resilience in Contracting, down 18%. Temp down 53%, impacted by ongoing worker under-utilisation, although this utilisation improved through the quarter. Perm down 36%
- **UK & Ireland:** fees down 34%. Temp stable, down 29%, and Perm down 41%, with some improvement through the quarter. Public sector fees down 20%, continuing to outperform the Private sector, down 40%
- **Rest of World:** fees down 27%. EMEA ex-Germany down 24%, with France, our largest RoW country, down 30%, Belgium down 41% although Switzerland was more resilient, down 6%. The Americas fell by 27%, including the USA down 23%, and Asia fell by 33%, including China down 31%
- Group consultant headcount down 5% in the quarter and 17% year-on-year
- The Group's net fee exit rate, down 26%, was modestly better than the overall net fee decline in the quarter
- Cash collection remained strong, with net cash of c.£350 million (30 September 2019: c.£90 million; 30 June 2020: £366.2 million), excluding short-term deferrals of tax payments

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

"The pandemic continues to significantly impact our markets, although encouragingly our Temp business remains stable and we have seen improvements in Perm, particularly in markets that had previously been hardest-hit by lockdowns. ANZ delivered a relatively resilient performance, and Germany was stable. Countries with previously stringent lockdowns, such as the UK, France and Spain, saw improvement, and Asia and the Americas were broadly flat sequentially. I would again like to thank our colleagues worldwide for their tremendous innovation and steadfastness which they continue to demonstrate every day.

"Although many uncertainties remain, our business is resilient and our highly experienced management teams are focused on best positioning us for recovery. With our strong balance sheet and leading positions in key sectors, we are confident we can take further market share. We have made a good start to our 'Return to Growth' investment programme, and we are confident this will accelerate our fee momentum once we emerge from the pandemic, particularly in structural growth areas such as IT, large Corporate Accounts and Life Sciences."

## Group

### Q1 trading overview

In our first quarter, ended 30 September 2020, Group net fees were significantly impacted by the pandemic and decreased by 29% on a like-for-like basis versus the prior year, and by 30% on an actual basis. The modest strengthening of Sterling versus most of our reporting currencies slightly reduced our reported net fees.

Like-for-like net fees in Temp (62% of Group fees) and Perm (38% of Group fees) declined by 25% and 35% respectively. Overall, our largest specialism of IT (26% of Group fees) fell by 22%, Construction & Property fell by 33% and Accountancy & Finance by 34%. Our large Corporate Accounts business, Hays Talent Solutions was more resilient and declined by 13%.

Our primary objective remains the protection of our colleagues, clients, candidates and our business infrastructure. The Board remains extremely grateful for the commitment and innovation shown by our colleagues as they operate through continued challenging circumstances. Over 90% of our offices globally are currently open and are working under a hybrid office / remote model.

Consultant engagements with clients and candidates remain strong. Hays Thrive, our unique and free-to-use global employee training and wellbeing platform, continues to be successful and we remain excited by its potential. A further 2,000 clients signed up in the quarter, taking the total to over 15,000 clients, with over 63,000 individuals registering learning accounts.

We have now exited all major government support schemes globally.

### Exit rate, Group headcount & near-term outlook

The Group's net fee exit rate, down 26%, was modestly better than the overall net fee decline in the quarter.

Group consultant headcount decreased by 5% in the quarter and by 17% year-on-year. Overall, we expect Group headcount will be broadly flat sequentially in Q2 FY21, as we continue to balance appropriate cost controls with positioning the Group to benefit from any market recovery.

Our current cost base is c.£63 million per period<sup>(1)</sup>, in-line with the guidance given at our full-year results in August 2020. This includes c.£1 million per period<sup>(1)</sup> of investment in our strategic 'Return to Growth' projects, where we expect to invest c.£15 million of operating expenditure, plus a further c.£7 million in capex, in FY21. We are confident that these projects, targeting attractive structural growth sectors including IT, Life Sciences and large Corporate Accounts, can accelerate our medium-term growth and position us to take further market share.

Based on our Q1 FY21 performance and despite current tough market conditions, we now expect trading in the first half of FY21 to be modestly profitable. However, any material recovery in profitability in the second half of the year will require a significant sequential uplift in net fees, and there being no prolonged 'second wave' lockdowns in our key markets.

(1) 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. This is consistent with prior years.

## Australia & New Zealand (19% net fees)

Net fees in Australia & New Zealand (ANZ) declined by 26%. Overall market conditions remained difficult, but stable, with some modest signs of sequential improvement in Perm.

Our Temp business, which represented 75% of our ANZ net fees, continued to show relative resilience, reducing by 19%. Perm net fees fell by 40%, although improved through the quarter. Public sector net fees, which represented 40% of ANZ, remained relatively resilient and decreased by 12%, while Private sector net fees fell by 33%.

Australia net fees decreased by 27%. Our largest regions of New South Wales and Victoria, which represented 51% of Australia net fees, declined by 34% and 32% respectively. Encouragingly, stringent lockdown regulations in Victoria had a limited impact on fees in the quarter. Queensland decreased by 24%, Western Australia by 15% and ACT by 11%.

At the Australia specialism level, Construction & Property, our largest business, declined by 32%. Office Support and Accountancy & Finance were also tough, down 41% and 37% respectively. IT was however less impacted than our overall Australian fees, decreasing by 22%, as was Hays Talent Solutions, our Corporate Accounts business, down 19%.

New Zealand decreased 16%, as activity rebounded following the relaxing of lockdown rules.

ANZ consultant headcount was flat in the quarter and down 21% year-on-year.

## Germany (26% net fees)

Net fees in Germany fell by 31%, with market conditions remaining tough but stable, and our Temp business continuing to be impacted by higher than normal levels of Temp worker under-utilisation and severance payment costs. Excluding the impact of Temp severance costs, Germany fees decreased by 29%. Overall business confidence is stable but remains at low levels, with clients continuing to closely control costs, particularly in the Automotive and Manufacturing sectors. There are some signs of modest improvement in sectors such as Life Sciences, Accountancy & Finance and the Public Sector.

Our largest Germany specialism of IT (44% of Germany net fees) decreased by 26%, while our second largest, Engineering, declined by 47%. Life Sciences and Accountancy & Finance were relative outperformers, down 5% and 19% respectively. Fees in the Public sector (16% of Germany fees) also outperformed, down 3%.

Our largest area of Contracting (65% of Germany fees), which is primarily in the IT sector and where we operate a freelance model, was relatively stable and fees declined by 18%. Most assignments have continued under remote working.

Temp (20% of Germany fees), where we employ temporary workers as required under German law, primarily in Automotive and Manufacturing sectors, continued to be weak and net fees declined by 53%. Average Temp volumes decreased by c.32% as we faced ongoing reduced levels of client demand. The impact of under-utilisation of Temp workers further reduced Temp fees by a net c.12% or £2.7 million, however we saw a lessening impact of part-time work through the quarter and as a result we have exited the German short-time working scheme. Also, given the tough market outlook, we released a further 260 temps in the quarter at a cost of £1.9 million, which reduced Temp net fees by a further c.9%.

Perm, which represented 15% of Germany net fees, declined by 36%.

Consultant headcount decreased by 1% in the quarter and by 14% year-on-year.

## United Kingdom & Ireland (21% net fees)

Net fees in the United Kingdom & Ireland (UK&I) decreased by 34%. Market conditions remained tough, although we did see some sequential improvement in Perm fees through the quarter as lockdown restrictions eased. Temp, which represented 61% of UK&I net fees, decreased by 29%, while Perm markets decreased by 41%.

The Private sector, 65% of UK&I net fees, fell by 40% and was more impacted than the Public sector, which decreased by 20%.

All regions traded broadly in line with the overall UK business, apart from the North which declined by 41%. Our largest UK region of London fell by 34%, and in Ireland our business declined by 38%.

At the specialism level, IT was again a relative outperformer, with fees down 12%. However, Accountancy & Finance and Office Support were much tougher, falling 44% and 52% respectively, as was Construction & Property which fell by 34%. Healthcare and Life Sciences showed some relative resilience, down 8% and 11% respectively. Hays Talent Solutions, which services larger Corporate Accounts, was also less impacted and fell by 22%.

Consultant headcount decreased by 14% in the quarter and by 21% year-on-year.

## Rest of World (34% net fees)

Our Rest of World (RoW) division, comprising 28 countries, saw net fees decline by 27% as tough market conditions continued. Perm, which represented 63% of RoW net fees, fell by 32% while Temp fell by 17%. We saw an improvement in Perm in most countries through the quarter where lockdown restrictions eased, while Temp markets remained stable.

**EMEA ex-Germany** (59% of RoW net fees) net fees decreased by 24%. Fees in our largest RoW country of France declined by 30%, while Belgium and Spain declined by 41% and 17% respectively. Switzerland again demonstrated relative resilience with fees down 6%, while Poland declined by 25%.

**The Americas** (22% of RoW) net fees decreased by 27%. The USA, our second-largest RoW country, decreased by 23%, although Canada was weaker and fell by 34%. Latin America fell by 33%, including Brazil down 29%.

**Asia** (19% of RoW) net fees decreased by 33%. China fell by 31%, with Mainland China significantly outperforming Hong Kong. Japan was very tough, with fees down 44%, although Malaysia showed some relative resilience and declined by 16%.

Consultant headcount decreased by 3% in the quarter and by 15% year-on-year.

## Cash flow and balance sheet

Net cash of c.£350 million as at 30 September 2020 (30 September 2019: c.£90 million; 30 June 2020: £366.2 million), excluding c.£60 million of short-term deferrals of tax payments. Cash collection from our clients remained strong.

Towards the end of the quarter we commenced a Treasury share purchase programme to buy up to 10 million ordinary shares under our existing authority. The shares will be held in treasury and utilised to satisfy employee share-based award obligations over the next two years. This is in lieu of block listing new shares to satisfy these schemes, which was our prior approach. As at 30 September, c.1.5 million shares had been purchased under this programme, at an average price of 110.9p.

## 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 October 2020. 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	6431655#

## Reporting calendar

Trading update for the quarter ending 31 December 2020	14 January 2021
Half-Year Report for the six months ending 31 December 2020	18 February 2021
Trading update for the quarter ending 31 March 2021	15 April 2021

## Hays Group overview

As at 30 June 2020, Hays had c.10,400 employees in 266 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 in FY20, compared with 25% in 2005.

Our consultants work in a broad range of sectors covering 20 professional and skilled recruitment specialisms, and during FY20 our three largest specialisms of IT (25% of Group net fees), Accountancy & Finance (15%) and Construction & Property (12%) together represented 52% of Group fees.

In addition to our international and sectoral diversification, in FY20 the Group's net fees were generated 59% from temporary and 41% 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.

## Purpose, 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 two United Nations Sustainable Development Goals. These call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt. We have initially focused on the 'Decent Work & Economic Growth' and 'Gender Equality' goals. 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 past four years we have placed over 1 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 that responsible companies should have Equality, Diversity & Inclusion (ED&I) at their heart. Our global ED&I council helps co-ordinate and drive our actions, sharing best practice from many successful regional programmes.

## 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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