

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2017

13 April 2017

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Financial summary

Growth in net fees for the quarter ended 31 March 2017 (Q3 FY17)

(versus the same period last year)

	Growth	
	Actual	LFL ⁽¹⁾
By region		
Asia Pacific	34%	12%
Continental Europe & Rest of World	34%	18%
United Kingdom & Ireland	(4)%	(4)%
Total	21%	10%
By segment		
Temporary	23%	12%
Permanent	19%	7%
Total	21%	10%

Highlights

- All-time record quarterly net fee performance for the Group
- Good overall growth of 10%⁽¹⁾ (underlying growth of c.8%⁽³⁾ adjusted for working days), driven by the continued strength of our International businesses, which represent c.75% of Group net fees
- Continental Europe & Rest of World, representing 50% of Group net fees, delivered excellent, broad-based 18%⁽¹⁾ growth led by an acceleration to 23%⁽¹⁾ in Germany (c.18%⁽³⁾ adjusted for working days). France grew 14%⁽¹⁾ and 13 further countries grew by over 10%⁽¹⁾
- Strong Asia Pacific growth of 12%⁽¹⁾, driven by excellent, broad-based 16%⁽¹⁾ growth in Australia. Asia grew 1%⁽¹⁾ as market conditions stabilised
- UK & Ireland down 4%⁽¹⁾ with activity levels sequentially stable. Private sector, representing 74% of net fees, was down 1%⁽¹⁾ with continued signs of modest improvement, while conditions remained tough in public sector markets where net fees decreased 13%⁽¹⁾
- Group consultant headcount was up 8% year-on-year and up 2% in the quarter, primarily in Europe
- Solid cash performance, with net cash ending Q3 at c.£40 million (31 December 2016: £47.9 million)
- We expect full year operating profit to be at the top of the current range of market estimates, which we understand to be £199 million to £209 million⁽⁴⁾

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

"We have delivered an all-time quarterly record net fee performance, capitalising on the many growth opportunities around the Group. This gives us confidence to increase our expectations for full year profits, to the top of the current range of market estimates⁽⁴⁾. Growth was broad-based and driven by strong performances in our International businesses. Europe delivered excellent results, led by an all-time record performance in Germany, as we continued to invest in additional headcount. Growth in Australia accelerated further and was strong across all states. In the UK, while the public sector market remained tough, we saw continued signs of improvement in the private sector market.

Looking ahead, conditions remain good in the vast majority of our markets, notably Australia, Europe and North America. In the UK, market conditions remain in line with the underlying Q3 trends. We are unrivalled in our industry in terms of the scale, balance and diversity of the business we have built and our focus remains to drive profitable, cash-generative growth. These strengths, combined with our world-class, highly experienced teams around the world, stand us in good stead and mean we continue to look to the future with confidence."

Group

In the third quarter ended 31 March 2017 Group net fees increased 21% on a headline basis and 10% on a like-for-like basis⁽¹⁾ against the prior year, our 16th 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 means that if we were to retranslate the Group's FY16 operating profit of £181.0 million at current exchange rates (AUD1.6660 and €1.1783 as at 11 April 2017), the actual reported result would increase by c.£29 million to c.£210 million.

Q3 had two additional trading days versus the prior year due to the timing of Easter, which this year falls entirely into Q4. This positively impacted activity levels in the major Temp and Contractor businesses, most notably Germany, Australia and the UK. In addition, Germany also benefitted from one extra trading day in the quarter. As a result, we estimate a c.2%⁽³⁾ positive impact on Q3 Group net fee growth and we expect a commensurate decrease in Q4. The estimated impact on a regional level was c.2% in Asia Pacific, c.3% in Continental Europe & RoW (including c.5% in Germany) and c.2% in the UK & Ireland.

Once the impact of trading days is taken into account, we estimate the exit rate for Group net fee growth to be broadly in line with the underlying performance of the quarter as a whole.

The Temp business, which accounted for 59% of Group net fees in the quarter, grew by 12%⁽¹⁾ and the underlying temp margin⁽²⁾ was broadly stable versus the prior quarter. Net fees in the Perm business increased by 7%⁽¹⁾.

Consultant headcount was up 8% year-on-year and 2% 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 Q4 will be selective and at similar levels to Q3.

Asia Pacific

In Asia Pacific, which represented 24% of Group net fees, we delivered strong growth of 12%⁽¹⁾.

In Australia & New Zealand net fees were up 15%⁽¹⁾, including a c.2%⁽³⁾ positive working day impact. The Perm business was up 11%⁽¹⁾ and Temp, which represented 64% of net fees in the quarter, was up 17%⁽¹⁾.

In Australia net fee growth accelerated further to 16%⁽¹⁾. Growth was uniform and broad-based across all regions and most specialisms. Our largest regions of New South Wales and Victoria, which account for 57% of Australia net fees, were up 11%⁽¹⁾ and 18%⁽¹⁾ respectively and we saw Queensland and Western Australia returning to strong growth, up 21%⁽¹⁾ and 24%⁽¹⁾ respectively. ACT (Canberra) also delivered a strong performance, with net fees up 14%⁽¹⁾ driven by continued strength in our public sector business, up 12%⁽¹⁾.

At the specialism level, we delivered strong 14%⁽¹⁾ growth in Construction & Property, our largest business in Australia. Accountancy & Finance grew 13%⁽¹⁾, Office Support was up 15%⁽¹⁾ and IT saw excellent growth of 23%⁽¹⁾. Net fees were flat⁽¹⁾ in New Zealand.

In Asia, which accounted for 21% of the division, net fees grew 1%⁽¹⁾ as trading conditions stabilised although remained subdued overall. China continued to deliver further good growth and was up 7%⁽¹⁾ while Hong Kong grew 29%⁽¹⁾ and Malaysia delivered an excellent performance, up 45%⁽¹⁾. Net fees in Japan were down 7%⁽¹⁾ and Singapore declined by 17%⁽¹⁾ largely due to continuing challenging conditions in the banking market.

Consultant headcount in the division was up 4% in the quarter and 10% year-on-year. Consultant headcount in Australia & New Zealand was up 6% in the quarter and 13% year-on-year, and in Asia was down 1% in the quarter and up 2% 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 excellent, broad-based growth of 18%⁽¹⁾ and an all-time record performance. In Germany, net fees grew 23%⁽¹⁾ (underlying growth of c.18%⁽³⁾ adjusted for working days), with growth in our Temp & Contractor business of 22%⁽¹⁾ and Perm growth of 32%⁽¹⁾. We delivered excellent growth in our core IT & Engineering business, up 24%⁽¹⁾ and within our newer specialisms Accountancy & Finance grew 17%⁽¹⁾ and Life Science was up 37%⁽¹⁾.

The rest of Continental Europe delivered 15%⁽¹⁾ growth, with 11 countries growing by over 10%⁽¹⁾, including Switzerland, Poland and the Netherlands. France, the second largest business in the division, delivered another strong, broad-based performance, up 14%⁽¹⁾, our tenth consecutive quarter of double digit growth⁽¹⁾. In Southern Europe, despite tougher comparators, Spain delivered an all-time record performance and grew 22%⁽¹⁾ while net fees in Italy were broadly flat⁽¹⁾.

In the Americas net fees grew by 9%⁽¹⁾. Within this, we delivered excellent growth in Canada, up 18%⁽¹⁾ and solid 6%⁽¹⁾ growth in the USA. In Latin America, both Mexico and Colombia grew in excess of 20%⁽¹⁾, while net fees in Brazil declined 1%⁽¹⁾, primarily due to tougher comparators.

Consultant headcount in the division was up 4% in the quarter and up 16% 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 4%⁽¹⁾ (underlying decrease of c.6%⁽³⁾ adjusted for working days) although remained sequentially stable. Net fees in our private sector business, representing 74% of the division, were down 1%⁽¹⁾ as modest signs of improvement continued. This was particularly evident in the Perm business, where net fees were also down 1%⁽¹⁾ in the quarter. Our Temp business was down 6%⁽¹⁾, primarily as a result of continued tough market conditions in the public sector, exacerbated by the uncertainties created by the recent implementations of the IR35 regulations. Overall, public sector net fees were down 13%⁽¹⁾.

All regions traded broadly in line with the overall UK business, with the exception of London, where net fees were down 8% as conditions remained challenging, and the Midlands, where net fees were flat. In Ireland our business delivered another strong performance, with net fees up 14%⁽¹⁾.

At a specialism level, Accountancy & Finance, our largest business in the division, grew 2%⁽¹⁾, while Construction & Property was down 1%⁽¹⁾ and Office Support was flat. Net fees in IT decreased 17%⁽¹⁾, in part due to the sharp decline in the public sector market, and Education was down 11%⁽¹⁾.

Consultant headcount in the division was down 1% in the quarter and down 6% year-on-year.

Cash flow and balance sheet

Cash performance in the quarter was solid, with net cash of c.£40 million as of 31 March 2017 (31 December 2016: £47.9 million, 31 March 2016: £45.7 million net debt).

- (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.
- (4) As of 12 April 2017 we understand the range of analysts' estimates for Operating Profit in the financial year ending 30 June 2017 to be £199 million to £209 million. (Source: FactSet).

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 13 April 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	29789821#

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	685920#

Reporting calendar

Trading Update for the quarter ending 30 June 2017	14 July 2017
Preliminary Results for the year ending 30 June 2017	31 August 2017
Trading Update for the quarter ending 30 September 2017	12 October 2017
Trading Update for the quarter ending 31 December 2017	11 January 2018

Hays Group overview

Hays has c.9,600 employees based across 251 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 and this 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 c.75% of the Group's net fees as at 31 December 2016, compared with around 35% 10 years ago.

Our 6,606 expert consultants work in a broad range of sectors, with Accountancy & Finance, Construction & Property and IT representing 52% 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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