

# PRELIMINARY RESULTS

## FOR THE YEAR ENDED 30 JUNE 2022

25 August 2022



## RECORD FEES & MATERIAL PROFIT GROWTH, DRIVEN BY STRONG MARKETS AND MANAGEMENT ACTIONS. £262M IN TOTAL CASH DISTRIBUTIONS FOR FY22

Year ended 30 June (In £s million)	2022	2021	Reported growth	LFL growth
Net fees <sup>(1)</sup>	<b>1,189.4</b>	918.1	30%	32%
Operating profit	<b>210.1</b>	95.1	121%	128%
Conversion rate <sup>(2)</sup>	<b>17.7%</b>	10.4%	+730 bps	
Cash generated by operations <sup>(3)</sup>	<b>182.9</b>	130.8	40%	
Basic earnings per share	<b>9.22 p</b>	3.67 p	151%	
Core dividend per share	<b>2.85 p</b>	1.22 p	134%	
Special dividend per share	<b>7.34 p</b>	8.93 p	n/a	

*Note: unless otherwise stated all growth rates discussed in this statement are LFL (like-for-like), YoY (year-on-year) net fees and profits, representing organic growth of continuing operations at constant currency.*

- Fees up 32%; operating profit up 128% to £210.1 million. Excellent fee performance in all regions, including 24 country records, driven by strong client & candidate confidence, our management actions and continued improved fee margins. Q4 FY22 represented a quarterly fee record, with fees and activity levels sequentially stable at strong levels
- Australia & New Zealand:** fees up 24%; operating profit up 32% to £51.6 million. Excellent fee growth in Perm, up 60%; slower growth in Temp, up 9%. Record fees in New Zealand, up 49%
- Germany:** record fees, up 34%; operating profit up 152% to £75.6 million. Strong activity levels drove excellent growth in our largest business of Temp & Contracting, up 31%, with record contractor volumes. Perm up 51%
- UK & Ireland (UK&I):** fees up 31%; operating profit up 277% to £43.4 million. Perm fees up an excellent 58%, Temp up 15%. The Private sector, up 42%, significantly outperformed the Public sector, up 10%
- Rest of World (RoW):** fees up 36%, including 22 country records; operating profit up 234% to £39.5 million<sup>(4)</sup>. Fees in EMEA ex-Germany up 31%, the Americas up 51% and Asia up 35%
- Investment and profitable growth:** consultant headcount increased by 26% YoY, with additions across all key specialisms and via our Strategic Growth Initiatives, which continue to perform strongly. Even with our investments, consultant productivity was at record levels and the Group's conversion rate<sup>(2)</sup> increased by 730 basis points
- Strong cash generation supports £168M in FY22 dividends & £75M share buyback programme:** net cash of £296.2 million. Given confidence in our strategy, the Board has proposed a final core dividend of 1.90 pence per share, making a full year core dividend of 2.85 pence and a special dividend of 7.34 pence per share

Commenting on the results Alistair Cox, Chief Executive, said:

"Performance in all regions was excellent. Our actions to capitalise on long-term structural opportunities, acute skill shortages and strong markets, supported by our ability to increase fee margins and the benefits of wage inflation, delivered record Group fees, 24 country records and 128% operating profit growth. Germany, our largest business, was the biggest absolute contributor to our profit growth, while the UK&I and RoW divisions delivered strong profit recoveries. We also made significant investments to underpin our long-term growth ambitions as set out at our Investor Day in April 2022. These Strategic Growth Initiatives helped deliver record fees in long-term structural growth markets such as Technology, where we exceeded £300 million in fees for the first time, and in our broader services offering into large Enterprise clients.

"In addition to our FY22 core dividend of £47.3 million, given the Board's confidence in our strategy and commitment to returning significant cash to shareholders, we propose a special dividend of £121.2 million. The Board has also increased our share buyback programme by a further £18.2 million, meaning we began FY23 with £75.0 million available for buybacks.

"With macroeconomic uncertainties increasing, we are closely monitoring our activity levels and KPIs, which remain broadly stable overall at strong levels. Our focus is now on leveraging the investments we have made and increasing our already strong consultant productivity. We have a clear strategy to continually build market-leading positions in the most attractive structural growth markets, which are characterised by ongoing skill shortages. Our global network, financial strength and highly experienced management teams give me confidence that we can navigate current uncertainties and remain highly focused on delivering our long-term objectives."

- (1) Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.
- (2) Conversion rate is the conversion of net fees into operating profit.
- (3) Cash generated by operations is stated after IFRS 16 lease payments. FY21 cash generated by operations of £130.8 million is also adjusted for £118.3 million of FY20 payroll tax and VAT deferred which was paid in FY21.
- (4) FY22 operating profit includes £4.2 million one-off costs of closing our Russia business, within our RoW division. Excluding this, RoW operating profit was £43.7 million and conversion rate was 10.5%.
- (5) 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.
- (6) 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. This specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third party agencies and arrangements where Hays provides major payrolling services. FY21 Temp margin included £6.2 million of one-off Germany Temp severance costs. Excluding this, underlying FY21 Temp margin would have been 14.6%.
- (7) Represents percentage of Group net fees and operating profit.

## Enquiries

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## Results presentation & webcast

Our results webcast will take place at 8.00am on 25 August 2022, available live on our website, [www.haysplc.com/investors/results-centre](http://www.haysplc.com/investors/results-centre). A recording of the webcast will be available on our website later the same day along with a copy of this press release and all presentation materials.

## Reporting calendar

Trading update for the quarter ending 30 September 2022 (Q1 FY23)	13 October 2022
Trading update for the quarter ending 31 December 2022 (Q2 FY23)	17 January 2023
Half-year results for the six months ending 31 December 2022	23 February 2023

## Hays Group Overview

As at 30 June 2022, Hays had c.13,000 employees in 253 offices in 32 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, which presents substantial long-term structural growth opportunities. This has been a key driver of the diversification and internationalisation of the Group, with the International business representing c.78% of the Group's net fees in FY22, compared with 25% in FY05.

Our consultants work across a broad range of industries covering recruitment in 21 professional and skilled specialisms. In FY22 our three largest specialisms of Technology (26% of Group net fees), Accountancy & Finance (14%) and Construction & Property (11%) together represented 51% of Group fees.

In addition to our international and sectoral diversification, in FY22 the Group's net fees were generated 55% from temporary and 45% from 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.

In our 2022 employee 'YourVoice' survey, 86% of employees said they would recommend Hays as a great place to work, up from 80% in 2021.

## Introduction & market backdrop

### FY22 trading review: record Group fees

Trading in the year to 30 June 2022 represented a fee record for the Group, with 24 individual country records and strong overall activity levels in all our major markets. Net fees increased by 32% on a like-for-like basis, and by 30% on a reported basis, to £1,189.4 million, helped by global economic recovery from the pandemic. This represented like-for-like fee growth of £291.7 million versus the prior year. Fees in the Private sector, up 37%, significantly outperformed the Public sector, up 14%. Group fees in the year were c.8% above pre-pandemic levels of FY19.

We began the year with strong momentum, with our FY21 exit rate (June 2021) representing our strongest fee period since the start of the pandemic. Net fees in the first half were £565.3 million, including monthly records in September and November. Second half fees accelerated to £624.1 million, including a record month in March, and our fourth quarter remained sequentially stable at strong levels, delivering record fees of £320.2 million. As previously disclosed, the Group's net fee growth exit rate in June 2022 was 19%.

Performance was led by excellent results in Perm (45% of Group net fees), with fees up 49%, driven by 42% volume growth and including a 5% increase in average Perm fee, which improved through the year. Temp fee growth was also very strong, up 21%, led by Temp volumes up 10% and also benefitting from a 7% increase in underlying Temp margin plus 4% positive mix / hours effects. Temp volumes increased through H1 and remained sequentially stable at record levels through Q3 and Q4. Our growth in both average Perm fee and Temp margins clearly demonstrate how we are benefitting from wage inflation and skill-short markets.

Our largest global specialism of Technology (26% of Group net fees) exceeded £300 million for the first time, increasing by 32%. Accountancy & Finance and Construction & Property increased by 37% and 21% respectively. Direct outsourcing fees with Enterprise clients also reached £200 million for the first time, growing by 21%, and we continue to win Enterprise market share and broaden our service offering, with a strong pipeline of opportunities.

On 3 March 2022, we announced that due to the ongoing conflict in Ukraine, Hays had taken the decision to close its offices in Moscow and St Petersburg, cease trading with immediate effect and exit Russia, which was completed in June 2022. The total one-off costs of closing our Russia business were £4.2 million, which were incurred as an expense in H2 FY22. In FY22, Russia produced £7.8 million of Group net fees and, excluding closure costs, £1.2 million of operating profit.

### Our highest-ever profit growth, after significant investments

Driven by the increase in net fees, Group operating profit in the year of £210.1 million represented a like-for-like increase of 128%. Our conversion rate in the year was 17.7%, up 730 basis points, or 18.0% excluding the costs of exiting Russia. This represented an FY22 like-for-like drop through rate of net fees to operating profit of 40%, or 42% excluding Russia.

Like-for-like costs increased by 22% year-on-year or £173.9 million (£156.3 million on a reported basis). This was driven by our investment in productive capacity, with year-end consultant headcount increasing by 26%, and increased consultant commissions, which rose in line with net fees. During the year we added 1,847 consultants, investing to capitalise on the cyclical recovery globally and in our Strategic Growth Initiatives (SGI), which continued to perform strongly and where we added c.550 consultants. SGI is positioning us for future growth, and we invested c.£20 million in FY22. We continue to expect c.£20 million of incremental SGI investment in FY23.

Encouragingly, even with our increased headcount, average productivity per consultant was at record levels, and we are focused on increasing productivity further. We continued to actively manage our variable cost base, including travel costs which remained well below pre-pandemic levels.

The Group's cost base per period<sup>(5)</sup> as we entered FY23 was c.£87 million, representing a like-for-like increase of c.£14 million per period<sup>(5)</sup> or c.19% versus our cost base at the start of FY22. This reflects our significant investment in headcount through FY22, increased consultant commissions which rose in line with net fees, together with the impact of inflation on our own cost base, mainly due to salary increases in July 2022.

Having made significant headcount investments in FY22, we have appropriate capacity for today's good market conditions and the opportunities we see. We expect consultant headcount growth will be minimal in H1, outside of our SGI programme, as we focus on driving consultant productivity and returns from our investments.

## Earnings per share boosted by one-off tax benefits

The Group's Profit after Tax of £154.2 million and Earnings per share of 9.22 pence benefited from one-off tax items. These were driven by positive one-off settlements with certain tax authorities, plus the recognition of deferred tax assets, driven by the positive movement in the Group's Defined Benefit pension surplus, which meant our Effective Tax Rate in the year was 24.5%. We expect the ETR will return to c.30% in FY23. On a normalised basis applying a 30% ETR, the Group's adjusted EPS was 8.55 pence.

## Cash generation, working capital and dividends

We converted 87% of operating profit into operating cash flow<sup>(3)</sup>, helped by another strong performance from our credit control teams, with debtor days of 33 days (2021: 33 days), well below pre-pandemic levels (39 days). Our year-end net cash was strong at £296.2 million, after paying £170.5 million in core and special dividends in November 2021, £15.9 million in respect of our FY22 interim dividend, and purchasing £19.8 million in Treasury stock during our second and third quarters. These shares will be held in treasury and utilised to satisfy employee share-based award obligations over the next two to three years. The Group also purchased £18.2 million in shares for cancellation in our fourth quarter under our share buyback programme, which we announced in April 2022.

Given the excellent growth in our Temp business, with fees up 21%, we saw a working capital outflow of £65.0 million in the year. The working capital outflow resulted from growth in our Temp debtor book.

Our business model remains highly cash-generative. The Board's priorities for free cash flow are to fund the Group's investment and development, maintain a strong balance sheet, deliver a sustainable and appropriate core dividend and to return cash to shareholders in the most appropriate form. Our FY22 core dividend is 2.85 pence per share, representing dividend cover of 3.0x our underlying EPS when adjusted for a normalised tax rate of 30%, i.e. excluding our one-off FY22 tax benefits. The Board is also pleased to propose a special dividend of 7.34 pence per share, equating to £121.2 million.

As announced on 28 April 2022, the Group commenced a £75 million share buyback programme, to be completed over a 12-month period. By 30 June 2022 we had purchased and cancelled 15.4 million shares under this programme at a cost of £18.2 million. The Board announces that it has increased this programme by a further £18.2 million, which means we began FY23 with £75 million available for buybacks during this financial year.

As a reminder, our policy for special dividends will be based on returning capital above our cash buffer at each financial year-end (30 June) of £100 million, plus any amounts outstanding on our share buyback programme and is subject to the Board having a positive economic outlook.

## Investor day summary

Hays held its first Investor Day since 2017 on 28 April 2022, which can be viewed [here](#). Presentations by 13 members of our global management team set out the reasons why we believe Hays will win in the new world of work, including:

- Our market-leading positions and global infrastructure in many of the fastest growing, most skill-short talent markets including Technology, Life Sciences and Engineering, and across large Enterprise Clients
- The breadth and depth of our candidate relationships and Talent Networks in the skilled talent market
- Our formidable client base, with strong relationships with SME's at one end of the market and partnerships with large Enterprise clients at the other end
- Our clients' demands for Hays to provide a broader suite of HR services (see page 7)

Achieving our aspirations will make us a more resilient and higher-quality business, with stickier and more visible earnings streams. Assuming a broadly supportive economic backdrop, we believe we can drive material fee growth over the next five years, including our ambition to deliver over £500 million in Technology fees by FY27, and double fees in our outsourced Enterprise Solutions business to over £400 million. We are confident that we can also improve our conversion rate back to and above pre-pandemic levels, and overall, we aspire to double Hays profitability to over £400 million over the plan period.

We will also maintain our relentless focus on converting this increased profitability into high levels of cash generation. At its mid-point, our plan aspirations can generate c.£1 billion in free cash flow and help facilitate c.£650 million of shareholder returns over the plan period. These will be distributed via core and special dividends and disciplined share buybacks, as appropriate. As stated at the Investor Day, while we recognise that there are macroeconomic and geopolitical uncertainties which could delay the delivery of these aspirations by one to two years, the strong recovery of our business from the pandemic clearly demonstrates our clients' demand for our services.

## Director change

As announced at our half-year results in February, after 16 highly successful years with Hays Paul Venables will retire as Group Finance Director on 30 September 2022. As previously announced, James Hilton, Hays' Group Financial Controller, will succeed Paul as Group Finance Director and join the Hays Board on 1 October 2022.

## Foreign exchange

Overall, net currency movements versus sterling negatively impacted results in the year, decreasing net fees by £20.4 million, and operating profit by £2.8 million.

Fluctuations in the rates of the Group's key operating currencies versus sterling represent a significant sensitivity for the reported performance of our business. By way of illustration, each 1 cent movement in annual exchange rates of the Australian dollar and euro impacts net fees by c.£1.1 million and c.£4.1 million respectively per annum, and operating profits by c.£0.3 million and c.£1.1 million respectively per annum.

The rate of exchange between the Australian dollar and sterling over the year averaged AUD 1.8346 and closed at AUD 1.7613. As at 23 August 2022 the rate stood at AUD 1.7064. The rate of exchange between the euro and sterling over the year averaged €1.1808 and closed at €1.1619. As at 23 August 2022 the rate stood at €1.1877.

The weakening of sterling versus our main trading currencies of the euro and Australian dollar is currently a tailwind to Group operating profit in FY23. If we re-translate FY22 profits of £210.1m at 23 August 2022 exchange rates (AUD1.7064 and €1.1877), operating profit would increase by c.£6 million.

## Increase in Group volumes, average Perm fee and Temp margin

Perm fees, which represented 45% of Group fees, increased by 49%, driven by a 42% increase in placement volumes and including a 5% increase in our average Perm fee. The increase in average Perm fee was driven by both rising Perm fee margins and higher average salaries, and our average Perm fee increased through the year, particularly in the second half. Overall, there remains clear evidence of wage inflation globally, particularly in the most skill-short markets.

Net fees in Temp, which incorporates our Contracting business and represented 55% of Group net fees, increased by 21%. This comprised a 10% increase in volume and a 7% fee growth arising from a 100 bps increase in underlying Temp margin<sup>(6)</sup> to 15.5% (2021: 14.5%). Additionally, we saw a 4% benefit from mix and hours, with strong growth in higher paid specialisms such as Technology and Life Sciences, and wage inflation more generally, partially offset by a greater number of part-time Contracting assignments.

## Movements in consultant headcount and office network changes

Consultant headcount at 30 June 2022 was 9,037, up 26% year-on-year. Total Group headcount increased by 23% year-on-year. In ANZ, consultant headcount increased by 20% year-on-year. In Germany, consultant headcount increased by 24% year-on-year. In the UK&I, consultant headcount increased by 24% year-on-year. In our RoW division, consultant headcount increased by 29% year-on-year. We expect consultant headcount growth will be minimal in H1, outside of our SGI programme, as we focus on driving consultant productivity and returns from our investments.

	30 June 2022	Net change (vs. 30 June 2021)	31 Dec 2021	30 Jun 2021
<b>Consultant headcount</b>				
Australia & New Zealand	1,136	20%	1,054	945
Germany	2,016	24%	1,745	1,620
United Kingdom & Ireland	2,175	24%	1,958	1,759
Rest of World	3,710	29%	3,509	2,866
Group	9,037	26%	8,266	7,190



Over the last year, in RoW we closed our two Russian offices and opened one new office in Italy. In UK&I and ANZ we consolidated some of our smaller offices, and we opened one new office in Germany.

<b>Office network</b>	<b>30 June 2022</b>	<b>Net opened/ (closed)</b>	<b>30 Jun 2021</b>
Australia & New Zealand	<b>40</b>	(1)	41
Germany	<b>26</b>	1	25
United Kingdom & Ireland	<b>87</b>	(2)	89
Rest of World	<b>100</b>	(1)	101
<b>Group</b>	<b>253</b>	(3)	256

## Deep engagement with our customers and growing in HR Services

The global recruitment staffing market is estimated to be worth over \$600 billion in 2022, with only approximately one third currently outsourced to consultancies like Hays. Importantly, this outsourced part of the market is growing at twice the overall market rate. Our global network, strong brand and market leadership in the most attractive structural areas positions Hays as a global leader in white collar recruitment. We have built a strong platform from which to grow structurally and take significant further market share with both SME and large enterprise clients.

In addition, we believe the global HR advisory market is currently worth around \$90 billion and growing. Our customers – both clients and candidates - are increasingly looking to Hays to broaden our service offering to support them across the entire range of their human capital and talent challenges, helping to shape, upskill and deliver the skilled workforces they need to thrive. Our scale, data, insights and capability combined with the strong relationships we've built with large and small companies all around the world, positions Hays as the global recruitment and HR services company at the heart of thousands of organisations. Given the complex challenges our customers face, their expectations and demands have significantly increased, moving away from transactional relationships towards much deeper partnerships – what we term 'Leadership Partners'. Outsourced contracts or preferred supplier agreements are being increasingly awarded on a regional or global level, and Hays is ideally placed to capitalise.

We believe delivering 'Leadership Partner' status can set us apart from the competition and drive material market share gains. We can achieve this by delivering:

- Highly personalised services for both clients and candidates, supported by using technology at scale to inform and enhance the human elements of the process
- Deep expertise on the best practice of today and the future
- Scale, breadth and depth of insights to drive better decision making
- Building very large, but highly focused and engaged Talent Network communities

Our customers are increasingly demanding more of their workforce services, plus elements of HR Services advice and execution are provided by one trusted partner. Examples of HR services we currently or are targeting to provide include: ED&I analysis and consultancy; Assessment and Development processes; EVP & Employer brand insights; Change management; Skilling & re-skilling, Services procurement; Early careers and Talent Networks.

## **Purpose, Net Zero, Equity and our Communities**

Our purpose is to benefit society by investing in lifelong partnerships that empower people and organisations to succeed, creating opportunities and improving lives. Becoming lifelong partners to millions of people and thousands of organisations also helps to make our business sustainable. Our core company value is that we should always focus on 'doing the right thing'. Linked to this and our commitment to Environmental, Social & Governance (ESG) matters, Hays has endorsed four United Nations Sustainable Development Goals (UNSDG's) - Decent Work & Economic Growth; Gender Equality; Climate Action and Supporting Industry Innovation and Infrastructure. These call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt.

We believe that responsible companies should have Equity, Diversity & Inclusion at their heart. Our global ED&I Council helps co-ordinate and drive our actions. We made progress in FY22 by further embedding UNSDG Goal 5: Gender Equality in our strategy. We have set stretching targets on female representation in senior management. By 2025, we have committed to reach a level of 45% female leaders (FY22: 42% female) among our senior leadership of c.630 individuals, and to reach 50% by 2030.

As a business which exists to help people further their careers and fulfil their potential, Goal 8: Decent Work & Economic Growth aligns very closely with Hays' purpose. Over the last four years we are proud to have placed well over one million people globally in their next job; helping the individual, their employer and society. Our commitment to this goal is further reinforced through Hays Thrive, our free-to-use online Training & Wellbeing platform. Overall, across all our online platforms, over 850,000 individual training courses were undertaken on our web platforms in the last year, equating to c.27 million minutes of online learning.

We believe we have a significant role to play in combating climate change. In 2021, we became a Carbon Neutral company – our first step under Goal 13: Climate Action to achieve emissions reductions consistent with limiting global warming to 1.5°C, the most ambitious goal of the Paris Agreement. In March 2022, the Science-Based Targets initiative (SBTi) approved Hays' Science-Based targets to reduce i) absolute scope 1 and 2 GHG emissions by 50% by FY26; ii) absolute scope 3 GHG emissions from purchased goods and services and capital goods by 50% by FY30; and, iii) absolute scope 3 GHG emissions from business travel by 40% by FY26. This landmark step demonstrates Hays' firm commitment to be the first global specialist recruitment firm to reach Net Zero.

During FY22, Hays added a further UNSDG - Goal 9: Supporting Industry, Innovation and Infrastructure. Actions to support Goal 9 include our global Green Labs initiative, which identifies and support growth in 'Green Collar' and Sustainability jobs. We are already a large recruiter of skilled workers in low carbon, social infrastructure and ESG roles, and we are investing to grow these areas, helping to solve global skill shortages. As Technology is our largest recruitment specialism, Hays clearly supports the growth of higher-technology industries, and our position as global leaders in Construction & Property supports resilient infrastructure development. Also, our MyLearning training portal also gives access to learning and development for candidates. Given many courses are free, MyLearning also supports marginalised groups to access labour markets.



## Australia & New Zealand (16%<sup>(7)</sup> net fees, 25%<sup>(7)</sup> operating profit)

Strong growth, led by Perm and the Technology sector

Year ended 30 June (In £s million)			Growth	
			Reported	LFL
Net fees <sup>(1)</sup>	<b>195.7</b>	159.9	22%	24%
Operating profit	<b>51.6</b>	39.7	30%	32%
Conversion rate <sup>(2)</sup>	<b>26.4%</b>	24.8%		
Period-end consultant headcount	<b>1,136</b>	945	20%	

In Australia & New Zealand ("ANZ"), net fees increased by 24% to £195.7 million, with operating profit up 32% to £51.6 million. This represented a conversion rate of 26.4% (2021: 24.8%). Currency impacts were negative in the year, decreasing net fees by £2.6 million and operating profit by £0.7 million.

Business confidence improved following the lifting of lockdown restrictions in October, although trading was negatively impacted in Q3 by high levels of Covid infections. Conditions were strong in Perm, with fees up an excellent 60%, although momentum moderated in the second half, with fourth quarter volumes and activity sequentially stable. Temp, which represented 62% of ANZ net fees and which was relatively resilient in the prior year, increased by 9%. We saw some signs of candidates shifting from the Temp to Perm markets, particularly in mid-salary roles, and Temp volumes were flat in the fourth quarter.

The Private sector, which represented 66% of ANZ net fees, grew by 29%, with public sector fees up 17%.

Australia, 92% of ANZ, saw net fees increase by 23%. New South Wales and Victoria increased by 27% and 24% respectively. Queensland grew by 30%, with South Australia, Western Australia and ACT up 23%, 16% and 6% respectively. At the Australian specialism level, Construction & Property, 17% of Australia fees, increased by 13%, although Technology and Accountancy & Finance were much stronger, up 37% and 30% respectively. HR grew by 28% and Office Support grew by 28%.

New Zealand delivered a record performance, with fees up 49%.

ANZ consultant headcount increased by 20% year-on-year.

## Germany (26%<sup>(7)</sup> net fees, 35%<sup>(7)</sup> operating profit)

Record fees and excellent profit growth, driven by record contractor numbers

Year ended 30 June (In £s million)	2022	2021	Growth	
			Reported	LFL
Net fees <sup>(1)</sup>	<b>313.9</b>	244.8	28%	34%
Operating profit	<b>75.6</b>	31.4	141%	152%
Conversion rate <sup>(2)</sup>	<b>24.1%</b>	12.8%		
Period-end consultant headcount	<b>2,016</b>	1,620	24%	

Our largest market of Germany saw net fees increase by 34% to £313.9 million, with activity improving through the year and strong sequential fee and profit growth. Operating profit increased by 152% to £75.6 million, which represented a conversion rate of 24.1% (2021: 12.8%). Currency impacts were negative in the year, decreasing net fees by £10.7 million and operating profit by £1.4 million, and there were no material trading day impacts.

At the specialism level, our largest specialism of Technology, comprising 38% of Germany net fees, increased by 21%, with Engineering, our second largest, up an excellent 45%. Accountancy & Finance and Sales & Marketing increased by 36% and 56% respectively, while Life Sciences and Construction & Property increased by 14% and 16% respectively.

Net fees in our Temp and Contracting business, which represented 83% of Germany fees, increased by 31%. Within this, Contracting (57% of Germany net fees) grew by 28%, driven by record contractor volumes and increasing fee margins. This was partially offset by c.5% lower average weekly hours per contractor, as we saw a greater number of part-time assignments.

Our Temp business, 26% of Germany fees which is mainly in Engineering & Manufacturing and where we employ temporary workers as required under German law, increased fees by 39%. Encouragingly, Temp volumes improved through the year, although given the slower recovery in the Automotive & Manufacturing sectors, average volumes remain below prior peak levels. Our comparative fees in the first half of FY21 included £6.2 million in Temp severance and under-utilisation costs and, excluding this, underlying FY22 Temp fees increased by 27%. As expected, we saw a return to more normal levels of sickness leave in both our Contracting and Temp businesses.

Perm, 17% of Germany fees and which continues to have excellent long-term structural outsourcing potential, increased by 51%.

Consultant headcount increased by 24% year-on-year.

## United Kingdom & Ireland (22%<sup>(7)</sup> net fees, 21%<sup>(7)</sup> operating profit)

Excellent fee and profit growth, driven by Perm and Technology

Year ended 30 June (In £s million)	2022	2021	Growth	
			Reported	LFL
Net fees <sup>(1)</sup>	<b>263.3</b>	201.1	31%	31%
Operating profit	<b>43.4</b>	11.5	277%	277%
Conversion rate <sup>(2)</sup>	<b>16.5%</b>	5.7%		
Period-end consultant headcount	<b>2,175</b>	1,759	24%	

In the United Kingdom & Ireland ("UK&I"), net fees increased by 31% to £263.3 million, with good sequential growth in the first three quarters, and fees sequentially stable at strong levels in the fourth quarter. Operating profit of £43.4 million represented excellent growth of 277% versus the prior year, delivering a strong increase in conversion rate to 16.5% (2021: 5.7%).

Our Perm business, which represented 45% of UK&I, saw fees increase by an excellent 58%. Temp was strong overall and increased by 15%, although momentum moderated in the second half, and the 8% Temp fee growth in the fourth quarter was driven by higher fee margins, with Temp volumes slightly down.

The Private sector, which represented 72% of UK&I net fees, delivered excellent growth, up 42%. The Public sector, which was relatively resilient in the prior year, increased by 10%.

All UK regions traded broadly in line with the overall UK business, except for the East of England and the North West, up 41% and 39% respectively, and Northern Ireland, up 20%. Our largest region of London increased by 30%, while Ireland grew by an excellent 57%.

Technology fees increased by 56%. Accountancy & Finance, Office Support and HR were also excellent, up 38%, 50% and 81% respectively. Construction & Property increased by 15%, and Education and Life Sciences increased by 28% and 9% respectively.

Consultant headcount in the division increased by 24% year-on-year.

## Rest of World (36%<sup>(7)</sup> net fees, 19%<sup>(7)</sup> operating profit)

Record fees in 22 countries and excellent profit growth

Year ended 30 June (In £s million)			Growth	
			Reported	LFL
Net fees <sup>(1)</sup>	<b>416.5</b>	312.3	33%	36%
Operating profit	<b>39.5</b>	12.5	216%	234%
Conversion rate <sup>(2)</sup> ( <i>inc. Russia closure costs</i> )	<b>9.5%</b>	4.0%		
Period-end consultant headcount	<b>3,710</b>	2,866	29%	

Our Rest of World ("RoW") division, which comprises 27 countries, delivered record fees, up 36% including 22 individual country records. Operating profit increased to £39.5 million, representing excellent growth of 234% versus the prior year, and a conversion rate of 9.5% (2021: 4.0%). Excluding the £4.2 million of one-off costs of closing our Russian business (as noted on page 4), operating profit was £43.7 million and our RoW conversion rate was 10.5%, up 650 basis points year-on-year. Currency impacts were negative in the year, decreasing net fees by £6.7 million and operating profit by £0.7 million.

Perm, which represented 68% of fees, increased by an excellent 43%. Temp fee growth was also strong, up 24%.

**EMEA ex-Germany** (56% of RoW) fees increased by 31%, including 12 country records. France, our largest RoW country, increased by 35%, and Poland and Spain were also very strong, up 42% and 34% respectively. The Netherlands and Belgium increased by 29% and 12% respectively, with Switzerland up 27%. Among our smaller markets, Hungary, up 64%, and Denmark, up 78%, both produced fee records.

**The Americas** (26% of RoW) fees increased by 51%. All of our six countries produced fee records, including the USA, our second-largest RoW country which increased by 43%, and Canada, up 63%. In Latin America, up 65%, Brazil net fees increased by 75%, and Mexico by 48%.

**Asia** (18% of RoW) fees increased by 35%, including four country records. Malaysia performed very strongly, up 47%, and Japan grew by an excellent 45%. China increased by 25%, with Hong Kong outperforming Mainland China. This said, given strict lockdown restrictions, conditions were weaker in the second half and fourth quarter fees in China declined by 5%.

Consultant headcount in the RoW division was up 29% year-on-year. In the year, EMEA ex-Germany increased by 18%, the Americas by 60% and Asia by 29%.

## Current trading

Despite increasing macroeconomic uncertainties, client & candidate confidence remains good, with fees & activity sequentially stable at strong levels

We have made a good start to our new financial year. While we are mindful of increasing macroeconomic uncertainty, client and candidate confidence remains good, supported by skill shortages and wage inflation.

Perm activity remains strong overall, with some normalisation in some of the previously most active markets. Temp volumes remain stable overall.

Globally, both Temp and Perm continue to benefit from improving fee margins and the broader impact of wage inflation, which we expect to continue across FY23.

Having made significant headcount investments in FY22, we have appropriate capacity for today's market opportunities. We expect consultant headcount growth will be minimal in H1, outside of our SGI programme, as we focus on driving consultant productivity and returns from our investments.

### Australia & New Zealand

Conditions in Perm remain good, with markets supported by skill shortages and wage inflation, and Temp volumes are broadly stable.

### Germany

Overall conditions are strong and Contractor numbers are at record levels. Due to the timing of public holidays, there are three fewer trading days in H1 FY23 versus the prior year (H2 FY23 trading days are unchanged YoY). We estimate this will have an H1 FY23 profit impact of c.£5 million.

### United Kingdom & Ireland

Conditions in Perm are good, with markets supported by skill shortages and wage inflation. Temp volumes are sequentially stable.

### Rest of World

Conditions across EMEA and Asia are good. In North America, Perm activity levels have decreased modestly, reflecting some reduced client confidence.

## FINANCIAL REVIEW

### Summary Income Statement

Year ended 30 June (In £s million)			Growth	
			Reported	LFL
Turnover	<b>6,588.9</b>	5,648.4	17%	19%
Temp	<b>659.2</b>	556.2	19%	21%
Perm	<b>530.2</b>	361.9	47%	49%
Net fees <sup>(1)</sup>	<b>1,189.4</b>	918.1	30%	32%
Administrative expenses	<b>(979.3)</b>	(823.0)	19%	22%
Operating profit	<b>210.1</b>	95.1	121%	128%
Conversion rate <sup>(2)</sup>	<b>17.7%</b>	10.4%		
Underlying Temp margin <sup>(3)</sup>	<b>15.5%</b>	14.5%		
Temp fees as % of total net fees	<b>55%</b>	61%		
Period-end consultant headcount	<b>9,037</b>	7,190	26%	

(1) Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.

(2) Conversion rate is the conversion of net fees into operating profit.

(3) 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. This specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third party agencies and arrangements where Hays provides major payrolling services. FY21 Temp margin included £6.2 million of one-off Germany Temp severance costs. Excluding this, underlying FY21 Temp margin would have been 14.6%.

(4) 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.

(5) Exchange rate as at 23 August 2022: £1 / AUD 1.7064 and £1 / €1.1877.

(6) Cash generated by operations is stated after IFRS 16 lease payments and in FY21 before the payment of tax deferrals of £118.3 million.

Turnover for the year to 30 June 2022 increased by 19% (17% on a reported basis), with net fees increasing by 32% (30% on a reported basis). The significantly higher net fee growth compared to turnover was primarily driven by excellent growth in our Perm fees, and the 100 basis-point increase in the underlying Temp margin<sup>(3)</sup>. This represented the first annual increase in average Temp margins since FY15 and is the result of the positive impact that skill shortages are having in white-collar recruitment markets, and our actions to drive fee margins.

Like-for-like costs increased by 22% or £173.9 million (£156.3 million on a reported basis), as we actively invested in our productive capacity with period-end consultant headcount up 26% year-on-year to 9,037, and increased commission costs which were driven by the increase in net fees. This investment included c.£20 million in our SGI programme. Group overhead costs continued to be closely managed and even with the significant investment in headcount, consultant productivity in the year was at record levels. We continued to actively manage our variable cost base, including travel costs which remained well below pre-pandemic levels.

Operating profit increased by £117.8 million, or 128% on a like-for-like basis. This was driven by the significant £291.7 million like-for-like increase in net fees, representing a drop-through rate of net fees to operating profit of 40%, or 42% excluding the one-off costs of closing our Russia business. This drove a 730 bps increase in the Group's conversion rate to 17.7% (2021: 10.4%), or 18.0% excluding Russia closure costs. Exchange rate movements decreased net fees and operating profit by £20.4 million and £2.8 million, respectively. This resulted from the strengthening in the average rate of exchange of sterling versus our main trading currencies, notably the euro and Australian dollars. Currency fluctuations remain a significant Group sensitivity.



## Net finance charge

The net finance charge for the year was £5.8 million (2021: £7.0 million). Net bank interest payable (including amortisation of arrangement fees) was £0.4 million (2021: £0.6 million). The interest charge on lease liabilities under IFRS 16 was £3.9 million (2021: £5.0 million), and the charge on defined benefit pension scheme obligations was £1.4 million (2021: £1.1 million). The Pension Protection Fund levy was £0.1 million (2021: £0.2 million). We expect the net finance charge for the year ending 30 June 2023 to be around £6.0 million, of which c.£5.0 million is non-cash.

## Taxation

Taxation for the year was £50.1 million (2021: £26.6 million), representing an effective tax rate (ETR) of 24.5% (2021: 30.2%). The decrease in the ETR in the year reflects positive one-off settlements with certain tax authorities, plus the recognition of deferred tax assets driven by the positive movement in the Group's Defined Benefit pension surplus. We expect the ETR will return to c.30% in FY23.

## Earnings per share

Basic earnings per share increased by 151% to 9.22 pence (2021: 3.67 pence), driven by the significant increase in Group operating profit and the effect of the lower Group ETR. On a normalised basis, applying a 30% ETR, the Group's adjusted EPS would have been 8.55 pence, representing growth of 133%.

## Cash flow and balance sheet

Conversion of operating profit into operating cash flow<sup>(6)</sup> was 87% (2021: 138%<sup>(6)</sup>). This resulted from strong underlying profitability, partially offset by a £65.0 million cash outflow from working capital as our Temp debtors increased with Temp fee growth. We continued to see a strong performance by our credit control teams globally, with debtor days of 33 days (2021: 33 days), versus 39 days pre-pandemic.

Net capital expenditure was £24.4 million (2021: £18.8 million), with continued investments in technology infrastructure, cyber security and to support our SGI programme. We expect capital expenditure will be between £25-30 million for the year to June 2023.

We paid £186.4 million in core and special dividends in the year (2021: £ nil) and pension deficit contributions were £17.2 million (2021: £16.7 million). Net interest paid was £0.5 million (2021: £0.9 million) and corporation tax payments were £39.0 million (2021: £31.8 million). We ended the year with a net cash position of £296.2 million (2021: £410.6 million).

During the year we purchased 14.2 million shares, at a cost of £19.8 million, as part of our treasury share purchase programme, at an average price of 138.4 pence per share. The shares will be held in treasury and utilised to satisfy employee share-based award obligations over the next two years. As previously noted, we also commenced a £75 million share buyback programme for cancellation on 28 April 2022, and between then and 30 June 2022 we purchased and cancelled 15.4 million shares, at a cost of £18.2 million (average price 118.2 pence per share).

## Retirement benefits

The Group's defined benefit pension scheme position under IAS19 at 30 June 2022 has resulted in a surplus of £102.0 million, compared to a surplus of £46.6 million at 30 June 2021. The increase in surplus of £55.4 million was driven by changes in financial assumptions, most notably an increase in the discount rate, and changes to the scheme's demographic assumptions, plus company contributions. These were partially offset by lower expected returns on scheme assets. In respect of IFRIC 14, the Schemes' Definitive Deeds and Rules are considered to provide Hays with an unconditional right to a refund of surplus assets and therefore the recognition of a net defined benefit scheme asset is not restricted. Agreements to make funding contributions do not give rise to any additional liabilities in respect of the scheme.

During the year, the Group contributed £16.7 million of cash to the defined benefit scheme (2021: £16.3 million), in line with the agreed deficit recovery plan. The 2021 triennial valuation quantified the actuarial deficit at £23.9 million on a Technical Provisions basis. Our long-term objective continues to be reaching full buy-out of the scheme and therefore our recovery plan remained unchanged and comprised an annual payment of £16.7 million from July 2021, with a fixed 3% uplift per year. The scheme was closed to new entrants in 2001 and to future accrual in June 2012.

## Capital structure and dividend

Our business model remains highly cash generative. The Board's free cash flow priorities are to fund the Group's investment and development, maintain a strong balance sheet, deliver a sustainable and appropriate core dividend and to return cash to shareholders in the most appropriate form.

Given the strong recovery in the Group's profitability, strong balance sheet and our confidence in our outlook, the Board has proposed a final dividend of 1.90p per share (2021: 1.22p). When added to the interim dividend of 0.95p paid in April 2022, the Group's total FY22 core dividend is 2.85 pence per share (2021: 1.22p), representing dividend cover of 3.0x our underlying EPS of 8.55 pence per share, when adjusted for a normalised tax rate of 30% excluding our one-off FY22 tax benefits. The final dividend payment date will be 11 November 2022, and the ex-dividend date is 29 September 2022 (record date 30 September). Our target core full year dividend cover range remains 2.0 to 3.0x earnings.

The Board is also pleased to propose a special dividend of 7.34 pence per share, equating to £121.2 million, to be paid alongside our core dividend. As previously noted, in April 2022 we announced the launch of a £75 million share buyback programme, and by 30 June 2022 we had bought back 15.4 million shares at a cost of £18.2 million, which were subsequently cancelled. The Board has increased our share buyback programme by a further £18.2 million, which means we began FY23 with £75 million available for buybacks.

Our policy for special dividends will be based on returning capital above our cash buffer at each financial year-end (30 June) of £100 million, plus any residual amounts outstanding on our share buyback programme and is subject to the Board having a positive economic outlook.

## Treasury management

The Group's operations are financed by retained earnings and cash reserves. In addition, the Group has in place a £210 million revolving credit facility, which reduces in November 2024 to £170 million and expires in November 2025. This provides considerable headroom versus current and future Group funding requirements.

The covenants within the facility require the Group's interest cover ratio to be at least 4:1 (ratio as at 30 June 2022: not applicable, given that on a covenant basis, we received £0.1 million of net interest) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (as at 30 June 2022 the Group held a net cash position). The interest rate of the facility is on a ratchet mechanism with a margin payable over Compounded Reference Rate in the range of 0.70% to 1.50%.

The Group's UK-based Treasury function manages the Group's currency and interest rate risks in accordance with policies and procedures set by the Board and is responsible for day-to-day cash management; the arrangement of external borrowing facilities; and the investment of surplus funds. The Treasury function does not operate as a profit centre or use derivative financial instruments for speculative purposes.

The Group's cash management policy is to minimise interest payments by closely managing Group cash balances and external borrowings. Any Group surplus balance is used to repay any maturing loans under the Group's revolving credit facility or is invested in overnight money market deposits. As the Group holds a sterling-denominated debt facility and generates significant foreign currency cash flows, the Board considers it appropriate in certain cases to use derivative financial instruments as part of its day-to-day cash management. The Group does not use derivatives to hedge balance sheet and income statement translation exposure.

The Group is exposed to interest rate risk on floating rate bank loans and overdrafts. It is the Group's policy to limit its exposure to interest rates by selectively hedging interest rate risk using derivative financial instruments. However, there were no interest rate swaps held by the Group during the current or prior year. Counterparty credit risk arises primarily from the investment of surplus funds. Risks are closely monitored using credit ratings assigned to financial institutions by international credit rating agencies. The Group restricts transactions to banks that have an acceptable credit profile and limits its exposure to each institution accordingly.

## Principal risks facing the business

Hays plc operates an embedded risk management framework, which is monitored and reviewed by the Board. There are a number of potential risks and uncertainties that could have a material impact on the Group's financial performance and position. These include risks relating to the Covid-19 pandemic, the cyclical nature of our business, business model, talent recruitment and retention, compliance, reliance on technology, cyber security, data protection and contracts. These risks and our mitigating actions are set out in the [2021 Annual Report](#), and remain relevant. There are no additional risks since this date which impact Hays' financial position or performance, although as noted earlier in this statement, with macroeconomic uncertainties increasing, we are closely monitoring our activity levels and KPIs, which remain broadly stable overall at strong levels.

This Preliminary Report was approved and authorised for issue by the Board of Directors on 24 August 2022.

Alistair Cox

Chief Executive

Paul Venables

Group Finance Director

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## Cautionary statement

This Preliminary Report (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.

This announcement contains inside information.

LEI code: 213800QC8AWD4BO8TH08

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	Note	2022	2021
<b>Turnover</b>	3, 4	<b>6,588.9</b>	5,648.4
<b>Net fees <sup>(1)</sup></b>	3, 4	<b>1,189.4</b>	918.1
Administrative expenses <sup>(2)</sup>	4	<b>(979.3)</b>	(823.0)
<b>Operating profit from continuing operations</b>	3	<b>210.1</b>	95.1
Net finance charge	5	<b>(5.8)</b>	(7.0)
<b>Profit before tax</b>		<b>204.3</b>	88.1
Tax	6	<b>(50.1)</b>	(26.6)
<b>Profit from continuing operations after tax</b>		<b>154.2</b>	61.5
<b>Profit attributable to equity holders of the parent company</b>		<b>154.2</b>	61.5
Earnings per share from continuing operations (pence)			
- Basic	8	<b>9.22p</b>	3.67p
- Diluted	8	<b>9.11p</b>	3.64p

<sup>(1)</sup> Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.

<sup>(2)</sup> Administrative expenses include impairment loss on trade receivables of £2.4 million (2021: £1.9 million).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

(In £s million)	2022	2021
Profit for the year	<b>154.2</b>	61.5
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Actuarial remeasurement of defined benefit pension schemes	<b>39.6</b>	(24.2)
Tax relating to components of other comprehensive income	<b>(8.6)</b>	8.5
	<b>31.0</b>	(15.7)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation adjustments	<b>10.5</b>	(28.9)
Other comprehensive income for the year net of tax	<b>41.5</b>	(44.6)
Total comprehensive income for the year	<b>195.7</b>	16.9
Attributable to equity shareholders of the parent company	<b>195.7</b>	16.9

## CONSOLIDATED BALANCE SHEET

AT 30 JUNE

(In £s million)	Note	2022	2021
<b>Non-current assets</b>			
Goodwill		202.3	199.9
Other intangible assets		47.1	44.8
Property, plant and equipment		29.3	27.4
Right-of-use assets	9	171.7	190.3
Deferred tax assets		18.5	20.6
Retirement benefit surplus	10	102.0	46.6
		<b>570.9</b>	<b>529.6</b>
<b>Current assets</b>			
Trade and other receivables		1,205.1	927.7
Corporation tax debtor		5.2	5.6
Cash and cash equivalents		296.2	410.6
		<b>1,506.5</b>	<b>1,343.9</b>
<b>Total assets</b>		<b>2,077.4</b>	<b>1,873.5</b>
<b>Current liabilities</b>			
Trade and other payables		(1,029.8)	(753.2)
Lease liabilities	9	(39.8)	(36.9)
Corporation tax liabilities		(34.5)	(22.9)
Derivative financial instruments		(0.1)	-
Provisions	11	(12.7)	(10.0)
		<b>(1,116.9)</b>	<b>(823.0)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		(10.0)	(4.9)
Lease liabilities	9	(145.3)	(164.2)
Provisions	11	(9.0)	(9.6)
		<b>(164.3)</b>	<b>(178.7)</b>
<b>Total liabilities</b>		<b>(1,281.2)</b>	<b>(1,001.7)</b>
<b>Net assets</b>		<b>796.2</b>	<b>871.8</b>
<b>Equity</b>			
Called up share capital		16.7	16.8
Share premium		369.6	369.6
Merger reserve		43.8	193.8
Capital redemption reserve		2.7	2.7
Retained earnings		268.2	207.8
Cumulative translation reserve		73.6	63.1
Equity reserve		21.6	18.0
<b>Total equity</b>		<b>796.2</b>	<b>871.8</b>

The Consolidated Financial Statements of Hays plc, registered number 2150950, were approved by the Board of Directors and authorised for issue on 24 August 2022.

Signed on behalf of the Board of Directors

**A R COX**

**P VENABLES**



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

(In £s million)	Called up share capital	Share premium	Merger reserve ( <sup>(1)</sup> )	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve ( <sup>(2)</sup> )	Total equity
At 1 July 2021	16.8	369.6	193.8	2.7	207.8	63.1	18.0	871.8
Currency translation adjustments	-	-	-	-	-	10.5	-	10.5
Remeasurement of defined benefit pension schemes	-	-	-	-	39.6	-	-	39.6
Tax relating to components of other comprehensive income	-	-	-	-	(8.6)	-	-	(8.6)
Net income recognised in other comprehensive income	-	-	-	-	31.0	10.5	-	41.5
Profit for the year	-	-	-	-	154.2	-	-	154.2
Total comprehensive income for the year	-	-	-	-	185.2	10.5	-	195.7
Dividends paid	-	-	(150.0)	-	(36.4)	-	-	(186.4)
Purchase of own shares	(0.1)	-	-	-	(94.7)	-	-	(94.8)
Share-based payments	-	-	-	-	6.3	-	3.6	9.9
<b>At 30 June 2022</b>	<b>16.7</b>	<b>369.6</b>	<b>43.8</b>	<b>2.7</b>	<b>268.2</b>	<b>73.6</b>	<b>21.6</b>	<b>796.2</b>

FOR THE YEAR ENDED 30 JUNE 2021

(In £s million)	Called up share capital	Share premium	Merger reserve ( <sup>(1)</sup> )	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve ( <sup>(2)</sup> )	Total equity
At 1 July 2020	16.8	369.6	193.8	2.7	161.0	92.0	17.5	853.4
Currency translation adjustments	-	-	-	-	-	(28.9)	-	(28.9)
Remeasurement of defined benefit pension schemes	-	-	-	-	(24.2)	-	-	(24.2)
Tax relating to components of other comprehensive income	-	-	-	-	8.5	-	-	8.5
Net expense recognised in other comprehensive income	-	-	-	-	(15.7)	(28.9)	-	(44.6)
Profit for the year	-	-	-	-	61.5	-	-	61.5
Total comprehensive income for the year	-	-	-	-	45.8	(28.9)	-	16.9
Purchase of own shares	-	-	-	-	(6.4)	-	-	(6.4)
Share-based payments	-	-	-	-	7.4	-	0.5	7.9
At 30 June 2021	16.8	369.6	193.8	2.7	207.8	63.1	18.0	871.8

(<sup>(1)</sup>) The Merger reserve was generated under section 612 of the Companies Act 2006, as a result of the cash box structure used in the equity placing of new shares issued during the year ended 30 June 2020.

(<sup>(2)</sup>) The Equity reserve is generated as a result of IFRS 2 'Share-based payments'.

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	2022	2021
<b>Operating profit</b>	<b>210.1</b>	95.1
Adjustments for:		
Depreciation of property, plant and equipment	10.0	11.6
Depreciation of right-of-use lease assets	44.0	45.1
Amortisation of intangible assets	10.1	11.3
Loss on disposal of business assets	1.5	0.4
Loss on closure of Russian business	4.2	-
Net movements in provisions	2.1	1.2
Share-based payments	10.9	8.7
	<b>82.8</b>	78.3
<b>Operating cash flow before movement in working capital</b>	<b>292.9</b>	173.4
Movement in working capital:		
Increase in receivables	(259.4)	(80.7)
Increase/(decrease) in payables <sup>(1)</sup>	194.4	(30.2)
Movement in working capital	<b>(65.0)</b>	(110.9)
<b>Cash generated by operations</b>	<b>227.9</b>	62.5
Cash paid in respect of exceptional items from the year ended 30 June 2020	-	(8.0)
Pension scheme deficit funding	(17.2)	(16.7)
Income taxes paid	(39.0)	(31.8)
<b>Net cash inflow from operating activities</b>	<b>171.7</b>	6.0
<b>Investing activities</b>		
Purchase of property, plant and equipment	(12.1)	(9.2)
Purchase of own shares	(38.0)	(6.4)
Purchase of intangible assets	(12.3)	(9.6)
Interest received	0.8	0.4
<b>Net cash used in investing activities</b>	<b>(61.6)</b>	(24.8)
<b>Financing activities</b>		
Interest paid	(1.3)	(1.3)
Lease liability principal repayment	(45.0)	(50.0)
Equity dividends paid	(186.4)	-
<b>Net cash used in financing activities</b>	<b>(232.7)</b>	(51.3)
<b>Net decrease in cash and cash equivalents</b>	<b>(122.6)</b>	(70.1)
<b>Cash and cash equivalents at beginning of year</b>	<b>410.6</b>	484.5
Effect of foreign exchange rate movements	8.2	(3.8)
<b>Cash and cash equivalents at end of year</b>	<b>296.2</b>	410.6

<sup>(1)</sup> The decrease in payables in the year ended 30 June 2021 includes the payment of £118.3 million of short-term taxes deferred at 30 June 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 STATEMENT UNDER S435 - PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 30 June 2022 or 30 June 2021, as defined in section 435 (1) and (2) of the Companies Act 2006, but is derived from those accounts. The statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's Annual General Meeting. The Group's Auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

### 2 BASIS OF PREPARATION

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its Consolidated Financial Statements on 1 July 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the International Financial Reporting Standards (IFRSs) in conformity with the Companies Act 2006, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies applied in preparing this financial information are consistent with the Group's financial statements for the year ended June 2021; there have been no new standards or improvements to existing standards that are mandatory for the first time in the Group's accounting period beginning on 1 July 2021 and no new standards have been early adopted.

#### Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, including its cash flows and liquidity position are described in this preliminary results announcement for the year ended 30 June 2022. The Directors have formed the judgment that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result the Directors continue to adopt the Going Concern basis in the preparation of the Consolidated Financial Statements.

As in prior years, the Board undertook a strategic business review in the current year which took into account the Group's current financial position and the potential impact of the principal risks set out in the Annual Report.

In addition, and in making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten the Group's business model, future performance and liquidity. While the review has considered all the principal risks identified by the Group, the resilience of the Group to the occurrence of these risks in severe yet plausible scenarios has been evaluated.

#### Financial position

At 30 June 2022, the Group had cash of £296.2 million compared to cash of £410.6 million at 30 June 2021, with share repurchases of £38.0 million and dividends of £186.4 million being paid during the year. In addition, the Group currently has an unsecured revolving credit facility of £210 million that reduces in November 2024 to £170 million, and expires in November 2025. The facility has remained undrawn throughout the current year. Despite the excellent growth achieved during the year, the Group had a strong working capital performance, with significant Management focus on cash collection, average trade debtor days remained consistent in the year at 33 days (2021: 33 days).

#### Stress testing

The Board approves an annual budget and reviews monthly management reports and quarterly forecasts. The output of the planning and budgeting processes has been used to perform a sensitivity analysis of the Group's cash flow to model the potential effects should principal risks actually occur, either individually or in unison.

The sensitivity analysis modelled scenarios in which the Group incurred a sustained loss of business arising from a prolonged global downturn, with a range of recovery scenarios considered. The Group's 'Stress Case' scenario assumes that the Group experiences another severe downturn similar in scale to the one caused by the Covid-19 pandemic in the year ended 30 June 2020, followed by a period of gradual recovery, as opposed to the significant recovery the Group experienced through the year ended 30 June 2021 and excellent growth achieved in the year ended 30 June 2022. The Stress Case scenario forecasts a strong cash position in excess of £140 million throughout the Going Concern period, being at least 12 months from the date of approval of the Consolidated Financial Statements, with the revolving credit facility remaining undrawn with significant headroom against its banking covenants.

## 2 BASIS OF PREPARATION continued

Set against these downside trading scenarios, the Board considered key mitigating factors including the geographic and sectoral diversity of the Group, its balanced business model across Temporary, Permanent and Contract recruitment services, and the significant working capital inflows which arise in periods of severe downturn, particularly in the Temporary recruitment business, thus protecting liquidity as was the case during the global financial crisis of 2008/09 and which we again experienced during the Covid-19 pandemic in the year ended 30 June 2020.

In addition, the Group's strong balance sheet position and history of strong cash generation, tight cost control and flexible workforce management provides further protection. The Group also has in place its £210 million revolving credit facility which is currently undrawn. This facility is in place until November 2025, although at the lower value of £170 million in its final year due to reduced lender commitments received.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. The Group is therefore well-placed to manage its business risks. After making enquiries, the Directors have formed the judgment at the time of approving the Consolidated Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence throughout the Going Concern period, being at least 12 months from the date of approval of the Consolidated Financial Statements. For this reason, they continue to adopt the Going Concern basis of accounting in preparing the Consolidated Financial Statements.

## 3 SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segment and to assess their performance.

As a result, the Group segments the business into four regions, Australia & New Zealand, Germany, United Kingdom & Ireland and Rest of World. There is no material difference between the segmentation of the Group's turnover by geographic origin and destination.

The Group's operations comprise one class of business, that of qualified, professional and skilled recruitment.

(In £s million)	Note	2022	2021
<b>Turnover</b>			
Australia & New Zealand		<b>1,638.8</b>	1,502.4
Germany		<b>1,621.9</b>	1,409.1
United Kingdom & Ireland		<b>1,657.2</b>	1,561.1
Rest of World		<b>1,671.0</b>	1,175.8
Group	4	<b>6,588.9</b>	5,648.4
<b>Net fees</b>			
Australia & New Zealand		<b>195.7</b>	159.9
Germany		<b>313.9</b>	244.8
United Kingdom & Ireland		<b>263.3</b>	201.1
Rest of World		<b>416.5</b>	312.3
Group	4	<b>1,189.4</b>	918.1
<b>Operating profit</b>			
Australia & New Zealand		<b>51.6</b>	39.7
Germany		<b>75.6</b>	31.4
United Kingdom & Ireland		<b>43.4</b>	11.5
Rest of World		<b>39.5</b>	12.5
Group		<b>210.1</b>	95.1

#### 4 OPERATING PROFIT

The following costs are deducted from turnover to determine net fees:

(In £s million)	2022	2021
Turnover	<b>6,588.9</b>	5,648.4
Remuneration of temporary workers	<b>(4,784.1)</b>	(4,422.7)
Remuneration of other recruitment agencies	<b>(615.4)</b>	(307.6)
Net fees	<b>1,189.4</b>	918.1

The increase in remuneration of other agencies during the year is primarily caused by a large contract win in the US, which included a significant amount of pre-existing other agency supply. Management expects that this will, over time, transition to the direct remuneration of temporary workers. Excluding this contract, other agency supply increased by c.£54 million.

Operating profit is stated after charging the following items to net fees of £1,189.4 million (2021: £918.1 million):

(In £s million)	2022	2021
Staff costs	<b>766.5</b>	624.5
Amortisation of intangible assets	<b>10.1</b>	11.3
Depreciation of property, plant and equipment	<b>10.0</b>	11.6
Depreciation of right-of-use assets (note 9)	<b>44.0</b>	45.1
Loss on closure of Russian business	<b>4.2</b>	-
Short-term leases and leases of low-value assets	<b>3.1</b>	2.1
Impairment loss on trade receivables	<b>2.4</b>	1.9
Auditor's remuneration:		
- for statutory audit services	<b>1.8</b>	1.6
- for other services	<b>0.2</b>	0.1
Other external charges	<b>137.0</b>	124.8
Administrative expenses	<b>979.3</b>	823.0

Due to the conflict in Ukraine, the Group announced on 3 March 2022 that it had taken the decision to close its offices in Moscow and St Petersburg, cease trading with immediate effect and exit Russia. The Directors consider that control was lost at this date, although the exit was completed in June 2022. In the year ended 30 June 2022, Russia generated £7.8 million of net fees (2021: £9.1 million) and £1.2 million of operating profit (2021: £1.0 million). The total one-off cost of closing the Russian business was £4.2 million and, due to the amount being immaterial to the Group, was incurred as an expense within operating profit and not reported as a discontinued operation.

The Group has not received any income in the current year in respect of job support schemes following the Covid-19 pandemic. Operating profit in the prior year is stated net of £3.9 million income received from governments globally in respect of job support schemes, which was received entirely from governments outside of the United Kingdom.

#### 5 NET FINANCE CHARGE

(In £s million)	2022	2021
Interest received on bank deposits	<b>0.8</b>	0.4
Interest payable on bank loans and overdrafts	<b>(1.2)</b>	(1.0)
Other interest payable	<b>-</b>	(0.1)
Interest on lease liabilities (note 9)	<b>(3.9)</b>	(5.0)
Pension Protection Fund levy	<b>(0.1)</b>	(0.2)
Net interest expense on defined benefit pension schemes	<b>(1.4)</b>	(1.1)
Net finance charge	<b>(5.8)</b>	(7.0)

## 6 TAX

The income tax expense for the year can be reconciled to the accounting profit as follows:

(In £s million)	2022	2021
Profit before tax	<b>204.3</b>	88.1
Income tax expense calculated at 19.0% (2021: 19.0%)	<b>(38.8)</b>	(16.7)
Net effect of items that are non-deductible in determining taxable profit	<b>(5.6)</b>	(3.2)
Effect of unused tax losses not recognised for deferred tax assets	<b>(1.1)</b>	(2.3)
Effect of tax losses not recognised for deferred tax utilised in the year	<b>0.8</b>	-
Effect of tax losses now recognised for deferred tax	<b>3.1</b>	2.4
Effect of other timing differences not recognised for deferred tax assets	<b>2.4</b>	(0.7)
Effect of other timing differences previously unrecognised for deferred tax assets	<b>0.9</b>	4.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(15.7)</b>	(9.1)
Effect of changes in tax rates	<b>-</b>	(0.2)
Effect of share-based payment charges and share options	<b>(0.6)</b>	(0.3)
Income tax recognised in the current year	<b>(54.6)</b>	(26.1)
Adjustments recognised in the current year in relation to the current tax of prior years	<b>4.0</b>	(2.4)
Adjustments to deferred tax in relation to prior years	<b>0.5</b>	1.9
Income tax expense recognised in the Consolidated Income Statement	<b>(50.1)</b>	(26.6)
Effective tax rate for the year	<b>24.5%</b>	30.2%

The tax rate used for the reconciliation above for the year ended 30 June 2022 is the corporation tax rate of 19.0% (2021: 19.0%) payable by corporate entities in the United Kingdom on taxable profits under tax law in that jurisdiction. In the Spring Budget 2021, the UK government announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantially enacted in May 2021.

## 7 DIVIDENDS

The following dividends were paid by the Group and have been recognised as distributions to equity shareholders in the year:

	2022 (pence per share)	2022 (£s million)	2021 (pence per share)	2021 (£s million)
Prior year final dividend	<b>1.22</b>	<b>20.5</b>	-	-
Prior year special dividend	<b>8.93</b>	<b>150.0</b>	-	-
Current year interim dividend	<b>0.95</b>	<b>15.9</b>	-	-
Total	<b>11.10</b>	<b>186.4</b>	-	-

The special dividend for the year ended 30 June 2021 of 8.93 pence per share, paid on 12 November 2021, was paid out of the merger reserve, which was generated under Section 612 of the Companies Act 2006, as a result of the cash box structure used in the equity placing of new shares issued during the year ended 30 June 2020.

The following dividends have been proposed by the Group in respect of the accounting year presented:

	2022 (pence per share)	2022 (£s million)	2021 (pence per share)	2021 (£s million)
Interim dividend (paid)	<b>0.95</b>	<b>15.9</b>	-	-
Final dividend (proposed)	<b>1.90</b>	<b>31.4</b>	1.22	20.5
Special dividend (proposed)	<b>7.34</b>	<b>121.2</b>	8.93	150.0
Total	<b>10.19</b>	<b>168.5</b>	10.15	170.5

The final dividend for 2022 of 1.90 pence per share (£31.4 million) along with a special dividend of 7.34 pence per share (£121.2 million) will be proposed at the Annual General Meeting on 9 November 2022. Neither the final dividend nor the special dividend have been included as a liability. If approved, the final and special dividends will be paid on 11 November 2022 to shareholders on the register at the close of business on 30 September 2022.



**8 EARNINGS PER SHARE**

	Earnings (£s million)	Weighted average number of shares (million)	Per share amount (pence)
For the year ended 30 June 2022			
Basic earnings per share	154.2	1,671.7	9.22
Dilution effect of share options	-	20.7	(0.11)
<b>Diluted earnings per share</b>	<b>154.2</b>	<b>1,692.4</b>	<b>9.11</b>
For the year ended 30 June 2021			
Basic earnings per share	61.5	1,677.3	3.67
Dilution effect of share options	-	15.2	(0.03)
<b>Diluted earnings per share</b>	<b>61.5</b>	<b>1,692.5</b>	<b>3.64</b>

**9 LEASE ACCOUNTING UNDER IFRS 16**

	Right-of-use assets				
(In £s million)	Property	Motor vehicles	Other assets	Total lease assets	Lease liabilities
At 1 July 2021	181.8	8.3	0.2	190.3	(201.1)
Exchange adjustments	2.5	0.2	-	2.7	(2.4)
Lease additions	32.0	6.6	-	38.6	(38.6)
Lease disposals	(15.7)	(0.2)	-	(15.9)	15.9
Depreciation of right-of-use assets	(38.2)	(5.7)	(0.1)	(44.0)	-
Lease liability principal repayments	-	-	-	-	45.0
Interest on lease liabilities	-	-	-	-	(3.9)
<b>At 30 June 2022</b>	<b>162.4</b>	<b>9.2</b>	<b>0.1</b>	<b>171.7</b>	<b>(185.1)</b>
(In £s million)				2022	2021
Current				(39.8)	(36.9)
Non-current				(145.3)	(164.2)
<b>Lease liabilities</b>				<b>(185.1)</b>	<b>(201.1)</b>

**10 RETIREMENT BENEFIT SURPLUS**

(In £s million)	2022	2021
Surplus in the scheme brought forward	46.6	55.2
Administration costs	(2.5)	(2.1)
Employer contributions (towards funded and unfunded schemes)	17.2	16.7
Net interest income	1.1	1.0
Remeasurement of the net defined benefit surplus	39.6	(24.2)
<b>Surplus in the scheme carried forward</b>	<b>102.0</b>	<b>46.6</b>

## 11 PROVISIONS

(In £s million)	Restructuring	Other	Total
At 1 July 2021	3.3	16.3	19.6
Amounts provided during the year	-	7.0	7.0
Utilised	(1.5)	(3.4)	(4.9)
<b>At 30 June 2022</b>	<b>1.8</b>	<b>19.9</b>	<b>21.7</b>

  

(In £s million)	2022	2021
Current	12.7	10.0
Non-current	9.0	9.6
<b>Total provisions</b>	<b>21.7</b>	<b>19.6</b>

Other provisions relate to exposures arising from business operations overseas and £9.5 million for certain tax-related exposures.

## 12 LIKE-FOR-LIKE RESULTS

Like-for-like results represent organic growth of operations at constant currency. For the year ended 30 June 2022 these are calculated as follows:

(In £s million)	2021	Foreign exchange impact	2021 at constant currency	Organic growth	2022
<b>Net fees</b>					
Australia & New Zealand	159.9	(2.6)	157.3	38.4	195.7
Germany	244.8	(10.7)	234.1	79.8	313.9
United Kingdom & Ireland	201.1	(0.4)	200.7	62.6	263.3
Rest of World	312.3	(6.7)	305.6	110.9	416.5
<b>Group</b>	<b>918.1</b>	<b>(20.4)</b>	<b>897.7</b>	<b>291.7</b>	<b>1,189.4</b>

  

(In £s million)	2021	Foreign exchange impact	2021 at constant currency	Organic growth	2022
<b>Operating profit</b>					
Australia & New Zealand	39.7	(0.7)	39.0	12.6	51.6
Germany	31.4	(1.4)	30.0	45.6	75.6
United Kingdom & Ireland	11.5	-	11.5	31.9	43.4
Rest of World	12.5	(0.7)	11.8	27.7	39.5
<b>Group</b>	<b>95.1</b>	<b>(2.8)</b>	<b>92.3</b>	<b>117.8</b>	<b>210.1</b>

## 13 LIKE-FOR-LIKE QUARTERLY RESULTS ANALYSIS BY DIVISION

Net fee growth versus same period last year:

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Australia & New Zealand	34%	31%	24%	12%	24%
Germany	39%	37%	32%	29%	34%
United Kingdom & Ireland	45%	33%	29%	22%	31%
Rest of World	45%	41%	36%	24%	36%
<b>Group</b>	<b>41%</b>	<b>37%</b>	<b>32%</b>	<b>23%</b>	<b>32%</b>

### 14 DISAGGREGATION OF NET FEES

IFRS 15 requires entities to disaggregate revenue recognised from contracts with customers into relevant categories that depict how the nature, amount and cash flows are affected by economic factors. As a result, we consider the following information relating to net fees to be relevant:

	Australia & New Zealand	Germany	United Kingdom & Ireland	Rest of World	Group
Temporary placements	62%	83%	55%	32%	<b>55%</b>
Permanent placements	38%	17%	45%	68%	<b>45%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Private sector	66%	87%	72%	99%	<b>85%</b>
Public sector	34%	13%	28%	1%	<b>15%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Technology	15%	38%	17%	26%	<b>26%</b>
Accountancy & Finance	10%	16%	19%	12%	<b>14%</b>
Construction & Property	19%	4%	16%	9%	<b>11%</b>
Engineering	0%	25%	1%	6%	<b>9%</b>
Office Support	11%	0%	11%	5%	<b>6%</b>
Other	45%	17%	36%	42%	<b>34%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>