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QUARTERLY UPDATE
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

18 October 2016

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Financial summary

Growth in net fees for the quarter ended 30 September 2016 (Q1 FY17) *(versus the same period last year)*	Growth	
	Actual	**LFL[1]**
By region		
Asia Pacific	30%	**5%**
Continental Europe & Rest of World	33%	**13%**
United Kingdom & Ireland	(10)%	**(10)%**
Total	17%	**3%**
By segment		
Temporary	19%	**5%**
Permanent	14%	**2%**
Total	17%	**3%**

Highlights

- Solid overall growth of 3%[1] led by further strong performances in our International businesses, which now represent 73% of Group net fees
- Further strong broad-based growth of 13%[1] in Continental Europe & Rest of World, with Germany up 12%[1] and France up 22%[1], one of 10 countries in the division to grow over 20%[1]
- Asia Pacific growth of 5%[1], including Australia up 8%[1], following further strong public sector activity and an acceleration in private sector growth. Net fees in Asia were down 4%[1]
- Net fees in the UK & Ireland were down 10%[1]. Temp activity was broadly stable through the quarter, as was Perm after a step-down immediately following the EU Referendum
- Group consultant headcount was up 2% year-on-year and up 4% during the quarter, including our normal seasonal graduate intake
- Net cash ended Q1 at c.£20 million (30 June: £36.8 million), in line with expectations

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

"We have started our new financial year well, with continued strength in our International businesses, including all-time records in Germany and France and an acceleration of growth in Australia. Our performance was again consistent and broad-based, as 28 of our 33 countries delivered year-on-year growth[1], 19 of which grew by over 10%[1]. In the UK, following a step-down in Perm recruitment activity immediately after the Referendum, the business stabilised, and followed the normal seasonal pattern through the remainder of the quarter.

Looking ahead, Europe continues to deliver strong, broad-based growth and market conditions remain supportive in Australia and the Americas, where we continue to invest. In the UK we have a strong, market-leading and diverse business, led by a world-class management team who are highly experienced in managing through fast-changing and uncertain times. As ever, our focus remains on driving profitable growth in our business, capitalising on long-term opportunities, while maximising earnings and cash along the way."

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Group

In the first quarter ended 30 September 2016 net fees increased 17% on a headline basis and 3% on a like-for-like basis[(1)] against the prior year, our fourteenth consecutive quarter of year-on-year growth[(1)]. The difference between actual and like-for-like growth was primarily the result of the significant appreciation of the Euro and the Australian Dollar against Sterling.

The impact of these material movements in foreign exchange rates means that if we retranslate the Group's FY16 operating profit of £181.0 million at current exchange rates (AUD1.6015 and €1.1112 as at 14 October 2016), the actual reported result would increase by c.£35 million to c.£216 million.

The exit rate of Group net fee growth was in line with the quarter as a whole, with no significant differences by region.

In the second quarter, there are three less working days in Germany versus the prior year due primarily to the timing of public holidays. We expect this to have a c.4%[(3)] negative impact on net fees in Germany, most notably in our Temp and Contractor business.

The Temp business, which accounted for 58% of Group net fees in the quarter, increased by 5%[(1)] and the underlying temp margin[(2)] was broadly stable. Net fees in the Perm business increased by 2%[(1)].

Consultant headcount was up 2% year-on-year and grew 4% in the quarter as a result of the normal seasonal graduate intake and our continued approach of investing selectively across the Group where market conditions and outlook were supportive, notably in Europe and Australia. As a result, we expect that increases in Q2 will be below those of Q1.

Asia Pacific

In Asia Pacific, which represented 24% of Group net fees, we delivered solid growth of 5%[(1)].

In Australia & New Zealand net fees were up 7%[(1)]. Our Perm business was up 5%[(1)] and Temp, which represented 65% of net fees in the quarter, was up 8%[(1)].

In Australia net fee growth accelerated to 8%[(1)], as we saw further improvement in private sector activity through the quarter, with net fees up 5%[(1)]. Our largest regions of New South Wales and Victoria, which account for 58% of Australia net fees, were up 14%[(1)] and 11%[(1)] respectively and ACT (Canberra) delivered good growth of 8%[(1)] driven by continued strength in our public sector business, which grew 14%[(1)]. Conditions in Western Australia remained subdued, with net fees down 16%[(1)], but this business has now been stable for six months. Elsewhere, we saw positive performances in Queensland and South Australia, which grew by 1%[(1)] and 7%[(1)] respectively. At the specialism level, all major specialisms grew, including Construction & Property, our largest business in Australia, which delivered strong growth of 13%[(1)] and IT which grew 18%[(1)]. Net fees in Accountancy & Finance increased 1%[(1)] and Sales & Marketing was up 16%[(1)]. In New Zealand net fees were flat[(1)].

In Asia, which accounted for 22% of the division, net fees decreased 4%[(1)]. China delivered further strong growth of 12%[(1)] and net fees in Malaysia grew 68%[(1)]. Net fees in Japan were down 4%[(1)] and Singapore declined by 33%[(1)] largely due to continuing challenging conditions in the banking market.

Consultant headcount in the division was up 3% in the quarter and 2% year-on-year. Consultant headcount in Australia & New Zealand was up 3% in the quarter and 6% year-on-year, and in Asia was up 5% in the quarter but down 4% year-on-year.

Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represented 49% of Group net fees, we delivered strong, broad-based growth of 13%[(1)] and, to date, we have seen no evidence of contagion into Europe following the outcome of the EU Referendum. Germany delivered strong 12%[(1)] growth and an all-time record net fee performance, with our Temp & Contractor business up 11%[(1)] and Perm up 20%[(1)]. Growth in our core IT & Engineering business was 12%[(1)] and within our newer specialisms Accountancy & Finance also delivered strong growth of 12%[(1)].

The rest of EMEA delivered 15%[(1)] growth, with 11 countries growing by over 10%[(1)], including Belgium and Poland. France, our second largest business in the division, delivered another excellent performance, with net fees up 22%[(1)]. This was the eighth consecutive quarter of double digit growth[(1)] and an all-time net fee record, driven by the continued strength of our IT and Life Sciences contractor businesses, as well as by an excellent performance in Accountancy & Finance, our largest specialism, up 24%[(1)]. In southern Europe, whilst growth remained good overall, rates slowed versus challenging comparators, with Italy up 7%[(1)] and Spain up 3%[(1)].

In the Americas net fees grew by 13%[(1)], with an excellent performance in Brazil, up 36%[(1)] despite continued tough market conditions and we delivered excellent growth across the rest of our Latin America businesses. In North America we delivered good growth, with the US up 8%[(1)] and Canada up 7%[(1)].

Consultant headcount in the division was up 7% in the quarter and up 11% year-on-year, as we invested to drive growth in stronger markets, including our annual September intake.

United Kingdom & Ireland

In the United Kingdom & Ireland, which represented 27% of the Group, net fees decreased 10%[(1)]. Following a step-down in Perm activity levels immediately after the EU Referendum, the UK Perm business stabilised and then followed the normal seasonal pattern through the remainder of the quarter. Year-on-year, Perm net fees were down 10%[(1)], as continued concerns about the economic outlook impacted client and candidate confidence. Our UK Temp business was down 11%[(1)] year-on-year primarily as a result of continued challenging conditions in public sector markets and Construction & Property.

Net fees in our private sector business, representing 73% of the division's net fees, were down 10%[(1)]. Our public sector business declined 12%[(1)] and it remained tough through the quarter, particularly in the local Government, Healthcare and Construction & Property-focused markets.

All regions traded broadly in line with the overall UK business, with the exception of London, which was down 17%, and Scotland & Northern Ireland and the East of England, where net fees declined 2%. In Ireland our business delivered good net fee growth of 9%[(1)].

At a specialism level, our Accountancy & Finance and Office Support businesses were both down 4%[(1)] and Construction & Property and IT were down 12%[(1)] and 13%[(1)] respectively. Our Education business decreased 9%.

Consultant headcount in the division was down 9% year-on-year, but up 2% in the quarter, primarily as a result of our September graduate intake.

Cash flow and balance sheet

Net cash was c.£20 million as of 30 September 2016 (30 June 2016: £36.8 million). The decrease, which was in line with our expectations, is due to normal timing and phasing of cash flows in the quarter.

(1) LFL (like-for-like) growth represents organic growth at constant currency and excludes the impact of acquisitions.
(2) The underlying Temp gross margin is calculated as Temp net fees divided by Temp gross revenue and relates solely to Temp placements in which Hays generates net fees. This specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third party agencies and arrangements where the Company provides major payrolling services.
(3) The estimated working day impact is calculated in relation to the Temp and Contractor businesses only, we make no estimate of the impact on the Perm business. It represents an assumption based on recent trends of revenues / working day in our major Temp and Contractor businesses.

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Enquiries

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Conference call

Paul Venables and David Walker of Hays plc will conduct a conference call for analysts and investors at 8:00am United Kingdom time on 18 October 2016. The dial-in details are as follows:

Dial-in number	+44 (0)20 3139 4830
Dial-in number (UK toll free)	+44 (0)80 8237 0030
Password	62023074#

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

Replay dial-in number	+44 (0)20 3426 2807
Replay dial-in number (UK toll free)	+44 (0)80 8237 0026
Access code	677802#

Reporting calendar

Trading Update for the quarter ending 31 December 2016	12 January 2017
Interim Results for the six months ending 31 December 2016	23 February 2017
Trading Update for the quarter ending 31 March 2017	13 April 2017
Trading Update for the quarter ending 30 June 2017	13 July 2017

Hays Group overview

As at 30 June 2016, Hays had 9,214 employees in 252 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 rapid diversification and internationalisation of the Group, with the International business representing 66% of the Group's net fees, compared with 30% 10 years ago.

Our 6,268 consultants work in a broad range of sectors with no sector specialism representing more than 20% of Group net fees. While Accountancy & Finance, Construction & Property and IT represent 50% of Group net fees, our expertise across 20 professional and skilled recruitment specialisms gives us opportunities to rapidly develop newer markets by replicating these long-established, existing areas of expertise.

In addition to this international and sectoral diversification, the Group's net fees are generated 58% from temporary and 42% 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.

This announcement contains inside information.