HAYS Recruiting experts worldwide

TRADING UPDATE
QUARTER ENDED 30 JUNE 2015

9 July 2015

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Financial summary

Growth in net fees for the quarter ended 30 June 2015 (Q4 FY15)

(versus the same period last year)	Growth	
	Actual	**LFL[1]**
By region		
Asia Pacific	1%	**8%**
Continental Europe & Rest of World	4%	**9%**
United Kingdom & Ireland	9%	**9%**
Total	5%	**9%**
By segment		
Temporary	2%	**6%**
Permanent	9%	**14%**
Total	5%	**9%**

Highlights

- Good Group net fee growth of 9%[1], driven by Perm up 14%[1]
- Good growth in Asia Pacific, including 7%[1] growth in Australia & New Zealand where Perm was up 21%[1]. Asia delivered further strong growth of 11%[1]
- Good growth in Continental Europe & Rest of World, including 6%[1] growth in Germany and 4%[1] growth in France. 14 countries in the region delivered 10%[1] growth or more
- Good broad-based growth in the UK & Ireland, including strong Perm growth of 13%[1]. Major specialisms of Construction & Property and IT both grew by over 10%[1]
- Group consultant headcount was up 1% during the quarter and 9% year-on-year, excluding Veredus
- We reiterate our Q3 guidance that we will deliver strong Group profit growth for the full year, with second half operating profits slightly ahead of first half
- Strong underlying cash management led to a material reduction in net debt to c.£30 million

Commenting on the Group’s performance, Alistair Cox, Chief Executive, said:

“All three of our key regions have delivered further good growth, led again by our permanent recruitment business which resulted in a successful end to the financial year. In the UK the clear election outcome removed a potential uncertainty from the recruitment market and our business has performed well. Our Australia business continued to recover, notably in New South Wales and Victoria, though the mining-focused regions remained tough. Despite the recent political issues in the Eurozone, our European businesses continued to deliver broad-based growth, with several delivering net fee growth of 10% or more[1], including Belgium, Poland, Russia, Spain and Switzerland.

We have made further significant operational and strategic progress this year, underpinning the strength of our business globally. As a result, we will deliver strong operating profit growth for the full year, with second half operating profits slightly ahead of first half, despite the material negative impact of foreign exchange movements. Looking ahead, we see many clear opportunities to continue growing our business in all our regions. Our focus remains on selectively increasing consultant capacity to service this increased demand for our services, as well as continually improving our consultants' productivity globally in order to deliver our long-term profit and cash objectives.”

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Group

In the fourth quarter ended 30 June 2015 net fees increased 5% on a headline basis and 9% on a like-for-like basis(1) against the prior year. The difference between actual and like-for-like net fee growth rates was primarily the result of a material depreciation of both the Euro and the Australian Dollar against Sterling.

Foreign exchange movements in the Group's key operating currencies, particularly the Euro and the Australian Dollar, continued to have a material negative impact on the Group's reported results in the quarter. Despite this, we reiterate the guidance issued at Q3 and expect the Group's second half operating profit to be slightly ahead of the first half level of £81.5 million, resulting in strong operating profit growth for the year ended 30 June 2015.

The exit rate of Group net fee growth was broadly in line with the quarter as a whole, with no significant differences by region.

Looking forward to FY16, exchange rate movements remain a material sensitivity to the Group's reported profitability. For example, applying spot rates as at 6 July 2015 would reduce operating profit by c.£11 million versus FY15.

The Temp business, which accounted for 57% of Group net fees in the quarter, increased by 6%(1) and the underlying temp margin(2) was broadly stable. The Perm business increased by 14%(1).

Consultant headcount was up 1% in the quarter and up 9% year-on-year as we invested selectively across the Group where market conditions and outlook were supportive. These numbers exclude the impact of the Veredus acquisition in December 2014 which has added 148 consultants, or 3%, to the Group as of the end of June.

Asia Pacific

In Asia Pacific, which represented 24% of Group net fees, we delivered good growth of 8%(1).

In Australia & New Zealand we delivered good growth of 7%(1), driven by excellent Perm growth of 21%(1). Temp, which represented 65% of net fees in the quarter, increased by 1%(1).

In Australia we delivered good net fee growth of 8%(1), though market conditions and performances varied between states. Growth in New South Wales was excellent at 20%(1). Victoria and Queensland grew by 11%(1) and 1%(1) respectively, while Western Australia was down 32%(1) as reduced activity in the Resources & Mining sector continued to impact trading across the state. The remaining smaller states delivered further excellent growth, with ACT the standout performer with growth of 76%(1).

At the specialism level, Construction & Property, our largest business in Australia, delivered strong growth of 15%(1). IT also increased by 15%(1) and Accountancy & Finance grew 6%(1), although Resources & Mining declined 44%(1). In New Zealand net fees increased by 3%(1).

In Asia, which accounted for 24% of the division, net fees increased by 11%(1). In Japan, our largest business in Asia, we delivered a record monthly net fee performance in June and over the quarter net fees grew by an excellent 19%(1).

Consultant headcount in the division was flat in the quarter and up 13% year-on-year. Consultant headcount in Australia & New Zealand was down 1% in the quarter but up 10% year-on-year, and in Asia was up 1% in the quarter and 20% year-on-year.

Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represented 40% of Group net fees, we delivered good growth of 9%(1). Net fee growth of 6%(1) in Germany was good, with growth in our core IT & Engineering business at 5%(1). Germany Temp net fees increased by 6%(1) and Perm grew by 3%(1). Within our newer specialisms Accountancy & Finance delivered strong growth of 14%(1).

In the rest of the division net fees grew by 13%[1]. Within this, 14 countries delivered growth of 10%[1] or more, including key businesses such as Belgium, Poland, Switzerland, UAE and Russia, the latter of which grew by 24%[1] despite the ongoing uncertainties in that market. Our businesses in Southern Europe continued their strong recovery with Italy growing by 16%[1] and Spain up 53%[1]. France, our second largest business in the division, delivered a solid performance with net fees up 4%[1]. Net fees in Brazil were flat[1] as conditions remained tough, whilst the rest of Latin America delivered further excellent growth as Mexico grew by 38%[1] and both Chile and Colombia more than doubled[1]. In the US, we delivered excellent growth of 39%[1] and the integration of the Veredus business into the Group continues to proceed well. In Canada, net fees were down 1%[1], primarily as a result of challenging conditions in natural resources-related specialisms.

Consultant headcount in the division was up 3% in the quarter and 13% year-on-year, excluding the impact of the Veredus acquisition. Consultant headcount in the Veredus business ended June at 148, representing an increase of 10% since acquisition.

United Kingdom & Ireland

In the United Kingdom & Ireland, which represented 36% of Group net fees, we delivered good 9%[1] growth. Our Temp business delivered good growth of 7%[1] and Perm delivered strong growth of 13%[1]. Activity levels remained broad-based and we delivered strong performances in the North West, Midlands, the East, the Home Counties and London (ex-City), all of which grew by more than 10%[1], and the City of London grew by 6%[1]. Net fees in Ireland were up 16%[1].

Growth continued to be strong in our technical specialisms as IT delivered excellent growth of 16%[1] and Construction & Property grew by 11%[1]. Accountancy & Finance, our largest specialism, delivered good growth of 7%[1] and Education, a predominantly public sector business, delivered strong growth of 14%[1].

Our private sector business, which represented 73% of the division's net fees, delivered good growth of 9%[1]. In our public sector business we delivered strong growth of 11%[1].

Consultant headcount in the division was down 1% in the quarter and up 2% year-on-year.

Cash flow and balance sheet

Excellent underlying cash management led to a material reduction in net debt to c.£30 million as of 30 June 2015 (31 March 2015: c.£80 million, 31 December 2014: £79.2 million). We expect to move into a net cash position in FY16.

(1) LFL (like-for-like) growth represents organic growth at constant currency and excludes the impact of acquisitions.

(2) The underlying Temp gross 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 the Company provides major payrolling services.

Enquiries

Hays plc

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Conference call

Paul Venables and David Walker of Hays plc will conduct a conference call for analysts and investors at 9:00am United Kingdom time on 9 July 2015. The dial-in details are as follows:

Dial-in number	+44 (0)20 3139 4830
Dial-in number (UK toll free)	+44 (0)80 8237 0030
Password	22107854#

The call will be recorded and available for playback for seven days as follows:

Replay dial-in number	+44 (0)20 3426 2807
Replay dial-in number (UK toll free)	+44 (0)80 8237 0026
Access code	659347#

Reporting calendar

Preliminary Results for year ended 30 June 2015	27 August 2015
Interim Management Statement for quarter ending 30 September 2015	8 October 2015
Trading Update for quarter ending 31 December 2015	13 January 2016
Interim Results for six months ending 31 December 2015	24 February 2016

Hays Group overview

As at 31 December 2014, Hays had 8,748 employees in 244 offices in 33 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 rapid diversification and internationalisation of the Group, with the International business representing 65% of the Group's net fees, compared with around 25% ten years ago.

Our 5,741 consultants work in a broad range of sectors, with Accountancy & Finance, Construction & Property and IT representing 50% of Group net fees. Our expertise across 20 professional and skilled recruitment specialisms gives us opportunities to rapidly develop newer markets by replicating these long-established, existing areas of expertise.

In addition to this international and sectoral diversification, the Group's net fees are generated 58% from temporary and 42% 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.

Cautionary statement

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