

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017

12 October 2017

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Financial summary

Growth in net fees for the quarter ended 30 September 2017 (Q1 FY18)

(versus the same period last year)

	Growth	
	Actual	LFL ⁽¹⁾
By region		
Asia Pacific	17%	14%
Continental Europe & Rest of World	19%	13%
United Kingdom & Ireland	1%	1%
Total	13%	10%
By segment		
Temporary	12%	8%
Permanent	16%	13%
Total	13%	10%

Highlights

- Strong 10%⁽¹⁾ growth driving another record quarterly net fee performance for the Group
- Further strong, broad-based 13%⁽¹⁾ growth in Continental Europe & Rest of World, driven by Germany up 15%⁽¹⁾ and 13 further countries growing in excess of 10%⁽¹⁾
- Asia Pacific net fees up 14%⁽¹⁾ with another strong performance in Australia, up 15%⁽¹⁾, and a significant acceleration of growth in Asia, where net fees grew by 18%⁽¹⁾
- UK & Ireland up 1%⁽¹⁾. Private sector (75% of net fees) grew 4%⁽¹⁾ with continued signs of modest improvement. Public sector remained tough, down 9%⁽¹⁾
- Group consultant headcount was up 11% year-on-year and up 6% in the quarter. This was primarily in Germany and Australia and included our normal seasonal graduate intake
- Net cash position of c.£60 million (30 June: £111.6 million), broadly in line with our expectations
- We will host an Investor Day in London on the afternoon of 9th November 2017

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

"We have made a strong start to the new financial year with all divisions growing. Continental Europe delivered further strong, broad-based growth, led by a record net fee performance in Germany, our largest business in the world, as we continued to invest in consultant headcount. Australia delivered another strong quarter of double-digit growth, which was uniform across all states and specialisms. We continued to see modest improvements in our UK private sector business, which returned to growth, although this was largely offset by a tough public sector market.

Looking ahead, conditions remain good in the vast majority of our International markets. In the UK, market conditions remain stable overall. Our diverse and balanced global business, together with our highly experienced management teams and our strong balance sheet means we are well positioned to capitalise on the many clear growth opportunities we currently see across the vast majority of our markets, while maximising earnings and cash along the way."

Group

In the first quarter ended 30 September 2017 Group net fees increased 13% on a headline basis and 10% on a like-for-like basis⁽¹⁾ against the prior year, our 18th consecutive quarter of year-on-year growth⁽¹⁾. The difference between headline and like-for-like growth was primarily the result of the appreciation of the Euro and the Australian Dollar against Sterling.

The impact of these movements in foreign exchange rates means that if we retranslate the Group's FY17 operating profit of £211.5 million at current exchange rates (AUD1.6968 and €1.1193 as at 10 October 2017), the actual reported result would increase by c.£5 million to c.£216 million. This exchange uplift is c.£7 million lower than that estimated in the Preliminary Results we released on 31 August 2017.

Germany had one less trading day in the quarter versus the prior year, which impacted our Temp and Contractor business. This had an estimated c.1%⁽²⁾ negative impact on Q1 Continental Europe & RoW net fee growth, including c.2%⁽²⁾ negative impact in Germany.

The exit rate for 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 two fewer trading days in Germany versus the prior year due to two additional public holidays. We expect this to have a c.4%⁽²⁾ negative impact on net fees in Germany and a c.1%⁽²⁾ negative impact on Group net fees.

The Temp business, which accounted for 58% of Group net fees in the quarter, grew by 8%⁽¹⁾. Net fee growth in the Perm business accelerated to 13%⁽¹⁾.

Consultant headcount was up 11% year-on-year and 6% in the quarter. This was 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 Australia and certain European businesses including Germany. We expect that increases in Q2 will be below those of Q1.

Asia Pacific

In Asia Pacific, which represented 25% of Group net fees, we delivered strong growth of 14%⁽¹⁾.

In Australia & New Zealand net fees were up 13%⁽¹⁾. The Temp business, which represented 66% of net fees in the quarter, posted a quarterly record performance as growth accelerated to 14%⁽¹⁾. Perm net fees increased by 11%⁽¹⁾.

Australia delivered another quarter of double-digit growth, up 15%⁽¹⁾. Growth was uniform and broad-based across all regions and specialisms, as we continued to proactively invest in consultant headcount to take advantage of favourable market conditions. Our largest regions of New South Wales and Victoria, which account for 58% of Australia net fees, were up 10%⁽¹⁾ and 21%⁽¹⁾ respectively, supported by strong activity levels in our private sector business, which was up 15%⁽¹⁾. We saw excellent growth in Queensland and Western Australia, where net fees increased 23%⁽¹⁾ and 17%⁽¹⁾ respectively. ACT (Canberra) also delivered another strong performance, up 14%⁽¹⁾ driven by continued strength in our public sector business, up 16%⁽¹⁾.

At the specialism level, we delivered excellent 16%⁽¹⁾ growth in Construction & Property, our largest business in Australia. Accountancy & Finance grew 6%⁽¹⁾, Office Support was up 12%⁽¹⁾ and IT continued to perform strongly, up 11%⁽¹⁾. Net fees in New Zealand decreased 8%⁽¹⁾.

Asia, which accounted for 22% of the division, delivered a record quarterly performance with net fees up an excellent 18%⁽¹⁾. Japan, our largest business in Asia, returned to growth, up 6%⁽¹⁾, while net fees in China grew by 9%⁽¹⁾. Hong Kong and Malaysia delivered excellent growth of 80%⁽¹⁾ and 46%⁽¹⁾ respectively.

Consultant headcount in the division was up 7% in the quarter and up 15% year-on-year. Consultant headcount in Australia & New Zealand was up 7% in the quarter and up 17% year-on-year, and in Asia was up 8% in the quarter and up 10% year-on-year.

Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represented 50% of Group net fees, we delivered another quarter of strong growth, with net fees up 13%⁽¹⁾, despite a c.1%⁽²⁾ negative impact from one less trading day in Germany.

Growth was led by another quarterly record performance in Germany, where net fees grew 15%⁽¹⁾ (underlying growth of c.17%⁽²⁾ adjusted for working days), with strong growth in our Temp & Contractor business, up 12%⁽¹⁾, and excellent 37%⁽¹⁾ growth in Perm. The Perm business now represents 15% of Germany net fees. Net fees in our core IT & Engineering business increased 12%⁽¹⁾ and within our newer specialisms Accountancy & Finance grew 38%⁽¹⁾ and Life Science was up 11%⁽¹⁾.

The rest of Continental Europe delivered 14%⁽¹⁾ growth, with 12 countries growing by over 10%⁽¹⁾, including Spain, Belgium, Poland and Russia. France, the second largest business in the division, delivered another strong, broad-based performance, up 10%⁽¹⁾, our 12th consecutive quarter of double digit growth⁽¹⁾. Our top two specialisms in France, Accountancy & Finance and Construction & Property grew net fees by 17%⁽¹⁾ and 3%⁽¹⁾ respectively.

In the Americas net fees grew by 3%⁽¹⁾. Within this, we saw good performances in the USA, up 9%⁽¹⁾, as well as in Brazil and Colombia, where net fees increased 11%⁽¹⁾ and 9%⁽¹⁾ respectively. Net fees in Canada were down 3%⁽¹⁾ mainly due to tough comparators in the prior year, while Mexico declined 24%⁽¹⁾.

Consultant headcount in the division was up 7% in the quarter and up 19% year-on-year, as we continued to invest to drive growth in stronger markets including Germany, where headcount was up 10% in the quarter and up 28% year-on-year.

United Kingdom & Ireland

In the United Kingdom & Ireland, which represented 25% of the Group, net fees increased 1%⁽¹⁾. In our private sector business, representing 75% of the division, we continued to experience modest signs of improvement and net fees increased 4%⁽¹⁾, partially due to easier comparators. This was particularly evident in the Perm business, which was up 2%⁽¹⁾ in the quarter. Our Temp business was flat⁽¹⁾ as it continued to be negatively affected by tough market conditions in the public sector as well as by the impact of the IR35 regulations. Overall, public sector net fees were down 9%⁽¹⁾.

All regions traded broadly in line with the overall UK business, with the exception of the South West & Wales, where we saw strong net fee growth of 14%, and the East of England, where net fees were down 11%. In Ireland our business delivered another excellent performance, with net fees up 16%⁽¹⁾.

At a specialism level, Accountancy & Finance, our largest business in the division, grew by 3%⁽¹⁾, while net fees in Construction & Property and Office Support increased by 1%⁽¹⁾ and 8%⁽¹⁾ respectively. IT and Education were down 15%⁽¹⁾ and 13%⁽¹⁾ respectively, as they continued to be impacted by the decline in the public sector market.

Consultant headcount in the division was down 4% 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.£60 million as of 30 September 2017 (30 June 2017: £111.6 million). The decrease, which was broadly in line with our expectations, is mainly due to normal timing and phasing of cash flows in the quarter.

- (1) LFL (like-for-like) growth represents organic growth at constant currency.
- (2) The estimated working day impact is calculated in relation to the Germany Temp and Contractor business 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 Germany Temp and Contractor business.

Enquiries

Hays plc

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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 12 October 2017. The dial-in details are as follows:

Dial-in number	+44 (0)33 3300 0804
Dial-in number (UK toll free)	+44 (0)80 0358 9473
Password	72859888#

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

Replay dial-in number	+44 (0)33 3300 0819
Replay dial-in number (UK toll free)	+44 (0)80 0358 2049
Access code	301206292#

Reporting calendar

Investor Day, London 12:00pm – 5:30pm	9 November 2017
Trading Update for the quarter ending 31 December 2017	11 January 2018
Interim Results for the six months ending 31 December 2017	22 February 2018
Trading Update for the quarter ending 31 March 2018	12 April 2018
Trading Update for the quarter ending 30 June 2018	12 July 2018

Hays Group overview

As at 30 June 2017, Hays had 10,000 employees in 250 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 75% of the Group's net fees as at 30 June 2017, compared with 25% in 2005.

Our 6,884 consultants work in a broad range of sectors with no sector specialism representing more than 21% of Group net fees. While Accountancy & Finance, Construction & Property and IT represent 51% 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 59% from temporary and 41% 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.

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