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Q4 FY21 TRADING UPDATE
THREE MONTHS ENDED 30 JUNE 2021

CONFERENCE CALL PREPARED REMARKS

15 July 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 up 39%, with all regions delivering a sharp rebound in fees, particularly in Perm, up 67%.

There were no working day adjustments in the period, but currency translation, had a negative impact, decreasing headline net fees by c.3%.

I'd highlight the following key features:

1. Trading in all regions improved through the quarter and we saw good sequential fee growth. Encouragingly, June delivered our highest period of fees since the start of the pandemic.
2. Perm and Temp fees increased by 67% and 24% respectively. In Perm, which represented 42% of fees, activity continued to rebound strongly. In Temp, as observed in Q3, in addition to volume growth, we have seen lengthening of the average duration of assignments and an increase in average hours worked per temp. This is in part due to historically low temp vacation and sickness.
3. Our largest market of Germany performed strongly, driven by Contracting where we now have record contractor numbers for this time of year. The UK&I saw continued sequential growth, especially in perm. In ANZ, momentum accelerated through the quarter, particularly in Perm. RoW improved across all sub-regions including nine all-time record quarterly performances including the strategically important markets of China and the USA.
4. Comparing Q4 FY21 with Q4 FY19, Fees in the quarter were 8% lower and average consultant headcount was c.10% below Q4 FY19.
5. Consultant productivity continued at record levels. Given our confidence in the sustainability of the recovery, we increased our consultant headcount by 420 or 6% in the quarter, to drive further fee growth in FY22 and beyond.
6. Our cost base increased over the quarter to c.£71m per period, primarily driven by increase in consultant headcount, higher consultant commissions in line with net fees and our Strategic Growth Investments.
7. As a result of the improved net-fee performance, and continued good cost control, Group operating profit for FY21 is now expected to be £95m, which is ahead of current market expectations.
8. Cash performance was again excellent. We ended the quarter with net cash of c.£410m.

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

AUSTRALIA & NEW ZEALAND (ANZ)

Our ANZ division, 18% of group fees, increased by 28%, with momentum accelerating through the quarter. Fees are down 7% versus Q4 FY19.

Perm, 35% of ANZ fees, was up an excellent 114%. Our Temp business which faced a tough growth comparator a year ago, which included some one-off contract wins at the start of the pandemic increased by 5%. The Private sector, which represented 65% of fees, increased by 39%, while Public sector grew by 10%.

Australia increased by 23%. In New South Wales and Victoria, together 53% of our Australian business, net fees increased 26% and 27% respectively. South Australia was better still, up 37%, with Queensland, up 28%, Western Australia, up 24% and ACT, up 7%.

At the specialism level, Construction & Property, our largest business in Australia, grew by 22%, IT, our second-largest specialism, and HTS both of which were resilient a year ago, increased by 14% and 11% respectively. Looking at large specialisms that were hit harder a year ago, we saw a very strong rebound, with Accountancy & Finance and Office Support both up 54% and HR up an excellent 62%. Finally, our smaller specialisms, which represent c.21% of the business, were collectively up 10%.

New Zealand, c.7% of ANZ fees, increased by an excellent 123%, with improving momentum through the quarter.

Consultant headcount in ANZ increased by 8% in the quarter and by 17% year-on-year.

GERMANY

Germany, our largest business at 26% of group fees, reported good sequential fee growth through the quarter, with net fees up 38%. Business confidence continued to improve, with increased client investments especially in Contracting. Fees are down 9% versus Q4 FY19.

Our largest specialism of IT grew by 17%, while Engineering, our second largest and which was hit very hard in the initial lockdown in 2020, was up 74%. Accountancy & Finance and Construction & Property increased by 26% and 29% respectively, while Life Sciences performed even stronger, up 63%.

Our Contracting business, which represents 54% of Germany fees and was relatively robust in Q4 FY20, improved through the quarter and fees increased by 6%. It is very pleasing to note that in June we now have record levels of contractors for this time of year.

Temp net fees which were severely hit by lockdown in Q4 FY20, continued to improve and increased by 230%. Excluding the significant underutilisation and severance costs of Temps, a year ago, underlying Temp fees increased by 20%. Average Temp volumes continued to gradually improve, and we saw very high levels of temp utilisation and record hours per Temp worker, helped by low vacation and sickness levels, some of which will reverse in the coming months. Despite the rebound, temp fees remain significantly lower than Q4 FY19, due primarily to the historic high exposure to the automotive sector.

Perm, 17% of fees, increased by 33%.

Our German Public-sector business, 14% of Germany fees, was up 28%.

Consultant headcount increased by 1% in the quarter and by 4% year-on-year.

UNITED KINGDOM & IRELAND (UK&I)

The UK & Ireland, 22% of group net fees, grew by 48%, led by a strong Perm performance, up 94%. Temp, 60% of UK&I fees, increased by 27%. Fees are down 15% versus Q4 FY19.

Fees in the Private sector grew by 58% with the Public sector up 31%.

Most regions traded broadly in line with the overall business, except the North West, East of England and the Midlands, which grew by 101%, 70% and 63% respectively. Our largest UK region of London grew by 38% and Ireland increased by 56%.

At the specialism level, we saw excellent growth in IT up 66%, and a continued strong rebound in specialisms which were heavily impacted by the pandemic a year ago, with HR and Education which grew fastest, up 111% and 82% respectively, and also Accountancy & Finance, and Construction & Property, up 71%, and 63% respectively. Our large Corporate Accounts business grew by 3% and Life Sciences declined by 9%, against tough growth comparatives resulting from one-off contract wins in Q4 FY20. If you remember, a year ago on life sciences business grew by 25%.

Consultant headcount increased by 7% in the quarter but declined by 4% year-on-year.

REST OF WORLD (RoW)

Rest of World, comprising 28 countries and 34% of group net fees, grew by 41%. Perm, which represented 66% of RoW fees, increased by 56%, with Temp up 19%. Fees are down 2% versus Q4 FY19.

In **EMEA-ex Germany**, fees increased by 41%. Our largest RoW country of France was up 55%, while Spain and Italy increased by 83% and 74% respectively. Belgium increased by 35%, Poland by 32% and Switzerland by 11%, a record performance against a resilient quarter in the prior year.

The **Americas** grew by 56%, including the USA, our second-largest RoW country, which was up 55% and produced a record quarter. Momentum in Canada improved, with fees up 49%, and LatAm grew by 78%, including Brazil up an excellent 126%.

In **Asia**, our fees increased by 25%. China, our third-largest RoW country, grew by 33%, with Mainland China producing a record quarter and again significantly outperforming Hong Kong. Malaysia and Singapore were also strong, up 56% and 38% respectively, although Japan had a tough quarter, down 3%.

Consultant headcount was up 8% in the quarter and up 7% year-on-year.

CASH FLOW AND BALANCE SHEET

Cash collection continued to be excellent and we delivered a strong cash performance in the quarter, with net cash at 30 June of c.£410 million. As a reminder, all short-term tax deferrals had been paid in full by the end of Q3 FY21.

CURRENT TRADING and GUIDANCE

I would make the following points:

1. We enter FY22 with positive trading momentum and have significantly invested in consultant headcount in Q4 to further capitalise on strong end markets and rising business confidence.
2. Our ‘Strategic Growth Investment’ programme, formerly known as ‘Return to Growth’, is performing well. We invested £15m in FY21 including c.£11m in H2 and anticipate c.£20m further net investment in SGI projects in FY22. Alistair will cover these in detail at the preliminary results in August, but we are very confident these investments will accelerate our growth in the medium term.
3. Having reported, historically high consultant productivity levels in Q3, productivity improved further in Q4 driven by our strong increase in fees. Further material fee growth in FY22 and beyond will increasingly be driven by additional consultant headcount. In addition to the 420 consultants or 6% we added in Q4, we expect to increase consultant headcount by a similar number in Q1 FY22, across our key specialisms and ‘Strategic Growth Investment’ projects.
4. Our exit periodic cost base is c.£71m, which, looking forward, will increase in line with headcount and other areas of investment, and with increasing commissions proportional in line with fees. Finally, non-payroll costs will modestly increase as business fully reopens and some limited travel restarts.
5. Exchange rate movements remain a material sensitivity to the Group’s reported results. The strengthening of Sterling versus the Euro, the Australian dollar, the US dollar and the Japanese Yen is likely to act as a headwind to operating profit in FY22. If we retranslate our FY21 operating profit guidance of c.£95 million at today’s exchange rates, we would see a c.£4 million decrease in FY21 Group operating profit, and clearly will have a larger negative impact in FY22 as Group operating profit increases.

SUMMARY

In conclusion, the improvements in trading and our financial strength put us in a strong position to deliver substantial profit growth in FY22 and beyond, while significantly investing for the future. We also look forward to resuming dividend payments to shareholders in August as we outlined at the interims.

There are many opportunities to build much bigger businesses and we are firmly focussed on positioning Hays as the clear market leader in the most attractive long-term sectors and geographies.

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 FY21 Preliminary Results on 26th August 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 14 July 2021, Bloomberg reports market consensus operating profit for the year to 30 June 2021 to be c.£90.9 million.
- Previously known as our "Return to Growth" programme.
- 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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Reporting calendar

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
Half-year results for the six months ending 31 December 2021	24 February 2022

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