SThree (STHR)

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14 September 2018

Q3 Trading Update

SThree plc ("SThree" or the "Group"), the international specialist STEM staffing business, is today issuing a trading update covering the period from 1 June 2018 to date; financial information relates to the quarter ended 31 August 2018.

Highlights

- Strong Q3 performance underpinned by specialist focus on STEM disciplines in international markets
- Group gross profit ("GP") up 13%* YoY in Q3
  - Robust growth across ICT up 14%*, Engineering up 15%*, Life Sciences up 13%* and Global Energy up 32%*
  - Strong growth in Continental Europe up 24%*, with DACH up 21%* and Benelux up 33%*
  - Solid performance in USA up 8%*
  - UK&I productivity up 3%*, with GP down 10%*, following our Q2 UK&I Permanent restructure
  - 84% of Group GP generated outside the UK&I (2017: 80%)
- Contract GP up 14%* YoY
  - Strong growth across ICT up 12%*, Life Sciences up 8%*, Energy up 30%* and Engineering up 21%*
  - Continental Europe up 24%* and USA up 11%*
  - Contract GP now represents 73% of Group GP (2017:72%)
- Permanent GP up 8%* YoY, with strong growth in Continental Europe up 23%* and Japan more than doubled*
- Group period-end sales headcount up 7% YoY and up 3% versus the half year position

STEM - Science, Technology, Engineering and Maths
DACH - Germany, Austria and Switzerland

Gary Elden, Chief Executive, commented: "We are pleased to have delivered another strong quarter, continuing the momentum of Q2, which was also up 13%*. The Group is benefiting both from the broad geographic reach of its operations, with 84% of GP now generated in international markets, and from its focus on the best STEM markets.

"Continental Europe, our largest region, continued to grow strongly, with both DACH and Benelux delivering record performances, and the USA posted a solid result against strong prior year comparatives. We are investing in growing our highest performing teams and remain on track with the delivery of our five-year growth strategy.

"Looking ahead, trading conditions in the majority of our markets are encouraging and we enter Q4, our most significant trading quarter, with confidence in our full year prospects."

Financial Highlights - Group Gross Profit

Gross Profit	Q3 2018	Q3 2017	Q3 2018 YoY % 1	Q2 2018 YoY % 1	Q1 2018 YoY % 1
Contract	£60.4m	£53.1m	+14%	+16%	+11%
Permanent	£22.3m	£20.6m	+8%	+7%	+2%
Group	***£82.7m***	***£73.7m***	**+13%**	**+13%**	**+8%**
Continental Europe	£47.0m	£37.9m	+24%	+20%	+15%
USA	£18.2m	£17.3m	+8%	+16%	+1%
UK&I	£13.0m	£14.5m	-10%	-2%	-3%
Asia Pac & Middle East	£4.5m	£4.0m	+16%	+1%	+15%
Group	***£82.7m***	***£73.7m***	**+13%**	**+13%**	**+8%**
ICT	£35.9m	£31.6m	+14%	+13%	+5%
Life Sciences	£17.4m	£15.6m	+13%	+12%	+9%
Banking & Finance	£10.5m	£11.3m	-7%	+1%	-0%
Energy	£9.3m	£7.1m	+32%	+28%	+35%
Engineering	£8.0m	£6.9m	+15%	+20%	+14%
Other 2	£1.6m	£1.2m	+33%	+25%	+32%
Group	***£82.7m***	***£73.7m***	**+13%**	**+13%**	**+8%**
Contract / Perm Split					
Contract	73%	72%			

Permanent	27%	28%
	100%	***100%***
Geographical Split		
Continental Europe	57%	52%
USA	22%	23%
UK&I	16%	20%
Asia Pac & Middle East	5%	5%
	100%	***100%***
Sector Split		
ICT	43%	43%
Life Science	21%	21%
Banking & Finance	13%	15%
Energy	11%	10%
Engineering	10%	9%
Other 2	2%	2%
	100%	***100%***

1 At constant currency
2 Other includes Procurement & Supply Chain and Sales & Marketing

Group gross profit ("GP") was up 13%* YoY, continuing the growth from Q2 when GP was also ahead by 13%*. Continental Europe was ahead by 24%* YoY in Q3, as our growth accelerated, driven by record performances in DACH and Benelux. USA posted a solid performance in the quarter up 8%* YoY against strong prior year comparatives. Period end sales headcount for the Group was up 7% YoY and up 3% versus the half year position.

Contract performed strongly, up 14%* YoY with a large proportion of the growth coming from Continental Europe which was ahead by 24%*. USA was up 11%* YoY, offset by a slight decline in the UK&I, down 3%*. On a sector basis, the Group maintained strong growth across ICT up 12%*, Life Sciences up 8%*, Energy up 30%* and Engineering up 21%*. We continued to prioritise growth in Contract sales headcount, with an average increase in the quarter of 11% YoY.

Permanent GP was up 8%* YoY (Q2 growth of 7%*). Permanent GP in Continental Europe grew 23%* YoY, USA grew 1%* YoY against tough comparatives and Japan more than doubled*. This progress was offset by a decline in UK&I where GP was down by 33%*, following the planned restructure of our UK Permanent business in early Q2, which reduced UK Permanent average sales headcount by 37% in Q3. This action is already having a positive impact on both UK and Group Permanent productivity, which improved by 5%* and 11%* respectively, in the third quarter.

Average Group sales heads were up 7% YoY. Continental Europe was up 15%, USA was up 8% and Asia Pacific & Middle East was up 5%. UK&I sales headcount was down 12% YoY. Contract sales headcount represented 68% of total sales headcount at the end of the quarter (2017: 65%).

The Group has a network of 43 offices in 16 countries, of which 37 are outside the UK. The Group generated 84% of Gross Profit for the period from markets outside the UK&I (2017: 80%).

The Group's move of its London-based support functions to Glasgow is progressing to plan.

SThree remains in a strong financial position. Net debt at 31 August 2018 was circa £24m (31 May 2018: £6.2m). The outflow in the quarter is as a result of the payment of the final dividend, planned exceptional cash costs relating to the Glasgow relocation and growth in working capital, in part due to the strong growth in our contract book. The Group has a £50m revolving credit facility ("RCF") with Citibank and HSBC, which is committed to 2023.

** at constant currency*

SThree is hosting an analyst conference call today at 0830 BST. The details are as follows:

Telephone number: +44 (0) 333 300 0804
Access Code: 21172140#

For access to the call please quote passcode SThree

A replay facility will be available for seven days on:

UK +44 (0) 333 300 0819
UK FREE 0800 358 2049
US +1 (866) 931-1566
US FREE +1 (844) 307-9361

Access code: 301243855#

The Group will issue a trading update for the year ended 30 November 2018 on 14 December 2018.

\- Ends -

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Notes to editors

SThree is a leading international specialist staffing business, providing permanent and contract specialist staff to a diverse client base of over 9,000 clients. From its well-established position as a major player in the information and communications technology ('ICT') sector the Group has broadened the base of its operations to include businesses serving the Banking & Finance, Energy, Engineering and Life Sciences sectors.

Since launching its original business, Computer Futures, in 1986, the Group has adopted a multi-brand strategy, establishing new operations to address growth opportunities. SThree brands include Computer Futures, Huxley Associates, Progressive and The Real Staffing Group. The Group has circa 2,800 employees in sixteen countries.

SThree plc is quoted on the Official List of the UK Listing Authority under the ticker symbol STHR and also has a US level one ADR facility, symbol SERTY.

Important notice

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

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