SThree (STHR)
12-Dec-2019 / 07:00 GMT/BST
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12 December 2019

SThree plc
FY19 Trading Update

Strong performance driving record adjusted profit before tax

SThree plc ("SThree" or the "Group"), the global pure-play specialist staffing business focused on roles in Science, Technology, Engineering and Mathematics ('STEM'), is pleased to issue a trading update[1] for the financial year ended 30 November 2019.

Highlights

- Net fees for the full year grew by 5%
    - Strong growth in USA, Continental Europe and APAC & MENA
    - Robust growth across Technology, Life Sciences, Engineering and Energy
    - 86% of Group net fees generated from international[2] markets (2018: 83%)
    - Strong growth in Contract net fees up 8%, in line with our strategy, now representing 74% of Group net fees (2018: 72%)
    - Permanent net fees down 3%
- Adjusted profit before tax for the year expected to be in line with market consensus[3] and an all-time record for the Group
- Net cash of £11m at 30 November 2019, ahead of market consensus

Mark Dorman, Chief Executive, commented:

"As the only global, pure-play STEM specialist, SThree has continued to deliver year-on-year growth materially ahead of the wider market. This is driven by our robust performance across all of our international regions, which constitute the majority of the Group, and supportive long-term market dynamics with the well documented growth in both STEM and flexible working (Contract), giving us confidence in our delivery. Our deliberate focus on Contract, a natural function of our STEM specialism, continues to be a strong driver of Group performance and remains a key strategic priority for the Group.

"Looking ahead is difficult at the best of times and even more so now, given the significant macro market and political uncertainties. Notwithstanding this, I am pleased that in our key growth markets, the new financial year has started well with good demand, and this gives us confidence that we will continue to outperform materially in our international markets.[4]

"Our business north star is our purpose: bringing skilled people together to build the future, and we remain committed to our vision of being the number one STEM talent provider in the best STEM markets. We are confident that we are in the right STEM markets; with the size of the opportunity ahead of us and with our scalable operational capabilities globally, we are confident in our ability to deliver growth. Whilst we remain cognisant of the macro uncertainties, we remain confident that we have the right vision, niche focus, platform and teams to outperform as we are uniquely positioned as the only global pure-play STEM specialist."

Financial Highlights

Net Fees	FY 2019	FY 2018	FY 2019 YoY %	Q4 2019 YoY %	Q3 2019 YoY %	Q2 2019 YoY %	Q1 2019 YoY %
Contract	£254.4m	£232.1m	+8%	+3%	+7%	+13%	+12%
Permanent	£87.8m	£89.0m	-3%	-4%	-5%	-2%	+1%
Group	***£342.2m***	***£321.1m***	**+5%**	**+1%**	**+4%**	**+9%**	**+9%**
Continental Europe	£196.7m	£183.4m	+8%	+1%	+5%	+14%	+12%
USA	£76.7m	£66.6m	+9%	+6%	+5%	+10%	+17%
UK&I	£48.1m	£53.1m	-9%	-11%	-7%	-12%	-7%
Asia Pac & Middle East	£20.7m	£18.0m	+12%	+8%	+14%	+20%	+5%
Group	***£342.2m***	***£321.1m***	**+5%**	**+1%**	**+4%**	**+9%**	**+9%**
Technology	£152.6m	£142.0m	+7%	+1%	+8%	+12%	+10%
Life Sciences	£67.8m	£63.1m	+5%	+6%	+2%	+8%	+3%
Banking & Finance	£37.9m	£42.5m	-13%	-20%	-12%	-13%	-3%
Energy	£39.1m	£33.4m	+16%	+6%	+8%	+29%	+25%
Engineering	£34.8m	£30.6m	+11%	+13%	+6%	+9%	+19%
Other[5]	£10.0m	£9.5m	+3%	-3%	+5%	-3%	+11%
Group	***£342.2m***	***£321.1m***	**+5%**	**+1%**	**+4%**	**+9%**	**+9%**

Business performance

Group net fees for the year were up 5% with growth across all our international markets, up 8%. We have made management changes in the UK&I in Q4 to positively impact performance, against a challenging macro-economic and political backdrop.

Contract net fees were up 8%, with growth across all sectors apart from Banking & Finance. Contract growth was driven by Continental Europe, which was up 11% largely due to Technology and the USA up 17% driven by Energy and Life Sciences. Continental Europe and USA combined now represent 81% of our Contract net fees (2018: 78%).

Permanent net fees, which represent 26% of the business, were down 3% for the year. Our largest Permanent market, DACH[(6)], saw good growth of 5%, with Continental Europe remaining flat. APAC & MENA saw growth of 16% driven by excellent performance in Japan. Net fees in the USA were down 11% year on year, reflecting previously reported leadership and strategic changes made in 2018 and the UK&I was down 18%.

Group period end sales headcount was up 6%, with Contract up 7%, in line with the Group's strategy, and Permanent up 2%. Contract represented 70% of total sales headcount at the period end. Sequentially vs Q3, period end Group sales headcount was up 1%. Average Group sales headcount for the year was up 7% with Continental Europe up 8% and USA up 11%.

Balance sheet

SThree remains in a strong financial position, with net cash at 30 November 2019 of circa £11m (30 November 2018: Net debt £4m). The Group has a £50m revolving credit facility ("RCF") with HSBC and Citibank, 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: 23994224#

A replay facility will be available for 90 days on 0800 358 2049 Passcode: 301306355#

The Group will issue its results for the financial year ended 30 November 2019 on 27 January 2020

(1) All year-on-year financial growth rates in this announcement are expressed at constant currency
(2) International represents our businesses outside the UK and Ireland
(3) Market expectations for adjusted profit before tax for the year ended 30 November 2019 are in the range of £56.0m to £60.9m, with a consensus of £58.5m
(4) Staffing Industry Analysts market forecasts for 2019
(5) Other includes Procurement & Supply Chain and Sales & Marketing
(6) DACH - Germany, Austria and Switzerland

- Ends -

Enquiries:

SThree plc Mark Dorman, Chief Executive Officer Alex Smith, Chief Financial Officer Steve Hornbuckle, Company Secretary	**020 7268 6000**
Alma PR	**020 3405 0205**
Rebecca Sanders-Hewett Hilary Buchanan	**SThree@almapr.co.uk**

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 47 offices in 16 countries, of which 40 are in our international[(2)] markets, with circa 3,200 employees.

SThree plc is quoted on the Official List of the UK Listing Authority under the ticker symbol STEM 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.

ISIN:	GB00B0KM9T71
Category Code:	TST
TIDM:	STHR
LEI Code:	2138003NEBX5VRP3EX50
Sequence No.:	34924
EQS News ID:	934103