

HAYS PLC

INVESTOR CALL SCRIPT Q1: 15 OCTOBER 2020

INTRODUCTION

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 stated are on a like-for-like basis versus prior year unless stated otherwise.

PERFORMANCE OVERVIEW

The pandemic continued to significantly impact the business through the quarter, with net fees down 29%. While markets remained tough across most of the world, the Temp markets were stable overall, and the Perm markets improved sequentially across the quarter.

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

I'd highlight the following key features:

1. Considering the unique and uncertain backdrop of a global pandemic, our fees continue to be reasonably predictable in all our major markets around the world. To date the shape of our recovery continues to be gradual.
2. Whilst markets remained tough, fees improved sequentially, and our fee decline improved from (34)% in Q4 to (29)% in Q1. Most of the improvement was in Perm, especially in those countries which had previously faced the

toughest lockdown restrictions in March to June, including the UK, France and Spain, as those severe lockdown restrictions eased.

3. We saw a good rebound in activity in the public sector across the world where the decline in fees improved from (24)% in Q4 to (14)% in Q1. The rebound in the private sector was more modest moving from (35)% to (32)%.
4. Temp, down 25%, continued to outperform Perm, down 35%. However, the fee decline differential between Temp and Perm narrowed from 18% to 10% in the quarter, with more Perm activity in most markets
5. Whilst both group and consultant headcount reduced by 5% over the quarter, our consultant base is now appropriate for current conditions and we expect modest increases from the return to growth initiatives over the next few quarters.
6. Our current cost base of c.£63 million per period remains in-line with the guidance given at our full-year results in August, including c.£1 million per period in our 'Return to Growth' projects.
7. During the quarter, we exited all the major government support schemes globally.
8. Over 90% of our offices globally are currently open and working under a hybrid office / home model. The level of interactions with clients and candidates remained strong. Initiatives like Hays Thrive, our free online training and wellbeing platform, continue to prosper with over 15,000 clients registered.
9. Cash performance was again good, and the Group maintained its strong balance sheet. We ended the quarter with net cash of c.£350m, excluding short-term deferrals of tax payments, only slightly below June 2020.

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

Press only – so in summary, another very tough quarter, with the pandemic continuing to impact all markets, but with stability in our Temp and improvement in our Perm businesses.

Our **ANZ** division, 19% of group net fees, declined 26%. Temp, which represented 75% of ANZ fees, declined by 19% but was stable and whilst Perm was down 40%, we saw sequential improvement across the quarter. Public sector improved in the quarter to be down only (12)%, whilst private sector remained difficult and was down (33)%.

Australia decreased 27%. In New South Wales and Victoria, together 51% of our Australian business, net fees decreased 34% and 32% respectively. Encouragingly, stringent lockdown regulations in Victoria had only a limited impact on fees in the quarter. Queensland declined by 24%, while Western Australia and ACT fared relatively better, down 15% and 11%.

At the Australian specialism level, Construction & Property declined 32% Accountancy & Finance declined 37% and Office Support fell 41%. IT and large Corporate Accounts were less impacted, down 22% and 19% respectively.

New Zealand, c.6% of ANZ fees, fell 16% as activity rebounded following the relaxing of lockdown rules.

Consultant headcount in ANZ was flat in the quarter but was down 21% year-on-year.

Conditions in **GERMANY**, our largest business at 26% of group net fees, remained tough but stable, with fees down 31%. Overall business confidence remains low, but is stable, however, the Automotive and Manufacturing sectors remain very tough. This led to continued under-utilisation of our Temp workers, albeit with trends improving through the quarter. Excluding the impact of temp severance costs, Germany fees declined by 29%.

Our Contracting business, which represents 65% of Germany fees, was relatively resilient and declined 18%.

Temp remained the weakest sub-sector, with fees down 53%. The three drivers of this were:

- 1) Average temp volumes fell 32%, as clients controlled their costs and fewer new projects started
- 2) The lower average utilisation of Temp workers reduced Temp fees by a net £2.7m, or 12%. However, the impact of part-time work decreased through the quarter and we exited the German short-time working scheme in September.
- 3) With lower client demand, we took the decision to release a further 260 temps in the quarter at a cost of £1.9m. This reduced Temp fees by 9%

Perm, 15% of fees, declined by 36%.

Our German Public-sector business, 16% of Germany fees, delivered a strong relative performance, with fees down 3%.

Our largest specialism of IT, 44% of Germany net fees, fell 26%. Engineering, our second-largest at 21% of Germany fees, remained tough and fell 47%, driven by the Temp effects just discussed. Accountancy & Finance and Life Sciences improved and fell 19% and 5% respectively.

Consultant headcount was down 1% in the quarter and down 14% year-on-year.

While conditions in **UK & IRELAND**, 21% of group net fees, again remained tough, activity did improve through the quarter, especially in Perm. Net Fees declined 34%, representing a c8% sequential improvement versus Q4. Temp fees were down 29% and Perm 41%.

Both our Private and especially our Public sector businesses showed sequential improvement versus Q4. Fees in the Private sector, 65% of UK&I, fell by 40% with the Public sector down 20%.

All regions traded broadly in line with the overall business, except for the North and the North West, which declined by 41% and 38% respectively. Our largest UK region of London fell 34%. In Ireland, net fees declined by 38%.

At the specialism level, hardest-hit areas were Office Support, down 52%, and Accountancy & Finance, down 44%. Construction & Property saw some sequential improvement and was down 34%.

IT continued to be a relative outperformer, down 12%, as was our large Corporate Accounts business, down 22%.

Consultant headcount decreased by 14% in the quarter and 21% year-on-year. We exited the UK furlough scheme at the end of July.

REST OF WORLD, comprising 28 countries and 34% of group net fees, declined by 27%.

In **EMEA-ex Germany** fees reduced by 24%, representing a c.8% sequential improvement versus Q4 especially in France and Spain, as lockdown restrictions eased. Our largest RoW country of France declined 30%, while Belgium and Italy were also tough, down 41% and 30% respectively. In Spain, trading improved, only down 17%, while Switzerland was again a stand-out performer, down 6%.

The Americas declined 27%. The USA, our second-largest RoW country, declined 23%, while Canada continued to be tough, down 34%. LatAm fell 33%, including Brazil down 29%.

In **Asia**, our fees fell by 33%. China, our third-largest RoW country, declined 31%, with Mainland China significantly outperforming Hong Kong. Japan had a difficult quarter, down 44%, although Malaysia was again relatively strong, down 16%.

Consultant headcount was down 3% in the quarter and down 15% year-on-year.

CASH FLOW AND BALANCE SHEET

We delivered a good underlying cash performance in the quarter, with net cash at 30 September of c.£350 million, excluding short-term deferrals of tax payments of c£60m. Cash collection remains strong.

CURRENT TRADING and GUIDANCE

I would make the following points:

1. The Group's net fee exit rate at (26)% was modestly ahead of the overall like-for-like net fee decline in the quarter
2. It is too early to determine how much of the improvement in perm trading in the quarter is sustainable or simply the release of perm jobs frozen in the March to June lockdown phase, especially in Europe.
3. Whilst to date, the impact of more localised second wave lockdowns has had only a limited negative impact on fees, clearly the more these lockdowns proliferate, the greater the impact on the wider economic confidence of clients and candidates.
4. We currently expect trading in the first half of FY21 to be modestly profitable.
5. Any material recovery in profitability in the second half of the year will require a significant sequential increase in net fees across the whole of 2H, and of course, no national lockdowns in our major markets.
6. We expect Group headcount to be broadly sequentially flat in Q2 FY21 (outside of the Return to Growth initiatives) as we continue to balance appropriate cost controls in the more difficult markets with positioning the Group to benefit from any market recovery
7. Our strategic 'Return to Growth' program is making good progress, and we remain confident that the projects will accelerate our medium-term growth

In conclusion, it has been another very challenging quarter, but our teams have performed admirably. Notwithstanding the risks of prolonged second wave lockdowns, it is encouraging that momentum improved through the quarter.

Although many uncertainties remain, our highly experienced management teams are focused on best-positioning the business for any recovery. With our strongest ever balance sheet and leading positions in key sectors, we are confident we can take further market share.

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

Q&A

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 the Q2 trading update on 14th January 2021. Should anyone have any follow up questions, David, Charles and I will be available to take calls for the rest of the day.