

SThree (STEM)

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SThree plc

Update on Trading and COVID-19 and Annual General Meeting Guidance

Given the rapidly-changing trading background arising from the global COVID-19 pandemic, SThree ("SThree" or the "Group") is providing the following update.

Business and Trading Update

As a Group, we have three overriding priorities: ensuring the health and safety of all of our colleagues, contractors, candidates and clients; maintaining our strong financial position and ensuring that we come out of this period ready to build on our unique position as the only global pure-play STEM specialist.

The COVID-19 pandemic is first and foremost a global health crisis, with governments across the world taking unprecedented action to prevent the further spread of the virus. The responses taken differ significantly by region and the impact also varies markedly by sector. Clearly, our business is not immune to the economic impact of the current situation. Whilst the pandemic continues, it is not possible to estimate with any certainty the extent of the impact on the Group. The Board therefore considers it is no longer possible to provide guidance on future earnings. The Board will continue to update shareholders as the situation evolves.

We are proactively managing our cost base in the short term. For the time being we have ceased all hiring and are managing our headcount as is appropriate to the varied local conditions we face. We have a particular focus on working capital management and all non-essential capital expenditure has been postponed, as have all discretionary costs. Salaries of the executive directors of the Board and senior executive team, and the fees of the non-executive directors, have been temporarily reduced by 20%, with the executive directors also foregoing FY20 bonuses. Underpinning all our management decisions is the clear objective to balance the need to secure the short-term financial strength of the Group, whilst retaining the skills, capacity and management capability to fulfil our undimmed strategic ambitions.

Maintaining the full operational capability of the group is in keen focus. On 28 February, we set up a dedicated COVID-19 crisis team made up of key senior managers from across the business, which is monitoring operations and reacting as appropriate. The committee convenes daily to make sure all possible actions to help mitigate the impact are taken quickly and effectively, whilst ensuring that the Group will be in a strong position to continue executing on its growth strategy once conditions begin to normalise.

We have adjusted our operations to protect the health and safety of our colleagues, contractors, candidates and clients and within a matter of weeks have moved over 98% of our Group headcount to remote working. We recognise that many of the communities we operate in are facing serious challenges and therefore, in line with the Group's purpose-driven culture, have made the decision to extend the paid volunteering leave we offer for those supporting the areas of our community most impacted by COVID-19. We are encouraging all our staff to make use of this time to safely volunteer.

Financial position

SThree is in a strong financial position with total accessible liquidity of £57.4m as at 31 March 2020. This is made up of £2.4m net cash, a £50m revolving credit facility ("RCF"), which has now been fully drawn down, and a £5.0m overdraft. In addition, SThree has a £20m accordion, and a substantial working capital position (£98m as at 30 November 2019), reflecting net cash due to SThree for placements already undertaken. Covenants on the RCF are limited to a net debt to EBITDA ratio of 3:1 and a minimum of 4:1 on EBITDA to interest. The Board acknowledges that the conservation of funds is critical at this time of intensified uncertainty and has therefore taken steps to further strengthen its financial position.

SThree welcomes the Government support being shown for businesses globally, including the deferring of various tax payments. The Group is also at an advanced stage in seeking access to the Bank of England's Covid Corporate Financing Facility (CCFF). In addition, SThree is actively exploring other opportunities to access support across all its regions of operation.

In order to further protect the balance sheet, the Board has also taken the difficult decision not to propose the 2019 final dividend of 10.2 pence per share, detailed in the Final Results and Notice of AGM. A resolution was due to be proposed at the forthcoming Annual General Meeting ("AGM") on 20 April 2020, but this resolution will now be withdrawn. This will conserve a further £13.5 million. The Board recognises the importance of dividends to our shareholders and will keep future dividend payments under review.

Updated AGM Guidance

As required by its articles of association, the Group currently intends to proceed with its Annual General Meeting ("AGM") as planned at 11.30am on Monday 20 April, at 75 King William Street London EC4N 7BE. Currently, a quorum of two shareholders is required to attend in person, to be satisfied by the Chair and another Director or the Company Secretary, although should the Government relax this requirement, or other measures be necessary, alternative arrangements will be considered.

The health of the Company's shareholders and its colleagues is of paramount importance. Due to the COVID-19 crisis, shareholders are required to follow the latest Government guidance in respect of public gatherings and therefore are instructed that they should not attend the AGM in person but instead submit their votes by proxy, with all votes to be routinely dealt with by way of a poll. Further details can be

found in the notification on the Group's website: <https://www.sthree.com/en/investors>. As set out in the Notice of AGM, shareholders can also ask questions in advance of the meeting by emailing cosec@sthree.com, with responses to be set out with the notification of AGM result, if appropriate.

As in prior years, arrangements will also be made for the Chair and/or other Directors, to meet with shareholders to discuss governance or other relevant topics, later in the year, once the current situation stabilises.

Mark Dorman, CEO of SThree, said:

"The coming months will not be easy and in the short term we are focused on safeguarding the health of our stakeholders and taking decisive action to protect the strength of our Group both now and in the future.

"However severe the current disruption proves to be, the demand for STEM skills and the trend to flexible working will accelerate as a result of the changes we are seeing in social behaviour, travel and working patterns. We are focused on capturing growth in the medium to long term brought about by these increasingly important secular trends.

"As a strong business with the right strategy, a diversified footprint and a sound platform for growth in place, we are confident we can weather this crisis and will emerge well positioned to continue on our growth trajectory."

- Ends -

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014.

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 41 are in our international⁽²⁾ markets, with circa 3,100 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.

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