

12 December 2024

SThree plc

Trading Update

FY24 performance in line, challenging conditions persist

Intention to launch share buyback programme of up to £20m

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 financial year ended 30 November 2024.

Full Year Highlights

- Group net fees for the full year down 9% YoY⁽¹⁾ against the backdrop of ongoing challenging market conditions, with Contract down 7%, representing 84% of net fees.
- Contractor order book⁽²⁾ down 10% YoY to £161 million, whilst continuing to represent sector-leading visibility (c.4 months of net fees).
- Robust balance sheet with net cash of £70 million at 30 November 2024 (30 November 2023: £83 million).
- Technology Improvement Programme (TIP) remains on track with deployment across four of the Group's largest markets, and latest roll-out in the Netherlands initiated this quarter. US and UK are live and the deployments in Germany and Netherlands progressing as anticipated.
- Performance for FY24 expected to be in line with market expectations⁽³⁾.

Outlook

- Whilst the Group continues to expect robust contract extensions, new business activity remained weak throughout FY24 driven by the protracted challenging economic conditions, impacting FY25 performance. The latter part of FY24 saw increased political and macro-economic uncertainty, particularly in Europe, further delaying decision making and the anticipated easing of market conditions.
- The Board is now making the prudent assumption that these challenges will persist throughout FY25, impacting net fees.
- Following early efficiencies from the TIP and insights into its full potential, we now have the confidence to accelerate the realisation of further operational efficiencies to reduce the financial implications of these challenges which will drive in year net savings of c.£6m.
- The Board now expects FY25 profit before tax to be c.£25m which includes up to £7m of one-off costs to deliver the additional operational efficiencies.
- The Board remains confident that the Group's strategic focus on STEM and Contract, the completed rollout of the TIP, alongside the actions being taken, will position the Group for sustained profitable growth when markets recover.

Intention to launch a share buyback programme

- SThree announces its intention to launch a share buyback programme of up to £20m, to be completed over the next six months.
- In light of SThree's cash generation and strong balance sheet, the Board considers it prudent to launch the buyback, in line with its stated capital allocation policy.
- Following completion of the buyback programme the Group expects to retain a net cash position reflecting the overall capital needs of the business.

Timo Lehne, Chief Executive, commented:

"As has been widely reported across our industry, the past year has been characterised by protracted challenging market conditions which have impacted new business activity. Nonetheless, we continued to see robust contract

market conditions which have impacted their business activity. Nonetheless, we continue to see robust contract extensions through the year which demonstrates the value our customers place on the critical STEM roles we provide and the skills on which they rely to power their organisations. It is our specialism in STEM and Contract, combined with careful cost management, that has delivered a resilient performance, with FY24 expected to be in line with market consensus.

"There is no doubt that the labour market is undergoing changes driven by new technology and new ways of working. We recognised these megatrends early which has informed both our strategy to target niche specialisms where we see structural growth, being STEM and Contract, but also our own approach to how we pursue these opportunities. Our Technology Improvement Programme is a core component of where we see our mid-to-long term opportunity, and its phased implementation which continues to progress to plan, underpinned by a robust financial position, takes us closer to our digital-first vision.

"The nature of our business model has meant we have been able to withstand the external pressures until now. However, the anticipated easing of market conditions has not yet materialised, with delayed decision making continuing to impact new placement activity whilst Contract extensions remain robust. With this dynamic expected to persist through next year, the Board has taken a prudent view of FY25. We nonetheless remain confident that we have the right strategy, an energised team, and a robust technology platform which is becoming more powerful as we roll-out additional functionality, leaving us well placed for when market conditions improve."

Business performance highlights

In challenging market conditions Group net fees were down 9% YoY reflecting the continued softness in new business across Contract and Permanent, partially offset by strong Contract extensions.

The Group's Engineering net fees for the full year, were down 1% against a record prior year performance. Technology and Life Sciences performance reflected the tough market conditions throughout the year and declined 10% and 17% respectively.

Regionally, the Group delivered net fee growth in the Middle East and Asia, underpinned by an impressive performance in Japan. Challenging macro-economic conditions resulted in declines across the Group's three largest markets, which now represent 72% of net fees. The performance in Germany reflected lower levels of demand for Technology skills. Our USA performance was impacted by declines in Life Sciences and Technology partially offset by a solid Engineering performance, whilst the Netherlands saw lower levels of demand for Technology and Engineering skills versus record levels in the prior year.

Group period-end headcount was up slightly from the end of the last financial year.

	FY	FY	FY 2024		Q4 2024	Q3 2024	Q2 2024	Q1 2024
	2024	2023	YoY (1)		YoY (1)	YoY (1)	YoY (1)	YoY (1)
Net fees								
Contract	£310.6m	£343.6m	-7%		-12%	-8%	-6%	-2%
Permanent	£58.5m	£75.3m	-18%		-26%	-9%	-15%	-21%
GROUP	£369.1m	£418.8m	-9%		-15%	-8%	-8%	-6%
Regions								
DACH (4)	£127.5m	£148.9m	-12%		-18%	-8%	-10%	-13%
Netherlands (incl. Spain) (5)	£78.5m	£82.1m	-2%		-10%	-10%	+5%	+8%
Rest of Europe (6)	£61.3m	£70.4m	-12%		-14%	-13%	-10%	-10%
USA	£82.0m	£96.4m	-12%		-13%	-10%	-15%	-10%
Middle East & Asia (7)	£19.7m	£20.9m	+4%		-18%	+20%	+1%	+20%
GROUP	£369.1m	£418.8m	-9%		-15%	-8%	-8%	-6%
Top five countries								
Germany	£111.8m	£130.9m	-12%		-17%	-7%	-11%	-14%
Netherlands	£71.0m	£77.1m	-6%		-13%	-15%	-	+6%
UK	£38.3m	£45.0m	-14%		-21%	-17%	-11%	-7%
USA	£82.0m	£96.4m	-12%		-13%	-10%	-15%	-10%
Japan	£10.6m	£9.3m	+26%		-1%	+60%	+16%	+41%
ROW (8)	£55.4m	£60.2m	-6%		-12%	-6%	-2%	-4%
Group	£369.1m	£418.8m	-9%		-15%	-8%	-8%	-6%

Service mix	FY 2024	FY 2023
Contract	84%	82%
Permanent	16%	18%

Skills mix	FY 2024	FY 2023
Technology	48%	48%
Life Sciences	17%	18%
Engineering	29%	26%
Other	7%	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 £67.4m 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.
- (7) Middle East & Asia - Japan and UAE.
- (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 Trading Update. If you would like to register for the conference call, please contact SThree@almastrategic.com.

Forward looking dates

The Group will present its results for the financial year ended 30 November 2024 on 28 January 2025.

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation. The person responsible for arranging the release of this announcement on behalf of SThree is Kate Danson, Group Company Secretary.

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 around 6,000 clients across 11 countries. Our Group's c.2,700 staff cover the Technology, Life Sciences and Engineering sectors. SThree is part of the Industrial Services sector. We are listed on the 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.

- Ends -

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