

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2020

14 January 2021

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Financial summary

Growth in net fees for the quarter ended 31 December 2020 (Q2 FY21)

(versus the same period last year)

| | Growth | |
|---------------------------------|--------------|--------------|
| | Actual | LFL |
| By region: | | |
| Australia & New Zealand (ANZ) | (16)% | (19)% |
| Germany | (16)% | (20)% |
| United Kingdom & Ireland (UK&I) | (20)% | (20)% |
| Rest of World (RoW) | (15)% | (16)% |
| Total | (16)% | (19)% |
| By segment: | | |
| Temporary | (10)% | (13)% |
| Permanent | (25)% | (26)% |
| Total | (16)% | (19)% |

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

- Fees down 19% (Q1 21: (29)%). Despite markets remaining significantly impacted by the pandemic, trends improved through the quarter in both Temp & Perm and our underlying net fee exit rate was c.(16)%
- As a result of stronger fees, operating profit for H1 FY21 is now expected to be c.£25 million. It is too early to quantify the negative impacts of new UK and European lockdowns on H2 FY21
- **Australia & New Zealand:** fees down 19%, with signs of improving momentum after Victoria's lockdown ended in November. Temp and Perm fees declined by 16% and 27% respectively
- **Germany:** fees down 20%, with trends improving through the quarter, and with signs of increasing business confidence. Contracting was relatively resilient, down 8%, although Temp fell 36% as a result of tough, but now stable, Automotive markets and Temp worker severance costs. Perm down 31%
- **UK & Ireland:** fees down 20%, with activity improving through the quarter, particularly in Temp which declined by 14%. Perm fell by 29%. The Public sector showed resilience, declining by 5%
- **Rest of World:** fees down 16%. EMEA ex-Germany down 15%, with France and Spain showing better momentum, down 22% and 11% respectively, and Switzerland again resilient, down 5%. The Americas fell by 12%, including the USA down 3%, and Asia fell by 24%, including China down 25%
- Group consultant headcount was flat in the quarter and down 17% year-on-year
- Cash collection was strong, with net cash of c.£380 million (30 September 2020: c.£350 million; 31 December 2019: £13.2 million), excluding short-term deferrals of tax payments

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

"Our markets remain significantly impacted by the pandemic, although encouragingly fees grew sequentially versus the prior quarter, with stronger momentum in both Temp and Perm. Activity in Australia increased after its local lockdown restrictions eased, and we saw improvement in Germany across the quarter with signs of increasing business confidence. Fees in the UK rebounded in both the private and public sectors, the Americas delivered good sequential growth and Asia was broadly stable.

"It is too early to quantify any negative impacts of new UK and European lockdowns and, as ever, our New Year 'return to work' trends will be a key driver of second half performance. However, our business is rising to the challenges we face. Our 'Return to Growth' investment programme is on track, led by our highly experienced management teams who are focused on best positioning us for recovery. Combined with our strong balance sheet and leading market positions, we are confident we will continue to take further market share as clients and candidates look for our expert recruitment guidance, both during and after COVID."

Group

Q2 trading overview

In our second quarter, Group net fees continued to be significantly impacted by the pandemic, decreasing by 19% on a like-for-like basis versus the prior year. However, trends improved through the quarter and December's underlying net fee exit rate was minus c.16%. Since the onset of the pandemic, the Group's quarterly net fee trend has improved from minus 34% (Q4 FY20), to minus 29% (Q1 FY21) and now minus 19% (Q2 FY21). On an actual basis, net fees decreased by 16%, with the weakening of Sterling versus most of our reporting currencies modestly increasing our reported net fees. Encouragingly, net fees in the second quarter grew by c.7% sequentially versus Q1 FY21.

Like-for-like net fees in Temp (62% of Group fees) and Perm (38% of Group fees) declined by 13% and 26% respectively. Overall, our largest specialism of IT (27% of Group fees) fell by 8%, Construction & Property fell by 22% and Accountancy & Finance by 26%. Our large Corporate Accounts business, Hays Talent Solutions, was relatively resilient and declined by 4%. Overall consultant engagements with clients and candidates remained strong during the quarter.

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 continue to operate through challenging circumstances, including third-wave lockdowns in many parts of Europe.

As previously advised, we exited all major government support schemes globally in Q1 FY21.

Group fee exit rate, H1 operating profit, near-term outlook & headcount

The Group's underlying net fee exit rate was minus c.16% in December. It is too early to quantify the negative impact of new lockdowns in the UK and some of our key European markets. Also, the unpredictable nature of the pandemic means our forward visibility is less than usual.

Our cost base increased slightly in the quarter to c.£65 million per period⁽¹⁾, primarily as consultant commissions increased proportionately with the rise in net fees, and as almost all our offices globally were open in the quarter.

As a result of stronger net fee performance, Group operating profit for H1 FY21 is expected to be c.£25 million. As previously noted, any material sequential increase in profitability in H2 FY21 versus H1 FY21 will require a further significant uplift in net fees. This is in part because:

- 1) As previously disclosed and as with all prior years, due to the timings of public holidays there are fewer working days in our second half. In H2 FY21, Germany has eight fewer working days than H1 FY21, Australia six fewer and the UK five fewer working days. This will have no impact on year-on-year growth comparatives but will act as a headwind on sequential second half profit growth versus the first half, particularly in our Temp and Contracting businesses.
- 2) We continue to expect that our 'Return to Growth' investment programme will incur c.£15 million of additional operating expenditure in FY21. c.£4 million of this occurred in H1 FY21, with c.£11 million expected in H2. We are confident that these projects, which target 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 expect our 'Return to Growth' programme will add c.£1 million of incremental costs per period⁽¹⁾ in H2 FY21 versus our current run-rate.

Group consultant headcount was flat in the quarter and decreased by 17% year-on-year. Overall, we expect Group headcount will increase by c.2-4% in Q3 FY21, mainly due to the acceleration in our 'Return to Growth' investment programme. As with FY20, Easter falls entirely in our fourth quarter. We therefore expect no material year-on-year working day effects in either Q3 or Q4 FY21.

⁽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 (17% net fees)

Net fees in Australia & New Zealand (ANZ) declined by 19%, although we saw signs of positive momentum in both Temp and Perm after Victoria's lockdown ended in November.

Our Temp business, which represented 73% of our ANZ net fees, continued to show relative resilience, reducing by 16%. Perm net fees fell by 27%, although improved through the quarter, especially in the private sector. Public sector net fees, which represented 39% of ANZ, decreased by 16%, while Private sector net fees fell by 22%.

Australia net fees decreased by 20%. Our largest regions of New South Wales and Victoria, which represented 49% of Australia net fees, declined by 31% and 26% respectively. Queensland and ACT demonstrated relative resilience, down 16% and 9% respectively, and encouragingly Western Australia grew by 1%.

At the Australia specialism level, Construction & Property, our largest business, declined by 27%. Office Support and Accountancy & Finance were also tough, down 35% and 26% respectively. IT was however less impacted than our overall Australian fees, decreasing by 14%, as were our 'Other' smaller specialisms, which collectively fell by 5%. Resources & Mining grew by a solid 4%.

New Zealand decreased 5%, as activity rebounded following the relaxing of lockdown rules.

ANZ consultant headcount increased by 1% in the quarter and declined by 19% year-on-year.

Germany (26% net fees)

Net fees in Germany fell by 20%. Market conditions remained difficult, although encouragingly there are clear signs of improving business confidence generally, and stabilisation in the Automotive sector.

Our largest Germany specialism of IT (46% of Germany net fees) decreased by 10%, while our second largest, Engineering, declined by 31%. Accountancy & Finance fell by 15%, although Life Sciences grew by 3%. We also saw good growth in fees in the Public sector (15% of Germany fees), which increased by 7%.

Our largest area of Contracting (c.62% of Germany net fees), which is primarily in the IT sector and where we operate a freelance model, improved through the quarter and fees declined by 8%. Most assignments have continued under remote working.

Temp (c.23% of Germany net fees), where we employ temporary workers as required under German law, primarily in Automotive and Manufacturing sectors, remained weak and net fees declined by 36%. Average Temp volumes decreased by c.30%, in line with the previous quarter. Given the challenging market outlook, we released a further 124 temps in the quarter at a cost of c.£1.0 million, which reduced Temp net fees by a further c.6%. Overall Temp trends improved through the quarter, and Temp worker under-utilisation was minimal. Based on current market conditions, we do not expect further material negative impacts from Temp severance costs or worker under-utilisation in H2 FY21.

Perm, which represented c.15% of Germany net fees, declined by 31%.

Consultant headcount increased by 1% in the quarter and declined by 12% year-on-year.

United Kingdom & Ireland (22% net fees)

Net fees in the United Kingdom & Ireland (UK&I) declined by 20%. Market conditions remained difficult, although encouragingly activity levels improved through the quarter. This was particularly evident in our largest business of Temp, 64% of UK&I fees, which fell by 14%. Perm fees decreased by 29%.

The Public sector, 38% of UK&I net fees, again showed relative resilience and decreased by 5%, although the Private sector was tougher and fell by 27%.

All regions traded broadly in line with the overall UK business, apart from the North West which declined by 9% and the East of England, which fell by 28%. Our largest UK region of London fell by 23%, and in Ireland our business decreased by 28%.

At the specialism level, IT performed robustly, with fees up 2%, and Education saw a significant sequential rebound, with fees down 6%. Life Sciences and Healthcare again demonstrated resilience, with fees up 2% and down 6% respectively, while our large Corporate Accounts business Hays Talent Solutions was also less impacted and fell by 13%. However, Accountancy & Finance and Office Support were much tougher, falling 34% and 40% respectively, and Construction & Property declined by 18%.

Consultant headcount increased by 1% in the quarter and declined by 20% year-on-year.

Rest of World (35% net fees)

Our Rest of World (RoW) division, comprising 28 countries, saw net fees decline by 16%, with improvement across all sub-regions. Perm, which represented 63% of RoW net fees, fell by 23% while Temp showed stronger momentum and declined by 1%.

EMEA ex-Germany (61% of RoW net fees) net fees decreased by 15%. Fees in our largest RoW country of France declined by 22%, while Belgium and Spain declined by 27% and 11% respectively. Switzerland and Poland demonstrated relative resilience, with fees down 5% and 1% respectively, and Hungary returned to growth, up a strong 23%.

The Americas (22% of RoW) net fees decreased by 12%. The USA, our second-largest RoW country, showed resilience and decreased by 3%, although Canada was weaker and fell by 32%. Latin America fell by 11%, including Brazil down 4%.

Asia (17% of RoW) net fees decreased by 24%. China fell by 25%, with Mainland China again significantly outperforming Hong Kong. Japan was very tough, with fees down 36%, although Malaysia continued to perform strongly and grew by 14%.

RoW consultant headcount decreased by 1% in the quarter and by 16% year-on-year.

Cash flow and balance sheet

Net cash of c.£380 million as at 31 December 2020 (30 September 2020: c.£350 million; 31 December 2019: £13.2 million), excluding c.£13 million of short-term deferrals of tax payments. Cash collection from our clients remained strong.

During the quarter we purchased 5.8 million shares under our Treasury share purchase programme, at an average price of 109.9p per share. The shares will be held in treasury and utilised to satisfy employee share-based award obligations over the next two years.

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 14 January 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 | 8197319# |

Reporting calendar

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| Half-Year Report for the six months ended 31 December 2020 | 18 February 2021 |
| Trading update for the quarter ending 31 March 2021 | 15 April 2021 |
| Trading update for the quarter ending 30 June 2021 | 15 July 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.

This announcement contains inside information.
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