

INTERIM MANAGEMENT STATEMENT QUARTER ENDED 30 SEPTEMBER 2013

10 October 2013

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Financial summary

Growth in net fees for the quarter ended 30 September 2013 (Q1 FY14)

(versus the same period last year)

	Growth	
	Actual	LFL ⁽¹⁾
By region		
Asia Pacific	(20)%	(12)%
Continental Europe & Rest of World	13%	6%
United Kingdom & Ireland	8%	8%
Total	1%	2%
By segment		
Temporary	2%	2%
Permanent	(1)%	1%
Total	1%	2%

Highlights

- Solid performance with market conditions improving in many parts of the Group
- Good growth of 8%⁽¹⁾ in UK & Ireland, with Perm up 9%⁽¹⁾ and Temp up 8%⁽¹⁾. Broad-based improvement across most regions and specialisms
- Good growth of 6%⁽¹⁾ in Continental Europe & Rest of World including 7%⁽¹⁾ growth in Germany. Most markets showing initial signs of improvement
- Asia Pacific net fees decreased 12%⁽¹⁾. In Australia, where the market remains tough, net fees decreased 18%⁽¹⁾ but our core business in NSW and Victoria was stable. Asia saw further improvement and net fees increased by 17%⁽¹⁾
- Consultant headcount increased by 2% during the quarter and increased 1% year-on-year

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

"We have made an encouraging start to the new financial year. Conditions were stable overall and we saw improved performance in many parts of the business. We delivered meaningful growth in the UK, invested selectively to capitalise on opportunities and kept a tight control of costs in tougher markets to maximise our financial performance.

Looking ahead we see clear growth opportunities as a number of markets continue to improve, including some that have been challenging for some time, such as the UK and Asia. Our well balanced diverse business and focus on controlling costs and driving productivity position us well to deliver long-term, sustainable growth while continuing to drive profits and cash along the way."

Group

In the first quarter ended 30 September 2013 net fees increased 1% on a headline basis and 2% on a like-for-like basis⁽¹⁾ against the prior year. Net fees in the Temp business, which accounted for 59% of Group net fees in the quarter, increased 2%⁽¹⁾ and the underlying temp margin⁽²⁾ was broadly stable. Net fees in the Perm business increased by 1%⁽¹⁾.

Whilst the exit rate of overall Group net fees was broadly in line with the quarter as a whole, we saw improved momentum in many parts of the Group and improvement in trading conditions in several markets as the quarter progressed.

Consultant headcount was up 2% in the quarter and up 1% year-on-year. Across the Group we invested selectively where market conditions and outlook were supportive, whilst we continued to focus on tight cost control elsewhere to maximise Group financial performance.

Asia Pacific

In Asia Pacific, which represents 26% of Group net fees, net fees decreased by 12%⁽¹⁾.

In Australia & New Zealand net fees decreased by 17%⁽¹⁾ within which our Temp business decreased by 11%⁽¹⁾ and our Perm business decreased by 26%⁽¹⁾. Overall market conditions in Australia remained challenging. In New South Wales and Victoria, which together accounted for 50% of our Australian business, net fees decreased by 11%⁽¹⁾, although they were sequentially stable versus the prior quarter. In Western Australia and Queensland, which together accounted for 31% of our Australian business, net fees decreased by 32%⁽¹⁾, primarily due to continued tough conditions in our Resources & Mining business, which saw further gradual decline in the quarter and where net fees were down 61%⁽¹⁾. In New Zealand, net fees decreased by 7%⁽¹⁾.

In Asia, which accounted for 20% of the division, net fees increased by 17%⁽¹⁾ and we saw further improvement in market conditions through the quarter. Japan delivered strong net fee growth of 11%⁽¹⁾, and Hong Kong, Malaysia and Singapore each delivered net fee growth of over 20%⁽¹⁾.

Consultant headcount in the division was up 1% in the quarter but down 5% year-on-year. In Australia, consultant headcount was 2% down in the quarter and down 13% year-on-year. In contrast, in Asia consultant headcount was up 6% in the quarter and up 18% year-on-year.

Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represents 42% of Group net fees, we delivered good net fee growth of 6%⁽¹⁾ with two record monthly performances. Germany also delivered two record monthly fee performances in the quarter and net fees increased by 7%⁽¹⁾. During the quarter we saw a slight acceleration in growth and saw good performances in Accountancy & Finance, Construction & Property and Sales & Marketing as well as continued growth in our core specialisms of IT and Engineering.

Net fees increased 6%⁽¹⁾ in the rest of the division, which is primarily a Perm business. Within this, 13 countries delivered net fee growth of 10%⁽¹⁾ or more and five had record monthly fee performances, including Belgium, Switzerland and Russia (where net fees increased 32%⁽¹⁾). Elsewhere, four countries recorded net fee declines. In France net fees were flat, which was another solid performance given market conditions in that country.

Consultant headcount in the division was flat in the quarter and down 1% year-on-year. During the quarter we opened an office in Seattle, our third in the USA, and closed an office in Mumbai, India.

Investor Day 2013

Hays will host an Investor Day on 7 November in central London. Details (including how to register for the day) can be found at hays.com/investors/investor-day-2013.

Reporting calendar

Hays Investor Day 2013	7 November 2013
Annual General Meeting	13 November 2013
Trading Update for quarter ending 31 December 2013	9 January 2014
Interim Results for the six months ending 31 December 2013	26 February 2014
Interim Management Statement for quarter ending 31 March 2014	10 April 2014
Trading Update for quarter ending 30 June 2014	10 July 2014
Preliminary Results for the year ending 30 June 2014	28 August 2014

Hays Group overview

Hays has 7,840 employees in 239 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 69% of the Group's net fees as at 30 June 2013, compared with around 15% just 10 years ago.

Our 5,159 consultants work in a broad range of sectors with no sector specialism representing more than 25% of Group net fees. While Accountancy & Finance, Construction & Property and IT represent 65% 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 59% from temporary and 41% permanent placement markets, and we believe that this balance gives our business model relative resilience in the current environment.

This well diversified business model continues to be a key driver of the Group's financial performance.

Hays operates in the following countries: Australia, Austria, Belgium, Brazil, Canada, Colombia, Chile, China, the Czech Republic, Denmark, France, Germany, Hong Kong, Hungary, India, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Poland, Portugal, Russia, Singapore, Spain, Sweden, Switzerland, UAE, the United Kingdom and the USA.

Cautionary statement

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