

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2017

11 January 2018

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Financial summary

Growth in net fees for the quarter ended 31 December 2017 (Q2 FY18)

(versus the same period last year)

	Growth	
	Actual	LFL
By region		
Asia Pacific	10%	16%
Continental Europe & Rest of World	19%	17%
United Kingdom & Ireland	1%	1%
Total	12%	13%
By segment		
Temporary	10%	11%
Permanent	14%	15%
Total	12%	13%

Note: unless otherwise stated, all growth rates discussed in this statement are LFL (like-for-like) fees, representing organic growth of continuing operations at constant currency.

Highlights

- Strong overall growth of 13%, led by excellent performance in our International businesses, which now represent 76% of Group net fees
- Broad-based performance, with 24 of our 33 countries growing in excess of 10%
- Excellent growth of 17% in Continental Europe & Rest of World, with the Group's largest business, Germany, up 19% (c.23% adjusted for working days⁽¹⁾) and France up 14%
- Asia Pacific up 16%. Growth in Australia was strong, up 14%, and Asia delivered an excellent performance, up 24%
- Our business in the UK & Ireland remained stable, up 1%. Our private sector business grew modestly at 4%, while public sector markets remained tough and net fees were down 8%
- Group consultant headcount up 3% in the quarter and up 13% year-on-year. In particular, we continued to materially invest in Germany (+30% YoY), Australia (+16% YoY) and USA (+16% YoY)
- Our first half cash performance has been good. After paying £94.3m in special and final dividends in November, we ended Q2 with c.£35 million net cash (30 September 2017: c.£60 million)

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

"We have delivered another strong quarter of broad-based growth with net fees up 13% and 24 of our 33 countries delivering double-digit growth. Performance in Continental Europe was excellent, led by Germany, our largest business, which grew by 19% and where we continued to materially invest in consultant headcount. Australia delivered another strong, market-leading performance and in Asia we delivered excellent growth. In the UK our business remained stable overall.

Whilst activity levels at the start of the New Year will be an important driver of the Group's second half performance, we continue to see strong trading conditions in the vast majority of our international markets. 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 in most of our markets, while maximising earnings and cash along the way".

Group

In the second quarter ended 31 December 2017 Group net fees increased 12% on a headline and 13% on a like-for-like basis against the prior year, representing our 19th consecutive quarter of year-on-year growth. The relative strength of Sterling versus the Australian dollar and our Asian currencies was partially offset by Euro strength against Sterling.

The impact of these foreign exchange movements is that if we retranslate the Group's FY17 operating profit of £211.5 million at current exchange rates (AUD1.7309 and €1.1346 as at 9 January 2018), the actual reported result would increase by c.£3 million to c.£214 million. This exchange uplift is c.£2 million lower than that estimated in the Q1 quarterly update we released on 12 October 2017, and c.£9 million less than we estimated at our preliminary results on 31 August 2017.

Net fees in our Perm business (42% fees) grew 15%, while our Temp business (58% fees) grew by 11%.

In the quarter, Germany had two fewer trading days than prior year due to two additional public holidays, which we estimate had a c.1%⁽¹⁾ negative impact on net fees at Group level and a c.4%⁽¹⁾ negative impact in Germany.

The exit rate across our divisions was broadly in line with the Q2 growth rate. Looking ahead to Q3, Easter is evenly split in FY18 between Q3 and Q4, while in FY17 it fell entirely in Q4. We expect this to have a c.1%⁽¹⁾ negative impact on net fees at Group level in Q3 FY18, with a corresponding c.1%⁽¹⁾ benefit to Q4 FY18.

Consultant headcount was up 3% in the quarter and 13% year-on-year as we continued to invest heavily in our key growth markets. We expect headcount growth in H2 to be more selective, as we focus on driving consultant productivity.

Asia Pacific (23% net fees)

In Asia Pacific we delivered another strong performance with 16% net fee growth.

In Australia & New Zealand net fees were up 14%, led by our Perm business which accelerated to 17%. Temp, which represented 67% of net fees in the quarter, increased by 12%.

Australia delivered another strong quarter of double digit growth, up 14%. This was led by the private sector, which accounted for 65% of our net fees and grew by 16%. Fees in our public sector businesses were up 12%. Growth was broad-based across all states and all major specialisms, as we continued to invest to take account of favourable market conditions. Our largest regions of New South Wales and Victoria, representing 57% of Australia net fees, were up by 10% and 19% respectively. Western Australia delivered the highest growth at 22%, while Queensland was also strong at 16%.

At the specialism level, we delivered strong 15% growth in Construction & Property, our largest business in Australia. Accountancy and Finance growth was also strong at 11%, as was Office Support and HR which grew by 14% and 15% respectively. Net fees in IT were up 5%. New Zealand returned to growth, with net fees up 3%.

In Asia, which accounted for 23% of division fees, growth was excellent at 24%. Our largest market, Japan, grew by 19% and fees were also up by 25% in China, 51% in Hong Kong and 76% in Malaysia.

Consultant headcount in Asia Pacific was flat in the quarter but up 13% year-on-year. Within this, headcount in both Australia & New Zealand and Asia was flat in the quarter but up 15% and 7% respectively year-on-year.

Continental Europe & Rest of World ('RoW') (53% net fees)

Our largest division of Continental Europe & RoW delivered excellent growth of 17%, well balanced across our markets as 18 of our 23 countries grew in excess of 10%.

In Germany, performance was excellent with net fees growing 19% (or c.23%⁽¹⁾ adjusted for two less working days). Our Temp & Contractor business delivered 18% net fee growth, while Perm, which accounted for 15% of fees, increased by 29%. Our largest specialism remains IT, which grew by 15%, while the next largest, Engineering, grew by 20%. Both Accountancy & Finance and Sales & Marketing delivered excellent performance with growth of 39% and 34% respectively, while Life Sciences was up 4%. During the quarter we added three new offices in Essen, Augsburg and Walldorf and we now have 22 offices in Germany.

Europe (ex-Germany) grew by 16% and encouragingly twelve countries grew by more than 10%. Eight European countries also produced record quarterly net fees in Q2, including France, our second largest business in the region, which delivered another strong performance, up 14%. This was our 13th consecutive quarter of double-digit growth. Our third and fourth largest European businesses, Belgium and Switzerland, grew by 22% and 15% respectively.

Net fees in our Americas businesses grew by 16%, with five of our six countries growing in excess of 10%. The US delivered strong growth of 16%, while both Brazil and Canada each grew by 15%.

Consultant headcount in the division was up 5% in the quarter and 21% year-on-year as we continued to invest to drive growth in our stronger markets, especially Germany where headcount rose 7% in the quarter and 30% year-on-year. We expect headcount growth in H2 to be more selective as we focus on driving consultant productivity.

United Kingdom & Ireland (24% net fees)

In the United Kingdom & Ireland our business was stable and net fees increased by 1%. In the private sector, which represents 74% of divisional net fees, we grew by 4%. This is most evident in our Perm business, which was up 3%. Our Temp business was down 1% as it continued to be negatively impacted by tough market conditions in the public sector, as well as the annualised impact of IR35 regulations. Overall, public sector net fees fell by 8%.

All regions traded broadly in line with the overall UK business, with the exception of the South West and Wales which grew by 8%, and the Midlands which fell by 7%. London was up 1% year-on-year. In Ireland, our business delivered another strong performance, with net fees up 11%.

At the specialism level, net fees in our largest UK business of Accountancy & Finance increased by 1%. Construction & Property was up by 4%, and Office Support grew by 8%. IT and Education were down by 5% and 6% respectively, as they continued to be impacted by the decline in public sector markets.

Consultant headcount in the division was down 1% in the quarter and flat year-on-year.

Cash flow and balance sheet

Cash performance in the quarter was good, with net cash of c.£35 million as of 31 December 2017 (30 September 2017: c.£60 million, 31 December 2016: c.£48 million). This is after the payment of £94.3m in final and special dividends in November 2017.

(1) 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 Phillips of Hays plc will conduct a conference call for analysts and investors at 8:00am United Kingdom time on 11 January 2018. The dial-in details are as follows:

Dial-in number	+44 (0) 20 3003 2666
Dial-in number (UK toll free)	+44 (0) 80 8109 0700
Password	Hays

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

Replay dial-in number	+44 (0) 20 8196 1998
Replay dial-in number (UK toll free)	+44 (0) 800 633 8453
Access code	1443163#

Reporting calendar

Interim Results for the six months ended 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 c76% of the Group's net fees, compared with 30% 10 years ago.

Our 6,884 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 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.

This announcement contains inside information.

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