

# Q1 FY22 TRADING UPDATE THREE MONTHS ENDED 30 SEPTEMBER 2021

## CONFERENCE CALL PREPARED REMARKS

14 October 2021

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## 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

We have made a strong start to the year with net fees up 41%, ahead of expectations, and delivered good sequential growth in all regions, particularly in Permanent recruitment, up an excellent 65%. Temp was up 26%.

Currency translation had a significant negative impact, decreasing headline net fees by c.5%. There were no material working day adjustments in the period.

I'd highlight the following key features:

1. Trading in all regions continued to improve through the quarter and we delivered quarterly fee records in 12 countries, including the strategically important markets of the USA and China. In Germany, our largest business, we exited the quarter with record contractor numbers.
2. Perm, 44% of Group fees, continued to rebound significantly faster than Temp, although encouragingly activity levels are high in both markets.
3. September delivered our highest period of fees since the start of the pandemic, with an exit rate of 40% despite increasingly tough growth comparatives.
4. Fees in the quarter were in line with two years ago, with Perm up 6% and Temp down 5%. Fees in September were 4% higher than September 2019.
5. At the specialism level, Technology, our largest global specialism at 26% of Group fees, delivered a record quarter, with fees up 36%. Technology fees are now 7% above pre-pandemic levels.
6. We delivered record consultant productivity despite increasing consultant headcount by 8% or c.600 in the quarter, which included our normal seasonal graduate intake. Headcount is now up 19% YoY as we continue to invest to capitalise on the cyclical recovery and strategic growth opportunities.
7. Cash performance was good, and we ended the quarter with net cash of c.£360m, in line with our expectations. Subject to shareholder approval, we will be making core and special dividend payments of a combined c.£170m in November.

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

## AUSTRALIA & NEW ZEALAND (ANZ)

Our ANZ division, 17% of group fees, increased by 34%. After a step-up in fees in July, fees remained broadly at the same level in August and September, despite the ongoing current lockdowns in place in the largest States including NSW and Victoria. ANZ fees decreased by 1% versus Q1 FY20.

Perm, 37% of ANZ fees, was up an excellent 95%, while Temp increased by 13% against a relatively resilient performance last year. The Private sector, 66% of fees, increased by 45%, while Public sector grew by 15%.

Australia increased 32%, including a stand-out performance for Queensland, up 42%. Our two largest specialisms, Construction & Property and Technology, grew 18% and 44% respectively. New Zealand, 7% of ANZ fees, increased by an excellent 58%.

Consultant headcount in ANZ increased by 8% in the quarter and by 27% year-on-year.

## GERMANY

Germany, our largest business at 26% of group fees, reported good sequential fee improvement through the quarter, with net fees up 39%, supported by continued improvement in client and candidate confidence. Germany fees are down 4% versus Q1 FY20.

Conditions in Contracting, 57% of Germany fees, were strong with fees up 21% and we ended the quarter with record number of contractors on assignments. Perm increased by 56% in the quarter, including a record month in September.

Temp, which is mainly in Engineering, continued to recover, up 83% against a weak YoY comparative. Excluding the effects of Temp under-utilisation and severance costs in FY21, underlying Temp fees increased by 27%. However, given slower recovery in the Automotive & Manufacturing sectors, Temp volumes remain c.20% below pre-pandemic levels.

As expected, average Temp hours worked returned to more seasonally normal levels for the summer, as Temps took holidays.

Consultant headcount increased by 3% in the quarter and by 8% year-on-year.

## UNITED KINGDOM & IRELAND (UK&I)

The UK & Ireland, 23% of group net fees, grew by 45%, led by an excellent Perm performance, up 69%, and Temp up 29%. Fees are down 5% versus Q1 FY20.

Growth in the Private sector was excellent, up 57%, with the Public sector up 21%.

Most regions traded broadly in line with the overall business, except the North West, which grew by 74%. Our largest UK region of London grew by 46%, including London City, which is predominantly private sector focused, up an excellent 73%.

At the specialism level, we saw excellent growth in Technology which delivered another record, up 57%, while the fastest growth in our larger specialisms was in HR, up 127%.

Consultant headcount increased by 4% in the quarter and by 15% year-on-year.

## REST OF WORLD (RoW)

Rest of World, 34% of group fees and comprising 28 countries, grew by 45% and included 12 quarterly fee records. Perm, 68% of RoW fees, increased by 59%, with Temp up 22%. RoW fees increased by 6% versus Q1 FY20.

In **EMEA-ex Germany**, fees increased by 37% and activity levels remained high across the quarter with much less of a seasonal summer slowdown than normal. Our largest RoW country of France was up 37%, and Switzerland produced a record performance, up 18%.

The **Americas** grew by 66%, including records in the USA, our second-largest RoW country and up 63%, and Brazil up an outstanding 138%.

In **Asia**, our fees increased by 44%. Both China, our third-largest RoW country and up 45% and Malaysia, up 65%, delivered record quarterly performance.

Consultant headcount was up 14% in the quarter and up 24% year-on-year.

## CASH FLOW AND BALANCE SHEET

Cash collection was good, and we ended the quarter with cash of c.£360m, in line with our expectations.

## CURRENT TRADING and GUIDANCE

I would make the following points:

1. The positive trading momentum we entered FY22 with has continued, with an exit rate in line with the quarter as a whole and with September fees 4% ahead of September 2019.
2. After significant investment in consultant headcount over the last 9 months, we expect that to moderate to 2-4% over the next quarter, as we continue to balance adding productive capacity, including our Strategic Growth Initiatives, with driving strong consultant productivity and profit growth. Our SGI programme is performing well and helping to accelerate the opening up of the many structural opportunities we see.
3. The strengthening of Sterling versus the Euro and Australian dollar is a headwind to operating profit in FY22. If we retranslate our FY21 operating profit of £95.1m at 11th October 2021 exchange rates, operating profit would decline by c.£5m, similar to the position at our prelims. Importantly, as Group operating profit increases materially in FY22, FX is highly likely to have a much larger negative impact.
4. I reiterate conversion rate guidance we gave at the prelims. We expect a drop-through of incremental fees to profits of c.40-50% in FY22 and well above 50% in FY23.

## SUMMARY

In conclusion, while there is a high degree of global macro-economic uncertainty, candidate and client confidence remains at very high levels and there are clear signs of skill shortages and wage inflation particularly at the higher salary levels.

We have made a strong start to the year, with good sequential growth and we are confident that we can deliver substantial profit growth in FY22 and beyond, while significantly investing for the future.

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 Q2 trading update on 18th January 2022. Should anyone have any follow up questions, David, Charles and I will be available to take calls for the rest of the day.

## Notes

- Our 'Strategic Growth Initiatives' (SGI) programme was previously known as our 'Return to Growth' (RTG) 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

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

Trading update for the quarter (Q3 FY22) ending 31 March 2022

14 April 2022

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