# PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2021

# PRESENTATION PREPARED REMARKS

**26 August 2021**

## SLIDE 1-3: INTRODUCTION

**<Alistair Cox, Group Chief Executive >**

Good morning everyone and welcome to our FY21 results. We've all lived through a year like no other and I hope this will be the last time we have to present our results virtually.

## SLIDE 4: OPERATING REVIEW INTRODUCTION

But we've got a strong story to tell today, involving structural growth opportunities, cyclical recovery and self-improvement, so as usual I will take you through our Operating review, Paul will then address the detailed financials and current trading, and then I'll finish off with an update on strategy.

## SLIDE 5: OUR STRATEGY CONSIDERS ALL OUR STAKEHOLDERS

Of course, the year was dominated by the pandemic and our response to it. But it was also a year of 2 distinct halves during which we have made more changes to the business in 12 months than I think we have ever done. We have learned some incredibly valuable lessons which will stand us in good stead for many years to come as we set out to continually improve our business - and take it beyond previous peak profits.

The year started with the toughest macroeconomic backdrop we have ever faced, with literally millions of people and organisations struggling just to get through the pandemic. 12 months on and we are now in a world where businesses are increasingly confident and are aggressively hiring, candidate confidence is strong, skill shortages are evident virtually everywhere and real wage inflation is starting to emerge in a way not seen for many years. We have never experienced such a sharp downturn - and equally sharp recovery - in any of Hays' 53 years.

Given such massive change, I think our purpose as a business, to help organisations thrive and people to advance their careers, has never been more relevant. It's been an incredibly busy period and there's much to talk about, but let me pull out 3 key points:

Firstly, at a time of such great anxiety and with so many people under immense personal stress, it's incredibly rewarding that we placed over 280,000 people into a new job in FY21. At the start of the pandemic, the idea that people would go through an entire recruitment process virtually was completely unproven and couldn't have been predicted. However, this is now standard practice and opens new ways for us to deliver services going forward.

We've also helped millions of others with careers advice, guidance and training so that they can get on. For example, over 850,000 unique training courses were completed across all our online portals in the last year. That's over 26 million minutes of online learning and shows our contribution in helping people fulfil their potential.

Secondly, we deliberately protected the infrastructure and capability of our business as we knew we would need it in time - and wanted to be on the front foot when that time came. However, I could not have predicted the speed with which we would return to growth, and our investment in our people is paying off. Consultant productivity hit record highs in our fourth quarter and activity was strong enough to warrant us adding 10% to our consultant headcount in H2, which will drive further fee growth in FY22 and beyond.

We also think Covid will change aspects of the world of work permanently and our Strategic Growth Initiatives are designed to capitalise on longer-term structural growth opportunities in the most likely future in-demand recruitment sectors. We added around 250 consultants in SGI last year. The programme is going very well, and I'll return to this in our strategy section.

Thirdly, we are seeing other major changes in the world of work. Remote working is opening employers' eyes on where they look for future workers. Organisations are intent on improving their workforce diversity and promoting social mobility. Governments and businesses are tackling the huge issues of climate change and sustainability. Yet skill shortages are becoming more acute everywhere and as businesses struggle to find talent, they are turning to experts like us to solve the problem. All these shifts are opportunities for us, and I'll come back to them shortly.

Trading improved through the year, which I'll cover on the next slide, and cash collection has been excellent – a special mention to our credit control teams for delivering record low debtor days. It's clear to me that the strong support our shareholders gave us over a year ago enabled us to invest when our markets were at their lows and gave us a head start as we position Hays to be stronger than ever in the future. Those investments are now starting to pay off and we have raised our ambitions and expectations accordingly.

However, the strong financial position we are now in means it is appropriate to restart cash returns to shareholders via core and special dividends, starting with a £150m special in November.

Finally, all this only happens because of the hard work of all our people. Their commitment, resolve and mutual support has been the thing I am most proud of and I would like to thank them publicly for all they have done because they have been exceptional. We have learnt together how a more flexible working style combining the best of the office environment as well as remote working can both increase productivity as well as the employee experience. That's an incredibly powerful lesson and I am certain will make for a better business for all stakeholders.

## SLIDE 6: RECOVERY FROM THE PANDEMIC ACCELERATED IN H2 WITH STRONG SEQUENTIAL FEE & PROFIT GROWTH. DIVIDEND PAYMENTS RESUMED

Let me turn then to our financial results.

Group fees decreased by 8% to £918.1m. Trading began to stabilise last summer, and we saw good sequential improvement from September 2020 onwards. Our quarterly fee sequence says it all: Q1 -29%, Q2 -19%, Q3 -10% and Q4 +39%.

Our Temp business is 61% of Group net fees and fell by 6%. Perm fell a little steeper, down 10%. However, both rebounded in the second half, with Temp fees up 9% and Perm up 18%. At the global sector level, Life Sciences grew a strong 12%, and we saw resilience in Technology, down 5%, but including H2 up 7%. HTS continued to take market share and outperformed our Group average, with flat fees.

With such dramatic changes in the market we were very active on managing costs and headcount. With first half fees down 24%, cost control was vital and consultant headcount was down c.350 right at the start of H1. However, as markets recovered, we reacted quickly to the strong cyclical recovery and added c.650 consultants in the second half, net net ending up 300 over the year.

With such an improvement in fee momentum, our operating profit performance also increased significantly in the second half and exceeded our earlier expectations. Overall, we made £95.1m in FY21, but £70m of this came in the second half, despite c.£11m of H2 SGI investment.

In summary, it's hard to be pleased when operating profits fall 31%. However, our performance was well above where I would have thought possible at the start of the year and I think the business has delivered on many fronts.

Let me give you additional colour on each division and we'll start in ANZ.

## SLIDE 7: ANZ – TRADING CONDITIONS MATERIALLY IMPROVED TOWARDS THE END OF THE YEAR, PARTICULARLY IN PERM

Our ANZ division delivered one of our most resilient performances. Fees fell by 10%, but strong cost control limited the operating profit decline to 21%. Temp fees were down 11%. Perm was more volatile and while it was down only 6% over the year, this includes a strong rebound in the second half, when it grew by a third as business confidence improved and skill shortages intensified.

The initial phase of the pandemic was less severe in ANZ, hence fees did not fall as far as some other areas in Q4 FY20 and in our first half. Once the long-term lockdowns in Victoria ended in November, we quickly saw positive momentum return in both Temp and Perm, particularly in our fourth quarter. Today, Australia is still in a continuing cycle of lockdowns and it is too early to say what impact that may have on sentiment. However, as with our experiences in Europe, Australian markets appear to have found a way to cope with remote working. Also, significant skill shortages are magnified by borders remaining closed, meaning migration is non-existent.

A special shout-out too to New Zealand. The team there produced a remarkable performance and fees grew by 14%. New Zealand has been a major success story since we put in new leadership 3 years ago and I'm very optimistic there's a lot more we can do there.

Finally, as demand, activity and momentum all accelerated sharply in the second half, we invested in the business and grew consultant headcount by 17% YoY.

## SLIDE 8: GERMANY – STRONG SEQUENTIAL FEE GROWTH, WITH RECORD JUNE CONTRACTOR VOLUMES AND HIGH H2 TEMP HOURS

Turning to our largest country, Germany, net fees fell by 7% and profit was down 42% as we largely maintained our productive capacity.

First half fees declined by 26%, although there were clear signs of improving business confidence generally from Q2 onwards. Performance then improved sharply in our second half, with fees up 18%, including good monthly sequential fee growth through the fourth quarter.

Contracting, where we operate a freelance model primarily in the Technology sector, is our largest business and was relatively resilient, down only 5% in the year. Momentum improved through FY21 and, most encouraging, we had a record year-end number of contractors working.

Our Temp business was down 3%, but that masks a 45% decline in H1. A large proportion of that was due to under-utilisation of Temp workers, but again, trends have improved significantly, and Temp utilisation is currently at historic high levels, which Paul will cover later. The bottom line is Germany needs more high-skilled Temp talent and as the leader in this space, we will continue to open up that market.

Perm, our smallest part of the business, declined by 18%, but the sector is now enjoying improving momentum.

Just before the pandemic we restructured the German business to improve our client focus in both the larger strategic accounts as well as with more local clients. That refocus is paying off as we gained share in both areas. I believe that Germany is our largest profit growth opportunity over the next two years and remains the most exciting long-term recruitment opportunity in the world today. We intend to continue to reinforce our leadership position there.

## SLIDE 9: UK&I – STRONG SEQUENTIAL FEE IMPROVEMENT THROUGH THE YEAR DRIVING A RETURN TO PROFITABILITY IN H2

Moving to the UK & Ireland, we saw good sequential fee improvement through the year and a sharp, positive turnaround in profitability in the second half.

Overall, fees fell by 11% and we made an operating profit of £11.5m, with all of that coming in H2.

Our largest business of Temp fell by 9% and was more resilient than Perm, which was more volatile and down 14%. However, both Temp and Perm fees grew sequentially in each quarter of the year, delivering growth of 5% and 19% respectively in the second half. The Public sector fell by 3%, outperforming the Private sector down 14%. However, the Private sector rebounded significantly faster in the second half as business confidence surged. As we exited the year, trends were positive across all parts of the business.

Consultant headcount declined 4% YoY but increased by 11% in H2 as we invested into the recovery.

## SLIDE 10: RoW – SIGNIFICANT IMPROVEMENT IN FEES AND PROFITS IN H2, LED BY THE USA, MAINLAND CHINA AND EMEA

Our Rest of World division comprises of 28 countries, and while net fees declined by 6% we delivered £12.5m of operating profit, all made in the second half. Despite the divisional fee decline, 6 countries still delivered all-time annual fee records including the USA, Switzerland and Russia, and 11 countries produced record half-year performances, demonstrating how varied our world has been – as well as the benefits of diversification.

In EMEA ex-Germany net fees declined by 5%, with operating profit down 23%. Fees increased by 12% in the second half, with good improvements in all major markets. France, our largest RoW country, decreased by 11%, with Belgium and the Netherlands down 17% and 15% respectively. Fees in Russia, Italy and Spain however were much stronger, increasing by 6%, 5% and 2% respectively.

In Asia net fees declined by 11%, with operating profit down 29%. Fees in the first half fell by 28%, and then increased by 12% in H2. Mainland China was strong, growing 17% and Malaysia delivered a record, up 11%. Hong Kong and Japan were much tougher, down 32% and 28% respectively and we have made management changes in both.

The Americas fees decreased by 2%, with H1 down 20% and H2 up 19%. The USA, our second-largest RoW country and one of our strongest growth prospects, grew by 4% including a stunning Q4 performance up 55%, helped by high exposure to a red-hot Technology market. Fees in Canada were down 15%, but improved through the second half, and Brazil was a standout performer, up 9% and doing increasingly well.

Overall in the Americas, as underlying profitability rebounded, we reinvested all of our gains to build our USA business even faster.

With such a broad portfolio, we are not short of structural growth opportunities across RoW. We increased headcount by 7% as activity grew and we see several countries in the RoW that offer massive potential for many years to come.

## SLIDE 11: OPERATIONAL SUMMARY

In summary, it is hugely encouraging to see how quickly the world adapted and we are now seeing strong trading conditions in all our key markets.

Again, I'd like to thank all our people across the world for their resilience and enterprise, and for taking tough decisions every day. Our financial strength enabled us to get on the front foot early on, setting out an aggressive growth plan while the world was in turmoil and I personally feel more ambitious for what we can achieve than ever before. There is a palpable sense of engagement and optimism around the business – and while we've achieved a lot in the last year, there's a lot more to come. The combination of strong business confidence, a war for talent in a skill-short market, willingness to look further afield for future employees and underlying wage growth all bode well for us.

I will now hand over to Paul for a deeper look at our financial performance and an overview of current trading.

## SLIDE 12: FINANCIAL REVIEW INTRODUCTION

**<Paul Venables, Group Finance Director>**

Thank you, Alistair and good morning, everyone.

## SLIDE 13: WHILE TRADING STABILISED IN Q1, COVID IMPACTED H1 SIGNIFICANTLY, BUT WE SAW STRONG SEQUENTIAL H2 GROWTH ACROSS ALL REGIONS

Firstly, this slide is a reminder of the context to trading in FY21.

When the pandemic hit in March 2020, our fee decline was comparable in scale to the 2008 global financial crisis, but occurred in only six weeks, rather than eight months, and of course impacted every country simultaneously.

The first half of FY21 continued to be significantly impacted by the pandemic, however trading stabilised through the summer and we then saw strong sequential improvement starting in Q2 and accelerating in the second half. Encouragingly, our inflection back to growth occurred far faster, and on a much greater scale, than our recovery following the GFC.

## SLIDE 14: FEE RECOVERY FROM THE PANDEMIC ACCELERATED THROUGH THE YEAR

On this slide we have shown the quarterly fee trends overall and by region since Q1 FY19.

Global economic conditions had been slowing well before the pandemic, with business confidence falling and clients becoming increasingly cautious on hiring.

As the pandemic unfolded in Q3 and Q4 FY20, severe restrictions and lockdowns caused the fastest fee decline in our 53-year history. The relative level of fee reduction per region in Q4FY20 was very much linked to the severity and length of each country's lockdown.

We entered FY21 with fees sequentially stable. As lockdown restrictions eased in our main markets, client activity and fees began to show signs of modest sequential improvement in Q1, and with client and candidate activity increasing, we saw a strong sequential increase in fees from October 2020 to March 2021 and good sequential fee growth through to June.

As one might expect, the initial recovery in Q2 was driven by Temp, however the second half recovery was increasingly led by Perm and both client and candidate confidence improved.

Encouragingly, we have seen a uniformity of recovery across all our major markets and to date, second- and third-wave lockdowns have tended to delay rather than derail the recovery.

As the top right of the slide shows, Germany had the greatest H1/H2 rebound in fees, with a swing of 44%, and considering the longer length of contractor/temp assignments, offers the greatest opportunity for profit growth for the group over the next two to three years.

Overall, I'm pleased to say we began FY22, with good sequential momentum in most markets.

## SLIDE 15: RECOVERY FROM PANDEMIC ACCELERATED IN H2, WITH STRONG SEQUENTIAL FEE & PROFIT GROWTH. EXCELLENT CASH PERFORMANCE

Summarising a year characterised by an accelerating recovery from the pandemic.

Net fees decreased by 8% on a like-for-like basis.

Operating profit declined by 31% to £95.1m, of which £70.0m was made in the second half. This was well ahead of our prior expectations, which were upgraded at both the Q3 and Q4 trading updates.

We delivered another strong cash performance, driven by continued excellent credit control. As a result, we finished the year with net cash of c.£411m.

The strong recovery in Group profitability in 2H, our balance sheet strength and our confidence in our future prospects have enabled us to restart dividend payments with a core of 1.22p and special of 8.93p.

## SLIDE 16: PROFIT AND EPS SIGNIFICANTLY IMPACTED BY THE PANDEMIC BUT STRONGLY IMPROVED IN H2

Moving onto the income statement.

Turnover decreased by 6%, with the difference between turnover and fees primarily due to the greater resilience of Temp, especially our large Corporate Accounts business.

The difference between the headline and like-for-like growth rates is primarily the result of the depreciation in the average rate of exchange between Sterling and the Australian Dollar.

Overall, FX movements increased net fees and operating profits by £1.1m and £2.6m respectively.

Basic earnings per share was 3.67p, a 30% decrease versus prior year, reflecting the Group's lower profit and the increase in the average number of shares in issue, following our equity raise in 2020. This was partially offset by our lower effective tax rate and net finance charge.

## SLIDE 17: PANDEMIC IMPACTED ALL REGIONS, BUT TRADING IMPROVED STRONGLY IN ALL MAJOR MARKETS IN THE SECOND HALF

Alistair covered regional trading earlier, but I will cover two technical issues

Firstly, an update on our German Temp business where, as required under German law, we employ temp workers. Temp fees declined by 3% in FY21, however this masked a significant difference in performance between each half. In the first half, fees fell by 45%, highly impacted by under-utilisation of employed Temps and Temp severance costs, which reduced fees by a combined c£6m. Encouragingly, there were no further severance or under-utilisation costs in the second half and Germany Temp fees improved substantially, up 79% YoY, and by an underlying 16% excluding similar one-off costs in the second half FY20.

Average Temp volumes improved through the second half, and we saw very high levels of Temp utilisation, helped by lower-than-normal levels of vacations taken, some of which will reverse in the coming months, and low levels of sickness leave.

Secondly, Group profits were helped by £3.9m of government assistance around the world. We exited all major government support schemes in Q1 and there was no benefit from UK furlough schemes in FY21 operating profit.

## SLIDE 18: TEMP MORE RESILIENT THAN PERM, ALTHOUGH H2 SEQUENTIAL GROWTH WAS INCREASINGLY PERM-LED

Moving on to look at the performances of Perm and Temp.

Our Perm business, 39% of net fees, declined 10%, with an 11% decrease in volume and 1% increase in our average perm fee.

Our Temp business, 61% of Group net fees, decreased by 6%.

This comprised a volume decline of 8%, a 20 bps decrease in underlying Temp margins due to greater resilience in the larger corporate account business, partially offset by a 3% positive effect of mix, driven by higher paid specialisms especially Technology, and higher hours worked.

## SLIDE 19: WE DELIVERED SIGNIFICANT COST-SAVINGS IN FY21 AND INVESTED IN OUR STRATEGIC GROWTH INITIATIVES

On this slide, we have set out an operating profit bridge between FY20 and FY21.

Starting with FY20 pre-exceptional profit of £135.0m, we add the positive impact of exchange on profit of £2.6m and subtract the 8% decline in LFL fees of £79.2m explained by Alistair earlier.

Through our actions we reduced total costs by a net £36.7m, comprising.

Firstly, payroll cost-savings of £41.5m, comprising a reduction of £41m in base pay and £5.5m of other Payroll, partially offset by £5m higher commission / bonus payments.

Secondly, overhead savings of £14.0m, comprising £13m lower travel & entertainment costs, £8.7m of lower bad debt charges, partially offset by higher depreciation of £5.1m and other costs (mainly IT) of £2.6m

Thirdly, global government support decreased by £3.8m versus FY20.

Finally, as Alistair will cover later, we have invested c£15m via our Strategic Growth Initiatives.

Overall, we delivered significant cost savings in FY21 and at the same time invested in our SGI Program.

## SLIDE 20: THE AUSTRALIAN DOLLAR AND EURO REMAIN SIGNIFICANT FX TRANSLATION SENSITIVITIES FOR THE GROUP

As a reminder, our P&L is sensitive to changes in key exchange rates, namely the Australian Dollar and, especially, the Euro.

The Group does not undertake any P&L translation hedging arrangements.

Exchange movements over the last few months especially the Australian dollar are likely to have a significant negative impact on FY22 profitability.

## SLIDE 21: FULL-YEAR CONVERSION RATE* DECREASED TO 10.4% BUT THIS INCLUDED A STRONG IMPROVEMENT IN THE SECOND HALF TO 14.1%

Group conversion rate decreased by 320bps to 10.4%. This comprised a conversion rate of 5.9% in H1, improving significantly to 14.1% in H2 despite investment in SGI and consultant headcount. This recovery was more dramatic in those regions more impacted by Pandemic lockdowns, especially the UK & Germany.

We expect to see a material improvement in Conversion rates over the new few years, with an expected drop through of incremental fees to profits of c.40-50% in FY22 and above 50% in FY23. We are confident we will drive our conversion rate back to and beyond the pre-pandemic conversion rate over the medium term.

## SLIDE 22: 'ETR' DRIVEN BY PROFIT MIX AND RECOGNITION OF UK DEFERRED TAX ASSETS

Moving onto interest and tax.

The net finance charge for the year decreased to £7m. The largest component is the non-cash IFRS 16 interest on lease liabilities.

Looking forward, we expect the net finance charge for FY22 to be c.£8m, with the increase driven by the non-cash pension charge.

Turning to tax; our effective tax rate decreased to 30.2%, driven by the geographic mix of profits, the impact of reduced trading losses in certain countries and the partial recognition of UK deferred tax assets.

We expect the ETR in FY22 be c.30%.

## SLIDE 23: STRONG CASH PERFORMANCE, DRIVEN BY CONTINUED EXCELLENT CREDIT CONTROL

On this slide, we've summarized the key components of our cash flow.

The chart on the left details our sources of cash flow, starting with profit of £95.1m. We add back non-cash items of £78.3m, predominantly IFRS16 property depreciation, other fixed asset depreciation and amortisation, and share-based payments. We then add working capital inflow of £7.4m, which reflects strong cash collection with debtor days reducing to a record low of 33, which fully funded the rebound in the temp book and then we deduct lease payments of £50.0m.

This leaves an operating cash flow of £130.8m, representing a strong underlying conversion of profit into cash of 138%. From this, we paid tax of £31.8m, and net interest of £0.9m, leading to free cash flow of £98.1m.

On the right-hand side, we detail how we used the cash generated.

The main items were:

- Capex of £18.8m

- Pension deficit payments of £16.7m
- Purchase of our own shares of £6.4m at an average price of 109.9p, to satisfy employee share-based award obligations over the next 2 years.

In FY22, we expect Capex to be c.£25m.

## SLIDE 24: SINCE FY19, EXCELLENT CREDIT CONTROL HAS DELIVERED A 6-DAY REDUCTION IN DEBTOR DAYS AND DRIVEN CASH BENEFIT OF c.£90 MILLION

Our hard work in credit control has delivered a six-day reduction in debtor days - from 39 days in FY19 to a record low 33 days in FY21. This has driven a cumulative cash flow benefit of c.£90m, in FY20 and FY21.

## SLIDE 25: STRONG CASH POSITION DRIVEN BY CONTINUED EXCELLENT CREDIT CONTROL & FY20 EQUITY RAISE

This strong cash performance combined with the proceeds of our April 2020 equity raise meant we ended the year with net cash of c.£411m.

The Group has in place a £210m revolving credit facility that reduces in November 2024 to £170m and expires in 2025.

## SLIDE 26: A STRONG BALANCE SHEET

On this slide we compare the balance sheet as of June 2021 and 2020.

The four main movements are:

- a decrease in the IAS 19 pension accounting surplus to £47m, with a reduction in scheme asset values, partially offset by an increase in the discount rate and by company contributions,
- the decrease in working capital as explained earlier
- the payment of £118.3m of all the FY20 deferred payroll taxes and VAT
- and finally, a decrease in provisions due to the use of restructuring provisions set up in FY20

## SLIDE 27: HIGHLY CASH GENERATIVE BUSINESS MODEL, WITH CLEAR CASH FLOW PRIORITIES

Our highly cash-generative business model has been the foundation for our strong track record of returning capital to shareholders over the last 20 years, including the payment of £374m in dividends during Financial Years 2017 to 2019.

Our priorities for free cash flow remain unchanged, namely, to fund the Group's investment and development; maintain a strong balance sheet, deliver a core dividend at a level which is sustainable, progressive and appropriate, and pay surplus cash to shareholders via special dividends.

## SLIDE 28: DIVIDEND POLICY AND PAYMENT OF SURPLUS CAPITAL

We reiterated our policy on core and special dividends at the interims.

Given the strong recovery in group profitability in the second half of FY21, our strong balance sheet and our confidence in our outlook we are proposing the following.

Firstly, to resume our core dividend at 3x earnings cover, commencing with a single payment for FY21 of 1.22p. Our target dividend cover range remains 2.0-3.0x earnings.

Secondly, to return £150m of surplus cash in one single payment of 8.93p also in November.

Looking forward, the Board expects to restart ongoing trading special dividends in FY22. Our policy for such dividends will be based on distributing all funds above the previously announced £100m cash buffer at each financial year end.

Additionally, at 31 Dec-20 we budgeted a further £130m for working capital rebuild as our temp book grows. We saw c.£20m working capital outflow in H2, reducing the balance to £110m, which will further reduce as our temp book grows and working capital increases including any normalisation in client payment terms.

Any ongoing special dividends will also be dependent on a positive economic outlook.

## SLIDE 29: OUR ACTIONS SINCE THE START OF THE PANDEMIC HAVE STRENGTHENED OUR BUSINESS AND WILL INCREASE OUR LONGER-TERM PROFITABILITY

During FY21, we have initiated a series of actions to further streamline certain areas of our business and drive material annual cost-savings in the future.

Firstly, by reducing our property footprint and its cost, we anticipate annual savings of c.£10m per year within the next five years.

Secondly, we have identified opportunities to further improve the efficiencies of our back-office functions, by the increased use of automation and of existing lower cost shared service centres, to drive annual savings of c.£10m within 3-5 years.

Finally, we expect c.£10m of the cost savings already achieved during the pandemic on reduced travel to be permanent as we continue making better use of video technology across the business. For example, we have set a flight reduction target of 40% versus pre-pandemic levels. Clearly this also helps our Net Zero journey.

We also anticipate a cash benefit from sustainably lower debtor days, even if we see some normalisation in client payment terms. From the c.£90m benefit that I explained earlier, I would expect to retain about half of this, which of course will lead to greater cash returns to shareholders.

## SLIDE 30: FINANCIAL SUMMARY

So, in summary, given the impact of the pandemic on the global economy and society, we delivered an increasingly strong profit performance, driven by the fastest sequential improvement in fee generation in our history.

Having started the year at break-even profitability, we balanced managing our cost base with strategically investing for the long-term and protecting our core infrastructure. As fees rebounded, we began investing to accelerate our recovery and despite significant second half investment, consultant productivity reached record levels in Q4. Our investment in the second half will drive fee growth in FY22 and beyond.

Our strong cash performance has given us our strongest balance sheet ever. Given this balance sheet strength, and our encouraging sequential improvement through the year, especially in the 2H, the Board is proposing to pay a combined 10.15p in core and special dividends.

## SLIDE 31: CURRENT TRADING

Turning to current trading…

## SLIDE 32: GOOD START TO FY22, WITH STRONG MARKET CONDITIONS AND GOOD TEMP AND PERM MOMENTUM

We have made a good start to FY22.

Overall, Temp and Contracting markets are performing well and conditions in Perm are strong. Candidate confidence is high, with clear signs of skill shortages and wage inflation in certain industries.

We expect our total SGI investment in FY22 will be c.£20m. Including our SGI plans, we expect consultant headcount will increase by c.5% in Q1.

At a regional level, the only specific comment I'd make is that it is too early to quantify the negative impact of recent lockdowns in most states in Australia, especially New South Wales and Victoria.

Finally, I would highlight that currency movements are likely to have a larger negative impact as Group profits increase in FY22.

## SLIDE 33: STRATEGY INTRODUCTION

With that, I will hand you back to Alistair who will update you on Strategy before we answer your questions.

**<Alistair Cox, Group Chief Executive >**

Thanks, Paul. Let me now show you a little more detail of what's behind our strategic investment program so you can see what we are doing and why, as well as some of the early paybacks we are getting.

## SLIDE 34: THE PANDEMIC HAS EVOLVED AND ACCELERATED RECRUITMENT MEGATRENDS. OUR STRATEGY IS DESIGNED TO CAPITALISE ON THEM

We've talked a lot in the past about some of the major changes that are underway in our world – what we've called Megatrends, and how we are building our strategy to capitalise on those changes. Many of the changes we are seeing will have profound and long-lasting impact on the job market and over the past year, we've seen the pandemic influence and accelerate these megatrends.

We're seeing candidates and companies increasingly seeking more flexible ways of working, particularly in higher skilled, higher salary, 'technical' white collar sectors such as Technology, Life Sciences and Engineering. Contracting, or Freelancing, is increasingly becoming a preferred career path for many professionals, meaning companies can tap into high skilled resources when they need them – adding flexibility versus a purely permanent workforce.

As the world has been forced into remote working over the last 18 months, demands for greater flexibility have grown massively. Hybrid and remote working are becoming must-haves for many organisations. The next stage will be the realisation that if work can be conducted remotely, then it can be done from almost anywhere. This opens the prospect of more geographically diverse talent pools and with the leading global network and insights into talent almost everywhere in the world, this plays to our advantage.

The pace of industry change has also accelerated, with some industries and skillsets in decline and others seeing exponential growth. Market requirements are changing faster than skill supply, and that's creating skills shortages in many parts of the world. Resolving this requires significant investment in training & upskilling that needs coordinating at a national level, so will take time to resolve. In the meantime, the conditions are now in place for real wage inflation around the world, and we are increasingly seeing evidence of that as the war for talent intensifies.

There will be some real winners in the skills market, where the demand for talent is only likely to increase and where talented employees are likely to command a premium. The Technology and the Green economy sectors are obvious examples, but there will be others too, including Life Sciences and specialist engineering niches.

With so much change as the world moves to an ever more digital age, companies are struggling to find the talent they need. That's where we provide a highly valuable service as we are investing in building talent pools of the future. In-house HR departments, smaller local agencies, or those without the right brand to attract talent will find life increasingly difficult. However, these changes give us the opportunity to grow our share further, playing to the strategy we have followed over the last decade - and which we are accelerating now.

## SLIDE 35: STRATEGIC GROWTH INITIATIVES: TARGETING THE MOST IN-DEMAND RECRUITMENT SECTORS OF THE FUTURE

Which brings me to our Strategic Growth Initiatives. Think of our business as following two simultaneous investment paths. The first is to capitalise on the cyclical recovery we are currently enjoying as the world bounces back from the lows of last year. We need more capacity across virtually all our business, replacing that which we lost over the last 18 months as we, quite rightly, reduced our cost base. As I said earlier, we increased Group consultant headcount by c.650 in the second half, the majority of whom were replacement capacity across the entire business.

There’s nothing new in that ‘BAU’ investment, we are just doing it in greater scale than we have done before as the world has never seen such a violent decline followed by such a sharp recovery.

The second investment path is to accelerate our structural growth and position the business over time to be right at the heart of what the world will soon need, as opposed to what it needed in the past, and that’s SGI. Back in May 2020, we asked ourselves the question, “what will the world need once the pandemic has passed, and how will it want those services delivered”. We then asked, ‘How can we put ourselves in the path of that evolution, grow market share and position ourselves as a leader in that future world’.

Transforming in this way means we take a longer-term view on investment and payback. Hence, we ringfenced funds to invest in structurally attractive, dial-moving initiatives which will significantly accelerate our growth once the pandemic passes, but which may have a payback beyond one year. We identified 20 individual projects in FY21 across all our divisions and there are several common themes such as investing in Technology, Life Sciences and Engineering, scaling our large Corporate Accounts business, and enhancing our brand and customer experience.

Over the year we allocated around £15m into such structural projects, putting in management infrastructure and c.250 heads across specific projects in Asia, Australia, Europe, the UK and North America. I am delighted with the performance so far as we are seeing real traction in every area we have targeted. That level of success gives us the confidence to accelerate in FY22 and we expect to add another c.350 additional consultants into these structural initiatives. This is on top of whatever BAU additions we will need to meet demand from the cyclical recovery.

Let me make this real with a few examples. Last year we added 45 heads to our Technology business in France, which almost doubled the Tech business there. That’s the equivalent in terms of scale of buying a small to medium size tech recruiter with fees of around E5-10m, but we would rather spend the money organically. Each year we will do the same again as we see no limit to the IT market and over time, the shape of our French business will shift to reflect this.

In the USA, we added 20 heads to our Life Sciences business, again the equivalent of a niche acquisition in terms of scale, and productivity improved strongly through the year. We should get c.£2.5m of incremental fees from this cohort this year and much more next year as they move to full productivity.

Our sales teams have done a great job at bringing home high-volume contracts with larger clients around the world. To fulfil those opportunities, we have built or expanded delivery centres across Asia, Europe, ANZ and the USA and are making far greater and more innovative use of our Indian shared services centre.

Finally, we have invested in our digital estate, as we believe world class digital customer experience is fundamental in today’s world.

With hindsight, I am delighted we got onto the front foot so quickly, starting these investments well before economies started to recover. Our financial strength gave us the freedom to think longer-term and we are doing things faster and at greater scale than we have done before. As a result, our ambition for what we can become is greater than it’s ever been before too, and these plans will take us well beyond previous peak profits.

## SLIDE 36: HAYS TECHNOLOGY HAS DELIVERED EXCELLENT FEE GROWTH OVER THE LONG RUN

The best example of that ambition is arguably in Technology. We are already a global leader in technology recruitment with the scale and geographic coverage that perhaps only 2-3 companies have. We recently launched Hays Technology as a global brand, supporting our ability to deliver highly skilled technology experts globally and at scale and that's a great place to find ourselves.

Our Technology business has grown from around £100m of fees in 2011, to a quarter of a billion pounds prior to the pandemic, equating to a CAGR of 12%. Technology was relatively resilient through the pandemic, down only 5% in FY21, and encouragingly fees in Q4 21 were 2% above pre-pandemic fee levels, so I expect us to deliver record Technology fees in FY22.

We have also built a highly diversified business. A decade ago, Germany represented c.57% of our Technology fees, while our Rest of World division was only 15%. Today, Germany is still our largest technology business at 43% of total and has more than doubled fees since FY11. However, RoW has more than doubled in our mix to 34%. Fees in EMEA ex-Germany grew by 19% CAGR over that time, even with the impact of the pandemic. In the USA we now have a Tech business of real scale, which just delivered a record quarter in Q4 and here in the UK, despite the pandemic we grew our tech fees by 9% last year.

These results are the product of our focus to build the undisputed global leader in Technology recruitment.

## SLIDE 37: AMBITION TO DOUBLE HAYS TECHNOLOGY FEES FROM c.£250M PRE-PANDEMIC TO £500M BY 2026

However, our ambition now is to double our Technology fees to £500m in the next 5 years.

That requires a fee CAGR of just under 15%, which, while demanding – is only slightly faster than what we achieved in the decade before Covid.

In my mind, there are 4 key drivers for how we'll get there:

1) every country we have can contribute, but we can certainly double our German fees - and potentially triple our USA fees
2) we can expand our products and services, for example building large contracting businesses in all major markets, winning more outsourced MSP deals and growing our James Harvard business, which focuses on Project Services. Nearshoring and offshoring are also exciting areas, as we can advise clients where best to look for their technology talent.
3) there are many newer verticals where we can build a leadership position, such as cyber, AWS, enterprise apps like Salesforce and Workday, Martech, Big Data or Robotics / Automation. Some of these niches we are already in, some not yet, but they are all large opportunities, and
4) pursue growth across multiple client types, whether those be enterprises going through digital transformations, small start-ups, Fintech, native tech organisations or the Public sector.

Getting to £250m fees in the last decade has given us the scalable infrastructure, management expertise, brand and industry partnerships to now accelerate our growth. I absolutely believe that a global leadership position in Tech and £500m in fees will be an enviable and valuable place to find ourselves and that is what we intend to build.

## SLIDE 38: CONCLUSION

So, in conclusion, we have a clear strategy that becomes more relevant by the day and world-class management teams across all our countries.

Profits were up significantly in the second half and we have started FY22 with good momentum, driven by the hard work and dedication of our colleagues worldwide, a stronger-than-expected cyclical recovery and the benefit of our investments. Consultant productivity is at record levels and we are adding heads, while retaining the operational rigour that characterises Hays; growing profits in the short-term while investing for the longer-term.

We now see a clear route back to, and then exceeding, pre-pandemic levels of profit, faster than I could have envisaged even six months ago.

We are highly cash generative. Reinvestment is always our priority, but with such confidence in our future, we are proposing to resume core and special dividends, paying a total of 10.15p to shareholders in November.

So, while there will still be chapters to write in the pandemic story, we are already capitalising on the many opportunities the world is presenting us and are excited about the future.

We would now be delighted to take your questions.

## Notes

- Net Fees comprise turnover less remuneration of temporary workers and other recruitment agencies.
- FY20 operating profit is presented before exceptional costs of £39.9 million, comprising £20.3 million relating to the partial impairment of goodwill in the US business, and £19.6 million relating to restructuring charges, primarily in our German business. There were no exceptional charges in FY21.
- FY21 cash generated by operations of £130.8 million is adjusted for the cash impact of lease payments of £50.0 million under IFRS 16, and £118.3 million of FY20 payroll tax and VAT deferred which was paid in FY21. FY20 cash generated by operations of £354.2 million is adjusted for the cash impact of lease payments of £46.4 million (IFRS 16) and the £118.3 million of payroll tax and VAT deferred at 30 June 2020.
- Due to the cycle of our internal Group reporting, the Group's annual cost base equates to c.12.5x our cost base per period. This is consistent with prior years.
- Conversion rate is the conversion of net fees into operating profit.
- The underlying Temp margin is calculated as Temp net fees divided by Temp gross revenue and relates solely to Temp placements in which Hays generates net fees and specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third party agencies and arrangements where the Group provides major payrolling services.
- Represents percentage of Group net fees and operating profit.
- FY20 cash balance excludes £118.3 million of payroll tax and VAT deferred at 30 June 2020, which was subsequently paid in FY21.

## Enquiries

**Hays plc**

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## Results presentation & webcast

Our results presentation took place at 8.30am on 26 August 2021. A recording of the webcast is available on our website, www.haysplc.com/investors/results-centre.

## Reporting calendar

| | |
|---|---|
| Trading update for the quarter (Q1 FY22) ending 30 September 2021 | 14 October 2021 |
| Trading update for the quarter (Q2 FY22) ending 31 December 2021 | 18 January 2022 |
| Half-year results for the six months (H1 FY22) ending 31 December 2021 | 24 February 2022 |
| Trading update for the quarter (Q3 FY22) ending 31 March 2022 | 14 April 2022 |

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# Cautionary statement

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This announcement contains inside information.
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