HAYS Recruiting experts worldwide

QUARTERLY UPDATE
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

8 October 2015

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Financial summary

Growth in net fees for the quarter ended 30 September 2015 (Q1 FY16)

(versus the same period last year)	Growth	
	Actual	**LFL[1]**
By region		
Asia Pacific	(7)%	**6%**
Continental Europe & Rest of World	8%	**11%**
United Kingdom & Ireland	6%	**6%**
Total	3%	**8%**
By segment		
Temporary	3%	**8%**
Permanent	3%	**8%**
Total	3%	**8%**

Highlights

- Good Group growth of 8%[1], with consistency of performance as both Perm and Temp both grew 8%[1]
- Strong broad-based growth in Continental Europe & Rest of World. Growth accelerated to 10%[1] in Germany and 14%[1] in the rest of the Division, with notable strength in Europe
- Good growth in Asia Pacific, including 5%[1] growth in Australia & New Zealand where Perm was up 13%[1]. Asia delivered further strong growth of 11%[1]
- Solid growth in the UK & Ireland against more challenging comparators. Major specialisms of Construction & Property, Education and IT each grew by over 10%[1]
- Group consultant headcount was up 9%[2] year-on-year and 5%[2] during the quarter, driven by seasonal increases in September. As a result, increases in Q2 will be selective and minimal overall
- Net debt ended Q1 at c.£70m due to the phasing of material cash flows and the unwind of a c.£20m benefit due to the timing of the year end date. We remain confident of eliminating net debt by year end

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

"We have had a good start to the new financial year, with all three of our key businesses delivering further growth. In Germany, growth accelerated as we capitalised on our recent headcount investments there. The recovery in our Australia business continued, though conditions remained mixed, with strong growth in New South Wales and Victoria contrasted by tough conditions in the mining-focused regions. Despite tougher comparators, UK growth was solid and broad-based, especially in the private sector. Elsewhere around the world we delivered another quarter of strong, consistent growth, as 17 countries grew by 10% or more[1] and eight delivered all-time record quarterly performances.

Looking ahead, while we continue to see generally consistent conditions overall, the year-on-year comparators become more challenging, notably in the UK and Australia, and we are mindful of current macro-economic risks. Given this backdrop, we remain focused on driving profitable growth in our business. This will involve further targeted investment where we see clear opportunities for growth, and continually working to improve consultant productivity globally in order to deliver our long-term profit and cash objectives."

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Group

In the first quarter ended 30 September 2015 net fees increased 3% on a headline basis and 8% on a like-for-like basis[(1)] against the prior year. The difference between actual and like-for-like growth rates was primarily the result of a material depreciation of both the Euro and the Australian Dollar against Sterling.

In the UK, whilst the exit rate was in line with the quarter as a whole, when we exclude the impact of the Education business which was particularly strong in September, it would be c.4%[(1)]. In our other divisions, the exit rate was broadly in line with the quarter as a whole.

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 and looking forward, exchange rate movements remain a material sensitivity. For example, applying year to date average exchange rates and spot rates as at 6 October 2015 would reduce operating profit by c.£10 million versus FY15.

The Temp business, which accounted for 58% of Group net fees in the quarter, increased by 8%[(1)] and the underlying temp margin[(3)] was broadly stable. The Perm business also increased by 8%[(1)].

Consultant headcount was up 9%[(2)] year-on-year and 5%[(2)] in the quarter as a result of a seasonal increase in September and our continued approach of investing selectively across the Group where market conditions and outlook were supportive, notably in Europe. As a result, we expect that increases in Q2 will be selective, and minimal overall.

Asia Pacific

In Asia Pacific, which represented 22% of Group net fees, we delivered good growth of 6%[(1)].

In Australia & New Zealand we delivered solid growth of 5%[(1)], driven by strong Perm growth of 13%[(1)]. Temp, which represented 64% of net fees in the quarter, increased by 1%[(1)].

In Australia we delivered good growth of 6%[(1)], though market conditions and performances continued to vary significantly between states and specialisms. Growth in New South Wales and Victoria, which represent 56% of our Australia business, was excellent at 20%[(1)] and 16%[(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 up 38%[(1)] as we saw continued strength in our public sector business, which grew by 20%[(1)]. Our private sector business was flat[(1)].

At the specialism level, Construction & Property, our largest business in Australia, delivered strong growth of 10%[(1)]. IT also increased by 10%[(1)] and Accountancy & Finance grew 5%[(1)], although Resources & Mining declined 44%[(1)]. In New Zealand net fees decreased by 3%[(1)].

In Asia, which accounted for 24% of the division, net fees grew 11%[(1)]. In Japan, our largest business in Asia, net fees grew by 8%[(1)] and in China we delivered growth of 19%[(1)] and an all-time record quarterly performance.

Consultant headcount in the division was up 1% in the quarter and up 9% year-on-year. Consultant headcount in Australia & New Zealand was flat in the quarter but up 5% year-on-year, and in Asia was up 3% in the quarter and 16% year-on-year.

Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represented 42% of Group net fees, we delivered strong growth of 11%[(1)]. Net fee growth accelerated to 10%[(1)] in Germany, as we capitalised on our recent headcount investments in that market. Germany Temp net fees increased by 8%[(1)] and our Perm business delivered excellent growth of 22%[(1)]. Growth in our core IT & Engineering business was good at 8%[(1)] and within our newer specialisms Accountancy & Finance delivered strong growth of 12%[(1)].

In the rest of the division net fees grew by 14%(1). Within this, 13 countries delivered growth of 10%(1) or more, including key businesses such as Belgium, the Netherlands, Poland, Switzerland and Russia, the latter of which grew by 37%(1) despite the ongoing uncertainties in that market. Our businesses in Southern Europe continued their strong recovery with Italy growing by 12%(1), Portugal by 22%(1) and Spain by 47%(1). France, our second largest business in the division, delivered another good performance with net fees up 12%(1).

Net fees in Brazil were down 29%(1) as conditions remained tough, whilst the rest of Latin America delivered further good growth. In the US, the integration of the Veredus business into the Group is now complete and the business is performing in line with expectations. In Canada, net fees were down 8%(1), primarily as a result of challenging conditions in natural resources-related specialisms.

Consultant headcount in the division was up 7%(2) in the quarter and 14%(2) year-on-year, excluding Veredus which had 153 consultants at the end of September.

United Kingdom & Ireland

In the United Kingdom & Ireland, which represented 36% of Group net fees, we delivered solid 6%(1) growth. Temp was up 5%(1) and Perm 7%(1). Growth remained broad-based as six regions grew by 5% or more, including strong performances in the North West and London (ex-City), both of which grew by over 10%. The City of London grew by 3%. Ireland delivered an excellent performance with net fees up 31%(1).

Growth continued to be strong in our technical specialisms as both Construction & Property and IT grew 11%(1). Accountancy & Finance was flat(1) and Education, a predominantly public sector business, delivered excellent growth of 12%(1).

Our private sector business, which represented 72% of the division's net fees, delivered good, consistent growth of 6%(1). In our public sector business, net fees grew by 5%(1), however activity levels in this business slowed as the quarter progressed and the overall result was supported primarily by our strong Education performance, notably in Perm placements associated with the new academic year in September. Excluding Education, our public sector business grew by 3%(1) in the quarter.

Consultant headcount in the division was up 4% in the quarter and also up 4% year-on-year, primarily as a result of seasonal hiring in September.

Cash flow and balance sheet

Net debt was c.£70 million as of 30 September 2015 (30 June 2015: £30.7 million). The increase is due in part to the unwind of a c.£20 million benefit resulting from the timing of the year end date, as well as the timing and phasing of material cash flows in the quarter. We remain confident that we will eliminate net debt and move into a net cash position by the end of the current financial year.

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

(2) Excluding Veredus headcount of 153 as at 30 September 2015.

(3) 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 8 October 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	50088988#

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	662534#

Reporting calendar

Quarterly Update for the three months ending 31 December 2015	13 January 2016
Interim Results for six months ending 31 December 2015	24 February 2016
Quarterly Update for the three months ending 31 March 2016	14 April 2016
Quarterly Update for the three months ending 30 June 2016	14 July 2016

Hays Group overview

As at 30 June 2015, Hays had 9,023 employees in 240 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 5,969 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

This Quarterly Update (the “Report”) has been prepared in accordance with the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority and is not audited. No representation or warranty, express or implied, is or will be made in relation to the accuracy, fairness or completeness of the information or opinions contained in this Report. Statements in this Report reflect the knowledge and information available at the time of its preparation. Certain statements included or incorporated by reference within this Report may constitute “forward-looking statements” in respect of the Group’s operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance shall not be placed on any forwardlooking statement. Additionally, forward-looking statements regarding past trends or activities shall not be taken as a representation that such trends or activities will continue in the future. The information contained in this Report is subject to change without notice and no responsibility or obligation is accepted to update or revise any forwardlooking statement resulting from new information, future events or otherwise. Nothing in this Report shall be construed as a profit forecast. This Report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied upon as a guide to future performance. Liability arising from anything in this Report shall be governed by English Law, and neither the Company nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report. Nothing in this Report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.