

9 December 2024

Hays plc

Defined benefit pension scheme de-risked with full buy-in

- Purchase of a £370 million bulk annuity policy by trustee of the Hays Pension Scheme is the final and most significant step towards Hays fully insuring its UK defined benefit pension obligations.
- The Group's current £18.2 million annual deficit funding contribution has ceased, effective from the date of the transaction.
- A £12.6 million upfront cash contribution has been paid with an expected further c.£6 million of expenses to be paid through to final Scheme buy-out and wind-up.

Hays plc (the "Group"), the global leader in specialist recruitment and workforce solutions, is pleased to announce the de-risking of the Group's legacy UK defined benefit pension scheme (the "Scheme"), through a £370 million bulk annuity policy ("buy-in") entered into by the Scheme trustee with Pension Insurance Corporation plc ("PIC"). Building on the purchase of a bulk annuity policy with Canada Life for a premium of £270.6 million on 6 August 2018, the new PIC policy fully insures the Scheme's remaining benefit obligations.

The Hays Pension Scheme is a funded final salary defined benefit scheme providing pensions and death benefits to members, which was closed to future accrual from 30 June 2012 with pensions for the then-active members calculated up until the point of closure. The last formal actuarial valuation was performed at 30 June 2021 and quantified the Scheme deficit on a buy-out basis at £192.1 million. A deficit funding schedule, in line with the Group's strategy to achieve an eventual buy-out of the Scheme, was agreed with effect from 1 July 2021 which maintained the annual contribution at its previous level, subject to a 3% per annum fixed uplift over a period of five and a half years. The amount of deficit funding contributions related to the Hays Pension Scheme expected to be paid in the year to 30 June 2025 was £18.2 million.

As a result of the buy-in, all the financial and demographic risks relating to the Scheme's liabilities are now fully insured, with the two policies paying a regular stream of income that matches its pension payments to all members. This buy-in is the final and most significant step towards Hays fully insuring its UK pension obligations and, subject to customary post-transaction data reconciliations and adjustments, will provide the Group and the Trustee the option to proceed to a full buy-out and winding-up of the Scheme at which point it will be removed from the Group's balance sheet.

The transaction is expected to have the following financial implications:

- The elimination of pension related balance sheet volatility due to reduced inflation, interest rate and longevity risk.
- The Group's current £18.2 million annual deficit funding contribution has ceased, effective from the date of the transaction.
- A £12.6 million upfront cash contribution has been paid with an expected further c.£6 million of expenses to be paid through to final Scheme buy-out and wind-up.

James Hilton, Chief Financial Officer, said:

"Following constructive and collaborative dialogue with the Scheme trustee over several years, we are pleased to fulfil our longstanding ambition to achieve full buy-in of the Hays Pension Scheme, fully insuring the Scheme liabilities with a cost-effective approach that benefits all stakeholders."

"From a Hays perspective, the transaction eliminates pension related balance sheet volatility and is expected to have a materially positive impact on Group free cash flow from FY26. Our structurally improved cash generation will support investment in growth and the return of excess capital to shareholders in the medium-term."

Sean Burnard, Director at The Law Debenture Pension Trustee Corporation plc and Chair of Trustees of the Hays Pension Scheme, said:

"The buy-in transaction has helped us meet our objective of securing the pensions of all members of the Scheme. We are delighted to have partnered with PIC who were selected on their strong track record and excellent customer service. Being well prepared with good project management means we have secured good contractual terms with attractive pricing for our members."

This announcement contains inside information. The person responsible for releasing this announcement is Rachel Ford, General Counsel & Company Secretary.

Enquiries

Hays plc

Kean Marden
Robert Maguire

Head of Investor Relations & ESG
Investor Relations & ESG Manager

+44 (0) 333 010 7122
+44 (0) 333 010 7103

FGS Global

Guy Lamming / Anjali Unnikrishnan /
Richard Crowley

hays@fgsglobal.com

Hays Group overview

As at 30 September 2024, Hays had c.11,100 employees in 229 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 diversification and internationalisation of the Group, with the International business representing 80% of the Group's net fees in Q1 FY25, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 21 professional and skilled specialisms. Our four largest specialisms of Technology (25% of Group net fees), Accountancy & Finance (15%), Engineering (11%) and Construction & Property (10%) collectively represented c.61% of Group fees in FY24.

In addition to our international and sectoral diversification, in Q1 FY25 the Group's net fees were generated 61% from temporary and 39% from permanent placement markets. This well-diversified business model continues to be a key driver of the Group's financial performance.

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