

18 June 2024

SThree plc

FY24 Half Year Trading Update

Contract extensions continue to underpin resilient performance

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 for the half year ended 31 May 2024.

H1 Highlights

- Group net fees down 7% YoY⁽¹⁾ despite the ongoing challenging backdrop and against a strong prior year performance, with Contract down 4% and now representing 84% of net fees.
- Contractor order book⁽²⁾ down only 2% YoY to £182 million, representing sector-leading visibility, the equivalent of c.4 months of net fees.
- Strong balance sheet with net cash of £90 million at 31 May 2024 (31 May 2023: £72 million).
- Technology Improvement Programme remains on track, with the phased roll-out across Germany well underway.
- Performance for FY24 currently expected to be in line with market expectations⁽³⁾.

Timo Lehne, Chief Executive, commented:

"Against the challenges experienced by the sector, we are pleased with our trading performance over the past six months, with strong Contract extensions partially offsetting continued soft new business activity. The Group's unique business model, centred on scarce STEM skills and flexible talent solutions, continues to be a source of strength, aligned to the strategic priorities of our clients and providing sizeable growth opportunities across all our key markets. We are well placed to take full advantage when the market returns.

We continue to execute our growth strategy, including the phased roll-out of our Technology Improvement Programme. Following our successful launch in the US, our deployment in Germany is well underway. We are excited about the significant enhancements this will bring across our Group over the mid-to-long term, positioning us at the forefront of our industry."

Business performance highlights

The Group delivered a good net fee performance in the first half of the year against the backdrop of a strong prior year performance and current market conditions, with net fees down 7% YoY driven by continued softness in new business across Contract and Permanent, partially offset by strong Contract extensions.

Across both Contract and Permanent, the Group continued to see strong demand for Engineering roles, with record net fees for Engineering, driven primarily by the Energy sector. Renewables remains the fastest growing segment, up 15% YoY. Life Sciences and Technology performance 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 an exceptional performance in Japan reflecting growth across all three of our main skill verticals. Within the Group's largest three markets, which represent

72% of net fees, the Netherlands achieved robust YoY growth due to a strong contribution from Engineering, while the USA was down, driven by declines in Life Sciences and Technology partially offset by a strong Engineering performance, and Germany was also down reflecting levels of demand for Technology skills.

The Group remains focused on being positioned to respond as the market changes, with Group period-end headcount down slightly versus the end of the last financial year.

	H1	H1	H1	Q2 2024	Q1
Net fees	2024	2023	2024	YoY (1)	2024
			YoY (1)		YoY (1)
Contract	£158.7m	£170.0m	-4%	-6%	-2%
Permanent	£30.0m	£38.6m	-18%	-15%	-21%
GROUP	£188.7m	£208.6m	-7%	-8%	-6%
Regions					
DACH (4)	£64.2m	£74.5m	-12%	-10%	-13%
Netherlands (incl. Spain) (5)	£41.1m	£39.4m	+7%	+5%	+8%
Rest of Europe (6)	£31.3m	£35.2m	-10%	-10%	-10%
USA	£41.8m	£49.4m	-13%	-15%	-10%
Middle East & Asia (7)	£10.3m	£10.1m	+11%	+1%	+20%
GROUP	£188.7m	£208.6m	-7%	-8%	-6%
Top five countries					
Germany	£56.0m	£65.7m	-12%	-11%	-14%
Netherlands	£37.5m	£37.3m	+3%	-	+6%
UK	£20.0m	£21.9m	-9%	-11%	-7%
USA	£41.8m	£49.4m	-13%	-15%	-10%
Japan	£4.8m	£4.4m	+27%	+16%	+41%
ROW (8)	£28.6m	£29.9m	-3%	-2%	-4%
Group	£188.7m	£208.6m	-7%	-8%	-6%

Service mix	H1 2024	H1 2023
Contract	84%	81%
Permanent	16%	19%

Skills mix	H1 2024	H1 2023
Technology	48%	49%
Life Sciences	17%	19%
Engineering	29%	24%
Other	6%	8%

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

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

(3) Current consensus PBT expectation is £71.0 for FY24. Source: SThree compiled consensus.

(4) DACH - Germany, Austria and Switzerland.

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

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

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

(8) 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 Half Year Trading Update. If you would like to register for the conference call, please contact SThree@almastrategic.com.

Forward looking dates

The Group will issue its FY24 Half Year Results for the six months ended 31 May 2024 on 23 July 2024. In addition on that same day, the Group plans to host the third in its series of investor briefings at 14:00 GMT. This virtual webinar will focus on the Employed Contractor Model.

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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.2,600 staff cover the Technology, Life Sciences and Engineering sectors. SThree is part of the Industrial Services sector. We are listed on 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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