

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 JUNE 2022

14 July 2022



Financial summary

Growth in net fees for the quarter ended 30 June 2022 (Q4 FY22)

(versus the same period last year)

	Growth	
	Actual	LFL
By region:		
Australia & New Zealand (ANZ)	16%	12%
Germany	27%	29%
United Kingdom & Ireland (UK&I)	22%	22%
Rest of World (RoW)	28%	24%
Total	24%	23%
By segment:		
Temporary	17%	16%
Permanent	34%	31%
Total	24%	23%

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 fees up 23% and 15 country fee records. Perm up 31%, with Temp up 16%, both helped by continued improved margins. Fees and activity levels were sequentially stable through the quarter and the Group's fee growth exit rate was 19%
- Group operating profit for FY22 is expected to be c.£210 million, at the top end of our previous guidance⁽¹⁾
- Australia & New Zealand (ANZ):** fees up 12%, led by Perm, up an excellent 33%. Growth was slower in Temp with fees up 2%, with volumes stable through the quarter
- Germany:** record fees, up 29% with Temp & Contracting up 27% and Perm up 39%. Record Contractor volumes and continued strong activity levels
- UK & Ireland (UK&I):** fees up 22%, led by an excellent Perm performance, up 43%, with Temp up 8%, driven by improved margins. The Private sector, up 34%, significantly outperformed the Public sector, down 2%
- Rest of World (RoW):** record fees, up 24%, with 14 country records. Perm up 25% and Temp up 22%. Strong growth in EMEA ex-Germany, up 21%, the Americas, up 33%, and Asia, up 19%
- Group consultant headcount increased by 5% in the quarter and by 26% year-on-year, as we balanced investing in structurally attractive areas such as Technology, and Germany, with driving productivity
- Net cash position of c.£295 million (31 December 2021: £237 million; 30 June 2021: £411 million), driven by strong cash generation and after c.£18 million in share buybacks in our fourth quarter

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

"We finished our financial year strongly, delivering record quarterly fees overall and with 15 countries producing quarterly fee records, including our largest country of Germany. Fees and activity were stable at high levels through the quarter, driven by good client and candidate confidence. Our Perm business was excellent in all major markets, led by the UK&I, and Temp growth was strong across most of the world, led by Germany.

"While macroeconomic uncertainties are increasing, we have a clear strategy and our key markets continue to be characterised by skill shortages. Our fee growth is also supported by improved margins and wage inflation globally. Looking ahead, we are focused on leveraging the investments we have made and increasing consultant productivity to drive profitable growth. Our leading positions in Enterprise Solutions and in structural growth markets such as Technology, where we now generate more than £300 million in fees annually, plus our financial strength and highly experienced management teams globally, give me confidence that we can deliver our long-term objectives. Finally, our strong cash performance supports the Board's commitment to returning significant cash to our shareholders."

Group

Q4 trading overview

The quarter represented a net fee record for the Group, up 23% on a like-for-like basis versus the prior year, despite a much tougher prior year quarterly growth comparative. On an actual basis, net fees increased by 24%, with the weakening of sterling versus the Australian dollar and US dollar increasing our reported net fees. Net fees and activity levels were sequentially stable through the quarter, and client and candidate confidence remained at high levels overall. The Group's fee growth exit rate was 19%.

Net fees in Temp (55% of Group) increased by 16%, with solid year-on-year volume growth and benefitting from continued improvement in underlying Temp margins. Temp volumes were sequentially stable overall across the quarter. Fees in Perm (45% of Group) increased by 31%, with high activity levels through the quarter and continued improvement in our average Perm fee. Fees in the Private sector (85% of Group fees) increased by an excellent 26%, with the Public sector, which was relatively resilient in the prior year, up 7%. Overall, Group fees in the quarter were 14% above the same period pre-pandemic, Q4 FY19⁽²⁾.

Our largest global specialism of Technology (26% of Group fees) delivered record fees, up 24% in the quarter and exceeded £300m fees annually for the first time. Accountancy & Finance increased by 31%, with Construction & Property up 12%. Direct outsourcing fees in Enterprise clients (formerly Hays Talent Solutions) also produced a record, up 30%, and we continue to win Enterprise market share, with a strong pipeline of opportunities.

Group operating profit for the year ended 30 June 2022 is expected to be c.£210 million⁽¹⁾, at the top end of our previous guidance range given at Q3 FY22.

We also anticipate the Group's Effective Tax Rate (ETR) will benefit from one-off items in FY22 and will be materially below our previous guidance of c.30%. We expect the ETR will return to c.30% in FY23.

Investment in Group headcount

Group consultant headcount increased by 5% in the quarter and by 26% year-on-year. Despite this headcount investment, average productivity per consultant remained at high levels. We expect to add 1-2% to consultant headcount in Q1 FY23 in structural growth sectors such as Technology, as we focus on driving consultant productivity.

⁽¹⁾ Including the one-off costs of exiting Russia, which has been completed. Our Q3 FY22 trading statement guidance was for £210-215 million excluding one-off Russia impacts.

⁽²⁾ Given our June year end, Q4 FY19 represents the three months ended 30 June 2019.

Australia & New Zealand (17% of net fees)

Net fees in Australia & New Zealand (ANZ) increased by 12%, with fee and activity levels sequentially stable through the quarter.

Perm net fees, which represented 41% of ANZ, grew by an excellent 33%. Temp, 59% of ANZ, increased by a more moderate 2%, with volumes stable across the quarter. Private sector net fees, which represented 65% of ANZ, increased by 13%, with the Public sector up 11%.

Australia net fees increased by 11%. Our largest regions of New South Wales and Victoria, which together represented 53% of Australia fees, grew by 14% and 5% respectively. Queensland increased by 22%, Western Australia by 14% and ACT was flat.

At the Australia specialism level, Construction & Property, our largest business representing 18% of Australia fees, increased by 11%. Technology, our second largest specialism, was stronger, up 21%, as was Accountancy & Finance, up 16%. Direct outsourcing fees in Enterprise Solutions increased by an excellent 21%, and Office Support grew by 5%.

New Zealand, 8% of ANZ net fees, continued its strong run, up an excellent 33%.

ANZ consultant headcount increased by 3% in the quarter and by 20% year-on-year.

Germany (27% of net fees)

Germany delivered a record fee performance, up 29%, with record Contractor volumes and continued strong activity levels.

Our largest specialism of Technology, 35% of Germany fees, increased by 15%, with our second largest, Engineering, up 32%. Accountancy & Finance and Construction & Property grew by 44% and 18% respectively, with growth in HR and Sales & Marketing stronger still, up 215% and 58% respectively. Private sector fees (88% of Germany) increased by 31%, with the Public sector up 14%.

Our largest area of Contracting (55% of Germany fees) delivered a record quarter with fees up 32%, driven by 29% growth in contractor volumes and we ended the quarter with a record number of Contractors. Margin and Contractor rates mix added a further 9%, partially offset by 6% lower average weekly hours per contractor.

Fees in Temp (27% of Germany fees), where we employ temporary workers as required under German law, increased by 17%.

Perm, which represented 18% of Germany fees, delivered an excellent performance, and increased by 39%.

Consultant headcount increased by 6% in the quarter and by 24% year-on-year.

United Kingdom & Ireland (21% of net fees)

Net fees in the United Kingdom & Ireland (UK&I) increased by 22%, with fees sequentially stable through the quarter. Performance was led by Perm, 47% of UK&I fees, up an excellent 43%. Temp fees increased by 8%, with higher margins slightly offset by lower volumes. The Private sector, 74% of UK&I net fees, grew by 34% and the Public sector decreased by 2%.

Most regions traded broadly in line with the overall UK&I business, apart from the South West & Wales and the East of England, which grew by 33% and 28% respectively, and Northern Ireland and the North West, which grew by 5% and 14% respectively. Our largest region of London increased by 18%, including London City up 40%. In Ireland, our business increased by an excellent 59%.

At the specialism level, Technology delivered excellent growth and Accountancy & Finance rebounded sharply, up 35% and 31% respectively. HR and Legal were also excellent, up 52% and 45% respectively, while Construction & Property increased by 7%.

Consultant headcount increased by 7% in the quarter and by 24% year-on-year.

Rest of World (35% of net fees)

Our Rest of World (RoW) division, comprising 27 countries, produced a record quarter and grew net fees by 24%, including 14 quarterly fee records. Perm, which represented 67% of RoW net fees, increased by 25% with Temp up 22%.

EMEA ex-Germany (56% of RoW net fees) net fees increased by 21%, with activity levels remaining strong. France, our largest RoW country, increased by 31%, with Spain up 26%. Italy and Poland delivered fee records, both up 37%, while growth was slower in Belgium, up 6%.

The Americas (27% of RoW) net fees increased by 33%. Growth was led by Canada, up an excellent 64% and delivering a fee record, as did LatAm, up 45%. Fees in the USA increased by 20%.

Asia (17% of RoW) net fees increased by 19%. Performance in Japan was excellent, up 65% and delivering a fee record. Malaysia also produced another excellent quarter, up 27%, and Singapore grew by 16%. China decreased by 5%, with Mainland China particularly impacted by strict pandemic restrictions.

RoW consultant headcount increased by 5% in the quarter and by 29% year-on-year.

Cash flow, balance sheet and dividends

Net cash position at 30 June 2022 of c.£295 million (31 December 2021: £237 million; 30 June 2021: £411 million), driven by strong cash generation.

The Board is committed to returning significant cash to our shareholders, over our £100 million cash buffer, via core and special dividends and share buybacks. During the quarter we purchased and cancelled 15.4 million shares under our £75 million share buyback programme, at an average price of 118.2p per share. This left a residual balance of c.£57 million at 30 June 2022, to be purchased under the agreement with our brokers, Jefferies.

As a reminder, the Board will add any residual amount of our share buyback programme to our £100 million cash buffer when calculating any FY22 special dividend.

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 July 2022. The dial-in details are as follows:

Dial-in number 0330 551 0200
Password Hays

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

Replay dial-in number +44 (0) 208 196 1480
Access code 0830623#

Reporting calendar

Preliminary results for the year ended 30 June 2022	25 August 2022
Trading update for the quarter (Q1 FY23) ending 30 September 2022	13 October 2022
Trading update for the quarter (Q2 FY23) ending 31 December 2022	17 January 2023
Half-year results for the six months ending 31 December 2022	23 February 2023

Hays Group overview

As at 30 June 2022, Hays had c.13,000 employees in 253 offices in 32 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.79% of the Group's net fees in Q4 FY22, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 20 professional and skilled specialisms. In Q4 FY22 our three largest specialisms of Technology (26% of Group net fees), Accountancy & Finance (14%) and Construction & Property (11%) together represented 51% of Group fees.

In addition to our international and sectoral diversification, in Q4 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 investing in lifelong partnerships that empower people and organisations to succeed, 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 and our commitment to Environmental, Social & Governance (ESG) matters, 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. We made progress in FY22 by further embedding UNSDG Goal 5: Gender Equality in our strategy. 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, Goal 8: Decent Work & Economic Growth aligns very closely with 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. Our commitment to this goal is further reinforced 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. In 2021, we became a Carbon Neutral company – our first step under Goal 13: Climate Action to achieve emissions reductions consistent with limiting warming to 1.5°C, the most ambitious goal of the Paris Agreement. In March 2022, the Science-Based Targets initiative (SBTi) approved Hays' Science-Based targets to reduce i) absolute scope 1 and 2 GHG emissions by 50% by FY2026; ii) absolute scope 3 GHG emissions from purchased goods and services and capital goods by 50% by FY2030; and, iii)

absolute scope 3 GHG emissions from business travel by 40% by FY2026. This landmark step demonstrates Hays' firm commitment to be the first global specialist recruitment firm to reach Net Zero.

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 and Sustainability Talent Networks, 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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