

Q3 FY22 TRADING UPDATE THREE MONTHS ENDED 31 MARCH 2022

CONFERENCE CALL PREPARED REMARKS

14 April 2022

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INTRODUCTION

< **Paul Venables, Group Finance Director** >

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

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

PERFORMANCE OVERVIEW

In Q3, we delivered record quarterly fees, up 32% with excellent growth in all regions, and an all-time fee record in March.

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

I'd highlight the following key features:

1. We delivered quarterly fee records in 19 countries, including a standout performance in our largest business of Germany, and in the strategically important markets of the USA and France.
2. Growth was led by Perm, up 48%, and Temp by 21%, both excellent results. The private sector, up 35%, again significantly outperformed the public sector, up 15%
3. Comparing to pre Pandemic fee levels, fees in the quarter were 11% above Q3 FY19.
4. At the specialism level, Technology, our largest global specialism at 26% of Group fees, delivered another record quarter, with fees up 35%.
5. Consultant productivity remained at near record levels, despite increasing consultant headcount on a headline basis by 4% or 325 in the quarter.
6. Our net fee exit rate in March was 26%, despite a 16% tougher YoY growth comparative.
7. During the quarter and as previously announced, due to the ongoing conflict in Ukraine, Hays ceased trading and exited Russia. In H1 FY22, Russia represented c1% or £5.9 million of Group net fees, and £0.8 million of operating profit. We have provided £5 million for one-off closure costs, which we will incur as an expense in H2 FY22.
8. We reiterate our guidance given at our half year results for FY22 operating profit of between £210-215m, excluding this one-off Russia impact.
9. Cash performance was strong, and we ended the quarter in a strong financial position with net cash of c.£240m, in line with our expectations.

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

AUSTRALIA & NEW ZEALAND (ANZ)

Our ANZ division, 16% of group fees, increased by 24%, with activity stronger in March as pandemic impacts eased, particularly in Perm.

Perm, 40% of ANZ fees, was up an excellent 57%, while Temp increased by 9% against a relatively resilient performance last year. The Private sector, 66% of fees, increased by 28%, while Public sector grew by 18%.

Australia increased by 21%, led by Queensland, up 28%. Our two largest specialisms, Construction & Property and Technology, grew 14% and 42% respectively. New Zealand, 9% of ANZ fees, delivered a fee record and increased by an excellent 62%.

Consultant headcount in ANZ increased by 4% in the quarter and 26% year-on-year.

GERMANY

Germany, our largest business representing 27% of group fees, delivered another quarterly record performance, up 32% and including a record in March.

Overall business confidence was stable with clients continuing to invest in new, and extend existing, projects.

Contracting, 55% of German fees, delivered a record quarter. Fees grew by 31% driven by 29% growth in contractor volumes which ended the quarter at record levels. Margin and fee mix increased fees by a further 8%, partially offset by 6% lower average weekly hours per contractor.

Temp, which is mainly in Engineering and Manufacturing, continued to recover, up 28%, although given slower recovery in the Automotive & Manufacturing sectors, remain c10% below pre-pandemic levels.

Perm delivered an excellent performance up 43%.

Consultant headcount increased by 9% in the quarter and 19% year-on-year.

UNITED KINGDOM & IRELAND (UK&I)

The UK & Ireland, 22% of group fees, increased by 29%, led by an excellent Perm performance, up 59%, and Temp up 13%. Private sector fees increased by 40%, with the Public sector, which was resilient in the prior year, up 9%.

Most regions traded broadly in line with the overall business apart from the North West and the South East, which grew by 49% and 41% respectively. Our largest UK region of London grew by 28%, including London City, which is predominantly private sector focused, up an excellent 57%.

Ireland delivered another excellent performance, with fees up 61%.

At the specialism level, we again saw excellent growth in Technology, up 52%, as we did in HR and Education, up 52% and 50% respectively. Accountancy and Finance grew by 35% and C&P by 16%.

Consultant headcount increased by 4% in the quarter and 24% year-on-year.

REST OF WORLD (RoW)

Rest of World, representing 35% of group fees and comprising 27 countries, grew by 36%, with 17 countries delivering quarterly records. Perm, 68% of RoW fees, increased by 43%, with Temp up 24%.

In EMEA-ex Germany, fees increased by 33% and activity levels remained high. 10 countries delivered record quarter fees, including our largest RoW country of France up 38%, Spain 46%, Poland 39% and Switzerland, up 28%.

The Americas grew by 54% with records in all countries in the region, including the USA, our second-largest RoW country, up 47%, Canada 64% and Brazil 78%.

Asia fees increased by 27%, with standout performances in Malaysia up 53%, and Japan which showed improved momentum, with fees up 42%. China grew by 10% and growth slowed through the quarter as strict pandemic restrictions were re-introduced.

Consultant headcount was up 1% in the quarter and 34% year-on-year.

CASH FLOW AND BALANCE SHEET

Cash collection was good, and we ended the quarter in a strong financial position with net cash of c.£240m, in line with our expectations.

CURRENT TRADING and GUIDANCE

I would make the following points:

1. While we are mindful of increased macroeconomic and geopolitical uncertainties, client and candidate confidence remains strong, with continued skill shortages and rising wage inflation globally. The Group's activity levels remain strong.
2. After significant investment in consultant headcount over the last 12 months, we expect investment to moderate to 1-3% over the next quarter, with headcount growth in Germany and in our Strategic Growth Initiatives, which continue to perform strongly. Consultant productivity remains at near record levels, and we expect to increase this further in FY23 and beyond.
3. On 28 April 2022, we will be hosting an investor day in London, focusing on the significant structural growth opportunities we see across many markets. We look forward to seeing many of you in person on the day, but will also be live webcasting the event, the details of which are in our Q3 statement.

SUMMARY

In conclusion, we are focused on driving further profitable growth as we pursue our route to exceeding previous peak profit levels, supported by our strong brand, highly experienced management teams globally and our financial strength. We are firmly focussed on positioning Hays as the clear market leader in the most attractive long-term sectors and geographies, including Technology and Germany.

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

< OPPORTUNITY FOR QUESTIONS >

CLOSING REMARKS

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

I look forward to speaking to you next at our Q4 FY22 results on 14 July 2022 and, of course, seeing you at our investor day. Should anyone have any follow up questions, David, Charles and I will be available to take calls for the rest of the day.

2022 Investor Day

On 28 April 2022 at 3pm, Hays will host an investor day in London, focusing on the significant structural growth opportunities we see across many markets. [Please click here to register](#) , either in person or via the webcast.

Enquiries

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Reporting calendar

Investor Day – register here	28 April 2022
Trading update for the quarter (Q4 FY22) ending 30 June 2022	14 July 2022
Preliminary results for the year ending 30 June 2022	25 August 2022
Trading update for the quarter (Q1 FY23) ending 30 September 2022	13 October 2022

Hays plc

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This announcement contains inside information.

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