HAYS Recruiting experts worldwide

QUARTERLY UPDATE
FOR THE THREE MONTHS ENDED 30 JUNE 2017

14 July 2017

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Financial summary

Growth in net fees for the quarter ended 30 June 2017 (Q4 FY17)

(versus the same period last year)	Growth	
	Actual	**LFL[1]**
By region		
Asia Pacific	25%	**11%**
Continental Europe & Rest of World	24%	**11%**
United Kingdom & Ireland	(5)%	**(5)%**
Total	15%	**7%**
By segment		
Temporary	15%	**6%**
Permanent	16%	**7%**
Total	15%	**7%**

Highlights

- Good overall growth of 7%[1] (underlying growth of c.9%[3] adjusted for working days) and another record quarterly net fee performance for the Group
- Full-year operating profit is expected to be marginally ahead of current consensus market expectations, which we understand to be £209.5 million[4]
- Strong, broad-based 11%[1] growth in Continental Europe & Rest of World, driven by Germany up 16%[1] (c.21%[3] adjusted for working days) and 11 further countries growing in excess of 10%[1]
- Continued strong trading in Asia Pacific, up 11%[1], with strong, uniform growth of 13%[1] in Australia (c.15%[3] adjusted for working days). Solid growth in Asia where net fees grew 6%[1]
- UK & Ireland down 5%[1] (c.(3)%[3] adjusted for working days) with activity levels sequentially stable. Private sector (77% of net fees) was down 1%[1] with continued signs of modest improvement. Public sector markets remained tough, down 17%[1]
- Group consultant headcount was up 10% year-on-year and up 2% in the quarter, primarily in Europe
- Strong cash performance, with a year-end net cash position of c.£110 million
- 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 ended our financial year with a record quarterly net fee performance and expect full year operating profit to be marginally ahead of the current market expectations[4]. Additionally, the excellent cash position we have delivered enables the Board to consider increasing shareholder returns in line with our dividend policy. Our International businesses continued to be the key drivers of growth. Europe delivered strong results, led by an excellent performance in Germany, where we have increased consultant headcount by over 20% during the year. Growth in Australia remained strong and was broad-based across all states and specialisms. The underlying trends in the UK remained sequentially stable, with modest improvements in the private sector 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. The scale, balance and diversity of the business we have built is unrivalled in our industry and our focus remains to deliver sector-leading profits and strong cash generation. These strengths, combined with a strong balance sheet and 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 fourth quarter ended 30 June 2017 Group net fees increased 15% on a headline basis and 7% on a like-for-like basis(1) against the prior year, our 17th 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. Looking forward to FY18, exchange rate movements remain a material sensitivity to the Group's reported profitability.

Q4 had two fewer trading days versus the prior year due to the timing of Easter, which this year fell entirely into our fourth quarter. This negatively impacted activity levels in the major Temp and Contractor businesses, most notably Germany, Australia and the UK. In addition, Germany also had one fewer trading day in the quarter. This had an estimated 2%(3) negative impact on Q4 Group net fee growth, which offsets the working day benefit seen in Q3. The estimated negative 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 58% of Group net fees in the quarter, grew by 6%(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 10% 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 including Germany, and Australia. We expect consultant headcount increases in Q1 FY18 to be at similar levels to Q4 FY17, including the impact of the normal seasonal graduate intake.

For the financial year ended 30 June 2017 we expect operating profit to be marginally ahead of the current market expectations, which we understand to be £209.5 million(4).

Asia Pacific

In Asia Pacific, which represented 25% of Group net fees, we delivered strong growth of 11%(1).

In Australia & New Zealand net fees were up 12%(1) (underlying growth of c.14%(3) adjusted for working days). The Temp business, which represented 66% of net fees in the quarter posted a quarterly record performance and was up 11%(1). Perm net fees increased 14%(1).

Australia continued to delivered double-digit growth, up 13%(1), led by the private sector business, up 16%(1). Growth was uniform and broad-based across most regions and specialisms, as we continued to proactively invest in consultant headcount. Our largest regions of New South Wales and Victoria, which account for 56% of Australia net fees, were up 10%(1) and 16%(1) respectively and we continued to see strong growth in Queensland and Western Australia, where net fees were up 14%(1) and 30%(1) respectively. ACT (Canberra) also delivered a strong performance, up 10%(1) driven by continued strength in our public sector business, up 8%(1).

At the specialism level, we delivered strong 10%(1) growth in Construction & Property, our largest business in Australia. Accountancy & Finance grew 14%(1), Office Support was up 8%(1) and IT continued to perform strongly, up 19%(1). Net fees in New Zealand decreased 2%(1).

In Asia, which accounted for 22% of the division, net fees grew 6%(1), partially due to easier comparators. China, our second largest business in Asia, delivered excellent growth, up 32%(1) while Hong Kong grew 22%(1) and Malaysia was up 39%(1). Net fees in Japan were down 8%(1) and Singapore declined by 9%(1) largely due to continuing challenging conditions in the banking market.

Consultant headcount in the division was up 1% in the quarter and up 11% year-on-year. Consultant headcount in Australia & New Zealand was up 2% in the quarter and up 12% year-on-year, and in Asia was up 1% in the quarter and up 8% 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 11%[1]. In Germany, net fees grew 16%[1] (underlying growth of c.21%[3] adjusted for working days), with strong growth in our Temp & Contractor business, up 14%[1] and excellent 26%[1] growth in Perm. Net fees in our core IT & Engineering business increased 15%[1] and within our newer specialisms Accountancy & Finance grew 19%[1] and Life Science was up 27%[1].

The rest of Continental Europe delivered 10%[1] growth, with 10 countries growing by over 10%[1], including Spain, Poland, the Netherlands and Russia. France, the second largest business in the division, delivered another strong, broad-based performance, up 14%[1], our eleventh consecutive quarter of double digit growth[1]. Our top two specialisms in France, Accountancy & Finance and Construction & Property grew net fees by 32%[1] and 23%[1] respectively.

In the Americas net fees grew by 1%[1]. Within this, the USA was up 6%[1] while net fees in Canada decreased 7%[1] mainly due to tough comparators in the prior year. In Latin America, while Chile was up 20%[1], net fees in Brazil and Mexico declined 2%[1] and 10%[1] respectively.

Consultant headcount in the division was up 4% in the quarter and up 19% year-on-year, as we continued to invest to drive growth in stronger markets.

United Kingdom & Ireland

In the United Kingdom & Ireland, which represented 25% of the Group, net fees decreased 5%[1] (underlying decrease of c.3%[3] adjusted for working days) although remained broadly sequentially stable. Net fees in our private sector business, representing 77% of the division, were down 1%[1] as modest signs of improvement continued and we exited the year with moderate underlying growth. This was particularly evident in the Perm business, which was flat[1] in the quarter. Temp decreased 9%[1] as it was negatively impacted by fewer trading days, compounded by continued tough market conditions in the public sector and uncertainties created by the recent implementations of the IR35 regulations. Overall, public sector net fees were down 17%[1].

All regions traded broadly in line with the overall UK business, with the exception of London, where net fees were down 9% as conditions remained challenging, and the South West & Wales, where net fees grew 2%. In Ireland our business delivered another excellent performance, with net fees up 26%[1].

At a specialism level, Accountancy & Finance, our largest business in the division, was down 4%[1], while net fees in Construction & Property and Office Support decreased 1%[1] and 5%[1] respectively. IT was down 16%[1] as it continued to be impacted by the sharp decline in the public sector market.

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

Cash flow and balance sheet

Cash performance in the quarter was excellent, underpinned by strong credit control and working capital management, resulting in a closing net cash position of c.£110 million (31 March 2017: £40.1 million; 31 December 2016: £47.9 million). This enables the Board to consider increasing shareholder returns in line with our dividend policy.

(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 13 July 2017 we understand the average of analysts' estimates for Operating Profit for the year ending 30 June 2017 to be £209.5 million. Full analysts' consensus is available on www.haysplc.com/investors.

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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 14 July 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	77549709#

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	301193775#

Reporting calendar

Preliminary Results for the year ended 30 June 2017	31 August 2017
Trading Update for the quarter ending 30 September 2017	12 October 2017
Investor Day, London 12:00pm – 5:30pm	09 November 2017
Trading Update for the quarter ending 31 December 2017	11 January 2018

Hays Group overview

As at 31 December 2016 Hays had 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, 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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