Q3 FY21 TRADING UPDATE
THREE MONTHS ENDED 31 MARCH 2021

CONFERENCE CALL PREPARED REMARKS

13 April 2021

INTRODUCTION

< Paul Venables, Group Finance Director >

Thank you, David, good morning everybody and thanks for joining us.

I will present highlights of today's update, cover key themes, and discuss regional performances, before taking any questions. As usual, all net fee growth percentages are on a like-for-like basis versus prior year unless stated otherwise.

PERFORMANCE OVERVIEW

Net Fees were down (10)%, a continued significant improvement on the (29)% down in Q1 and (19)% down in Q2 FY21. While the pandemic continued to impact our business, activity levels in Temp and especially Perm improved in all regions and we saw strong sequential Group fee growth through the quarter.

There were no working day adjustments in the period, but currency translation, had a slightly positive impact, increasing headline net fees by c.1%.

I'd highlight the following key features:

1. Encouragingly, trading in most markets improved across the quarter. A good performance in February, was followed by a strong pick-up in March, which delivered by far our highest period of fees since the start of the global pandemic and was up 4% versus March 2020. However, for context, our fees were still 13% down versus March 2019.
2. Temp and Perm fees declined by 7% and 13% respectively, with activity improving in all regions. In Perm activity significantly increased in February and March. In Temp, many assignments have been extended, we have seen a sequential increase in volumes and a significant increase in average hours worked per temp in part due to historically low temp vacation and illness as much of our markets were in lockdown.
3. Our largest market of Germany saw the strongest rebound, with an improvement of 15% versus Q2. The UK&I also saw improving trends especially in perm and while RoW was helped in part by easier comparatives given the pandemic began earlier in parts of Asia, we also saw record trading in March in the USA.
4. Our cost base increased slightly over the quarter to an average of c.£68m per period, primarily as consultant commissions increased in line with net fees especially in March. Group consultant headcount was up 3% in the quarter but was down by 12% year-on-year.
5. Within that cost base, while we continue to tightly manage all discretionary costs, the fact that much of the world has been in lockdown means that our non-payroll costs, remain artificially low, at c.£3.5m per period below pre-pandemic levels.
6. As a result of the improved net-fee performance, and continued good cost control, Group operating profit for FY21 is expected to be at least £85m.
7. Cash performance was again strong. We ended the quarter with underlying net cash of c.£385m and have now paid all short-term deferrals of tax.

I will now comment on the performance by each division in more detail.

AUSTRALIA & NEW ZEALAND (ANZ)

Our ANZ division, 17% of group fees, declined by 13%, with momentum gradually improving through the quarter. Temp, which represented 69% of ANZ fees, was relatively resilient, down 14%, while Perm was down 10%, a sequential improvement of 17%. The Private sector, which represented 64% of fees, declined by 15%, while Public sector fell 10%.

Australia decreased 14%. In New South Wales and Victoria, together 51% of our Australian business, net fees decreased 16% and 21% respectively. Queensland and Western Australia were relatively resilient, both down 11%, while ACT and South Australia fared better still, down 6% and 3% respectively.

At the Australian specialism level, Construction & Property – our largest specialism in Australia – declined by 17%, while Accountancy & Finance, was down 25%, IT down 16%, Office Support down 15%, and Resources & Mining declined by 7%. HR grew by a good 7% and smaller specialisms, which represent c.20% of the business, were collectively down 4%.

New Zealand, c.7% of ANZ fees, decreased by 1% as activity rebounded following the relaxing of lockdown rules.

Consultant headcount in ANZ increased by 7% in the quarter but was down 6% year-on-year.

GERMANY

Germany, our largest business at 27% of group fees, reported the largest sequential fee improvement through the quarter of our divisions, with net fees down 5% – a 15% sequential improvement versus Q2. Business confidence continued to improve, with increased client investments especially in contracting.

Our Contracting business, which represents 56% of Germany fees, improved through the quarter and fees declined 4%.

Temp net fees declined by 1%. Average Temp volumes were down versus prior year but improved through the quarter and we saw record levels of temp utilisation and record hours per Temp worker, driven by very low vacation and sickness levels, the former of which will reverse in the coming months. Finally, there were no temp severance costs in the quarter.

Perm, 15% of fees, declined by 16%.

Our German Public-sector business, 14% of Germany fees, delivered another strong relative performance, with fees up 4%.

Our largest specialism of IT fell 9%. Engineering, our second-largest improved and was down 10%. Accountancy & Finance fared better still, down 6%, while Construction & Property and Life Sciences, both up 15%, were the stand-out performers.

Consultant headcount increased by 3% in the quarter and declined by 5% year-on-year.

UNITED KINGDOM & IRELAND (UK&I)

The UK & Ireland, 22% of group net fees, declined by 14%, but with improved momentum, particularly in Perm. Temp, 63% of UK&I fees, decreased by 12% and Perm by 18%.

Fees in the Private sector, 66% of UK&I, fell by 17% with the Public sector down 8%, despite c.£2 million lower Education fees as schools were closed for most of the quarter.

All regions traded broadly in line with the overall business, except for Northern Ireland and South West & Wales, both down 10%, and Scotland and the North, down 20% and 19% respectively. Our largest UK region of London fell 17%. In Ireland, net fees declined by 11%.

At the specialism level, IT and Life Sciences again performed resiliently, with fees down 4% and 3%. Our large Corporate Accounts business outperformed the UK average, with flat fees, while Construction & Property and Office Support both saw improved momentum, down 13% and 12%. However, Accountancy & Finance, down 25%, and Education, down 34%, were tougher although encouragingly, activity has rebounded since the schools reopened in March.

Consultant headcount increased by 3% in the quarter and declined by 17% year-on-year.

REST OF WORLD (RoW)

Rest of World, comprising 28 countries and 34% of group net fees, declined by 8%, comprising Perm down 11% and a more resilient performance in Temp, which fell by 2%.

In **EMEA-ex Germany** fees reduced by 10%. Our largest RoW country of France declined 16%, whilst Belgium, and Spain declined by 15% and 14% respectively. Italy and Switzerland were stand-out performers, with fees up 7% and 2% and Poland saw fees flat in the quarter.

The **Americas** declined 8%, including the USA, our second-largest RoW country, which was flat in the quarter and delivered a record performance in March. Canada continued to be tough with fees down 17%. LATAM fell 20%, including Brazil down 6%.

In **Asia**, our fees fell by 2%, helped in part by easier growth comparatives given the pandemic started earlier in parts of Asia. China, our third-largest RoW country, grew by a strong 20%, with Mainland China again significantly outperforming Hong Kong. Japan had another tough quarter, down 23%, while Singapore performed relatively well, up 1%.

Consultant headcount was up 2% in the quarter but down 14% year-on-year.

CASH FLOW AND BALANCE SHEET

Cash collection remained strong and we delivered a good underlying cash performance in the quarter, with net cash at 31 March of c.£385 million. All short-term tax deferrals have now been paid in full.

CURRENT TRADING and GUIDANCE

I would make the following points:

1. To date, second and third-wave lockdowns have had minimal negative impact on our fees.
2. March trading was significantly ahead of our expectations. In addition to a strong perm performance, it was helped by much higher than normal hours per temp worked in our major markets as lockdowns led to minimal vacation and sickness levels. While it is too early to state whether the overall perm performance in March is repeatable, it is clear that temp hours will start to reduce to more normal levels as lockdown and especially travel restrictions are reduced and vacations are taken.
3. Despite Q3 trading, clearly, significant uncertainties remain, and our forward visibility is very limited.
4. Our ‘Return to Growth’ investment programme remains on track and we continue to expect to incur c.£15 million of additional operating expenditure in FY21, of which c.£11 million is expected in H2. We are confident these investments will accelerate our growth in the medium term and strengthen our positions in key strategic markets.
5. Looking into FY22, we anticipate investing at least the same net amount in Return to Growth projects.
6. Our strong recent fee momentum has driven consultant productivity up to historically high levels. Material fee growth from here will therefore increasingly be driven by additional consultant headcount. Overall, we expect headcount will increase sequentially by a further 2% to 4% in Q4 FY21, across our ‘Return to Growth’ projects and key specialisms
7. We expect our cost base to continue to gradually increase driven by headcount increases and also non-payroll costs will increase to an extent as lockdown restrictions ease, offices reopen and eventually travel restrictions are lifted especially in FY22.
8. As with FY20, Easter falls entirely in our fourth quarter. We therefore expect no material year-on-year working day effects in Q4 FY21.

SUMMARY

In conclusion, the improvements in trading and our financial strength put us in a strong position to deliver substantial profit growth, invest for the future and increase our dividends to shareholders.

Our highly experienced management teams are focused on best-positioning us for recovery. We are confident we will continue to take further market share as clients and candidates look for expert guidance to navigate the pandemic and beyond.

I will now hand you back to the administrator, and we are happy to take your questions.

< OPPORTUNITY FOR QUESTIONS >

CLOSING REMARKS

If that is all the questions for today, we'd like to thank you all again for joining the call.

I look forward to speaking to you next at our Q4 FY21 trading update on 15th July 2021. Should anyone have any follow up questions, David, Charles and I will be available to take calls for the rest of the day.

Notes

- As at 12 April 2021, Bloomberg reports market consensus operating profit for the year to 30 June 2021 to be c.£61 million.
- 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. We report our annual fees over 13 periods, based on a mixture of four-weekly and monthly reporting businesses This is consistent with prior years.

Enquiries

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Conference call

Paul Venables and David Phillips of Hays plc will conduct a conference call for analysts and investors at 9:00am United Kingdom time on 13 April 2021. The dial-in details are as follows:

Dial-in number	+44 (0) 330 551 0200
Dial-in number (UK toll free)	+44 (0) 808 109 0700
Password	Hays

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

Replay dial-in number	+44 (0) 20 8196 1480
Access code	7065337#

Reporting calendar

Trading update for the quarter (Q4 FY21) ending 30 June 2021	15 July 2021
Preliminary results for the year (FY21) ending 30 June 2021	26 August 2021
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

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