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QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2016

14 April 2016

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Financial summary

Growth in net fees for the quarter ended 31 March 2016 (Q3 FY16)

(versus the same period last year)	Growth	
	Actual	**LFL[1]**
By region		
Asia Pacific	2%	**3%**
Continental Europe & Rest of World	14%	**11%**
United Kingdom & Ireland	(3)%	**(3)%**
Total	5%	**4%**
By segment		
Temporary	3%	**2%**
Permanent	8%	**8%**
Total	5%	**4%**

Highlights

- Good overall growth of 4%[1], despite a c.2% negative impact due to the timing of Easter[3]
- Strong growth of 11%[1] in Continental Europe & Rest of World, including continued strong underlying performance in Germany, up 5%[1], despite a c.5% negative Easter impact. Elsewhere 17 countries grew by over 10%[1] including excellent performances in France, up 19%[1] and the USA, up 25%[1]
- Solid Asia Pacific growth of 3%[1], including 3%[1] growth in Australia & New Zealand, where conditions remained stable overall, but mixed. Asia delivered good growth of 5%[1], including China up 11%[1]
- UK & Ireland decreased by 3%[1], against challenging comparatives. Public sector markets remained tough, down 9%[1]. Private sector was flat[1] as client sentiment remained cautious
- Group consultant headcount was up 4% year-on-year but down 3% through the quarter as we focused on delivering continued good Group profit performance
- Net debt ended March at c.£45 million (December 2015: £56 million) and we expect a further material reduction in net debt in Q4 as we continue to target a net cash position

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

"We had a good start to the second half and delivered our twelfth consecutive quarter of year-on-year growth[1]. Europe delivered excellent results, including a strong underlying performance in Germany and France, 13 countries growing by over 10%[1], and record performances in important businesses such as Belgium and Spain. Elsewhere, the US, which is now our fifth largest business, delivered excellent results and grew by 25%[1]. Market conditions in Australia remained stable but mixed, with strong growth in New South Wales, Victoria and in the public sector markets, offset by continued tough conditions in the mining-focused regions. In the UK the public sector recruitment market remained challenging, while private sector sentiment was cautious, but activity was stable overall.

Looking ahead, our good underlying financial performance around the world gives us confidence for our full year prospects. Conditions in many markets remain good, and we are delivering excellent results across Europe and the US. In the UK, client sentiment remains cautious and we expect this to continue through Q4. Against this overall backdrop, our focus remains on delivering continued strong profit growth."

Group

In the third quarter ended 31 March 2016 net fees increased 5% on a headline basis and 4% on a like-for-like basis[(1)] against the prior year, our twelfth consecutive quarter of year-on-year growth[(1)]. The difference between actual and like-for-like growth was primarily the result of the appreciation of the Euro against Sterling, which more than offset the impact of the depreciation of the Australian Dollar against Sterling.

The timing of Easter, which this year fell entirely into the third quarter, negatively impacted activity levels in the major Temp and Contractor businesses, most notably Germany (where we estimate the negative impact as c.5%[(3)]) Australia (negative impact of c.1%[(3)]), and the UK (negative impact of c.1%[(3)]). Overall we estimate a negative impact on Group net fee growth of c.2%[(3)].

If the rates of exchange of the Group's key operating currencies remained as at 12 April 2016 levels throughout the rest of the financial year, operating profit would reduce by approximately £5 million versus FY15. For the purposes of calculating like-for-like net fee and operating profit growth therefore, the base profit number is approximately £159 million for the full year.

The Temp business, which accounted for 58% of Group net fees in the quarter, increased by 2%[(1)] and the underlying temp margin[(2)] was sequentially stable. The Perm business increased by 8%[(1)].

Consultant headcount was up 4% year-on-year but down 3% in the quarter as we focused on improving existing consultant productivity and controlling costs to drive good profit performance. Given current market conditions and specific uncertainties such as the upcoming UK referendum, this remains our focus and we expect that consultant headcount increases in Q4 will be selective, and focused on strong markets in Europe.

Asia Pacific

In Asia Pacific, which represented 22% of Group net fees, we delivered good growth of 3%[(1)].

In Australia & New Zealand net fees were up 3%[(1)], despite a c.1% negative impact of the timing of Easter. Our Perm business grew 7%[(1)] and Temp, which represented 63% of net fees in the quarter, was up 1%[(1)].

Australia net fees grew 3%[(1)] as market conditions continued to vary significantly between states and specialisms. Our largest regions of New South Wales and Victoria, which accounted for 58% of Australia net fees in the quarter, were up 11%[(1)], and ACT (incorporating Canberra) delivered further excellent growth of 23%[(1)] driven by continued strength in our public sector business, up 15%[(1)]. Our private sector business was down 2%[(1)] overall as market sentiment remained cautious and challenging conditions in the Resources & Mining-dominated regions continued to impact activity levels, notably in Western Australia which was down 31%[(1)].

Construction & Property, our largest specialism in Australia, grew 7%[(1)] and IT grew 9%[(1)]. Net fees in Accountancy & Finance were flat[(1)] and Resources & Mining declined 24%[(1)]. In New Zealand, net fees were flat[(1)].

In Asia, which accounted for 24% of the division, net fees grew 5%[(1)]. Japan, our largest business in Asia, delivered solid 4%[(1)] growth and China delivered strong 11%[(1)] growth, whilst Singapore grew by 3%[(1)].

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

Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represented 45% of Group net fees, we delivered strong, broad-based growth of 11%[1]. Underlying growth continued to be strong in Germany at 5%[1], despite a negative impact of the timing of Easter of c.5%[3]. Germany Temp growth was 3%[1] whilst Perm grew by a superb 29%[1]. Growth in our core IT & Engineering business was 3%[1] and within our newer specialisms Accountancy & Finance delivered strong growth of 12%[1].

In the rest of the division, which is primarily a Perm business, we delivered excellent 16%[1] growth, which was broad-based, with 17 countries which grew by more than 10%[1], including key businesses such as Belgium, the Netherlands and Russia. Our businesses in Southern Europe continued their strong recovery, with Italy up 23%[1], Spain up 27%[1], both quarterly records, and Portugal up 63%[1]. France, our second largest business in the division, delivered another excellent performance, with net fees up 19%[1], a sixth consecutive quarter of double digit growth[1].

In Brazil although conditions remained challenging, net fees increased 23%[1] and we delivered strong growth across the rest of our Latin America businesses. Our US business, incorporating Veredus, delivered excellent broad-based growth of 25%[1] driven by the core IT Contracting business and the roll out of our newer specialisms. In Canada, net fees decreased 9%[1] due to challenging conditions in the resources focused regions, and general macro-economic uncertainties.

Consultant headcount in the division was down 1% in the quarter but up 13% year-on-year.

United Kingdom & Ireland

In the United Kingdom & Ireland, which represented 33% of Group net fees, net fees decreased 3%[1] including a negative impact of c.1% as a result of the timing of Easter, and against more challenging comparatives. Our Temp business was down 4%[1] but was broadly sequentially stable, although public sector activity levels continued to decline. The Perm business declined by 2%[1] as increased caution amongst clients resulted in more subdued activity levels across the business.

Our private sector business was flat[1], with broadly stable activity levels through the quarter. Our public sector business was down 9%[1] as this market remained challenging through the quarter, particularly in the local Government and Healthcare focused markets.

By region, other than Scotland which delivered solid growth of 7%, and the North where net fees were down 15%, every region traded broadly in line with the overall UK business. This was also the case by specialism, although we did see significant differences in the performance within specialisms between the public and private sectors. For example in Accounting & Finance, net fees overall were flat with public sector down 11% and private sector up 2%, and in IT which was up 2% overall, public sector was down 9% whilst private sector was up 7%.

Consultant headcount in the division was down 6% in the quarter and down 7% year-on-year, all by natural attrition, as we focused on cost control and maximising our UK financial performance, which remains strong.

Cash flow and balance sheet

Cash performance in the quarter was good, with net debt decreasing to c.£45 million (31 December 2015: £56 million, 30 September 2015: c.£70 million). We continue to target a net cash position and expect a further material reduction in net debt in Q4.

(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 impact of Easter 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 each of our major Temp and Contractor businesses, and includes two lost working days in the quarter due to Easter, offset by one extra day as a result of the leap year.

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Enquiries

Hays plc

Paul Venables	Group Finance Director	+ 44 (0) 20 7383 2266
David Walker	Head of Investor Relations	+ 44 (0) 20 7383 2266

Bell Pottinger

Gavin Davis / Elly Williamson	+ 44 (0) 20 3772 2591

Conference call

Paul Venables and David Walker of Hays plc will conduct a conference call for analysts and investors at 9:00am United Kingdom time on 14 April 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	33624525#

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	670690#

Reporting calendar

Quarterly update for the three months ending 30 June 2016	14 July 2016
Preliminary Results for the year ending 30 June 2016	1 September 2016
Quarterly update for the three months ending 30 September 2016	12 October 2016
Quarterly update for the three months ending 31 December 2016	12 January 2017

Hays Group overview

As at 31 December 2015, Hays had 9,420 employees in 248 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 65% of the Group's net fees, compared with around 30% ten years ago.

Our 6,454 consultants work in a broad range of sectors, with Accountancy & Finance, Construction & Property and IT representing 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 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 Rules 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 forwardlooking 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.