

19 March 2024

SThree plc

FY24 Q1 Trading Update

Resilient performance underpinned by continued strong contract extensions

SThree plc ("SThree" or the "Group"), the only global specialist talent partner focused on roles in Science, Technology, Engineering and Mathematics ('STEM'), today issues a trading update covering the period 1 December 2023 to 29 February 2024.

Highlights

- Group net fees for FY24 Q1 down 6% YoY⁽¹⁾ against a record prior year performance⁽²⁾ and the ongoing challenging backdrop, with Contract (now 84% of net fees) down 2%.
- Contractor order book⁽³⁾ down 1% YoY to £184 million, representing sector-leading visibility with the equivalent of c.4 months of net fees.
- Strong balance sheet with net cash of £97 million at 29 February 2024 (28 February 2023: £64 million).
- Technology Improvement Programme remains on budget and on plan, with half of our cities in Germany initiated.
- Performance for FY24 currently expected to be in line with market expectations⁽⁴⁾.

Timo Lehne, Chief Executive, commented:

"Once again, we have delivered a good performance against a strong comparative and within a market environment that remains difficult from a new business perspective. Whilst the sentiment we are reporting is much the same as the prior period, the strength of our Contract extensions continues to be a particular highlight, demonstrating our clients' need to retain critical STEM skills and flexible talent.

We continue to make good progress with our Technology Improvement Programme, with our new end-to-end integrated platform now fully deployed in the US and initiated in Germany, providing our teams with the digital tools which will be key to driving both scale and higher margins over the mid-to-long term.

Whilst we look forward to the easing of the macro environment, our strategic focus, exposure to long-term megatrends, and progress to date delivering operational enhancements provide us with a resilient and financially robust foundation with the capacity and improved capabilities to deliver our ambitions and future growth."

Business performance highlights

The Group delivered a good net fee performance in the quarter against the backdrop of a record prior year performance and tough market conditions, with net fees down 6% YoY driven by continued softness in new business across Contract and Permanent, which was largely offset by strong Contract extensions.

Across both Contract and Permanent, the Group saw continued strong demand for Engineering roles, driven primarily by the Energy sector with renewables the fastest growing segment, while demand for Life Sciences and Technology roles continues to reflect ongoing market conditions and record comparatives for Technology.

Regionally, the Group saw strong growth in the Middle East and Asia, driven by exceptional performance in Japan across all three of our main skill verticals. Within the Group's largest three markets, which represent 72% of net fees

across all three of our main skill verticals. Within the Group's largest three markets, which represent 72% of net fees, the Netherlands achieved solid YoY growth due to strong Engineering and resilient Technology performances, while the USA was down, driven by declines in Life Sciences and Technology partially offset by an improving Engineering performance, and Germany was also down in spite of Engineering and Life Sciences growth, as the decline in Technology outweighed this performance.

As the Group remains focused on being positioned to respond as the market changes, average headcount for the quarter was down 12% YoY, whilst Group period-end headcount was flat versus FY23 Q4. Productivity ⁽⁵⁾ remains elevated above pre-pandemic levels achieved in FY19.

	Q1	Q1	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net fees	2024	2023	YoY (1)	YoY (1)	YoY (1)	YoY (1)	YoY (1)
Contract	£78.9m	£82.7m	-2%	-2%	-	-1%	+8%
Permanent	£14.8m	£19.9m	-21%	-17%	-31%	-	-12%
GROUP	£93.7m	£102.6m	-6%	-5%	-7%	-7%	+4%
Regions							
DACH ⁽⁶⁾	£31.5m	£36.8m	-13%	-5%	-6%	-7%	+8%
Netherlands (incl. Spain) ⁽⁷⁾	£19.8m	£18.7m	+8%	+5%	+9%	+4%	+6%
Rest of Europe ⁽⁸⁾	£15.6m	£17.5m	-10%	-8%	-5%	-7%	+4%
USA	£21.1m	£24.3m	-10%	-14%	-19%	-	-6%
Middle East & Asia ⁽⁹⁾	£5.7m	£5.3m	+20%	+16%	-14%	-5%	+19%
GROUP	£93.7m	£102.6m	-6%	-5%	-7%	-7%	+4%
Top five countries							
Germany	£27.6m	£32.7m	-14%	-6%	-6%	-8%	+7%
Netherlands	£18.4m	£17.9m	+6%	+2%	+5%	+1%	+4%
UK	£10.0m	£10.8m	-7%	-8%	-4%	-6%	+6%
USA	£21.1m	£24.3m	-10%	-14%	-19%	-	-6%
Japan	£2.5m	£2.1m	+41%	+24%	-4%	-2%	+7%
ROW ⁽¹⁰⁾	£14.1m	£14.8m	-4%	+4%	-5%	-2%	+12%
Group	£93.7m	£102.6m	-6%	-5%	-7%	-7%	+4%

Service mix	Q1 2024	Q1 2023
Contract	84%	81%
Permanent	16%	19%

Skills mix	Q1 2024	Q1 2023
Technology	47%	49%
Life Sciences	16%	19%
Engineering	29%	24%
Other	8%	8%

(1) All YoY growth rates expressed at constant currency.

(2) FY23 Q1 Group Net Fees up 4% YoY to £102.6m.

(3) The contractor order book represents value of net fees until contractual end dates, assuming all contractual hours are worked.

(4) Current consensus PBT expectation is £71.9m for FY24. Source: SThree compiled consensus.

(5) Productivity calculated as net fees divided by total average headcount.

(6) DACH - Germany, Austria and Switzerland.

(7) Netherlands (incl. Spain) - Netherlands and Spain, which is managed from the Netherlands.

(8) Rest of Europe - UK, Belgium, France, Luxembourg and Ireland.

(9) Middle East & Asia - Japan, UAE & Singapore.

(10) ROW - All other countries we operate in.

Analyst conference call

SThree is hosting a conference call for analysts and investors today at 8.30am to discuss the FY24 Q1 Trading Update. If you would like to register for the conference call, please contact SThree@almastrategic.com.

The Group will issue its trading update for the six months ended 31 May 2024 on 18 June 2024.

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Notes to editors

SThree plc brings skilled people together to build the future. We are the only global specialist talent partner focused on roles in Science, Technology, Engineering and Mathematics ('STEM'), providing permanent and flexible contract talent to a diverse base of over 7,200 clients across 11 countries. Our Group's c.2,700 staff cover the Technology, Life Sciences and Engineering sectors. SThree is part of the Industrial Services sector. We are listed on the Premium Segment of the London Stock Exchange's Main Market, trading with ticker code STEM.

Important notice

Certain statements in this announcement are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Certain data from the announcement is sourced from unaudited internal management information and is before any exceptional items. Accordingly, undue reliance should not be placed on forward looking statements.

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