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QUARTERLY UPDATE
FOR THE THREE MONTHS ENDED 31 DECEMBER 2016

12 January 2017

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Financial summary

Growth in net fees for the quarter ended 31 December 2016 (Q2 FY17)

(versus the same period last year)	Growth	
	Actual	**LFL[1]**
By region		
Asia Pacific	35%	**7%**
Continental Europe & Rest of World	30%	**8%**
United Kingdom & Ireland	(9)%	**(10)%**
Total	17%	**2%**
By segment		
Temporary	18%	**3%**
Permanent	16%	**1%**
Total	17%	**2%**

Highlights

- Solid overall growth of 2%[1] (underlying growth of 3%[3] adjusted for working days) led by further good performances in our International businesses, which now represent 75% of Group net fees
- Good broad-based growth of 8%[1] in Continental Europe & Rest of World, with Germany up 7%[1] (underlying growth of 11%[3] adjusted for working days). France grew 14%[1], one of 11 countries to deliver growth of over 10%[1]
- Good Asia Pacific growth of 7%[1], as we delivered further acceleration in Australia to 13%[1], including private sector growth of 14%[1]. Net fees in Asia were down 5%[1] as conditions remain tough
- Net fees in the UK & Ireland were down 10%[1] year-on-year, and broadly sequentially stable through the quarter. Conditions in public sector markets remain tough and net fees decreased 13%[1]. The private sector business was down 9%[1] with early signs of improvement towards the end of the quarter
- Group consultant headcount was up 2% year-on-year and up 1% in the quarter
- Our first half cash performance has been strong, with net cash ending Q2 at £48 million (30 September 2016: £20.2 million)

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

"This has been another encouraging quarter of growth, our 15th in a row, led by the continued strength of our International businesses. Performance across Continental Europe was broad-based, as nine countries delivered double-digit growth[1] and we saw good performances in both Germany and France, our two largest businesses in Europe. In Australia market confidence in the private sector continued to improve and our growth accelerated significantly. In the UK, while conditions remained tough, we saw an improvement in private sector markets in December.

As ever, activity levels at the start of the new year will be important to the Group's second half performance and we are monitoring these closely. As we ended the first half, conditions remained good in the vast majority of our markets, especially Europe, Australia and the Americas. In the UK, public sector markets remain tough, but we see early signs of improvement in the private sector market. At Hays, we are unique in the world in terms of the scale, balance and diversity of the business we have built and our focus remains on driving profitable, cash generative growth, capitalising on long-term opportunities, while maximising returns along the way. These strengths, combined with our world-class, highly experienced teams around the world, stand us in good stead and allow us to look to the future with confidence."

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Group

In the second quarter ended 31 December 2016 Group net fees increased 17% on a headline basis and 2% on a like-for-like basis(1) against the prior year, our 15th consecutive quarter of year-on-year growth(1). The difference between headline 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 foreign exchange movements is that if we retranslate the Group's FY16 operating profit of £181.0 million at current exchange rates (AUD1.6527 and €1.1542 as at 10 January 2017), the actual reported result would increase by c.£30 million to c.£211 million. This exchange uplift is c.£5 million less than that estimated in the Q1 quarterly update we released on 18 October 2016.

Q2 had one less trading day versus the prior year overall and in Germany there were two additional trading days lost due to the timing of public holidays. We estimate this to have had a 1%-2%(3) negative impact on net fees at Group level, including a c.1%(3) negative impact on net fees in both the UK and Australia and a c.4%(3) negative impact in Germany.

We estimate the exit rate for Group net fee growth for the quarter to be c.4%(1), which is 1%(1) above the underlying 3%(1) growth rate for the quarter as a whole, once the impact of trading days is taken into account. In both Continental Europe & Rest of World and Asia Pacific, the exit rate was broadly in line with the underlying growth rates for the quarter as a whole, while in the UK the exit rate was c.(7)%(1).

The Temp business, which accounted for 59% of Group net fees in the quarter, grew by 3%(1) and the underlying temp margin(2) was broadly stable versus the prior quarter. Net fees in the Perm business increased by 1%(1).

Consultant headcount was up 2% year-on-year and 1% in the quarter as we continued to invest selectively where market conditions and outlook were supportive, notably in certain European businesses and Australia. We expect that increases in Q3 will be selective and minimal overall.

Asia Pacific

In Asia Pacific, which represented 24% of Group net fees, we delivered good growth of 7%(1).

In Australia & New Zealand net fees were up 11%(1). The Perm business was up 7%(1) and Temp, which represented 66% of net fees in the quarter, was up 12%(1).

In Australia net fee growth accelerated to 13%(1) driven by growth in the private sector of 14%(1). Growth was broad-based across most regions and specialisms. Our largest regions of New South Wales and Victoria, which account for 57% of Australia net fees, were up 14%(1) and 18%(1) respectively and ACT (Canberra) also delivered an excellent performance, with net fees up 17%(1) driven by continued strength in our public sector business, up 11%(1).

At the specialism level, we delivered strong 11%(1) growth in Construction & Property, our largest business in Australia, and excellent growth of 26%(1) in IT. In New Zealand net fees were down 10%(1), in part due to factors external to Hays affecting the country.

In Asia, which accounted for 22% of the division, trading conditions remained challenging and net fees decreased 5%(1). China delivered further good growth of 10%(1) and Hong Kong grew 17%(1). Net fees in Japan were down 8%(1) and Singapore declined by 34%(1) largely due to continuing challenging conditions in the banking market.

Consultant headcount in the division was up 2% in the quarter and 3% year-on-year. Consultant headcount in Australia & New Zealand was up 1% in the quarter and 9% year-on-year, and in Asia was up 2% in the quarter but down 6% year-on-year.

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Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represented 50% of Group net fees, we delivered good, broad-based growth of 8%[(1)]. In Germany, net fees grew 7%[(1)] (underlying growth of 11%[(3)] adjusted for working days), with growth in our Temp & Contractor business of 5%[(1)]. Perm grew 30%[(1)]. Growth in our core IT & Engineering business was 8%[(1)] and within our newer specialisms Accountancy & Finance delivered strong growth of 10%[(1)].

The rest of Continental Europe delivered 9%[(1)] growth, with nine countries growing by over 10%[(1)], including all-time record performances in the Netherlands, Russia and France, our second largest business in the division, which delivered another strong, broad-based performance, up 14%[(1)], our ninth consecutive quarter of double digit growth[(1)]. In Southern Europe, growth continued to slow versus tougher comparators, with Spain growing 3%[(1)] while Italy was up 19%[(1)].

In the Americas net fees grew by 5%[(1)]. Within this, we delivered good growth in Canada, up 5%[(1)], the USA up 8%[(1)], and Brazil, where we grew 19%[(1)] despite continued tough market conditions. Net fees in Mexico declined 32%[(1)], in part due to more challenging market conditions.

Consultant headcount in the division was up 4% in the quarter and up 11% year-on-year, as we continued to invest to drive growth in stronger markets.

United Kingdom & Ireland

In the United Kingdom & Ireland, which represented 26% of the Group, net fees decreased 10%[(1)], but remained broadly sequentially stable through the quarter. Perm net fees were down 10%[(1)], as client confidence remained subdued, and our Temp business was also down 10%[(1)] primarily as a result of continued challenging conditions in the public sector, which was down 13%[(1)]. Net fees in our private sector business, representing 71% of the division, were down 9%[(1)] but we exited the quarter with early signs of improvement.

All regions traded broadly in line with the overall UK business, with the exception of London, which was down 15%, and Scotland & Northern Ireland, where net fees were broadly flat. In Ireland our business delivered another strong performance, with net fees up 14%[(1)].

At a specialism level, our Accountancy & Finance business was down 9%[(1)], while Construction & Property and IT were down 7%[(1)] and 14%[(1)] respectively. Net fees in Office Support decreased 7%[(1)] and Education, primarily a public sector business, was down 15%[(1)].

Consultant headcount in the division was down 4% in the quarter and down 10% year-on-year.

Cash flow and balance sheet

Cash performance in the quarter was strong, with net cash of £48 million as of 31 December 2016 (30 September 2016: £20.2 million, 31 December 2015: net debt £56.1 million) despite the payment in November of the Group's final dividend of £28.7 million.

(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.

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 12 January 2017. 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	51564669#

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	681123#

Reporting calendar

Interim Results for the six months ended 31 December 2016	22 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.

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Cautionary statement

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