

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

13 January 2022

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Financial summary

Growth in net fees for the quarter ended 31 December 2021 (Q2 FY22)

(versus the same period last year)

	Growth	
	Actual	LFL
By region:		
Australia & New Zealand (ANZ)	28%	31%
Germany	29%	37%
United Kingdom & Ireland (UK&I)	33%	33%
Rest of World (RoW)	35%	41%
Total	32%	37%
By segment:		
Temporary	18%	22%
Permanent	55%	61%
Total	32%	37%

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.

Highlights

- Record quarter, with excellent fee growth in all regions. Fees up 37%, led by Perm up 61%. Temp up 22%, with strong margin and volume growth through the quarter. Fees up 11% versus Q2 FY20⁽¹⁾
- Given the strong fee performance, operating profit for the year to 30 June 2022 is expected to be c.£200 million, ahead of consensus market expectations⁽²⁾
- **Australia & New Zealand (ANZ):** fees up 31%, with momentum improving following the lifting of lockdowns in October. Perm up an excellent 75% and Temp up 15%
- **Germany:** fees up 37%, with Temp & Contracting up 33% and Perm up 58%. Activity improved through the quarter, with record contractor numbers and November delivering record fees
- **UK & Ireland (UK&I):** fees up 33%, led by an excellent Perm performance, up 69%, with Temp up 13%. The Private sector, up 46%, significantly outperformed the Public sector, up 12%
- **Rest of World (RoW):** fees up 41%, led by Perm up 55% and Temp up 20%. EMEA ex-Germany up 33%, including record quarters in Switzerland, Spain and Poland. Americas fees up an excellent 55%, including a record in the USA. Asia fees also excellent, up 53% and including records in China and Malaysia
- Excellent consultant productivity, despite Group consultant headcount increasing by 6% in the quarter and by 26% YoY, as we invested to capitalise on the cyclical recovery and structural growth opportunities
- Strong net cash position of c.£235 million, in line with our expectations and after paying c.£170 million in core and special dividends in November 2021 (30 September 2021: £360 million; 31 December 2020: £380 million)

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

"We saw strong performances in all regions in the quarter, and we expect operating profit for the year to 30 June 2022 will be c.£200 million, ahead of consensus market expectations⁽²⁾. 16 countries delivered record quarterly fees, as did Hays Technology, our largest specialism. Our largest country, Germany, delivered record Contracting fees, and activity in ANZ accelerated as lockdown restrictions were lifted. The UK, Continental Europe, Asia and the Americas all delivered excellent growth, again led by Perm as business confidence remained high.

"It is too early to quantify how the Omicron variant will impact our New Year 'return to work' trends, which as usual will be a key driver of second half performance. However, client and candidate confidence remain high, with clear signs of skill shortages and wage inflation. Encouragingly, despite significant headcount investment in the past year, consultant productivity is excellent, and we expect to drive productivity further. Our Strategic Growth Initiatives continue to perform very well, and as global economies continue to rebound, I am confident we will take further market share as we invest in the cyclical recovery, as well as opening up many structural growth opportunities."

Group

Q2 trading overview

The quarter represented a net fee record for the Group, up 37% on a like-for-like basis versus the prior year, despite a tougher prior year growth comparative and the effect of December holidays in many markets. We also delivered sequential growth versus Q1 FY22 in both Temp and Perm fees. On an actual basis, net fees increased by 32%, with the significant strengthening of sterling versus the euro and Australian dollar reducing our reported net fees. Growth and activity levels were strong in all regions, and November delivered an all-time period⁽³⁾ fee record.

Like-for-like net fees in Temp (55% of Group fees) and Perm (45% of Group fees) increased by 22% and 61% respectively. Activity levels in both Perm and Temp remained strong through the quarter across all our markets. In Temp we saw strong margin and volume growth through the quarter, including a record number of Contractors in our largest market of Germany. Fees in the Private sector (83% of Group fees) increased by an excellent 42%, with the Public sector, which was relatively resilient in the prior year, up 16%.

Overall, Group fees in the quarter were 11% above Q2 FY20⁽¹⁾, or 7% above Q2 FY19⁽¹⁾. Versus Q2 FY20⁽¹⁾, Perm fees increased by 19% and Temp by 6%. Regionally versus Q2 FY20⁽¹⁾, ANZ fees increased by 6%, Germany by 10%, UK&I by 7% and RoW by 19%.

Our largest global specialism of Technology (25% of Group fees) delivered record fees, up 33%, and fees were 20% above Q2 FY20⁽¹⁾. Construction & Property and Accountancy & Finance increased by 23% and 43% respectively. Hays Talent Solutions (HTS), our large Corporate Accounts business, delivered another record quarter with fees up by 36% and continues to win market share, with a strong pipeline of opportunities.

The Group's December net fee growth exit rate was 34%.

Investment in Group headcount

Group consultant headcount increased by 6% in the quarter and by 26% year-on-year. Encouragingly, despite this increased headcount average productivity per consultant remained at excellent levels in the quarter. We expect to add 2-4% to consultant headcount in Q3 FY22, mainly in our Strategic Growth Initiatives and in Germany, as we balance driving consultant productivity and profit growth with adding further capacity in long-term structural growth markets.

Foreign exchange

The strengthening of Sterling versus our main trading currencies of the Euro and Australian dollar is currently a headwind to Group operating profit in FY22. If we re-translate FY21 profits of £95.1m at 11 January 2022 exchange rates (AUD1.8927 and €1.1988), operating profit would decline by c.£7 million, a c.£2 million deterioration versus the position at our Q1 FY22 trading update in October. Given our operating profit increases significantly in FY22, FX movements will have a much larger negative impact.

⁽¹⁾ Given our June year end, Q2 FY20 represents the three months ended 31 December 2019, and Q2 FY19 represents the three months ended 31 December 2018.

⁽²⁾ Bloomberg median consensus operating profit for FY22 on 11 January 2022 stood at £183.5 million.

⁽³⁾ Due to the cycle of our internal Group reporting, we report our annual fees over 13 periods, based on a mixture of four-weekly and monthly reporting businesses. This is consistent with prior years.

Australia & New Zealand (16% of net fees)

Net fees in Australia & New Zealand (ANZ) increased by 31%, with momentum improving following the lifting of lockdowns in October. ANZ fees increased by 6% versus Q2 FY20⁽¹⁾.

Perm net fees, which represented 36% of ANZ, grew by an excellent 75%. Temp, 64% of ANZ, increased by 15% versus a relatively resilient prior year growth comparative. Private sector net fees, which represented 62% of ANZ, increased by 36%, with the Public sector up 24%.

Australia net fees increased by 30%. Our largest regions of New South Wales and Victoria, which together represented 53% of Australian net fees, grew by 39% and 37% respectively. Queensland increased by 31%, with Western Australia up 11% and ACT up 13%.

At the Australia specialism level, Construction & Property, our largest business representing 17% of Australia fees, increased by 11%. Technology, our second largest specialism, was much stronger and grew by 44%, with Office Support and Accountancy & Finance both continuing to rebound strongly, up 47% and 34% respectively. HR increased by an excellent 49%.

New Zealand, 8% of ANZ net fees, continued its strong run and produced record fees, increasing by an excellent 56%.

ANZ consultant headcount increased by 3% in the quarter and by 29% year-on-year.

Germany (25% of net fees)

Net fees in Germany increased by 37%, with activity improving through the quarter and fees growing sequentially versus Q1 FY22. November also delivered a monthly fee record. Overall business confidence continued to improve with clients increasingly investing in new, and extending existing, projects. Germany fees increased by 10% versus Q2 FY20⁽¹⁾.

Our largest specialism of Technology increased by 19%, with our second largest, Engineering, up 57%. Accountancy & Finance and Construction & Property grew by 38% and 18% respectively, with growth in HR and Sales & Marketing much stronger, up 412% and 65% respectively. Private sector fees (87% of Germany) increased by 41%, with the Public sector up 14%.

Our largest area of Contracting (57% of Germany net fees), which is primarily in the Technology sector, delivered a record quarter, up 22%, driven by 27% growth in contractor volumes, with average contractor volumes c.10% above prior peak levels. This was partially offset by c.5% lower average weekly hours per contractor.

Fees in Temp (26% of Germany net fees), which is mainly in Engineering & Manufacturing and where we employ temporary workers as required under German law, increased by 68%. Temp volumes improved through the quarter, although given the slower recovery in the Automotive & Manufacturing sectors, average volumes remain c.18% below prior peak levels. Our comparative fees in Q2 FY21 included c.£1.0 million in Temp severance costs and excluding this, underlying Temp fees increased by 51%.

Perm, which represented 17% of Germany fees, delivered an excellent performance, and increased by 58%.

Consultant headcount increased by 5% in the quarter and by 12% year-on-year.

United Kingdom & Ireland (23% of net fees)

Net fees in the United Kingdom & Ireland (UK&I) increased by 33%, with sequential fee growth versus Q1 FY22. Performance was led by Perm, 46% of UK&I fees, up an excellent 69%, with Temp up 13%. The Private sector, 68% of UK&I net fees, grew by 46% and the Public sector increased by 12%. UK&I fees increased by 7% versus Q2 FY20⁽¹⁾.

Most regions traded broadly in line with the overall UK business, apart from the East of England and Scotland, which grew by 44% and 39% respectively. Our largest region of London increased by 34%, including London City up 68%, and in Ireland our business increased by 63%.

At the specialism level, Technology delivered excellent growth and Accountancy & Finance rebounded sharply, up 43% and 48% respectively. Our fastest growth came in HR, Legal and Office Support, up 105%, 79% and 72% respectively, while Construction & Property increased by 11%.

Consultant headcount increased by 7% in the quarter and by 23% year-on-year.

Rest of World (36% of net fees)

Our Rest of World (RoW) division, comprising 28 countries, grew net fees by 41%, including 15 quarterly fee records and delivered good sequential growth versus Q1 FY22. Perm, which represented 68% of RoW net fees, increased by 55% with Temp up 20%. RoW fees increased by 19% versus Q2 FY20⁽¹⁾.

EMEA ex-Germany (57% of RoW net fees) net fees increased by 33%, with activity levels remaining high. Ten countries delivered record fee performances, including Switzerland, up 30%, Poland 45%, Italy 51% and Spain 28%. Fees in France, our largest RoW country, grew by 33%.

The Americas (25% of RoW) net fees increased by 55%. The USA, our second-largest RoW country, delivered another record quarter and grew by 51%, with Canada up an excellent 60%. Latin America also grew by 65%, including Brazil up 79%.

Asia (18% of RoW) net fees increased by 53%. China, our third-largest RoW country, and Malaysia both delivered record quarters, growing by 59% and 53% respectively. Singapore grew by 63% and Japan showed improved momentum, with fees up 38%.

RoW consultant headcount increased by 7% in the quarter and by 35% year-on-year.

Cash flow, balance sheet and dividends

Strong Group net cash position at 31 December 2021 of c.£235 million, in line with our expectations and after paying c.£170 million in core and special dividends in November (30 September 2021: £360 million; 31 December 2020: £380 million, excluding short-term deferrals of tax payments).

During the quarter we purchased 8.0 million shares under our Treasury share purchase programme, at an average price of 148.3p 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 13 January 2022. The dial-in details are as follows:

Dial-in number	0203 936 2999
Dial-in number (UK toll free)	0800 640 6441
Password	833956

The call will be recorded and available for playback for seven days as follows:

Replay dial-in number	+44 (0) 203 936 3001
Access code	334728

Reporting calendar

Half-year results for the six months ended 31 December 2021	24 February 2022
Trading update for the quarter (Q3 FY22) ending 31 March 2022	14 April 2022
Investor day	28 April 2022
Trading update for the quarter (Q4 FY22) ending 30 June 2022	14 July 2022

Hays Group overview

As at 31 December 2021, Hays had c.12,000 employees in 255 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.78% of the Group's net fees in FY21, compared with 25% in FY05.

Our consultants work in a broad range of sectors covering 20 professional and skilled recruitment specialisms, and in FY21 our three largest specialisms of Technology (25% of Group net fees), Accountancy & Finance (14%) and Construction & Property (12%) together represented 51% of Group fees.

In addition to our international and sectoral diversification, in Q2 FY22 the Group's net fees were generated 55% from temporary and 45% 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, Net Zero, Equity 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 core company value is that we should always focus on doing the right thing. Linked to this, Hays has endorsed three United Nations Sustainable Development Goals (UNSDG's) - Decent Work & Economic Growth; Gender Equality; and Climate Action. These call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt.

We believe that responsible companies should have Equity, Diversity & Inclusion at their heart. Our global ED&I Council helps co-ordinate and drive our actions and made excellent progress in FY21. For the first time in our history, we have set stretching targets on female representation in senior management. By 2025, we have

committed to reach a level of 45% female leaders (FY21: 42% female) among our senior leadership of c.560 individuals, and to reach 50% by 2030.

As a business which exists to help people further their careers and fulfil their potential, the goal of Decent Work and economic growth sits very close to Hays' purpose. Over the last four years we are proud to have placed well over one million people globally in their next job; helping the individual, their employer and society. We have reinforced our Decent Work & Economic Growth commitment through Hays Thrive, our free-to-use online Training & Wellbeing platform. Overall, across all our online platforms, over 850,000 individual training courses were undertaken on our web platforms in the last year, equating to c.26 million minutes of online learning.

We believe we have a significant role to play in combating climate change. As part of our ongoing commitment to Environmental, Social & Governance matters (ESG), we will set Science-based targets for Carbon reduction, in line with the Paris Agreement. We became a Carbon Neutral company in 2021 and are well on the way to becoming 'Net Zero' in due course. As part of our Net Zero journey, we submitted our Science-based target in support of the Paris Agreement on Climate change to the SBTi Q2.

We also recognise the significant opportunities which 'Green' and 'Sustainable' economies present. We are a large recruiter of skilled workers in low carbon, social infrastructure and ESG roles, and we are actively growing our ESG talent pools, helping to solve global skill shortages.

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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