SThree (STHR)

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13th September 2019

SThree plc
Q3 Trading Update

Robust Q3 performance with good momentum in Contract

SThree plc ("SThree" or the "Group"), the international specialist staffing business focused on roles in Science, Technology, Engineering and Mathematics ('STEM'), is pleased to issue a trading update covering the period from 1st June 2019 to date. Financial information relates to the quarter ended 31st August 2019[(1)].

Highlights

- Good Q3 performance underpinned by our specialist focus on STEM disciplines, Contract and international market exposure
- Group net fees adjusted for working days up 6%[(2)] YoY
    - Group net fees up 4% YoY
- Good net fee growth in Contract, in line with strategic focus
    - Contract up 7% YoY
    - Contract increased to 75% of Group net fees in Q3 (Q3 2018: 73%)
- Permanent net fees down 5%
- Growth in net fees across all international markets[(3)]
    - DACH[(4)] net fees up 8%, USA up 5% and Japan up 82%
    - Net fees generated from international markets increased to 86% (2018: 84%)
- Group period-end sales headcount up 8% YoY, with Q3 headcount down 1% versus Q2

Mark Dorman, Chief Executive, commented:

"The Group's unique and specialised business model has continued to deliver year-on-year growth in the third quarter, driven by a strong performance across all of the Group's international markets which constitute the majority of the Group. On a like-for-like basis after adjusting for working days, this growth shows a 6%[(2)] increase in Group net fees. Furthermore, our deliberate focus on Contract, a natural function of our STEM specialism, continues to be a strong contributor to Group performance and remains a key strategic priority for the Group.

"We remain excited about the scale of the market opportunity in front of us. We continue to see strong demand across our key regions for STEM roles and remain committed to our vision of being the number one STEM talent provider in the best STEM markets.

"Our robust financial position, specialised STEM and Contract focus with international reach provides the Group with a well-established and resilient platform as we enter the final quarter of the year. Whilst we remain cognisant of significant macro market uncertainties, we remain confident that we have the right niche focus, vision and teams to deliver continued growth, and our expectations for the full year remain unchanged."

Financial Highlights[(1)]

Net Fees	**Q3 2019**	**Q3 2018**	**Q3 2019 YoY %**	**Q2 2019 YoY %**	**Q1 2019 YoY %**
Contract	£66.0m	£60.4m	+7%	+13%	+12%
Permanent	£21.8m	£22.3m	-5%	-2%	+1%
Group	***£87.8m***	***£82.7m***	**+4%**	**+9%**	**+9%**
Continental Europe	£50.1m	£47.0m	+5%	+14%	+12%
USA	£20.4m	£18.2m	+5%	+10%	+17%
UK&I	£12.1m	£13.0m	-7%	-12%	-7%
Asia Pac & Middle East	£5.2m	£4.5m	+14%	+20%	+5%
Group	***£87.8m***	***£82.7m***	**+4%**	**+9%**	**+9%**
Technology	£39.4m	£35.9m	+8%	+12%	+10%
Life Sciences	£17.7m	£17.4m	+2%	+8%	+3%
Banking & Finance	£9.4m	£10.5m	-12%	-13%	-3%
Energy	£10.2m	£9.3m	+8%	+29%	+25%
Engineering	£8.6m	£8.0m	+6%	+9%	+19%
Other[(5)]	£2.5m	£1.6m	+5%	-3%	+11%
Group	***£87.8m***	***£82.7m***	**+4%**	**+9%**	**+9%**

Business Performance

Group net fees adjusted for working days increased by 6%(2). Group net fees increased by 4% YoY, after one less working day across the Group and one additional public holiday in Continental Europe, compared with the prior year. Three of the Group's four regions, which account for 86% (2018: 84%) of net fees, delivered good growth in the quarter.

Performance was driven by Continental Europe, up 5% and the USA, up 5% . DACH continued to be the stand out performer within Continental Europe, with net fees in the quarter up 8% YoY. This demonstrates the benefits of our focus on the growing and resilient STEM market. Asia Pac & Middle East delivered double digit growth of 14% driven by a strong performance in Japan. UK&I net fees were down 7%, against a more challenging macro-economic backdrop. Technology, Life Sciences, Energy and Engineering sectors delivered growth in the quarter.

Contract delivered a good performance with net fees up 7%. USA continues its strong performance with growth of 16%. Continental Europe delivered growth of 9% with DACH up 12%. Continental Europe and USA combined now represent 80% of Contract net fees (Q3 2018: 79%) in line with our strategy to focus on the world's biggest STEM contract recruitment markets.

Permanent net fees were down 5% in Q3. Continental Europe net fees were down 4% in the quarter against strong prior year comparatives. DACH, our largest Perm region was level YoY. USA net fees declined 20% YoY, reflecting previously reported leadership and strategic changes made in 2018. Our Japan Permanent business continues to grow rapidly, up 84% YoY.

Period end sales headcount was up 8% YoY, with greater focus on Contract up 10%. Contract sales headcount represented 69% of total sales headcount at period end (2018: 68%). Q3 headcount was down 1% versus Q2, with sequential investment in DACH, USA and Japan of 4% offset by a managed reduction in our other geographies of 6%.

Balance Sheet

The Group continues to be highly cash generative. Net debt at 31st August 2019 decreased to circa £12m (31st August 2018: Net debt of circa £24m). The Group has a £50m revolving credit facility ("RCF") with Citibank and HSBC, which is committed to 2023.

Analyst conference call

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

Telephone number: 0800 358 9473
For access to the call please enter PIN: 33642306#

A replay facility will be available for 90 days on 0800 358 2049 Passcode: 301298950#

The Group will host a Capital Markets Day on 21st November 2019.

The Group will issue a trading update for the year ended 30th November 2019 on 13th December 2019.

(1) All year on year financial growth %s in this announcement are expressed at constant cur rency
(2) In Q3, the Group was impacted by one less working day and Continental Europe had one more public holiday, as the Whit Monday holiday fell in Q3 2019 (Whit Monday was in Q2 in 2018). The adjusted growth normalises for this impact on our Contract business. We have only adjusted for this where explicitly indicated.
(3) Denotes markets other than UK&I
(4) DACH - Germany, Austria and Switzerland
(5) Other includes Creative, Procurement & Supply Chain and Sales & Marketing

- Ends -

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Notes to editors

SThree is a leading international STEM specialist staffing business, providing permanent and contract specialist staff to a diverse client base of over 9,000 clients.

The Group's operations cover the Technology, Banking & Finance, Energy, Engineering and Life Sciences sectors. With a multi-brand strategy, the Group establishes new operations to address growth opportunities. SThree brands include Computer Futures, Huxley Associates, Progressive and The Real Staffing Group. The Group has a network of 46 offices in 16 countries, of which 39 are outside the UK, with
circa 3,100 employees.

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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