RNS Number : 3681X
SThree plc
23 July 2024

SThree plc

RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2024

RESILIENT PERFORMANCE IN H1 DRIVEN BY OUR CONTRACT BUSINESS

SThree plc ('SThree' or the 'Group'), the only global specialist talent partner focused on roles in Science, Technology, Engineering and Mathematics (STEM), today announces its financial results for the six months ended 31 May 2024.

FINANCIAL HIGHLIGHTS

Continuing operations	**H1 FY24**	**H1 FY23**	**Variance** *Reported*	**Variance** *Like-for-like*[1]
Revenue (£ million)	763.4	825.2	-7%	-5%
Net fees (£ million)	188.7	208.6	-10%	-7%
Operating profit (£ million)	37.7	38.1	-1%	+3%
Operating profit conversion ratio	20.0%	18.3%	+1.7% pts	+1.9% pts
Profit before tax (£ million)	39.0	38.5	+1%	+5%
Basic earnings per share (pence)	21.2	21.0	+1%	+5%
Interim dividend per share (pence)	5.1	5.0	+2%	+2%
Net cash (£ million)[2]	90.0	72.4	+24%	+24%

HALF-YEAR HIGHLIGHTS

- The Group delivered net fees of £188.7 million, down 7% YoY[3], despite the ongoing challenging backdrop and against a strong prior year performance.
    - Within our core skill verticals Engineering was up 8% driven primarily by the Energy sector, whilst Technology was down 9% and Life Sciences was down 16% driven by global sector trends.
    - Net fees across our three largest countries, representing 72% of Group: Netherlands up 3%, Germany down 12% and USA down 13%.
- Contract net fees, now representing 84% of Group net fees (H1 FY23: 81%), were down 4% as the ongoing softness in new business activity continues to be partially offset by strong client extensions; a demonstration of our clients' need to retain critical STEM skills and flexible talent.
- Contractor order book[4] of £182.1 million, down only 2% YoY despite a very strong prior year comparator, represents sector-leading visibility with the equivalent of circa four months' net fees.
- Profit before tax of £39.0 million (up 5% YoY[3]) due to lower average headcount for the half, tight cost control and the benefit of higher interest income.
- Strong balance sheet, with £90.0 million net cash as at 31 May 2024 (H1 FY23: £72.4 million).
- Interim dividend approved at 5.1 pence per share (H1 FY23: 5.0 pence).
- The Technology Improvement Programme remains on track, with the US live and deployments well under way in both Germany and the UK.
- Sustainable business practice and ESG commitments demonstrated by:
    - SThree's clean energy (renewables) business up 15% versus H1 FY23 (H1 FY23: up 29% versus H1 FY22).
    - 8% carbon reduction in absolute emissions in FY23[5] in comparison to FY19, our baseline year.
    - 37% of women (H1 FY23: 33%) in leadership as we progress towards achieving 50/50 representation in leadership.

OUTLOOK

- Contract extensions remain strong whilst new business activity continues to be subdued.
- Whilst market conditions have remained challenging for longer than anticipated, performance for FY24 currently expected to be in line with market expectations[6].
- Continued focus on investment and sequenced roll-out of the TIP across rest of the Group, strengthening the Group's position for long-term growth.

(1) *Variance compares reported H1 FY24 against reported H1 FY23 on a constant currency basis, whereby the prior financial period foreign exchange rates are applied to*

current and prior financial period results to remove the impact of exchange rate fluctuations.

(2) *Net cash represents cash and cash equivalents less borrowings and bank overdrafts and excluding leases.*

(3) *All YoY growth rates in this announcement are expressed at constant currency.*

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

(5) *Target not measured at mid-year.*

(6) *Current consensus PBT expectation is £69.2 million. Source: SThree compiled consensus.*

Timo Lehne, Chief Executive Officer, commented:

"Given the challenges faced across the sector, our resilient performance in the first six months of the financial year has been pleasing. Strong Contract extensions have continued to underpin performance despite subdued new business activity. Our unique business model focused on specialist STEM skills and flexible talent solutions, continues to power our performance, supported by global megatrends driving long-term demand for the skills we place.

We continue to progress with the Technology Improvement Programme, which overall remains on track and on budget, and we are delighted with the progress we have made so far with our phased roll out. Three of our largest markets are now transacting business through the platform and we are already starting to see early evidence of operational efficiencies, and we are excited by the additional scale benefits to be realised as we continue on our journey to becoming a digital-first innovator.

As we enter the second half of the year, market sentiment remains largely unchanged. Contract extensions continue to be robust as clients seek to retain much-needed STEM expertise, and we are well covered in our focussed skills specialism and markets for when macroeconomic conditions ease. Through this, we remain laser focussed on executing our vision and we continue to be bold in our ambition. With our people, position and processes coming together in line with our digital-first vision, the long-term future is bright."

Analyst conference call

SThree is hosting a webinar for analysts and investors today at 08:30 BST to present the Group's results for the six months ended 31 May 2024.

In addition, at 14:00 BST, the Group will host the third in its series of investor briefings. This virtual webinar will focus on the Employed Contractor Model.

If you would like to register for these conference calls, please contact SThree@almastrategic.co.uk.

SThree will issue its Q3 trading update on 24 September 2024.

The person responsible for this announcement is Kate Danson, Company Secretary.

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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 nearly 4,800 clients (with whom we worked in H1 FY24) across 11 countries. Our Group's circa 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.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

The Group's performance in the first half of the year has continued to demonstrate the strength of our unique operating model and proposition centred on sourcing STEM skills and flexible talent. Within the context of a persistent challenging market, which has weighed on the wider sector, the Group delivered net fees down 7% from record highs in the prior year and comfortably above pre-covid levels, underpinned by a robust Contract performance (down 4%). Alongside the resilient net fee performance, the Group delivered operating profit of £37.7 million, up 3% YoY, and ended the period with £90.0 million of net cash.

Further to this we have started to see the early rewards of our efforts to move beyond the status quo and to do things differently. We took the bold decision two years ago to initiate our Technology Improvement Programme (TIP) to position SThree as a digital-first organisation, supercharging our teams through an end-to-end technology platform to drive efficiencies and scale. With three of our largest markets now transacting through early iterations of the platform, we are pleased to see the first stage of benefits starting to materialise in the form of operational efficiencies, and we look forward to the top line benefits that will come, as anticipated, as the roll-out progresses. Significant change programmes like this can be difficult for teams to adapt to. We're proud of how our teams have risen to the challenge and would like to take this opportunity to thank them for their commitment.

The real-world impact of our work has meant we have been able to help over 6,198 highly skilled STEM professionals successfully secure their next career role, connecting them with dynamic organisations in industries that are at the forefront of innovation and development. More broadly, in the first six months of the year, we have positively impacted 9,280 lives through our work and engagement with community initiatives, grown our clean energy business by double-digits, invested in our teams and continued to execute our ambitious growth strategy to ensure we are putting ourselves in the best position to win and grow shareholder value for the long-term.

A business model positioned for a changing world

Whilst in the short term wider markets continue to be characterised by uncertainty, causing many businesses to pause on new project spend and investment initiatives, the conviction that our Contract and STEM focus positions us at the centre of two long-term structural growth drivers is stronger than ever. All the evidence suggests that STEM skills are in short supply with many businesses in our key markets struggling to recruit the STEM skills they need [1].

The widening gap between demand and supply of STEM skills has been accelerated with the surge in adoption of generative-AI and machine learning technologies. As a McKinsey Global Survey reports, AI adoption worldwide has increased dramatically in the past year, with 72% of respondent organisations having adopted AI in at least one business function, up from a consistent c.50% over last six years[2]. However, it has been shown that to fully embed AI and achieve meaningful value from technology investment, organisations must invest twice as much in people as they do in technologies[3]. Businesses across all industries must find the expertise to fill new types of roles, such as data analytics and AI engineers, if they seek to harness the efficiency of modern technologies.

We partner with diverse clients across sectors to connect them with communities of sought-after specialists through a full suite of services that meet both client and candidate needs, including Independent Contractors (IC), Employed Contractors (ECM) and Permanent placements. Our strategic focus on Contract, now representing 84% of Group total net fees, is a conscious effort to align our business to the changing dynamics in the work environment and the growing need for adaptability. Flexible talent encompasses contract workers, part-time specialists and project-based teams who can pivot and adapt to the fast-evolving requirements of the STEM industries. This approach allows us to offer solutions that are not only responsive to the immediate needs of businesses but also support the preference of our candidate community.

This focus gives rise to our unique model that delivers quality earnings and sector-leading visibility through cycles. With continued strong Contract extensions from our clients during the period, the Contract Order Book was down only 2% YoY to £182.1 million, and represents the equivalent of circa four months of net fees, partially offsetting the soft new business environment.

Strategy execution and focus

We pursue our market opportunity with a highly disciplined approach to capital allocation and with a clear strategy centred on four strategic pillars. I am pleased to report that we continued to make meaningful progress against all four, moving us closer to our vision of being the #1 STEM talent partner in the best STEM markets, with scale and sustainable margins. As we drive best practice through the business, work closer together as a global team and challenge ourselves to do things better and more efficiently, our belief is that as these pillars come together, we can redefine our future business model and unlock further growth potential.

Our Places - knowing where to play, play where we can win

Our strict market investment model informs the regional and vertical mix we choose to operate in, with our active market coverage targeted to the 11 largest STEM markets worldwide. As we regularly assess and analyse our position within these markets, we are excited by the opportunities we see. Our average market share remains at a modest 3%, ranging from 0.1% in Japan to 6% in the Netherlands where we hold a market leading position. As such, this leaves exponential scope to leverage our position to grow both organically and, given the highly fragmented supplier landscape, through selective M&A.

We are maintaining our disciplined and focused headcount investment in the market and skill verticals that provide the best long-term growth opportunities and where we see the potential for the strongest returns as the market recovers. To support our growth ambitions in the regions, we have continued to evolve our insights platform, and provide internal and external data to our consultants to go deeper in our skills specialisms. We have continued to align our consultants along very clear skills verticals by region, and bring further clarity to the skills that we recruit for.

Our Platform - digital first

The overall TIP continues to progress on track and on budget. The first iteration of our platform is deployed across our US business and is undergoing continuous improvement as more and more data flows through the platform, driving richer, bespoke insights. Our second major regional roll-out in Germany is well underway and we have now initiated our third regional roll-out in the UK. With each regional roll-out, we are absorbing new learnings and becoming increasingly efficient in our deployments.

As at the end of H1, we had processed over 38,000 invoices, equating to nearly £160 million of revenue. As we have stated before, cost efficiencies will be the first benefit to materialise before we start to generate productivity proof points from our early deployments. We are pleased to share that in line with our expectations, in the US we have already seen material cost efficiencies with further savings expected as systems are fully bedded in. We are well on our journey to becoming a digital-first innovator and we continue to see this programme as a key ingredient to driving higher margin growth over the medium term.

Our People - best employer, best people

The resilient results we have delivered in the period reflect the talent and capabilities of our global teams, who strive to bring our clients innovative solutions to their unique needs, delivered with best-in-class customer service. During the period, we have made several enhancements to our employee value proposition, with a focus on employee engagement and inclusion, to ensure we continue to attract and retain the best talent. As part of this, we launched senior leadership development programmes in partnership with Deloitte and St Gallen Business School to support talent management and succession. We also witnessed the completion of the third cohort of our women in leadership talent accelerator programme. In addition, we dedicated particular focus in the period to our sales function, reviewing and enhancing processes to support retention and productivity and ensuring we have the right structures in place to support ambition.

A core focus of our TIP has been engagement and collaboration with our global teams, ensuring everyone plays a role in our journey. We understand that technology is only as good as how it is utilised, and it is pleasing to see the excitement within the teams for the adoption of our new platform. New learnings are being embedded through the organisation everyday through our transformation learning programmes, and through this change, we are delighted to have achieved an eNPS of 45 for H1 (H1 FY23: 47), comfortably maintaining our position in the top quartile of professional services companies.

Our Position - a winning brand with competitive and differentiated value propositions

We capture our market opportunity through our 'house of brands' approach, leveraging the strong brand-value we have in our specialist vertical skills. During the period, we have taken this to the next level by investing in our brand websites and go-to-market channels, as well as enhanced our digital marketing capabilities to drive mass lead generation. Unchanged through the period is our reputation as a trusted partner, which remains core to our proposition. Our customer-centric focus means we work hard to understand and collaborate with our clients to address their needs quickly and effectively, reaffirming our leadership in the STEM talent staffing sector.

Our focus as we look ahead into H2 is to further optimise our strong go-to-market brands by tying them closer to the Group, including the development of new, aligned visual identities, to leverage their collective brand value across our markets and skills. We will further reinforce our Group market position through new thought leadership initiatives, including our next STEM survey report launching in H2.

Current trading and outlook

As we enter the second half of the financial year, market sentiment remains largely unchanged. Commitment to new project expenditure is taking longer resulting in continued subdued new business activity, however Contract extensions remain robust as clients seek to retain much-needed STEM skills. As we look ahead to improving market conditions, we continue to tightly manage costs and remain highly focused in our targeted investments, ensuring we are well positioned to capitalise when the market returns. As a result, we currently expect FY24 performance to be in line with market expectations, and we remain well covered in our focussed skills specialism which are aligned to client requirements. We believe we are in the right sectors, the right markets, with the right teams, and we continue to be bold in our ambition. With our people, position and processes coming together in line with our digital-first vision, the long-term future is bright.

[1] *Source:* New survey of European companies highlights critical labour and skills shortages | BusinessEurope

Source: Improving workforce development and STEM education to preserve America's innovation edge | Brookings

[2] *Source:* The state of AI in early 2024: Gen AI adoption spikes and starts to generate value | McKinsey

[3] *Source:* What will developers do with 40% more time? | SThree

COMMITMENT TO BEING A RESPONSIBLE BUSINESS

We continue to make steady progress towards our ESG targets during the first half of the current year (against an FY19 baseline year). Our organisational purpose is rooted in delivering sustainable outcomes and we have continued to enhance our local communities through access to decent work and tackling career inequalities. Despite a challenging market we have continued to invest in building a diverse talent pipeline for our clients whilst addressing barriers to STEM career paths for those underserved in the locations where we operate.

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During this period, we have also continued to see our clean energy business (renewables) grow at pace as the world continues to focus on decarbonisation, a megatrend underpinned by STEM skills. Whilst supporting our clients to decarbonise their value-chain, we have also spent the first half of this year strengthening our own net zero transition plans to ensure we make progress to achieve our science-based targets.

Further details of our net zero targets and wider ESG commitments can be found in our Impact Report on our website. Progress within the first half of this financial year is detailed below:

	To positively impact 150,000 lives by FY24	**To double the share of our global clean energy business by FY24**	**To reduce our scope 1 and 2 emissions by 77% and reduce scope 3 emissions by 50% by FY30***	**We aspire to increase the representation of women in leadership to 50/50**
Progress	123,746 lives positively impacted by SThree since FY19 (baseline year).	173% growth in our clean energy business net fees since FY19 (baseline year).	31% increase in scope 1 & 2 and 12% reduction in scope 3 in FY23 from FY19 (baseline year). Totalling an 8% reduction in absolute emissions.	37% of leadership positions held by women.
H1 FY24 half year activities	9,280 lives positively impacted: 6,198 accessed decent work through SThree placements. 829 accessed our career support programme. 2,015 lives impacted through community initiatives.	15% YoY growth in our clean energy business net fees in H1 FY24.	Established our Net Zero working group and made progress towards developing a detailed Net Zero action plan.	Completed our third cohort of our talent accelerator programme for women. Launched our global women's network.
Alignment to strategic pillars	People Position	Places	Platform	People
Relevant UN Sustainable Development Goals	SDG 4. Quality Education SDG 8. Decent Work and economic growth SDG 10. Reduced inequalities	SDG 7. Affordable and clean energy SDG 13. Climate action SDG 17. Partnerships for the goals	SDG 13. Climate action	SDG 10. Reduced inequalities

** Full SECR reporting is available in our FY23 Annual Report and Accounts.*

GROUP OPERATIONAL REVIEW

Overview

The Group delivered a resilient net fee performance in the first half of FY24 with net fees down 7% YoY despite the ongoing challenging market conditions and against the record prior year performance.

Our Contract business, which is our main strategic area (representing 84% of Group), saw net fees decline by 4% YoY. Contract lengths increased 9% YoY to 51 weeks, while pricing remained robust. The contractor order book closed at £182.1 million which, whilst down only 2% YoY, continues to provide sector-leading visibility. Permanent net fees were down 18% YoY reflecting both global market conditions together with our targeted investment towards Contract in specific markets. Average permanent headcount was down 13% YoY.

From a skill verticals perspective, the Group saw continued strong demand for Engineering roles, up 8% YoY, driven primarily by the Energy sector, with clean energy (renewables) the fastest growing segment, while net fees for placements into Technology roles, our largest discipline, were down 9% YoY and Life Sciences declined 16% YoY primarily driven by the global market conditions in the sector, though still broadly in-line with pre-Covid levels.

Overall, Group reported operating profit was £37.7 million (H1 FY23: £38.1 million), up 3% YoY on a like-for-like basis, driven primarily by lower personnel costs, with average headcount down 10% YoY, along with tight cost management. The operating profit conversion ratio for the half was 20.0%, which we expect to temper in the second half of the year due to planned investments together with additional license and amortisation costs as the Technology Improvement Programme (TIP) is rolled out across the Group.

The Group period-end headcount declined marginally by 2% compared to the end of FY23, as we remain focused on managing our business prudently, whilst also ensuring we are ready to respond when the market improves. Productivity in the first half was up 4% YoY as the rate of net fee decline was lower than average headcount decline, reflecting careful management of natural churn.

Update against our 2024 ambitions

In line with our 2024 ambitions to deliver growth and value for our Group and all stakeholders, we continued to make good progress on our journey to become the number one STEM talent provider in the best global STEM markets. In the six months ended 31 May 2024, our key achievements included:

- Market share: Our net fee growth vs FY19 remains ahead of our peer group in all core geographies.
- Conversion ratio: Achieved an operating profit conversion ratio of 20% in H1 FY24. We remain committed to our ambition of achieving margins at 21% or higher in the mid to long-term, however as previously stated we expect current macro-economic headwinds to dampen margin progression in the short term.

- People: Group-wide eNPS was 45 at H1 FY24, two points up since the year end. Our recognition schemes, goal setting, performance feedback and progress made in the roll-out of the TIP were identified as strengths which support the efforts in creating a high performance culture. Our eNPS remains within the top quartile of Professional Services industry.
- Planet: Reduced our carbon emissions by 8% versus FY19 (the base year). To contribute towards the global fight against climate change, we launched several actions to educate and influence sustainable behaviours across the business to ensure we make progress towards our SBTi net zero targets which were announced in April 2023. We also grew our clean energy business net fees by 15% YoY, to represent 11% of Group net fees at H1 FY24.
- Positively impacted over 9,280 lives through delivering recruitment solutions and community programmes in H1 FY24 alone.

Group net fees	% of Group	H1 FY24 (£000)	H1 FY23 (£000)	Variance	
				Reported	*Like-for-like*[1]
Geographical mix					
DACH	34%	64,197	74,476	-14%	-12%
USA	22%	41,841	49,364	-15%	-13%
Netherlands including Spain	22%	41,121	39,381	+4%	+7%
Rest of Europe	17%	31,311	35,178	-11%	-10%
Middle East & Asia	5%	10,273	10,192	+1%	+11%
Total	**100%**	**188,743**	**208,591**	**-10%**	**-7%**
Skills mix					
Technology	48%	90,153	101,712	-11%	-9%
Engineering	29%	53,956	51,223	+5%	+8%
Life Sciences	17%	31,618	38,958	-19%	-16%
Other	6%	13,016	16,698	-22%	-20%
Total	**100%**	**188,743**	**208,591**	**-10%**	**-7%**
Service mix					
Contract	84%	158,712	169,982	-7%	-4%
Permanent	16%	30,031	38,609	-22%	-18%
Total	**100%**	**188,743**	**208,591**	**-10%**	**-7%**

(1) All YoY growth rates in this announcement are expressed at constant currency.

Business mix

The Group is well diversified, both geographically and by the skills we place across multiple sectors. Our top three countries now represent 72% of Group net fees, with Germany accounting for 30%, USA 22% and the Netherlands 20% of Group net fees.

Our Contract business declined by only 4% on a like-for-like basis against a record prior year performance and now represents 84% of the Group net fees. Our Permanent business, which now represents 16% of the Group net fees, saw net fees decline 18% in the current financial period, with average Permanent headcount down 13% YoY. Our market invest model enables us to continually review our markets to prioritise investments where we see opportunities for growth and the strongest returns.

Engineering, which represents 29% of the Group net fees, grew by 8% across most regions, driven primarily by the Energy sector. Clean energy business (renewables) remains the fastest growing segment, up 15% YoY. This was offset by the decline in Technology of 9% YoY, and in Life Sciences of 16% YoY due to reduced global expenditure in that sector. Technology and Life Sciences now represent 48% and 17% of the Group net fees respectively.

Operational review by reporting segment

DACH (34% of Group net fees)

Performance highlights	H1 FY24	H1 FY23	Variance	
			Reported	*Like-for-like*
Revenue (£'000)	229,962	264,512	-13%	-11%
Net fees (£'000)	64,197	74,476	-14%	-12%
Average total headcount (FTE)	818	907	-10%	n/a

- DACH is our largest region comprising businesses in Austria, Germany and Switzerland, with Germany accounting for 87% of net fees.
- The region saw net fees decline by 12% YoY, with our Technology business down 15%, but partially offset by Engineering business, up 4% YoY.
- DACH Contract net fees were down 6% YoY and Permanent net fees were down 26%.
- Germany's net fees were down 12% YoY driven by Technology which was down 16% due to market conditions across that sector.
- Switzerland saw net fees decline 2% and Austria net fees declined 9%.

USA (22% of Group net fees)

Performance highlights	H1 FY24	H1 FY23	Variance	
			Reported	*Like-for-like*
Revenue (£'000)	154,463	164,019	-6%	-3%
Net fees (£'000)	41,841	49,364	-15%	-13%
Average total headcount (FTE)	[illegible]	[illegible]	[illegible]	n/a

Average total headcount (FTE)	412	509	-19%	n/a

- The USA is the world's largest specialist STEM staffing market and our second-largest region on a net fee basis. It remains a key area of focus for the Group, and we will continue to invest in the region as we align our resources with the best long-term opportunities.
- USA saw net fees decline 13% YoY. Contract, which represents 91% of net fees, was down 8% YoY driven by Life Sciences, down 20% YoY and Technology, down 24% YoY, in line with the market conditions. Technology job posting volumes were down by 26% in the first half of the year with soft demand in the key areas of software development, infrastructure, and big data. Strong growth in Engineering, up 10%, helped to partially offset the declines in the other two skill verticals.
- Permanent, which represents 9% of net fees, declined 40% driven by Life Sciences and due to the accelerated transition towards Contract.

Netherlands including Spain (22% of Group net fees)

			Variance	
Performance highlights	**H1 FY24**	**H1 FY23**	*Reported*	*Like-for-like*
Revenue (£'000)	175,913	177,497	-1%	+1%
Net fees (£'000)	41,121	39,381	+4%	+7%
Average total headcount (FTE)	415	436	-5%	n/a

- Net fees for the region were up 7% YoY, with Contract up 6% and Permanent up 20%.
- The Netherlands, our largest country in the region which accounts for 91% of net fees, delivered robust net fee growth of 3% YoY. Contract was up 1% YoY and Permanent saw strong growth of 21% with overall performance supported by growth in Engineering, up 10%, partially offset by decline in Life Sciences and Technology, down 5% and 2% respectively.
- Spain saw strong growth of 73% in the first half, driven by Technology and Engineering.

Rest of Europe (17% of Group net fees)

			Variance	
Performance highlights	**H1 FY24**	**H1 FY23**	*Reported*	*Like-for-like*
Revenue (£'000)	181,709	197,221	-8%	-7%
Net fees (£'000)	31,311	35,178	-11%	-10%
Average total headcount (FTE)	442	542	-18%	n/a

- Rest of Europe comprises of businesses in the UK, Belgium and France.
- Net fees declined 10% YoY, which includes the impact of restructured markets. Excluding these, net fees for the region would have been down 7%. Contract, which represents 97% of net fees for the region, declined 7%, with Permanent declining 53%, driven by both market conditions and the transition towards Contract, particularly prominent in the UK.
- The UK, our largest country in the region, saw net fees decline 9%, with growth in Engineering, up 18% YoY, outweighed by declines in Life Sciences and Technology, down 26% and 5% respectively.
- Belgium saw net fees down 7% and France was up 2%.

Middle East & Asia (5% of Group net fees)

			Variance	
Performance highlights	**H1 FY24**	**H1 FY23**	*Reported*	*Like-for-like*
Revenue (£'000)	21,357	21,962	-3%	+5%
Net fees (£'000)	10,273	10,192	+1%	+11%
Average total headcount (FTE)	193	189	+3%	n/a

- Our Middle East & Asia business principally includes Japan, UAE and Singapore, and accounts for 5% of Group net fees.
- Net fees were up 11% YoY (excluding the impact of the restructured markets, up 18%), with Contract down 13% and Permanent up 24%. Japan, which represents 47% of the region, delivered an exceptional performance for the first half, up 27% YoY, driven by Engineering due to demand for roles within clean energy business.
- Strong performance in UAE with net fees growing 9% driven by roles in Finance and Life Sciences.

CHIEF FINANCIAL OFFICER'S REVIEW

The Group has delivered a resilient net fee performance in the first half of FY24, with net fees down 7% YoY, against the backdrop of a strong prior-year performance and current macro-economic uncertainties. This is the third best H1 performance on record, up 18% on pre-Covid performance. The performance is supported by the strength of our well-established strategy, focused on STEM and flexible talent.

Income statement

On a reported basis revenue for the half year was down 7% to £763.4 million (H1 FY23: reported £825.2 million) while net fees decreased by 10% to £188.7 million (H1 FY23 £208.6 million). The weakening of our two main trading currencies, the US Dollar and the Euro, against Sterling during the year, decreased the total net fees by £5.0 million. Therefore, when presented on a constant currency basis, the net fees decreased by 7% YoY.

Net fees in our Contract business, which represented 84% of the Group net fees for the half year (H1 FY23: 81%), declined by 4%, driven by the ongoing softness in new business but partially offset by continued strong contract extensions. Across our core regions, only the Netherlands saw growth in Contract net fee income, which was up 1%, thanks to strong demand for Engineering skills. In the US, Contract net fees, which now account for over 90% of the region total net fees, were down 8% YoY primarily due to its exposure to Life Sciences, while DACH was down 6% reflecting softer demand for Technology skills. Rest of Europe Contract performance was down 7%, though while DACH was down 6%, reflecting softer demand for Technology skills. Rest of Europe Contract performance was down 7%, though excluding restructured markets would have been down 5% YoY. Middle East & Asia was down 13%. Skills-wise Engineering was up 8% YoY, with Life Sciences down 16% and Technology down 9%, reflecting global market conditions. The Group Contract net fee margin, calculated as Contract net fees as a percentage of Contract revenue[1] remained flat YoY at 21.7% (H1 FY23: 21.7%).

The contractor order book was down 2% YoY and continues to provide good visibility into the remainder of FY24. Under the Contractor model, net fees are earned on a month-by-month basis, with the contract order book reflecting the value of net fees under contract but yet to be recognised. During softer market conditions, this provides resilience with visibility over the recurring-like nature of monthly contract fees as contracts run their course (Contract 'finishers'). In a market recovery context, the Board would expect the contract order book to gradually increase as and when new placements outpace finishers over a sustained period through the year.

Permanent net fee income was down 18% reflecting market conditions across all regions, together with our targeted investment towards Contract. Our largest Permanent market, DACH, reported a decline of 26%. Netherlands region was up 21%, Rest of Europe down 53%, USA down 40%, and Middle East & Asia was up by 24%. Permanent average fees increased by 12% YoY in the period, with average permanent fee margin (net fees as a percentage of salary) now at 27.3% (H1 FY23: 26.6%).

Operating expenses decreased by 11% YoY on a reported basis, amounting to £151.0 million (H1 FY23: £170.5 million). Overall, the reported operating profit was £37.7 million (H1 FY23: £38.1 million), up 3% YoY on a like-for-like basis, while the Group operating profit conversion ratio increased to 20.0% (H1 FY23: 18.3%). We expect the conversion ratio to temper in the second half of the year due to additional licensing and amortisation costs as we roll out the Technology Improvement Programme alongside planned investments to ensure the Group is well positioned for when market conditions improve. Productivity was up moderately YoY as average headcount was down resulting in personnel costs declining faster than net fees; this reflects careful management of natural churn. The net currency movements versus Sterling were unfavourable to the operating profit, reducing it by £1.5 million.

Net finance income

The Group received net finance income of £1.3 million as compared to net finance income of £0.4 million in the previous year. The YoY increase was driven by certain short-term investments into money market funds.

Income tax

The total tax charge for the half year on the Group's profit before tax was £10.9 million (H1 FY23: £10.8 million), representing an estimated full-year effective tax rate (ETR) of 27.9% (H1 FY23: 28.1%). The Group's ETR varies depending on the mix of taxable profits by territory, non-deductibility of the accounting charge for LTIPs and other one-off tax items.

Overall, the reported profit before tax was £39.0 million, up 5% YoY in constant currency and up 1% on a reported basis (H1 FY23: £38.5 million).

The reported profit after tax was £28.1 million, up 5% YoY in constant currency and up 2% on a reported basis (H1 FY23: £27.7 million).

Earnings per share (EPS)

The reported EPS was 21.2 pence (H1 FY23: 21.0 pence). The YoY movement is attributable to the overall resilient trading performance, combined with lower average headcount, tight cost control and higher net interest in the first half, partially offset by an increase of 0.7 million in the weighted average number of shares. Reported diluted EPS was 20.8 pence (H1 FY23: 20.4 pence). Share dilution mainly results from various share options in place and expected future settlement of certain tracker shares. The dilutive effect on EPS from tracker shares will vary in future periods, depending on the profitability of the underlying tracker businesses and the settlement of vested arrangements.

Dividends

The Board monitors the appropriate level of dividend, taking into account achieved and expected trading of the Group, together with its balance sheet position. The Board aims to offer shareholders long-term ordinary dividend growth within a targeted dividend cover range of 2.5x to 3.0x through the cycle.

The Board proposes to pay an interim dividend of 5.1 pence (H1 FY23: 5.0 pence), amounting to c.£6.8 million in total. This will be paid on 6 December 2024 to shareholders on record on 8 November 2024. The dividend will be paid from distributable reserves.

Liquidity management

In H1 FY24, cash generated from operations was £41.6 million (H1 FY23: £55.1 million). The decrease was primarily driven by the lower rate of new placement activity, partially offset by robust Contract extensions. Income tax paid decreased to £11.4 million (H1 FY23: £10.2 million) in line with the trading performance across our markets.

Capital expenditure increased to £5.0 million (H1 FY23: £3.0 million), primarily driven by the continued development and roll-out of the Group-wide Technology Improvement Programme. The capital expenditure also included costs of leasehold improvements across our office portfolio.

The Group paid £7.1 million in rent (principal and interest portion) (H1 FY23: £7.7 million). Net interest income (excluding interest on lease payments) was £1.7 million (H1 FY23: net interest income £0.6 million) during the period. The Group spent £10.0 million (H1 FY23: £10.0 million) on the purchase of its own shares to satisfy existing employee share incentive schemes. Cash inflows of £0.4 million (H1 FY23: £0.1 million) were generated from Save As You Earn employee scheme.

Dividends payments were £0.5 million and included £0.3 million in payments to shareholders who claimed FY23 interim dividend post the year end, and £0.2 million in payments for unclaimed dividends due to shareholders from prior years (2019-2023). In the comparator period, H1 FY23, dividend payments amounted to £20.5 million, and comprised the FY22 interim dividend paid in December 2022 and the FY22 final dividend for which funds were transferred to the share administrator in May 2023.

Foreign exchange had a negative impact of £2.9 million (H1 FY23: positive impact of £2.6 million).

Overall, the underlying cash performance in the first half of FY24 was very strong, reflecting underlying profits for the half offset by share purchases for the Employee Benefit Trust and capital expenditure on TIP. We started the year with net cash of £83.2 million and closed the period with net cash of £90.0 million.

Accessible funding

The Group's capital allocation priorities are financed mainly by retained earnings, cash generated from operations, and a £50.0 million Revolving Credit Facility (RCF). This has remained undrawn during the period, but any funds borrowed under the RCF would bear a minimum annual interest rate of 1.2% above the benchmark Sterling Overnight Index Average (SONIA). The Group also maintains a £30.0 million accordion facility as well as a substantial working capital position reflecting net cash due to SThree for placements already undertaken.

During the current period, the Group did not draw down any of the above credit facilities (H1 FY23: £nil).

On 31 May 2024, the Group had total accessible liquidity of £145.0 million, made up of £90.0 million in net cash (H1 FY23: £72.4 million), the £50.0 million RCF and a £5.0 million overdraft facility (undrawn at the half-year end).

Capital allocation

SThree remains disciplined in its approach to allocating capital, with the core objective at all times being to maximise shareholder value. The Group's capital allocation policy is reviewed periodically by the Board and was refreshed at the start of 2024:

- Balance sheet - our intention is to maintain a strong balance sheet at all times to provide operational flexibility throughout the business cycle.
- Dividend - we aim to pay a sustainable dividend, with a commitment to a through the cycle dividend cover range of 2.5x to 3.0x of EPS.
- Deployment of capital prioritised in the order of:

1. **Organic growth:** Investing in our people and ensuring sufficient working capital on hand to fund growth in the contractor order book while developing new business opportunities.
2. **Business improvement:** Digitalising our business, putting in place the technology and tools that are key to driving both scale and higher margins.
3. **Acquisitions:** Strict inorganic growth discipline, with a focus on complementary and value enhancing acquisitions.
4. **Capital return to shareholders:** After all organic and inorganic opportunities within an appropriate time horizon have been assessed, further cash returns to shareholders may be considered.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is a key part of our business, values and culture. Effective risk management enables us to both protect the value of our business and to proactively manage threats to the delivery of strategic and operational objectives, while enhancing the realisation of opportunities.

Our approach to risk management is flexible to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business/macro-economic conditions.

During HY24, there continues to be focus on the principal risks with oversight of activities and controls to further mitigate these risks alongside monitoring of key risk indicators to ensure any negative changes are proactively addressed. We continue to make positive progress in risk mitigation activities and continue to monitor the ongoing broader macro-economic situation and assess the impact that this could have on principal risks for the Group.

The principal risks and uncertainties that the Company expects to be exposed to in the second half of FY24 are substantially the same as those described in the 'Risk management' section of SThree plc Annual Report and Accounts FY23 (pages 78-82). The only principal risk which has changed from FY23 year-end is detailed below. All other principal risks for the Group: Future Growth; Macro-economic Environment; Strategic Change Management; Contractual Liability; People; Data Privacy; Cyber Security; Regulatory Compliance; and Health and Safety remain unchanged but with positive movement on mitigating activities.

Risk	Mitigation	Change from FY23 year end
Commercial relationship SThree may suffer financial loss through bad debt write off or working capital impairment due to inappropriate credit terms agreed when entering into commercial relationship/s with either direct customers or intermediaries if they are unable to fulfil their obligation.	• Robust payment terms oversight through a credit risk dashboard. • Regular review of high-risk customers with risk mitigation steps being managed by our credit risk analysts. • Contract review and payment terms escalation process.	Slight increase in gross and net risk due to external macro-economic factors and transitory impact of the transition to a new ERP system.

The materialisation of our principal risks, either separately or in combination, could have an adverse effect on the implementation of our strategic priorities, our business model, financial performance, cash flows, liquidity, shareholder value and other key stakeholders.

Please refer to our FY23 Annual Report and Accounts for further detail on our risks, available at www.sthree.com/en/investors/financial-results/.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

(a) the condensed consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole for the period ended 31 May 2024 as required by the Disclosure Guidance and Transparency Rules sourcebook of the UK FCA (DTR) 4.2.4R; and

(b) the half-year results announcement includes a fair review of the significant events during the six months ended 31 May 2024 and a description of the principal risks and uncertainties for the remaining six months of the year ending 30 November 2024 in line with the requirements of UK FCA (DTR) 4.2.7R;

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).The Directors of SThree plc are listed in the SThree plc Annual Report and Accounts for 30 November 2023. A list of the current Directors is maintained on the Group's website www.sthree.com.

The Group's condensed consolidated interim financial statements, and related notes, were approved by the Board and authorised for issue on 23 July 2024 and were signed on its behalf by:

Timo Lehne	Andrew Beach
Chief Executive Officer	Chief Financial Officer

23 July 2024

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 May 2024

£'000	Note	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Continuing operations			
Revenue	**2**	763,404	825,211
Cost of sales		(574,661)	(616,620)
Net fees	**2**	**188,743**	**208,591**
Administrative expenses	**3**	(150,055)	(168,232)
Impairment losses on financial assets		(987)	(2,238)
Operating profit		**37,701**	**38,121**
Finance income		1,813	691
Finance costs		(514)	(321)
Profit before income tax		**39,000**	**38,491**
Income tax expense	**4**	(10,892)	(10,816)
Profit for the period attributable to the owners of the Company		**28,108**	**27,675**
Earnings per share attributable to shareholders			
pence			
Total Group			
Basic	**5**	21.2	21.0
Diluted	**5**	20.8	20.4

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 May 2024

£'000	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Profit for the period	**28,108**	**27,675**
Other comprehensive loss		
Items that may be subsequently reclassified to income statement		

Items that may be subsequently reclassified to income statement		
Exchange differences on retranslation of foreign operations	(2,136)	(2,117)
Other comprehensive loss for the period (net of tax)	(2,136)	(2,117)
Total comprehensive income for the period attributable to owners of the Company	**25,972**	**25,558**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 May 2024

£'000	Note	(Unaudited) As at 31 May 2024	(Audited) As at 30 November 2023
ASSETS			
Non-current assets			
Property, plant and equipment		31,097	31,116
Intangible assets	**6**	10,012	7,066
Deferred tax assets		5,805	5,799
Total non-current assets		46,914	43,981
Current assets			
Trade and other receivables		331,252	345,120
Cash and cash equivalents	**7**	90,047	83,202
Total current assets		421,299	428,322
Total assets		**468,213**	**472,303**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	**8**	1,351	1,349
Share premium	**8**	40,111	39,700
Other reserves		(8,602)	(3,597)
Retained earnings		193,934	185,432
Total equity		**226,794**	**222,884**
Current liabilities			
Trade and other payables		195,334	200,132
Lease liabilities	**9**	10,575	11,297
Provisions		6,653	7,373
Current tax liabilities		10,416	10,746
Total current liabilities		222,978	229,548
Non-current liabilities			
Lease liabilities	**9**	16,443	17,720
Provisions		1,998	2,151
Total non-current liabilities		18,441	19,871
Total liabilities		**241,419**	**249,419**
Total equity and liabilities		**468,213**	**472,303**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 May 2024

£'000	Notes	Share capital	Share premium	Capital redemption reserve	Capital reserve	Treasury reserve	tr
Balance as at 1 December 2023 (audited)		**1,349**	**39,700**	**172**	**878**	**(7,939)**	
Profit for the period		-	-	-	-	-	
Other comprehensive loss for the period		-	-	-	-	-	

Total comprehensive income for the period		-	-	-	-	-
Dividends paid to equity holders	**11**	-	-	-	-	-
Dividends payable to equity holders	**11**	-	-	-	-	-
Settlement of vested tracker shares		-	-	-	-	51
Settlement of share-based payments	**8**	2	411	-	-	7,080
Purchase of shares by Employee Benefit Trust	**8**	-	-	-	-	(10,000)
Credit to equity for equity-settled share-based payments		-	-	-	-	-
Total movements in equity		**2**	**411**	**-**	**-**	**(2,869)**
Balance as at 31 May 2024 (unaudited)		**1,351**	**40,111**	**172**	**878**	**(10,808)**
Balance as at 1 December 2022 (audited)		**1,345**	**38,239**	**172**	**878**	**(6,581)**
Profit for the period		-	-	-	-	-
Other comprehensive loss for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-
Dividends paid to equity holders	**11**	-	-	-	-	-
Settlement of vested tracker shares		-	-	-	-	30
Settlement of share-based payments	**8**	1	115	-	-	4,552
Purchase of shares by Employee Benefit Trust	**8**	-	-	-	-	(10,000)
Credit to equity for equity-settled share-based payments		-	-	-	-	-
Total movements in equity		**1**	**115**	**-**	**-**	**(5,418)**
Balance as at 31 May 2023 (unaudited)		**1,346**	**38,354**	**172**	**878**	**(11,999)**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 May 2024

£'000	Note	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Cash flows from operating activities			
Profit before tax		39,000	38,491
Adjustments for:			
Depreciation and amortisation charge		7,157	8,001
Loss on disposal of property, plant and equipment		80	112
Finance income		(1,813)	(691)
Finance costs		514	321
Non-cash charge for share-based payments		3,531	2,552
Operating cash flows before changes in working capital and provisions		**48,469**	**48,786**
Decrease in receivables		14,980	28,622
Decrease in payables		(20,842)	(19,603)
Decrease in provisions		(940)	(2,727)
Cash generated from operations		41,667	55,078
Interest received		1,813	691
Income tax paid - net		(11,380)	(10,230)
Net cash generated from operating activities		32,100	45,539
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,355)	(1,024)
Purchase of intangible assets	**6**	(2,653)	(1,993)
Net cash used in investing activities		(5,008)	(3,017)
Cash flows from financing activities			
Interest paid		(514)	(321)
Lease principal payments	**9**	(6,749)	(7,398)
Proceeds from exercise of share options	**8**	412	116
Purchase of shares by Employee Benefit Trust	**8**	(10,000)	(10,000)
Dividends paid to equity holders	**11**	(494)	(20,543)

Dividends paid to equity holders	11	(494)	(20,542)
Net cash used in financing activities		(17,345)	(38,145)
Net increase in cash and cash equivalents		**9,747**	**4,377**
Cash and cash equivalents at beginning of the period		83,202	65,386
Exchange (losses)/gains relating to cash and cash equivalents		(2,902)	2,648
Net cash and cash equivalents at end of the period	**7**	**90,047**	**72,411**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

for the six months ended 31 May 2024

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

SThree plc is a public limited company listed on the London Stock Exchange, incorporated in the United Kingdom and domiciled in the United Kingdom, and registered in England and Wales. Its registered office is 1st Floor, 75 King William Street, London, EC4N 7BE.

These condensed consolidated interim financial statements (the 'Interim Financial Report') as at and for the six months ended 31 May 2024 comprise SThree plc (the 'Company') and its subsidiaries (referred to as the 'Group').

The Group's Interim Financial Report has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted for use in the United Kingdom (UK), and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. It should be read in conjunction with the SThree plc Annual Report and Accounts FY23, prepared in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Interim Financial Report does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 November 2023 has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Interim Financial Report is unaudited and has not been reviewed by the Group's external auditors.

The Interim Financial Report of the Group was approved by the Board for issue on 22 July 2024.

Going concern

The financial information contained in this Interim Financial Report has been prepared on a going concern basis.

The Directors have reviewed the Group's cash flow forecasts, considered the assumptions contained in the reforecast, and considered associated principal risks which may impact the Group's performance in the 12 months from the date of approval of this Interim Financial Report and in the period immediately thereafter.

At 31 May 2024, the Group had no debt except for lease liabilities of £27.0 million. Credit facilities relevant to the review period comprise a committed £50.0 million RCF (with the expiry date of 26 July 2027) and an uncommitted £30.0 million accordion facility, both jointly provided by HSBC and Citibank. A further uncommitted £5.0 million bank overdraft facility is also held with HSBC. These facilities remained undrawn on 31 May 2024.

In addition, the Group has £90.0 million of net cash and cash equivalents available to fund its short-term needs, as well as a substantial working capital position, reflecting net cash due to SThree for placements already undertaken.

The Group delivered a good net fee performance in the first half of FY24 against the backdrop of a record prior year performance and tough market conditions. Across both Contract and Permanent, the Group saw continued strong demand for Engineering roles, driven primarily by the Energy sector with clean energy business as the fastest growing segment, while demand for Life Sciences and Technology roles continued to reflect ongoing market conditions and record comparatives for Technology.

Regionally, the Group saw strong growth in the Middle East & Asia, driven by exceptional performance in Japan primarily within Engineering skill vertical. Within the Group's largest three markets, the Netherlands achieved stable YoY growth due to very strong Engineering 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.

Based on the analysis performed, the Directors have formed a judgement that at the time of approving the Interim Financial Report, there are

Based on the analysis performed, the Directors have formed a judgement that at the time of approving the Interim Financial Report, there are no plausible downside scenarios that would cause an issue for the Group's going concern status. The Directors have therefore concluded that the Group has adequate resources to continue in operational existence for the period through to 31 August 2025.

Accounting policies

The accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those applied in the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards effective as of 1 December 2023 as set out below.

New and amended standards effective in FY24 and adopted by the Group

The following amendments to the accounting standards, issued by the IASB and endorsed by the UK and EU, have been adopted by the Group which became applicable as of 1 December 2023. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2*).
- Definition of Accounting Estimates (Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 *Income Taxes*).
- IFRS 17 Insurance contracts, a standard that is ultimately intended to replace IFRS 4 *Insurance Contracts*.

New and amended standards that are applicable to the Group but not yet effective

As at the date of authorisation of this Interim Financial Report, the following amendments to existing standards were in issue but not yet effective. Subject to the endorsement by the UKEB, these changes are effective for the period beginning 1 January 2024. These amendments are not expected to have a material impact on the Group in the current or future periods.

- New disclosure requirements for characteristics of supplier finance arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*).
- New requirements for measuring lease liability arising in a sale and leaseback transaction (Amendments to IFRS 16 *Leases*).
- New classification requirements for liabilities as current or non-current (Amendments to IAS 1 *Presentation of Financial Statements*).

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Interim Financial Report includes the use of estimates and assumptions. Although the estimates used are based on the management's best information about current circumstances and future events and actions, actual results may differ from these estimates.

In preparing this Interim Financial Report, the judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were materially the same as those applied in the Group's FY23 Annual Report and Accounts.

Alternative Performance Measures (APMs)

The Group presents certain measures of financial performance or financial position in the Interim Financial Report that are not defined or specified according to IFRS. These measures, referred to as APMs, are defined and reconciled to IFRS in note 16 to the condensed consolidated financial statements, and were prepared on a consistent basis for all periods presented.

2. OPERATING SEGMENTS

The Group's operating segments are established on the basis of those components of the Group that are regularly reviewed by the Group's chief operating decision-making body (the 'CODM'), in deciding how to allocate resources and in assessing performance. The Group's business is considered primarily from a geographical perspective.

The Directors have determined the CODM to be the Executive Committee made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Chief Commercial Officer and the Chief People Officer, with other senior management attending via invitation.

The Group also presents separately the net fees of its five key markets: Germany, the Netherlands, USA, the UK and Japan, as well as a breakdown of net fees per Contract and Permanent, referred to as 'service mix'.

DACH region comprises Austria, Germany and Switzerland. Rest of Europe comprises the UK, Belgium and France, and Middle East & Asia includes Japan and UAE.

Countries aggregated into DACH and separately into Rest of the Europe have similar economic risks and prospects, i.e. they are expected to generate similar average gross margins over the long term, and are similar in each of the following areas:

- the nature of the services (recruitment/candidate placement);
- the class of candidates (candidates, who we place with our clients, represent skill-sets in Science, Technology, Engineering and Mathematics disciplines);
- the methods used in which they provide services to clients (independent contractors, employed contractors and permanent candidates);

and

- the class of candidates (candidates, who we place with our clients, represent skillsets in Science, Technology and Engineering disciplines).

The Group's management reporting and controlling systems use accounting policies that are the same as those described in these financial statements and in the Group's FY23 annual financial statements.

Revenue and net fees by reportable segment

The Group assesses the performance of its operating segments through a measure of segment profit or loss which is referred to as 'net fees' in the management reporting and controlling systems. Net fees is the measure of segment profit comprising revenue less cost of sales.

£'000	Revenue (unaudited) Six months ended 31 May 2024	Revenue (unaudited) Six months ended 31 May 2023	Net fees (unaudited) Six months ended 31 May 2024	Net fees (unaudited) Six months ended 31 May 2023
DACH	229,962	264,512	64,197	74,476
Rest of Europe	181,709	197,221	31,311	35,178
Netherlands including Spain	175,913	177,497	41,121	39,381
USA	154,463	164,019	41,841	49,364
Middle East & Asia	21,357	21,962	10,273	10,192
	763,404	**825,211**	**188,743**	**208,591**

Timing of revenue recognition

The Group derives revenue from the transfer of services over time and at a point in time in the following geographical regions:

For the six months ended 31 May 2024 (unaudited) £'000	**DACH**	**Rest of Europe**	**Netherlands including Spain**	**USA**	**Middle East & Asia**	**Total**
Timing of revenue recognition						
Over time	215,014	180,691	171,249	150,515	14,341	731,810
At a point in time	14,949	1,018	4,664	3,948	7,015	31,594
	229,963	**181,709**	**175,913**	**154,463**	**21,356**	**763,404**

For the six months ended 31 May 2023 (unaudited) £'000	**DACH**	**Rest of Europe**	**Netherlands including Spain**	**USA**	**Middle East & Asia**	**Total**
Timing of revenue recognition						
Over time	243,756	195,014	173,260	157,188	15,743	784,961
At a point in time	20,756	2,207	4,237	6,831	6,219	40,250
	264,512	**197,221**	**177,497**	**164,019**	**21,962**	**825,211**

Major customers

In the current and prior financial period, no single customer generated more than 10% of the Group's revenue.

Other information

The Group's revenue from external customers, its net fees and information about its segment assets (non-current assets excluding deferred tax assets) by key location are detailed below:

£'000	Revenue (unaudited) Six months ended 31 May 2024	Revenue (unaudited) Six months ended 31 May 2023	Net fees (unaudited) Six months ended 31 May 2024	Net fees (unaudited) Six months ended 31 May 2023
Germany	197,779	229,247	55,976	65,740
Netherlands	164,176	170,103	37,489	37,252
USA	154,463	164,019	41,841	49,364
UK	118,145	128,305	19,977	21,938
Japan	6,184	4,989	4,849	4,380
RoW(1)	122,657	128,548	28,611	29,917
	763,404	**825,211**	**188,743**	**208,591**

£'000	**(Unaudited) As at 31 May 2024**	**(Audited) As at 30 November 2023**
Non-current assets		
UK	14,435	11,458

Germany	12,232	11,891
Netherlands	5,097	5,678
USA	4,083	2,687
Japan	2,137	2,730
RoW(1)	3,125	3,738
	41,109	**38,182**

(1) RoW (Rest of the World) includes all countries other than listed.

Non-current assets do not include deferred tax assets as they are not reviewed by the CODM.

The following segmental analysis by brands, recruitment classification and sectors (being the profession of candidates placed) have been included as additional disclosure to the requirements of IFRS 8.

£'000	Revenue (unaudited) Six months ended 31 May 2024	Revenue (unaudited) Six months ended 31 May 2023	Net fees (unaudited) Six months ended 31 May 2024	Net fees (unaudited) Six months ended 31 May 2023
Brands				
Progressive	282,691	269,946	69,935	68,832
Computer Futures	233,412	273,869	59,321	69,924
Real Staffing Group	127,120	162,941	32,946	43,377
Huxley Associates	120,181	118,455	26,541	26,458
	763,404	**825,211**	**188,743**	**208,591**

Other brands, including Global Enterprise Partners, JP Gray and Madison Black, are rolled into the above brands.

£'000	Revenue (unaudited) Six months ended 31 May 2024	Revenue (unaudited) Six months ended 31 May 2023	Net fees (unaudited) Six months ended 31 May 2024	Net fees (unaudited) Six months ended 31 May 2023
Service mix				
Contract	731,810	784,961	158,712	169,982
Permanent	31,594	40,250	30,031	38,609
	763,404	**825,211**	**188,743**	**208,591**

£'000	Revenue (unaudited) Six months ended 31 May 2024	Revenue (unaudited) Six months ended 31 May 2023	Net fees (unaudited) Six months ended 31 May 2024	Net fees (unaudited) Six months ended 31 May 2023
Skills mix				
Technology	379,894	423,393	90,153	101,712
Engineering	214,894	194,579	53,956	51,223
Life Sciences	116,067	139,210	31,618	38,958
Other	52,549	68,029	13,016	16,698
	763,404	**825,211**	**188,743**	**208,591**

3. ADMINISTRATIVE EXPENSES

Operating profit is stated after charging:

£'000	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Staff costs	115,691	128,246
Depreciation	7,145	8,001
Amortisation	12	-
Loss on disposal of property, plant and equipment	80	112
Impairment losses on financial assets	987	2,238
Service lease charges - Buildings	888	1,071
Service lease charges - Cars	407	306
Foreign exchange losses	539	1,286

The Group establishes an allowance for doubtful accounts that represents an estimate of an expected credit losses (ECLs) in respect of trade and other receivables. In the current financial period, management increased ECLs by a net amount of £1.0 million for certain debtors exposure due to the ongoing macro-economic challenges, which led to additional insolvencies across the Group's portfolio.

4. INCOME TAX EXPENSE

Income tax for the half year is accrued based on the Directors' best estimate of the average annual effective tax rate (ETR) for the financial year. The tax charge for the half year amounted to £10.9 million (H1 FY23: £10.8 million) at an ETR of 27.9% (H1 FY23: 28.1%). The Group's ETR primarily varies with the mix of taxable profits by territory, non-deductibility of the accounting charge for LTIP's and other one-off tax items.

A deferred tax asset of £5.8 million (as at 30 November 2023: £5.8 million) was recognised in the financial statements as at 31 May 2024. This comprised deferred tax assets of £5.8 million (as at 30 November 2023: £5.8 million) and deferred tax liabilities of £nil (as at 30 November 2023: £nil). The deferred tax assets arise on accelerated depreciation, share based payments and provisions. The movement in the period arises primarily on share based payments.

At the reporting date, the Group had unused tax losses of £27.6 million (as at 30 November 2023: £27.3 million) available for offset against future profits. No deferred tax asset was recognised against these losses.

On 17 November 2022, the UK Government confirmed its intention to implement the G20-OECD Inclusive Framework Pillar 2 rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule. This legislation, which was enacted on 11 July 2023, will seek to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profit for accounting periods commencing after 31 December 2023. As the UK rate of corporation tax in 2024 will be 25%, and the Group's business is primarily in the UK and other jurisdictions with a tax rate of 25% or above, the impact of these rules on the Group is not expected to be material.

5. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period excluding shares held as treasury shares and those held in the Employee Benefit Trust, which for accounting purposes are treated in the same manner as shares held in the treasury reserve.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares arising from exercising employee stock options and tracker shares.

The following tables reflect the income and share data used in the basic and diluted EPS calculations.

£'000	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Earnings		
Profit for the period attributable to the owners of the Company	28,108	27,675

millions	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Number of shares		
Weighted average number of shares used for basic EPS	132.6	131.9
Dilutive effect of share plans	2.7	3.5
Diluted weighted average number of shares used for diluted EPS	**135.3**	**135.4**

pence	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Basic EPS	21.2	21.0
Diluted EPS	20.8	20.4

6. INTANGIBLE ASSETS

Since the FY23 year end, the Group increased its intangible assets book value by £2.9 million to £10.0 million (FY23: £7.1 million) due to ongoing investment and gradual regional roll-out of the Technology Improvement Programme (TIP) cohorts. In the current period, the Group also incurred £0.9 million for costs which were not directly attributable to the assets developed under the Programme (such as project management and other administration-related tasks) and which were expensed immediately to the income statement.

At the reporting date, all the costs capitalised in the statement of financial position were classified as assets under construction.

The asset amortisation is expected to commence at the end of the current financial year at the earlier of (i) US and Germany deployment, including interim ECM solution, be fully completed, or (ii) US and Netherlands deployment be fully completed. Successful resolution of the challenges faced during these deployments will provide management with assurance that any possible insurmountable problems in all other regions will be overcome, and the programme implementation will ultimately succeed across the entire Group.

7. CASH AND CASH EQUIVALENTS

7. CASH AND CASH EQUIVALENTS

£'000	(Unaudited) As at 31 May 2024	(Audited) As at 30 November 2023
Cash at bank	90,047	83,202
Net cash and cash equivalents	**90,047**	**83,202**

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets approximate their fair values. All of these assets are categorised within level 1 of the fair value hierarchy.

The Group has four cash pooling arrangements in place at HSBC US (USD), HSBC UK (GBP), NatWest (GBP) and Citibank (EUR).

8. SHARE CAPITAL

During the current financial period, 157,416 (H1 FY23: 38,778) new ordinary shares were issued, resulting in a share premium of £0.4 million (H1 FY23: £0.1 million). These shares were issued pursuant to the exercise of share awards under the Save-As-You-Earn scheme.

Treasury Reserve

Treasury reserve represents SThree plc shares repurchased and available for specific and limited purposes.

No shares were purchased by, or utilised from, the treasury reserve during the current and previous financial period. At the period end, 35,767 (H1 FY23: 35,767) shares were held in the treasury reserve.

Employee Benefit Trust

The Group holds shares in the Employee Benefit Trust (EBT). The EBT is funded entirely by the Company and acquires shares in SThree plc to satisfy awards and grants under certain employee share-based payment schemes.

For accounting purposes shares held in the EBT are treated in the same manner as shares held in the treasury reserve by the Company and are, therefore, included in the Group financial statements as treasury reserve.

In the six months ended 31 May 2024, the EBT purchased 2,340,585 (H1 FY23: 2,198,735) of SThree plc shares. The average price paid per share was 427 pence (H1 FY23: 455 pence). The total acquisition cost of the purchased shares was £10.0 million (H1 FY23: £10.0 million), for which the treasury reserve was reduced. During the period, the EBT utilised 1,665,426 (H1 FY23: 1,101,288) shares on settlement of Long-Term Incentive Plan and ShareMatch awards. At the period end, the EBT held 2,598,617 (H1 FY23: 2,868,593) shares.

9. LEASES

The leases which are recorded on the condensed consolidated statement of financial position are principally in respect of buildings and cars.

The Group's right-of-use assets and lease liabilities are presented below:

£'000	(Unaudited) As at 31 May 2024	(Audited) As at 30 November 2023
Buildings	23,971	24,772
Cars	1,407	1,934
Total right of use assets	**25,378**	**26,706**
Current lease liabilities	10,575	11,297
Non-current lease liabilities	16,443	17,720
Total lease liabilities	**27,018**	**29,017**

The condensed consolidated income statement includes the following amounts relating to depreciation of right-of-use assets:

£'000	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 30 May 2023
Buildings	5,504	5,849
Cars	527	616
IT equipment	29	-
Total depreciation charge of right-of-use assets	**6,060**	**6,465**

In the current period interest expense on leases amounted to £0.4 million (H1 FY23: £0.3 million) and was recognised within finance costs in the condensed consolidated income statement.

The total cash outflow for leases in six months ended 31 May 2024 was £7.1 million (H1 FY23: £7.7 million) and comprised the principal and interest element of recognised lease liabilities.

interest element of recognised lease liabilities.

10. OTHER FINANCIAL LIABILITIES

As at 31 May 2024, the Group maintains a committed Revolving Credit Facility (RCF) of £50.0 million along with an uncommitted £30.0 million accordion facility, both jointly provided by HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £80.0 million. During the current and previous period, the Group did not draw down under these facilities. The Group has also an uncommitted £5.0 million overdraft facility with HSBC of which £nil was drawn at the half year end (as at 30 November 2023: £nil).

The RCF is subject to financial covenants and any funds borrowed under the facility bear a minimum annual interest rate of 1.2% above the benchmark Sterling Overnight Index Average (SONIA). In the six months ended 31 May 2024, the Group incurred of £0.5 million in finance costs (H1 FY23: £0.3 million) which were mainly related to lease interest.

The covenants which the RCF is subject to, require the Group to maintain financial ratios over interest cover, leverage and guarantor cover. The Group has complied with these covenants throughout the current and prior period.

The Group's exposure to interest rates, liquidity, foreign currency and capital management risks is disclosed in the Group's FY23 annual financial statements.

11. DIVIDENDS

£'000	(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Amounts recognised as distributions to equity holders in the period		
Interim dividend of 5.0 pence for FY23 (5.0 pence for FY22) per share	494	6,605
Final dividend of 11.6 pence for FY23 (11.0 pence for FY22) per share	15,366	13,937
	15,860	**20,542**

The interim dividend for the year ended 30 November 2023 of 5.0 pence (FY22: 5.0 pence) per share was paid on 8 December 2023 to those shareholders on the register of SThree plc on 10 November 2023. However, the £6.4 million in funds, required for settlement of the FY23 interim dividend, were first transferred by the Group to the share administrator before 30 November 2023. The £0.5 million shown above as FY23 interim dividend distributed in H1 FY24 includes £0.3 million in payments to shareholders who claimed FY23 interim dividend post the year end. The remaining balance, £0.2 million, relates to the unclaimed dividends due to shareholders from prior years (2019-2023). The £0.2 million in funds have been transferred to share administrator in H1 FY24 and is currently subject to the distribution to shareholders.

The final dividend for the year ended 30 November 2023 of 11.6 pence (FY22: 11.0 pence) per share was approved by shareholders at the Annual General Meeting on 25 April 2024. The £15.4 million in funds, required for settlement of the FY23 final dividend, were first transferred to the share administrator on 3 June 2024, and the final dividend was paid on 7 June 2024 to those shareholders on the register of SThree plc on 10 May 2024.

12. CONTINGENT LIABILITIES

Legal

The Group is involved in various disputes and claims which arise from time to time in the course of its business. These are reviewed on a regular basis and, where possible, an estimate is made of the potential financial impact on the Group. The Group has contingent liabilities in respect of these claims. In appropriate cases, a provision is recognised based on advice, best estimates and management judgement.

The Directors believe that currently the likelihood of any material liabilities materialising is low, and that such liabilities, if any, will not have a material adverse effect on the Group's financial position.

13. RELATED PARTY DISCLOSURES

The Group's significant related parties are as disclosed in the Group's FY23 annual financial statements. There have been no significant changes to the nature of its related party transactions as disclosed in note 22 of the SThree plc's Annual Report and Accounts FY23.

14. SHAREHOLDER COMMUNICATIONS

SThree plc has taken advantage of regulations which provide an exemption from sending copies of its Interim Financial Report to shareholders. Accordingly, the FY24 Interim Financial Report will not be sent to shareholders but will be available on the Company's website www.sthree.com or can be inspected at the registered office of the Company.

15. SUBSEQUENT EVENTS

There were no subsequent events following 31 May 2024 requiring disclosure or adjustment.

There were no subsequent events following 31 May 2024 requiring disclosure or adjustment.

16. ALTERNATIVE PERFORMANCE MEASURES (APMs): DEFINITIONS AND RECONCILIATIONS

In discussing the performance of the Group, comparable measures are used.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both periods for which these measures are presented. The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows.

APMs in constant currency

As the Group operates in 11 countries and with many different currencies, it is affected by foreign exchange movements, and the reported financial results reflect this. However, the Group business is managed against targets which are set to be comparable between years and within them, for otherwise foreign currency movements would undermine the management ability to drive the business forward and control it. Within this Interim Financial Report, comparable results have been highlighted on a constant currency basis as well as the results on a reported basis which reflect the actual foreign currency effects experienced.

The Group evaluates its operating and financial performance on a constant currency basis (i.e. without giving effect to the impact of variation of foreign currency exchange rates from period to period). Constant currency APMs are calculated by applying the prior period foreign exchange rates to the current and prior financial period results to remove the impact of exchange rate.

Measures on a constant currency basis enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from period to period.

The calculations of the APMs on a constant currency basis and the reconciliation to the most directly related measures calculated in accordance with IFRS are as follows:

	31 May 2024 (unaudited)					
£000, unless otherwise stated	**Revenue**	**Net fees**	**Operating profit**	**Operating profit conversion ratio***	**Profit before tax**	**Basic EPS**
Reported	763,404	188,743	37,701	20.0%	39,000	21.2p
Currency impact	17,282	4,976	1,487	0.2%	1,511	0.8p
In constant currency	**780,686**	**193,719**	**39,188**	**20.2%**	**40,511**	**22.0p**

	31 May 2023 (unaudited)					
£000, unless otherwise stated	**Revenue**	**Net fees**	**Operating profit**	**Operating profit conversion ratio***	**Profit before tax**	**Basic EPS**
Reported	825,211	208,591	38,121	18.3%	38,491	21.0p
Currency impact	(34,734)	(9,102)	(3,254)	(0.8%)	(3,233)	(1.8p)
In constant currency	**790,477**	**199,489**	**34,867**	**17.5%**	**35,258**	**19.2p**

**Operating profit conversion ratio represents operating profit over net fees.*

To calculate the YoY variances in constant currency, management compared the H1 FY24 results in constant currency versus the H1 FY23 reported results.

Other APMs

Net cash excluding lease liabilities

Net cash is an APM used by the Directors to evaluate the Group's capital structure and leverage. Net cash is defined as cash and cash equivalents less current and non-current borrowings excluding lease liabilities, less bank overdraft, as illustrated below:

£'000	**(Unaudited) As at 31 May 2024**	**(Audited) As at 30 November 2023**
Cash and cash equivalents	90,047	83,202
Net cash	**90,047**	**83,202**

EBITDA

In addition to measuring financial performance of the Group based on operating profit, the Directors also measure performance based on EBITDA. It is calculated by adding back to the reported operating profit operating non-cash items such as the depreciation of property, plant and equipment (PPE), the amortisation and impairment of intangible assets, loss on disposal of PPE and intangible assets, gain on lease modification and the employee share options charge. Where relevant, the Group also uses EBITDA to measure the level of financial leverage of the Group by comparing EBITDA to net debt.

A reconciliation of reported operating profit for the period, the most directly comparable IFRS measure, to EBITDA is set out below.

£'000	**(Unaudited) Six months ended 31 May 2024**	**(Unaudited) Six months ended 31 May 2023**

£'000	31 May 2024	31 May 2023
Reported operating profit for the period	37,701	38,121
Depreciation of PPE	7,145	8,001
Amortisation and impairment of intangible assets	12	-
Loss on disposal of PPE and intangible assets	80	112
Employee share options charge	3,531	2,552
EBITDA	**48,469**	**48,786**

Contract margin

The Group uses contract margin as an APM to evaluate contract business quality and the service offered to customers. Contract margin is defined as contract net fees as a percentage of contract revenue.

£000, unless otherwise stated		(Unaudited) Six months ended 31 May 2024	(Unaudited) Six months ended 31 May 2023
Contract net fees	**A**	158,712	169,982
Contract revenue	**B**	731,810	784,961
Contract margin	**(A ÷ B)**	**21.7%**	**21.7%**

FINANCIAL CALENDAR

24 September 2024	FY24 Q3 Trading Update
30 November 2024	2024 Financial Year End
17 December 2024	FY24 Trading Update
28 January 2025	FY24 Final Results

[1] The Group has identified and defined certain alternative performance measures (APMs). These are the key measures the Directors use to assess the SThree's underlying operational and financial performance. The APMs are fully explained and reconciled to IFRS line items in note 16 to the consolidated financial statements.

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