

Interim Results Presentation 2010

Interim Results for the six months ended 30 May 2010



SThree Profiles

Interim Results for the six months ended 30 May 2010



Russell Clements — Chief Executive Officer

Russell has served as SThree's Chief Executive Officer since 2004 having previously held the position of Deputy Chief Executive Officer since 2001. He joined Computer Futures in 1986 shortly after its inception, recruited by the co-founders as their second employee. He subsequently served as Director and as Managing Director of Computer Futures and was involved in the creation of a number of the SThree brands.



Alex Smith — Chief Financial Officer

Alex joined SThree in May 2008. Prior to joining SThree, Alex held the position of Integration Finance Director at TUI Travel plc, the company formed through the merger of First Choice Holidays plc and the tourism businesses of TUI AG. Prior to this he was Finance Director of First Choice's Mainstream Sector. His earlier experience included three years with W.H.Smith including a period as Managing Director of its Travel Retail business. He has also held financial roles at Travelodge and Forte. He is a Chartered Accountant trained by Price Waterhouse, London.



Introduction & Overview

Overview

Interim Results for the six months ended 30 May 2010



- Satisfactory performance in sequentially improving, but not yet fully recovered markets
- Year on year comparatives distorted by average consultant headcount down by 24% YOY in H1 2010
- Recovery permanent led, with contract relatively underperforming, Contract versus permanent mix of profit now 54:46 in favour of contract (2009 full year: 58:42)
- PBT of £7.3m (2009: £11.2m)
- Business mix increasingly international, with non UK GP representing 60% of mix (2009 full year: 55%)
- ROW (excluding UK and Europe) grew to 10% of mix (2009 full year: 6%)
- Non ICT business segments grew 10% LFL*, representing 34% of mix (2009 full year: 28%)
- Agile business model, seasoned management
- Cash rich, no debt = robust attitude to dividend. Interim dividend held at 4.0p (2009: 4.0p)
- Continue to make prudent investments for future

* LFL = constant currency

Current Trading

Interim Results for the six months ended 30 May 2010



- Sequentially Q2 GP +7.8% vs Q1, with Permanent +12.0% and contract +4.4%
- Strong start to H2
 - In June, Permanent +42.8% year on year and Contract -4.7%, blending to GP +14.9% YOY
 - Permanent pipeline remains strong at the end of June
- Contract performance impacted by more difficult UK and Benelux markets partially offset by France and Germany



Half Year 2010 Financial Highlights

Interim Results for the six months ended 30 May 2010



	2010	2009	Actual Growth	LFL Growth
Revenue	£221.7m	£280.6m	-21.0%	-20.3%
Gross Profit (fee income)	£74.3m	£93.3m	-20.3%	-19.4%
Operating Profit*	£7.1m	£11.0m	-35.3%	-32.5%
Conversion Ratio*	9.6%	11.8%		
Profit before tax*	£7.3m	£11.2m	-34.4%	-33.5%
Basic earnings per share*	4.0p	6.3p		
Interim Dividend	4.0p	4.0p		

Note: * Before exceptional items of £8.5m relating to the Group restructure in H1 2009
 Conversion Ratio = operating profit to gross profit
 LFL Growth is at Constant Currency

22 UK Offices

Interim Results for the six months ended 30 May 2010



- **London**
SThree HQ
SThree Group Training
SThree Group Finance
SThree Group IS
Computer Futures
Real Staffing Group
IT Job Board
- **London (City)**
Real Staffing Group
Huxley
Progressive / Orgtel
- **Thames Valley**
Huxley / Progressive
- **Bristol**
Computer Futures
- **Birmingham**
Computer Futures
Progressive
Huxley
Real Staffing Group
- **Leeds**
Real Staffing Group
- **Manchester**
Computer Futures
Huxley / Progressive
- **Edinburgh**
Computer Futures
- **Glasgow**
Progressive
- **Aberdeen**
Progressive / Huxley



29 Non-UK Offices

Interim Results for the six months ended 30 May 2010



SAN FRANCISCO



DUBLIN



PARIS



DELHI



SINGAPORE



SYDNEY

New Offices opened in 2010: **Existing office locations:**



- **Perth**
- Progressive



- **Dusseldorf**
- Progressive / Computer Futures
- Huxley



- **Delhi**
- Huxley

- **San Francisco***
- Real Staffing Group

* Opened June 2010

- **Amsterdam**
- Computer Futures (2000) / Orgtel (2007)
- Progressive (2002)
- Huxley (2002) / Real Staffing Group (2007) / ITJB (2007) / SThree L&D (2007)
- Progressive (2002)

- **Rotterdam**
- Computer Futures (2007)

- **Brussels**
- Computer Futures (1998) / Progressive (2009)
- Huxley (2007)

- **Hamburg**
- Computer Futures (2009)

- **Marseille**
- Computer Futures (2009)

- **Stuttgart**
- Computer Futures (2009)

- **Frankfurt**
- Computer Futures (1999) / Orgtel (2010)
- Huxley (2006) / SThree L&D (2009)
- Real Staffing Group (2009) / ITJB (2010)

- **Munich**
- Progressive (2004)
- Computer Futures (2006)

- **Dublin**
- Computer Futures (1999)

- **Paris**
- Computer Futures (2003)
- Progressive (2006) / Real Staffing Group (2009) / SThree L&D (2010)
- Huxley (2008)

- **New York**
- Huxley (2006) / Real Staffing Group (2009)

- **Dubai**
- Pathway (2008)

- **Hong Kong**
- Huxley (2007)

- **Sydney**
- Progressive (2008) / Orgtel (2008)

- **Singapore**
- Progressive / Orgtel (2009)



KPI's and Business Analysis

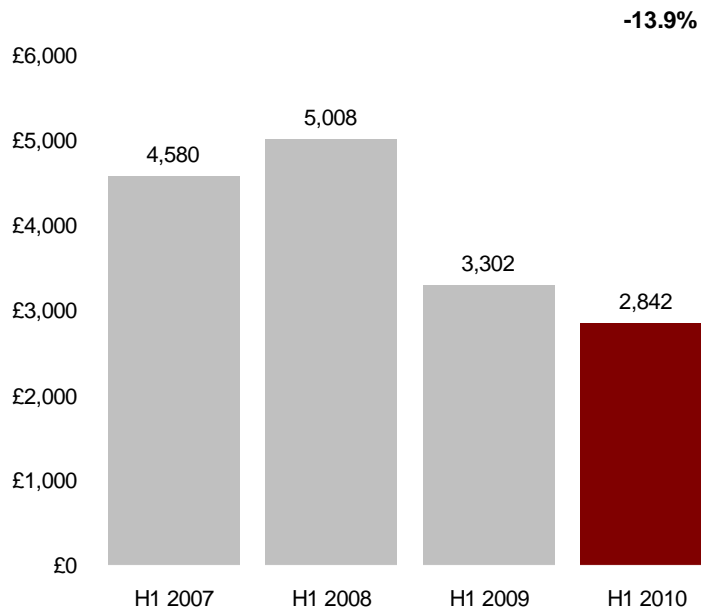


Key Performance Indicators: Permanent

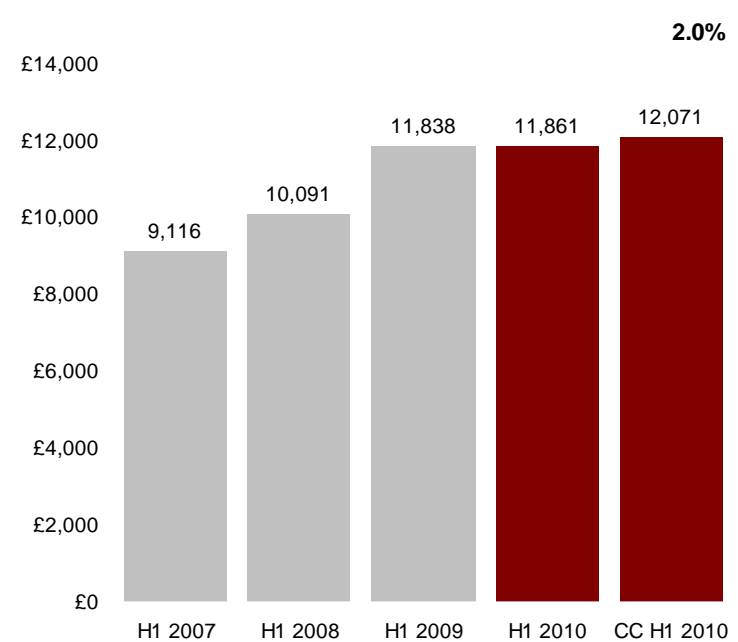
Interim Results for the six months ended 30 May 2010



Permanent Placement Volume



Permanent Average Fee



Fees up 2.0% on a constant currency basis

Source: SThree Accounts

Notes:

Candidates the Group has placed with clients on a permanent basis and for whom it has sent the client an invoice during the relevant period

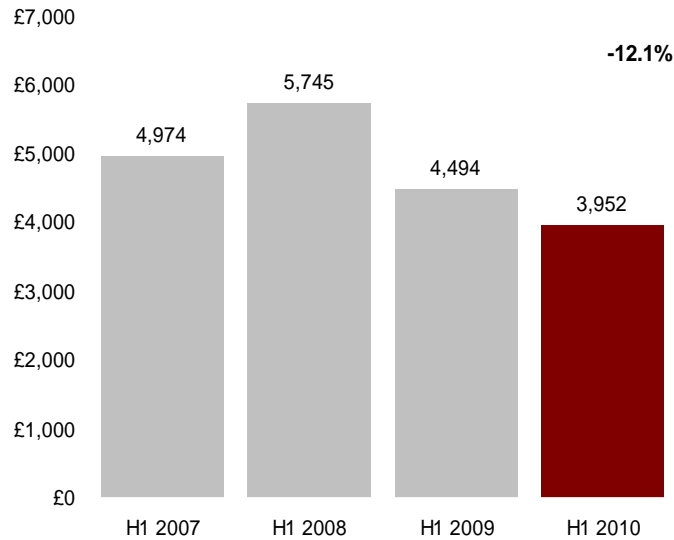
The average permanent placement fee is calculated using the total placement fees for the relevant period, including the ITJobBoard advertising income, divided by the number of placements for the period. This analysis excludes retained business.

Key Performance Indicators: Contract

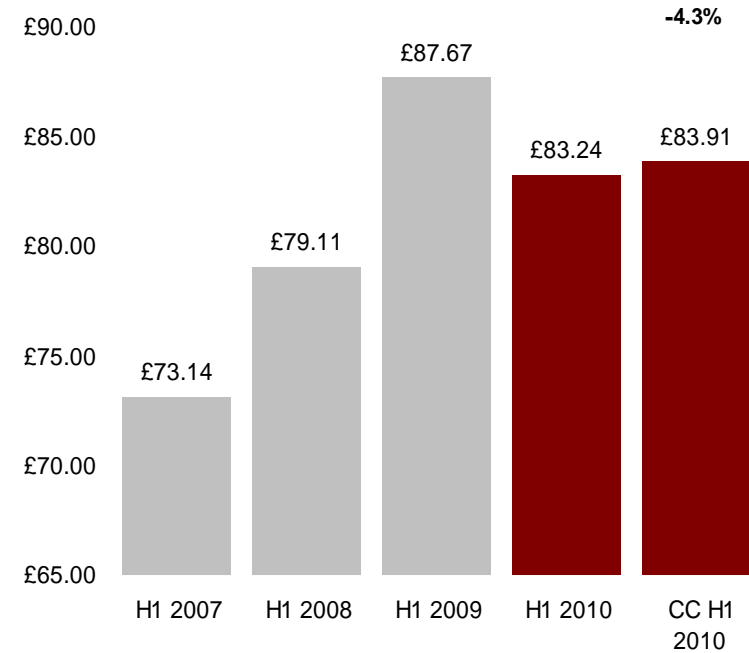


Interim Results for the six months ended 30 May 2010

Contract Runners



Gross Profit Per Day Rate



Decline in GP day rate not seen as a medium term issue

Notes:

Contractors of the Group that are on placement with one of the Group's clients at the end of the relevant period

The average gross profit per day per contractor is calculated by taking gross profit from contract staffing for the period and dividing by the average number of active contractors and the number of working days in the period

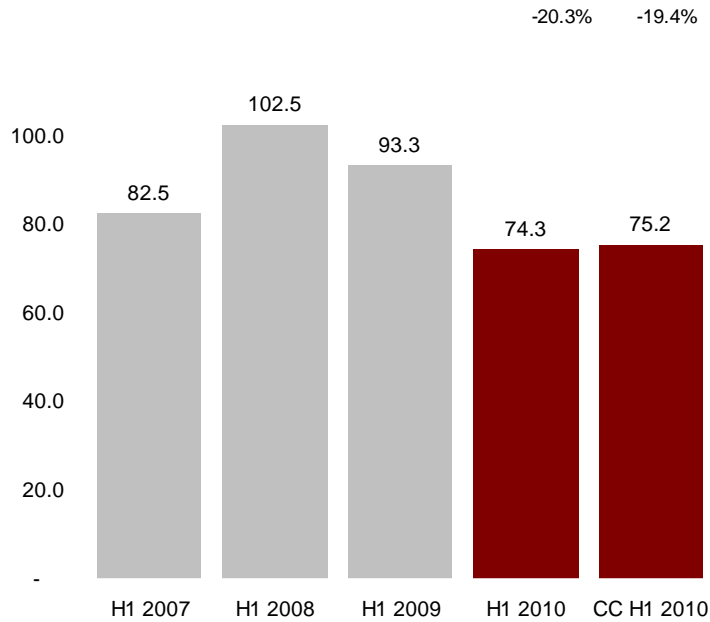
Source: STthree Accounts

Gross Profit & Gross Margin

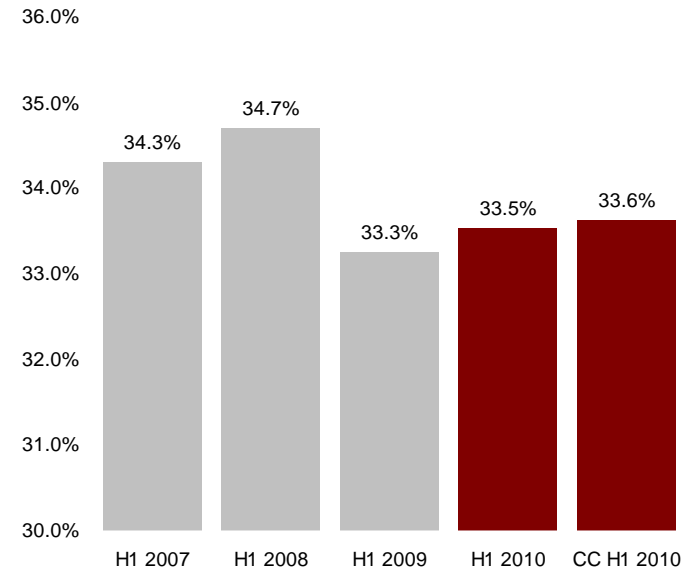
Interim Results for the six months ended 30 May 2010



Gross Profit (£m)



Gross Margin %



Source: STthree Accounts

Gross margin percentage up 0.3% pts

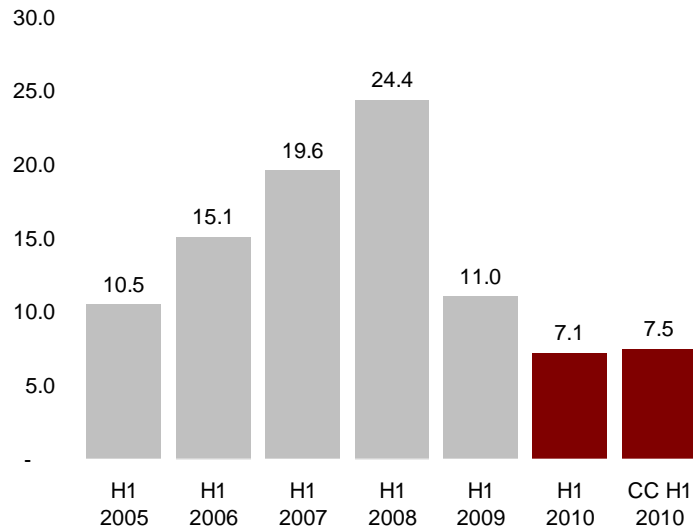


Operating Profit & Conversion Ratio

Interim Results for the six months ended 30 May 2010

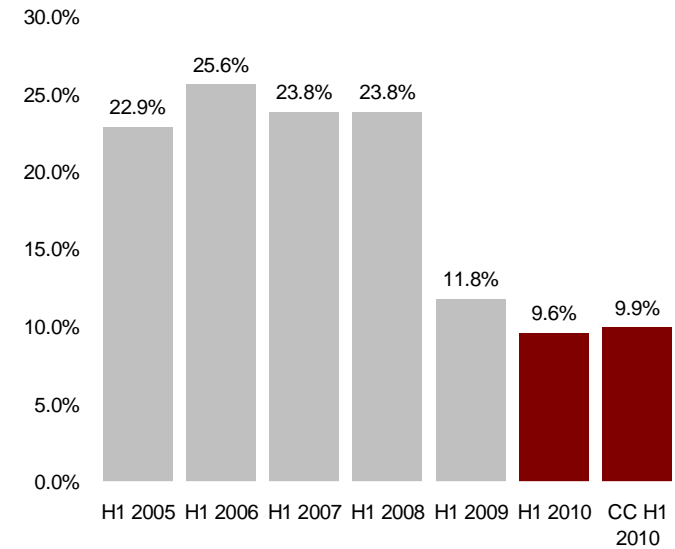


Operating Profit (£m)



Conversion Ratio

(operating profit as a % of gross profit)



Conversion ratio impacted by decline in Gross Profit

Notes:
2000-2005 UK GAAP
2006-2009 IFRS

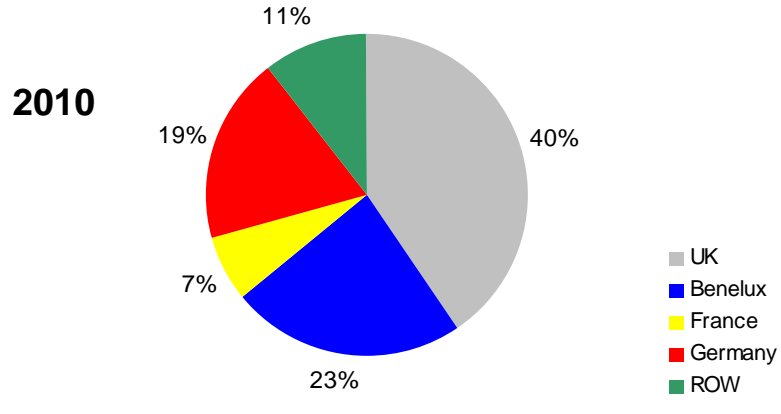


Geographic Analysis by Location of Client

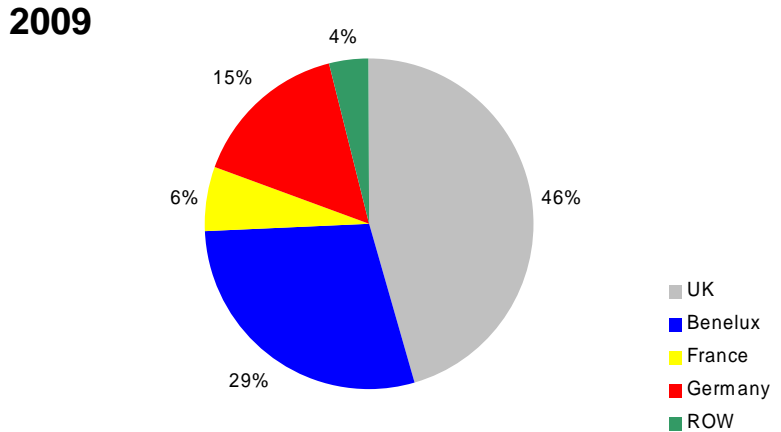
Interim Results for the six months ended 30 May 2010



Gross Profit

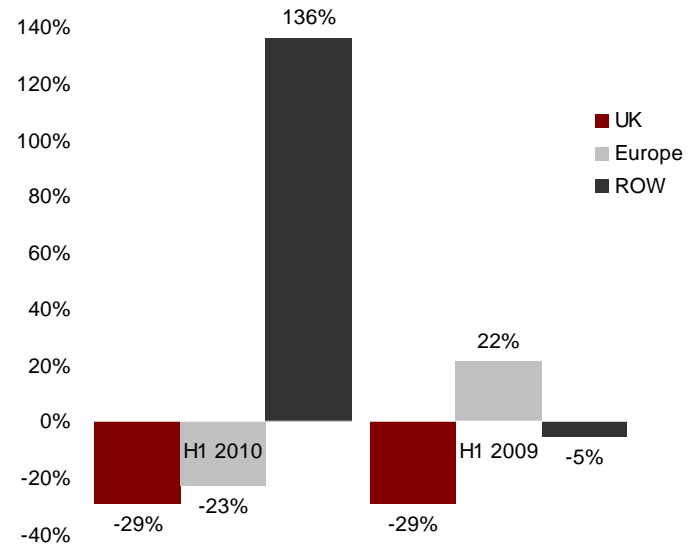


£74.3m



£93.3m

Growth In UK/Non-UK GP



60% of GP is Non UK (2009: 54%)
ROW now represents 10% of mix at constant currency

Source: SThree Accounts

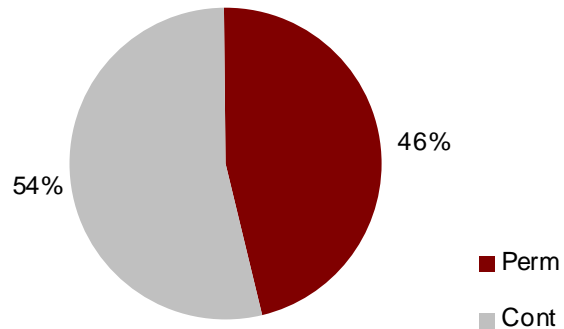
Permanent/Contract Analysis

Interim Results for the six months ended 30 May 2010



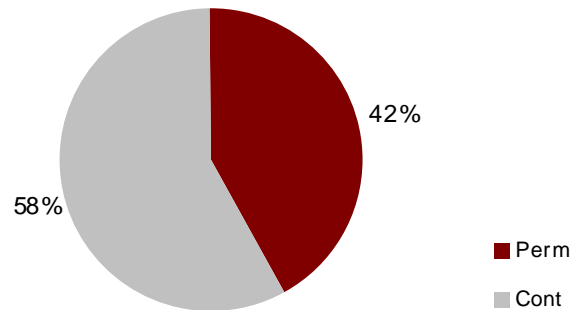
Gross Profit

2010



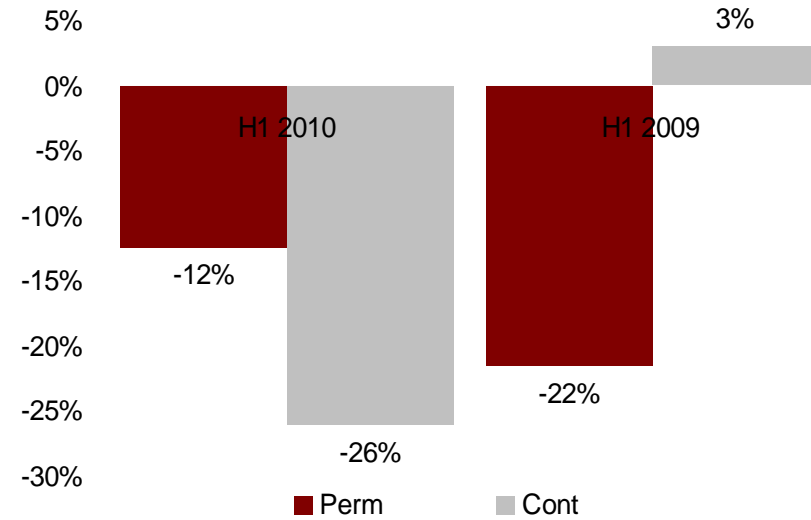
£74.3m

2009



£93.3M

Growth In Permanent/Contract GP



Gross Margin	2010	2009
Group (Blended)	33.5%	33.3%
Contract	21.4%	22.5%

Source: SThree Accounts

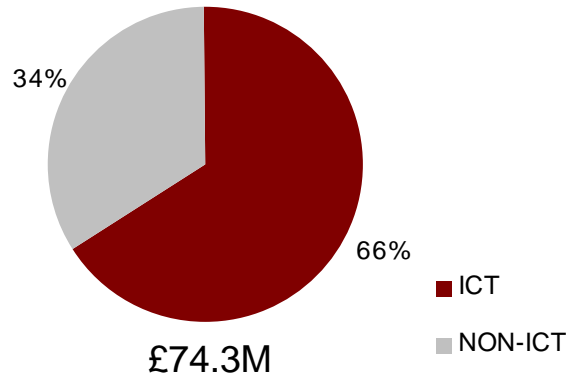
Sector Analysis by Candidate Skillset

Interim Results for the six months ended 30 May 2010

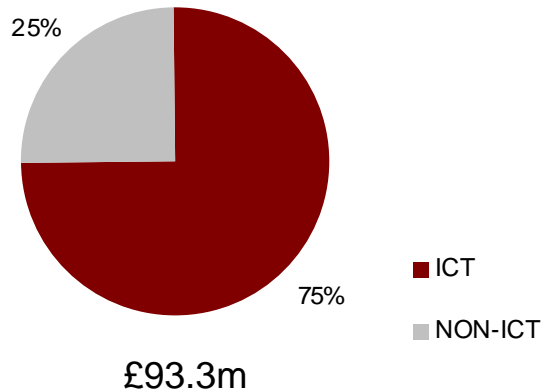


Gross Profit

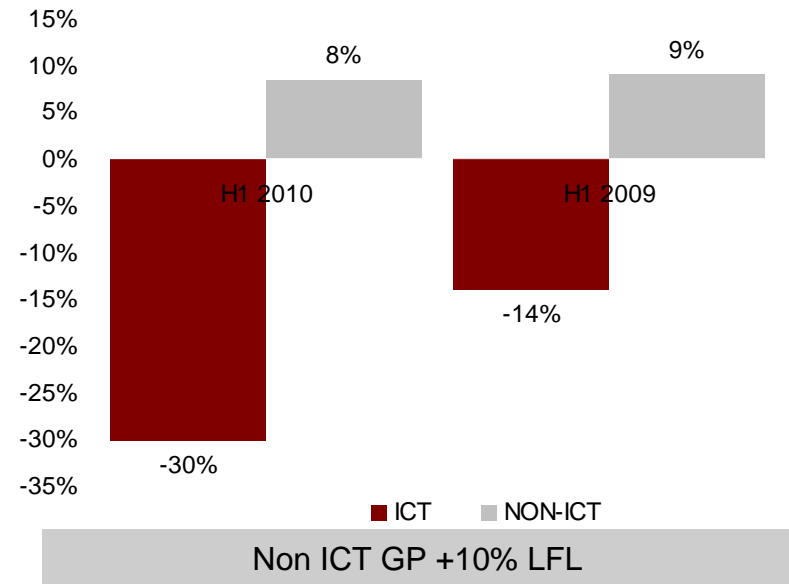
2010



2009



Growth In ICT / Non ICT GP



ICT impacted by geographical mix

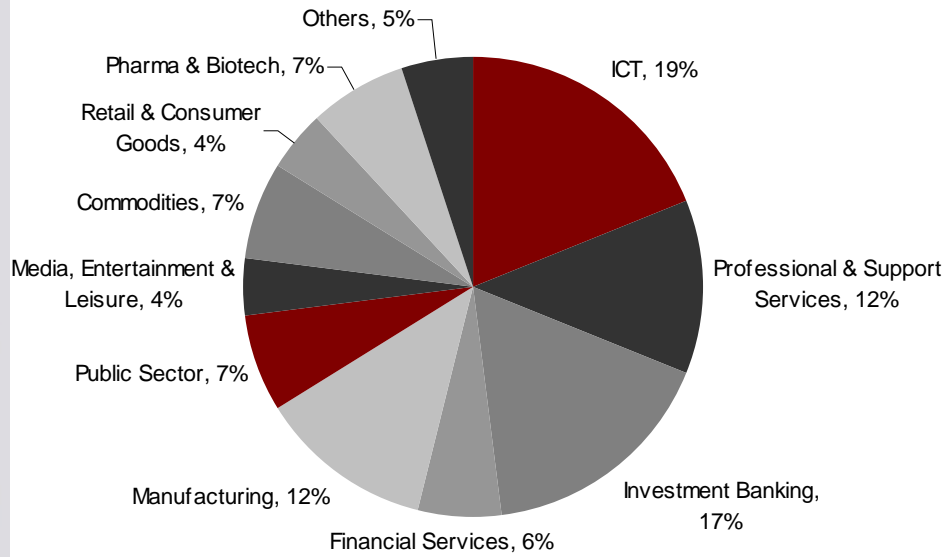
Source: SThree Accounts



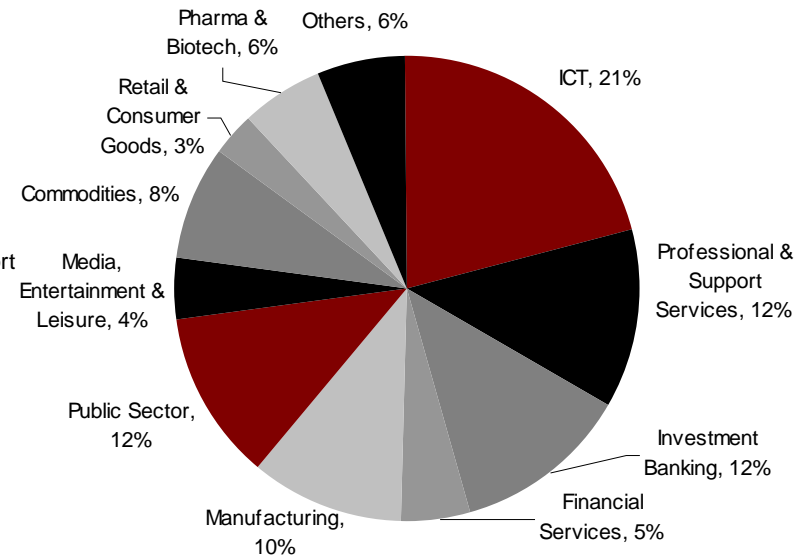
Business breakdown by client industry sector



Interim Results for the six months ended 30 May 2010



Half year 2010



Full year 2009

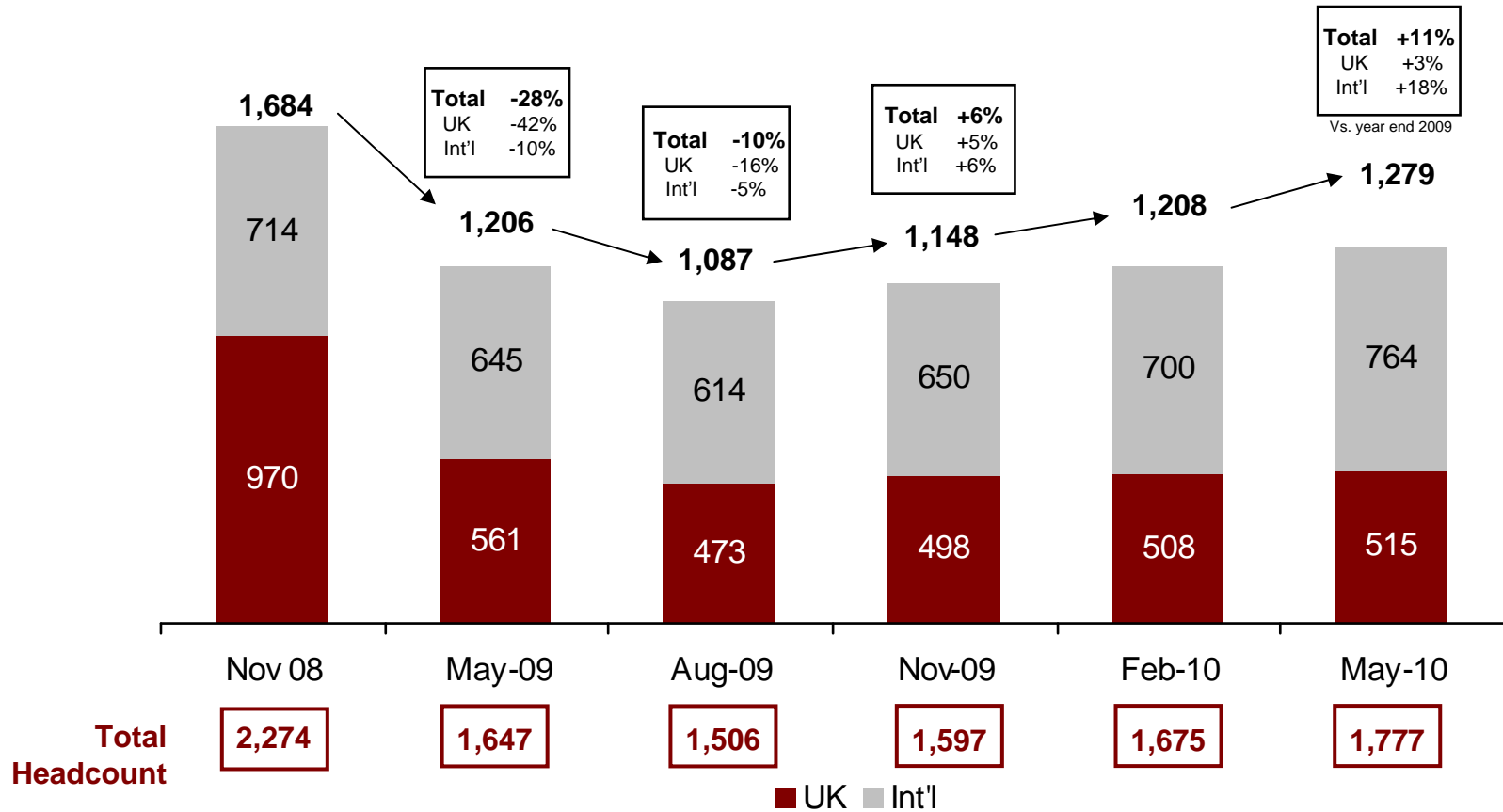
Public sector exposure reduced to 7% of mix

Source: Internal MIS analysis based on number of transactions per sector



Sales Headcount

Interim Results for the six months ended 30 May 2010



Total sales heads up 11.3% May 2010 v November 2009
60% of sales heads now Non-UK

Note: Sales headcount includes consultants and sales management



Financial Results

Income Statement

Interim Results for the six months ended 30 May 2010



	2010 £m	2009 £m	Actual Growth	LFL Growth
Revenue	221.7	280.6	-21.0%	-20.3%
Gross profit	74.3	93.3	-20.3%	-19.4%
Operating profit*	7.1	11.0	-35.3%	-32.5%
Net finance cost	0.2	0.2	-	-
Profit before tax*	7.3	11.2	-34.5%	-33.5%
Taxation*	(2.5)	(3.5)	-	-
Profit after tax*	4.8	7.7	-37.1%	-

Note: *Before exceptional items of £8.5m relating to the Group restructure in H1 2009

Source: SThree Accounts

Balance Sheet

Interim Results for the six months ended 30 May 2010



£m	30 May 2010	31 May 2009	
Goodwill & intangibles	10.0	11.5	£20m invoice discounting facility with RBS until April 2012
Property, plant & equipment	5.5	6.6	<ul style="list-style-type: none"> £20m committed Base rate +175 bp Not drawn in period
Deferred tax	8.9	5.6	Focus on working capital
Net working capital	21.8	22.9	<ul style="list-style-type: none"> Debtor days at 37 vs 39 Debtors ageing improved
Tax liability	(1.2)	(3.0)	Provision decrease relates to utilisation of exceptional restructuring item
Provisions	(4.2)	(7.5)	
Net cash*	31.6	43.9	Cash impacted by timing of dividend
Net assets	72.5	80.1	

* Includes assets held to maturity

Balance sheet remains strong

Source: SThree Accounts

Cash Flow

Interim Results for the six months ended 30 May 2010



	2010 £m	2009 £m
Operating profit	7.1	2.5
Share awards charge	0.9	0.6
Depreciation and amortisation	3.0	3.0
Loss on disposal	-	0.3
Decrease in debtors	6.7	41.0
Decrease in creditors	(11.9)	(13.7)
(Decrease) / increase in provisions	(1.5)	3.6
Net cash inflow from operating activities	4.3	37.3
Finance income	0.2	0.2
Taxation paid	(1.4)	(11.7)
Capital expenditure	(2.2)	(2.6)
Dividends paid	(15.1)	(5.0)
Net (decrease) / increase in cash	(14.2)	18.3

Cash decreased as a result of the early payment of the 2009 final dividend

Source: SThree Accounts

Earnings Per Share

Interim Results for the six months ended 30 May 2010



		2010	2009	Change %
Profit After Tax*		£4.9m	£7.7m	-37%
Minority Interest		-£0.1m	-£0.3m	-
Profit attributable to equity holders of the company*		£4.8m	£7.4m	-34%
Weighted average number of shares				
	for basic EPS	119.8m	117.7m	2%
	for fully diluted EPS	122.5m	121.1m	1%
EPS*				
	basic	4.0p	6.3p	-37%
	diluted	3.9p	6.1p	-36%
DPS		4.0p	4.0p	

* Before exceptional items

Source: SThree Accounts



Summary & 2010 Outlook

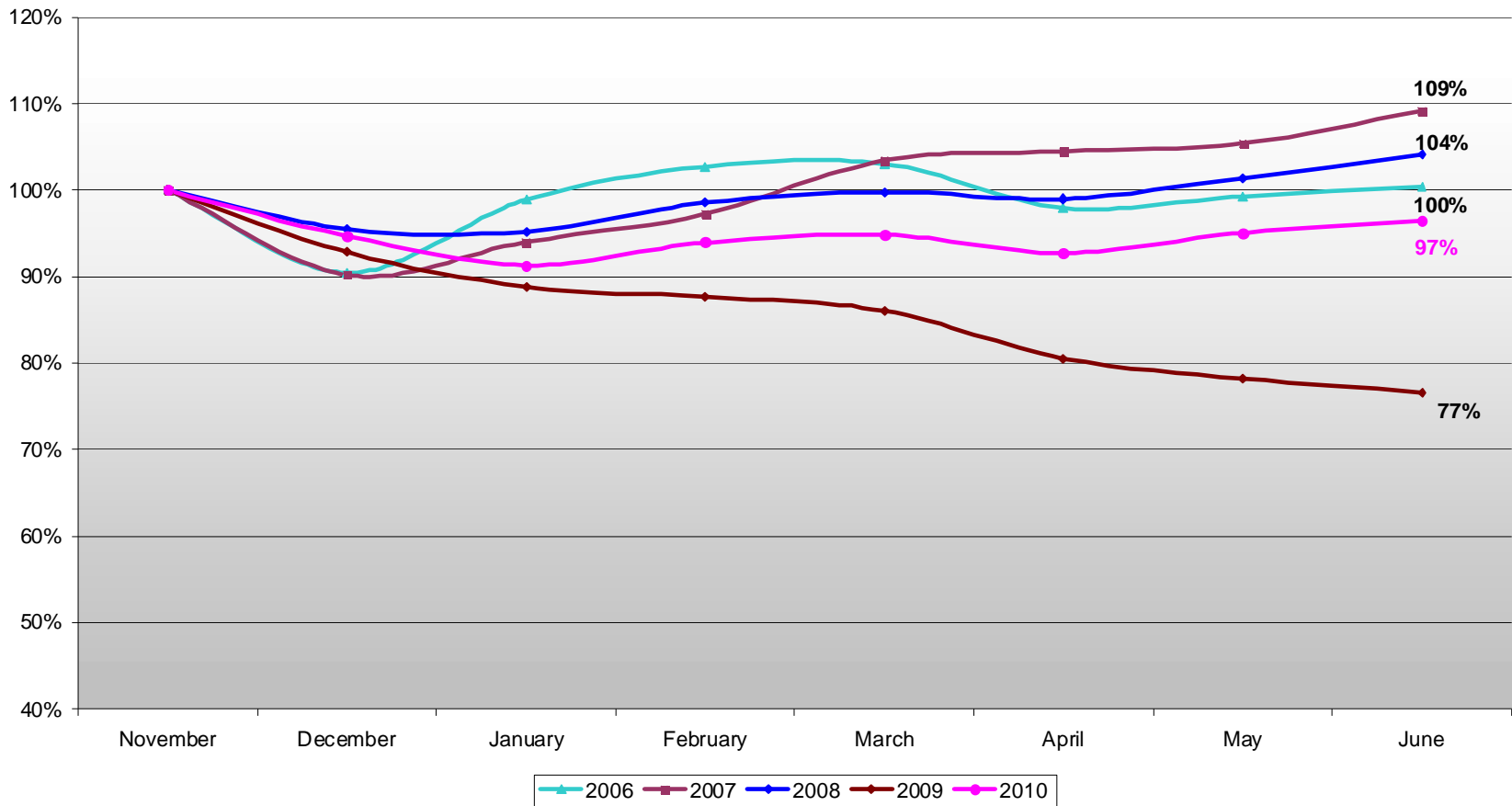


Contract Runners: P1-7 5 year comparison

Interim Results for the six months ended 30 May 2010



Indexed Contract Runners: P1-7 5 year analysis
 (Annual Trend based on P12 Nov Year End Runners)



Summary & 2010 outlook

Interim Results for the six months ended 30 May 2010



- Most markets stable / improving, albeit currently below normal levels
- Selective rehiring undertaken +11% sales headcount increase versus year end 2009
- Assuming continuation of confidence we remain cautiously optimistic
- Sequentially Q2 GP +7.8% vs Q1 and June GP +14.9% YOY
- 2010 an investment year for headcount, exaggerating normal H1/H2 seasonality
- SThree increasingly exposed to territories & segments with strong structural growth





Questions

Thank you for listening, please feel free to ask any questions



The Future of SThree

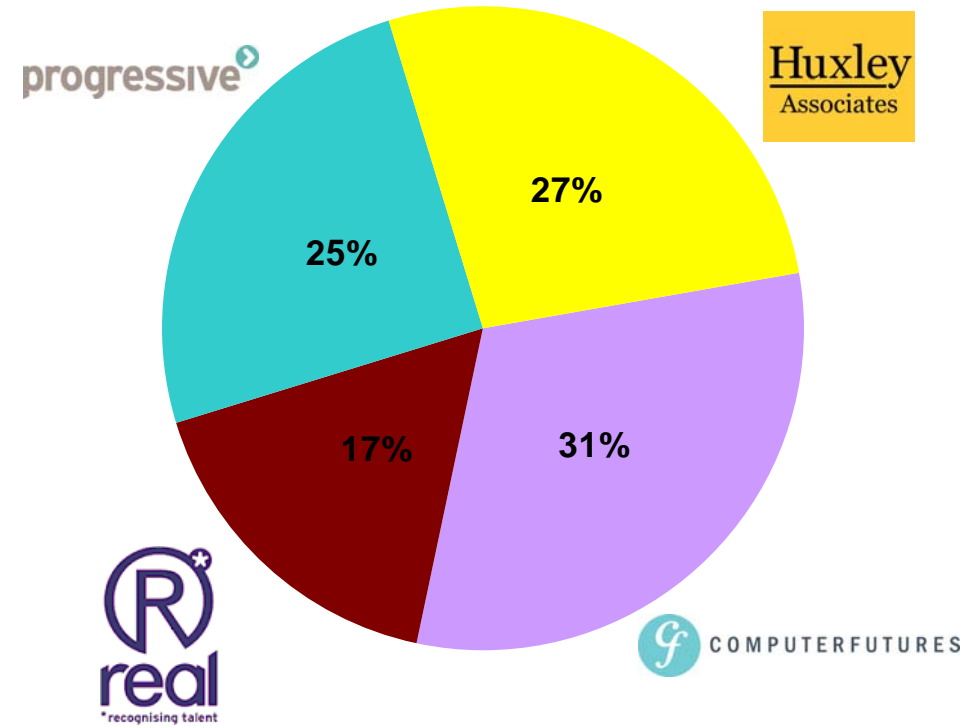
SThree: Evolving the Multi Brand Model



Interim Results for the six months ended 30 May 2010

Niche Specialisations

- ICT
- Banking
- Engineering
- Oil & Gas
- Pharma / Healthcare
- Sales & Marketing
- Accountancy & Finance



Brand % of 2009 Group GP

SThree has grown 100% organically through niche brands

Source: Internal MIS analysis

Profile of International Growth



Interim Results for the six months ended 30 May 2010

International expansion has three major dimensions;

Increase headcount
in an existing office
e.g. Sydney



Increase office footprint in
existing geography e.g. Perth



Open entirely new regions
e.g. West Coast USA



Actual / potential office openings 2010

Interim Results for the six months ended 30 May 2010



Perth (Progressive)

Munich (Computer Futures)

**Dusseldorf
(Progressive / Huxley)**

**San Francisco
(Real Resourcing)**

Delhi (Huxley)



Qatar (Pathway)

Houston (Progressive)

Antwerp (Computer Futures)

Melbourne (Progressive)

Zurich (Huxley / Progressive)

- Opened
- Approved
- Awaiting business case

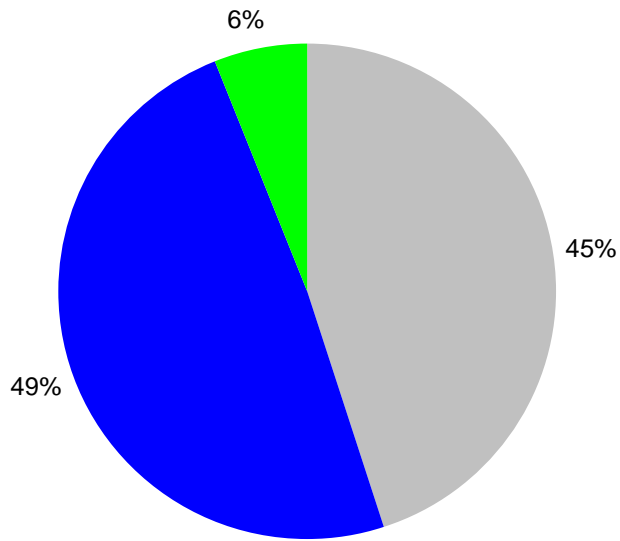
Opportunity to leverage existing office/locations initially
Average investment circa £300k - 400k per office, payback 6-24 months

Business Mix

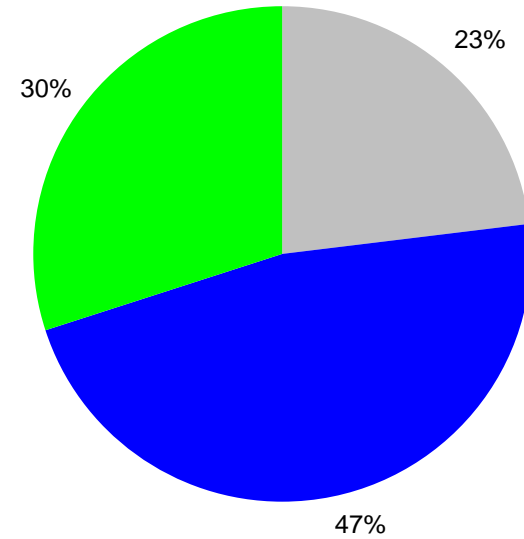
Interim Results for the six months ended 30 May 2010



Geographical Mix 2009



Indicative Future Mix (c. 5 years?)



■ UK ■ Europe ■ ROW

Source: STthree Internal Analysis

Indicative Future Footprint

Interim Results for the six months ended 30 May 2010



Americas

New York
San Francisco
Washington
Houston
Dallas
Chicago
Los Angeles

Boston
Atlanta
Calgary
Toronto
Vancouver
Rio/Sao Paulo

UK & Ireland

London
Manchester
Birmingham
Leeds
Reading
Bristol
Edinburgh
Glasgow
Aberdeen
Dublin

Europe

Düsseldorf
Hamburg
Frankfurt
Munich
Paris
Amsterdam
Rotterdam
Glasgow
Berlin
Cologne
Stuttgart

Marseille
Antwerp
Luxembourg
Madrid
Milan
Stavanger
Vienna
Zurich
Moscow
Prague
Warsaw

Middle East & Africa

Dubai
Abu Dhabi
Bahrain
Qatar
Saudi Arabia
Cape Town

AsiaPac

Hong Kong
Singapore
Sydney
Perth
Melbourne
Brisbane

Shanghai
Tokyo
Osaka
Delhi
Mumbai
Kuala Lumpur

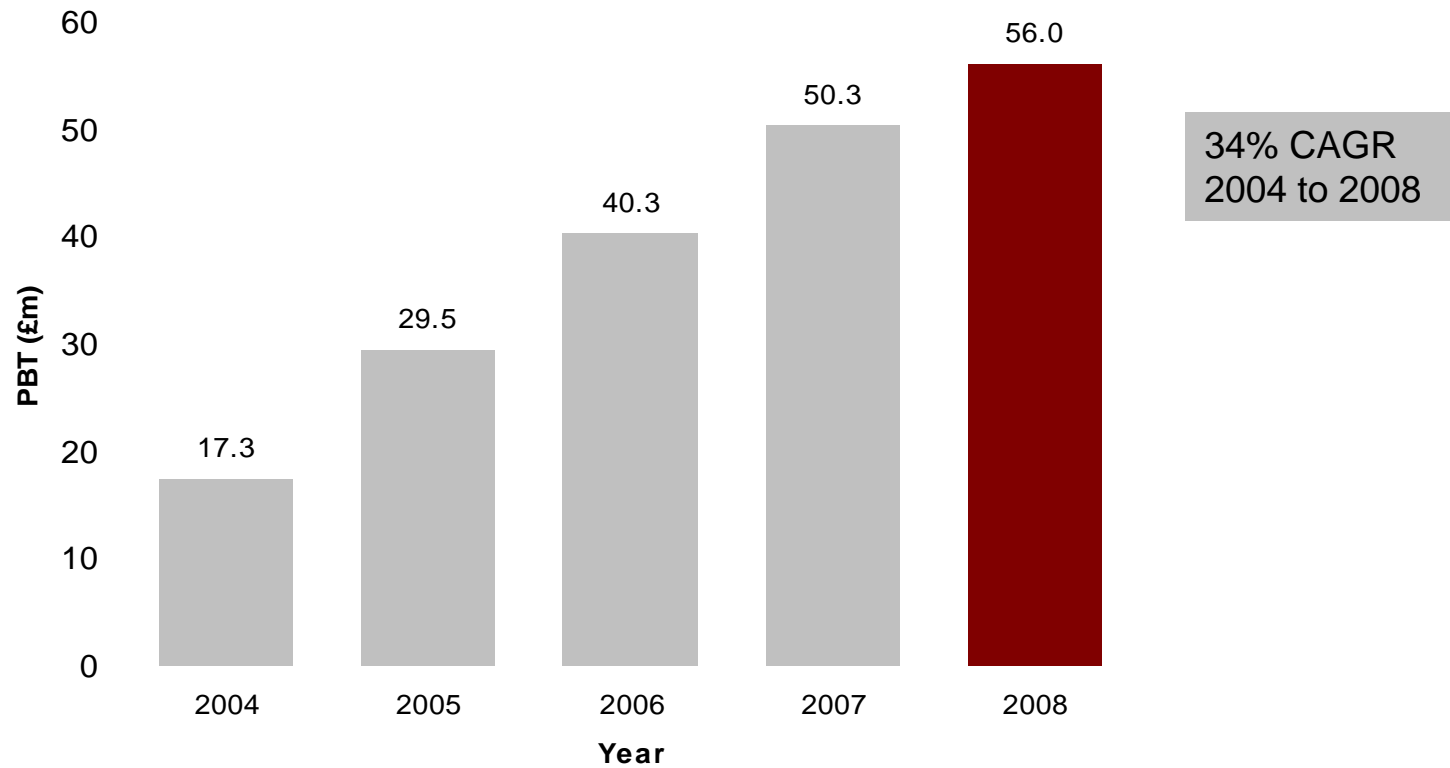


Supplementary Material

PBT Growth 2004 – 2008 post last downturn



Interim Results for the six months ended 30 May 2010



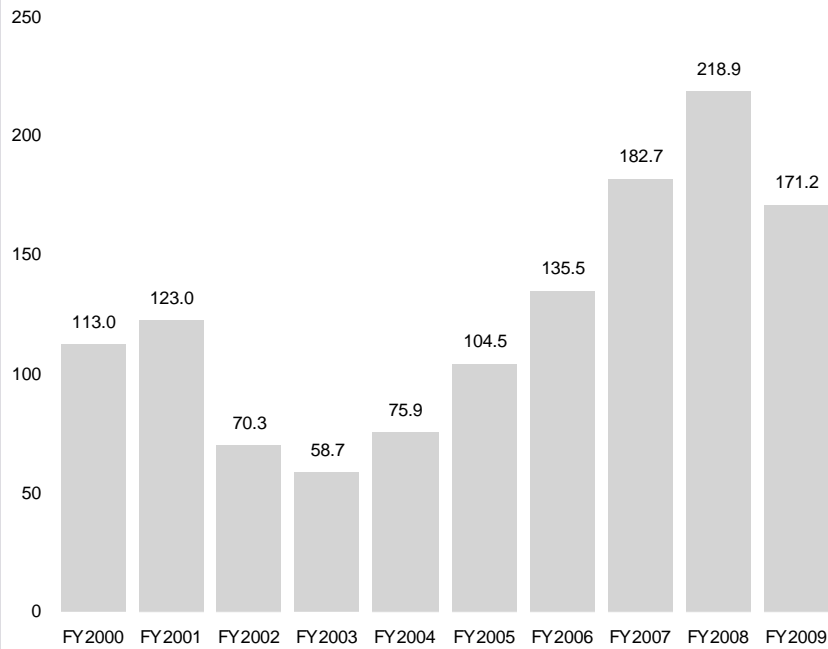
Total PBT increase of 324%

Historical Gross Profit and Gross Margin

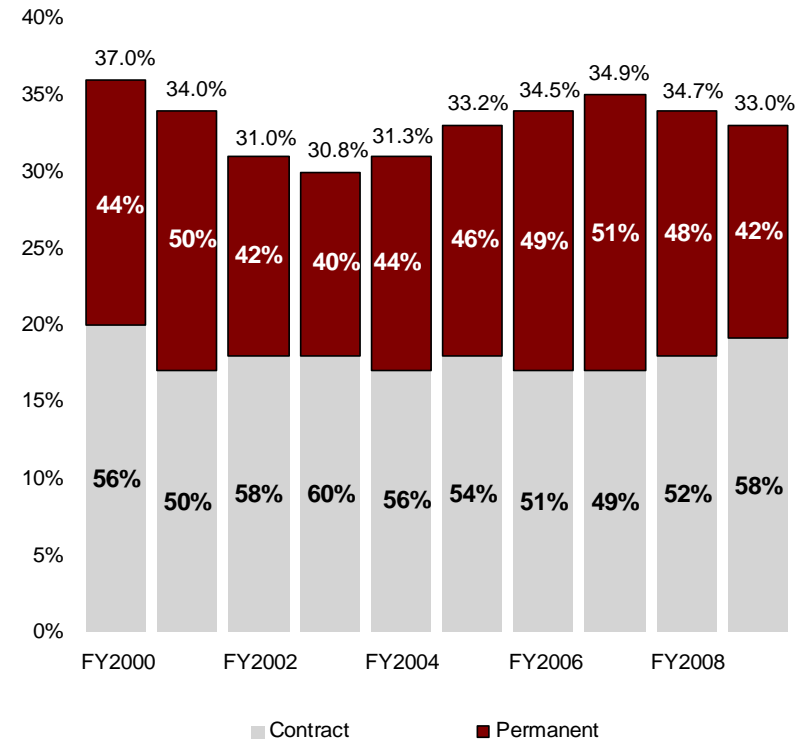
Interim Results for the six months ended 30 May 2010



Gross Profit (£'m)



Gross Margin (%)



Notes:
2000-2005 UK GAAP
2006-2009 IFRS

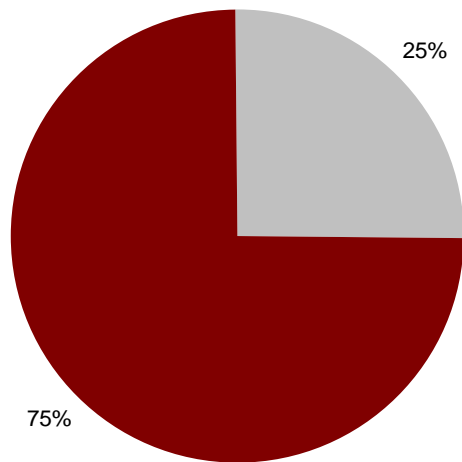
	2000	2001	2002	2003	2004	2005	2006	2006	2008	2009
Contract										
Margin	20.7%	20.6%	20.6%	21.0%	20.5%	21.1%	21.3%	20.8%	21.5%	22.1%

Business mix - a transformation

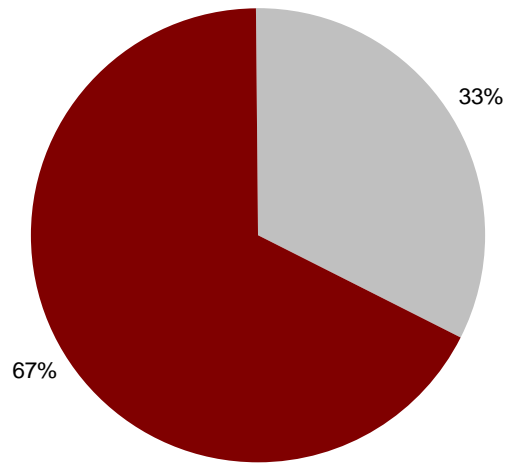
Interim Results for the six months ended 30 May 2010



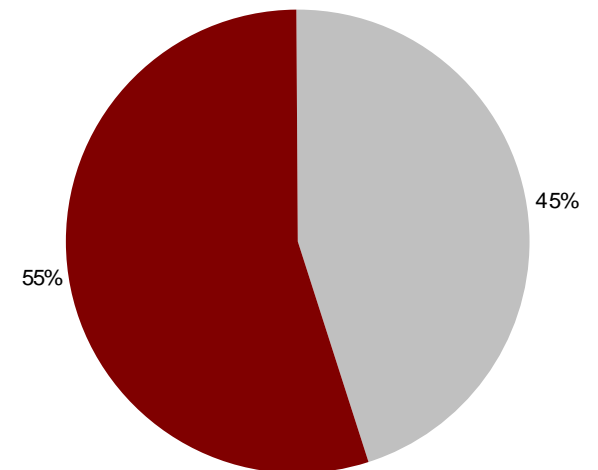
2010



2009



2008



■ UK, ICT Gross Profit ■ Other

Geographical & sector diversification reshapes the business

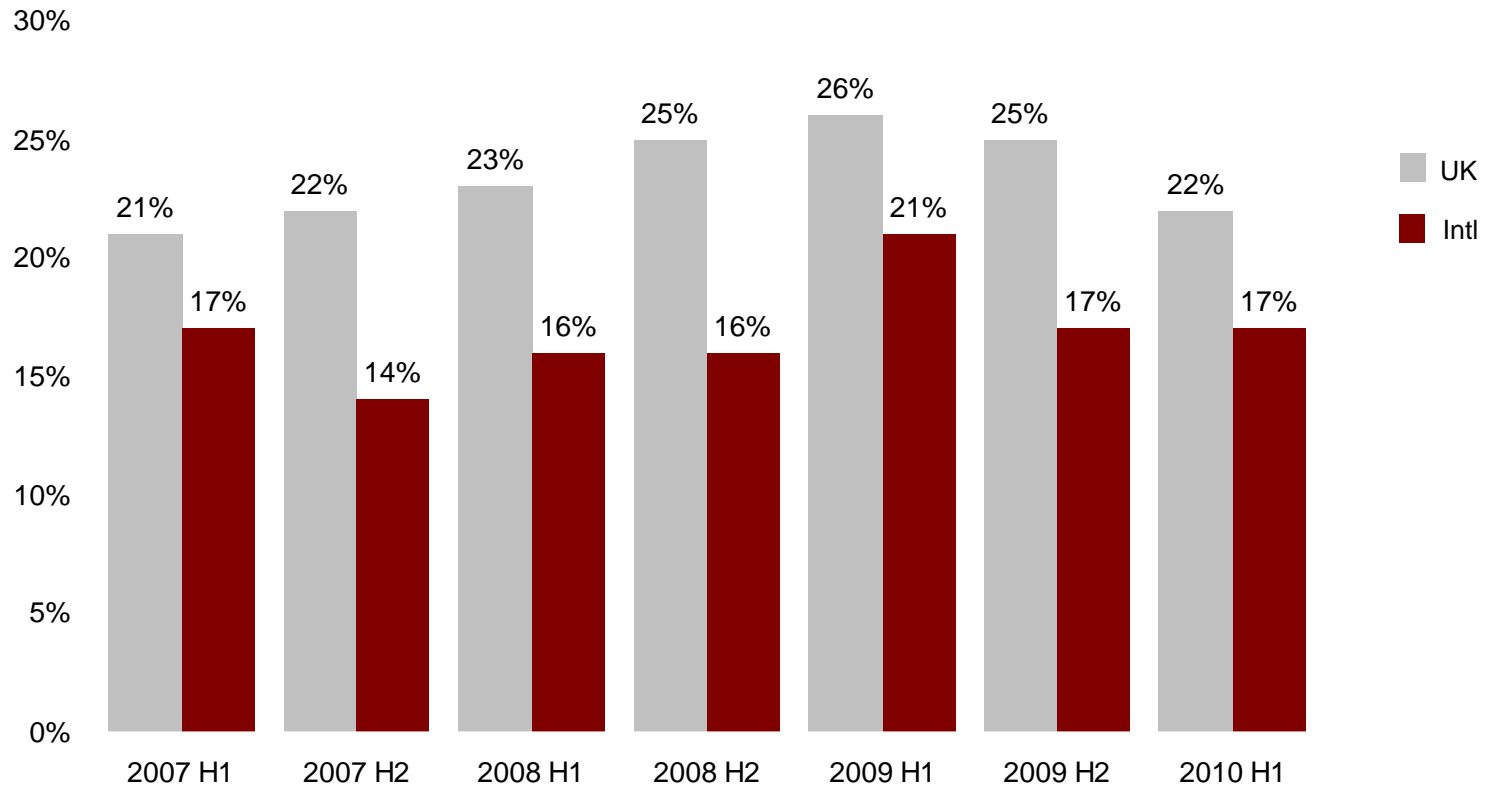


Health of Market - Perm hire KPIs

Interim Results for the six months ended 30 May 2010



Permanent hires starting within the month



Source: SThree MIS / Internal Analysis

The percentage of permanent candidates able to start in same period that the job is accepted is an indication of prevailing labour market conditions

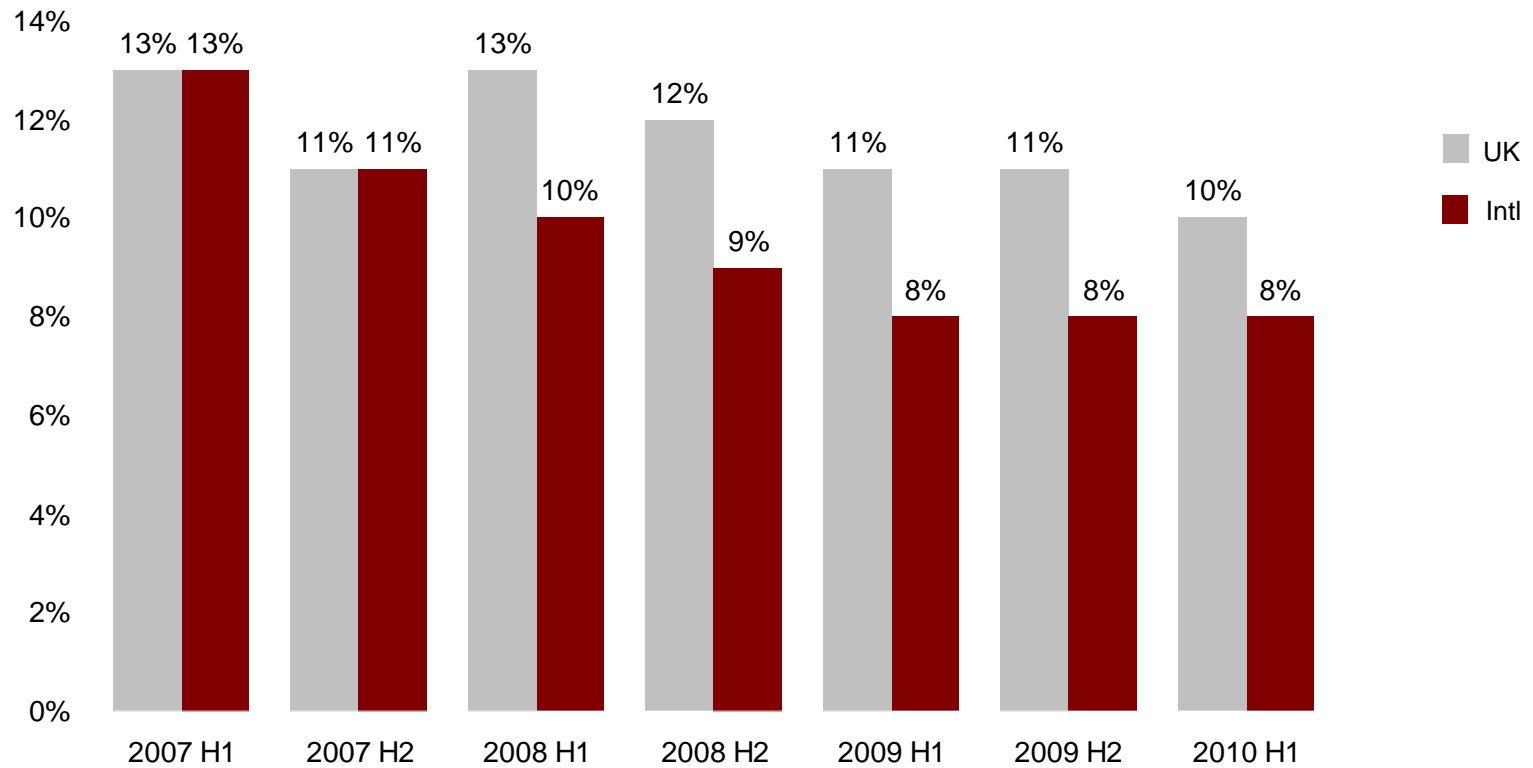


Health of Market - Perm 'dropouts' KPIs



Interim Results for the six months ended 30 May 2010

Permanent placement 'dropouts'



'Dropouts' are a useful indication of labour market tightness

¹ A drop out is defined as a potential permanent placement who has formally accepted an offer through an SThree company, but who ultimately does not take the position, generally because a counter offer is accepted

Source: SThree MIS / Internal Analysis



Candidate salary positioning

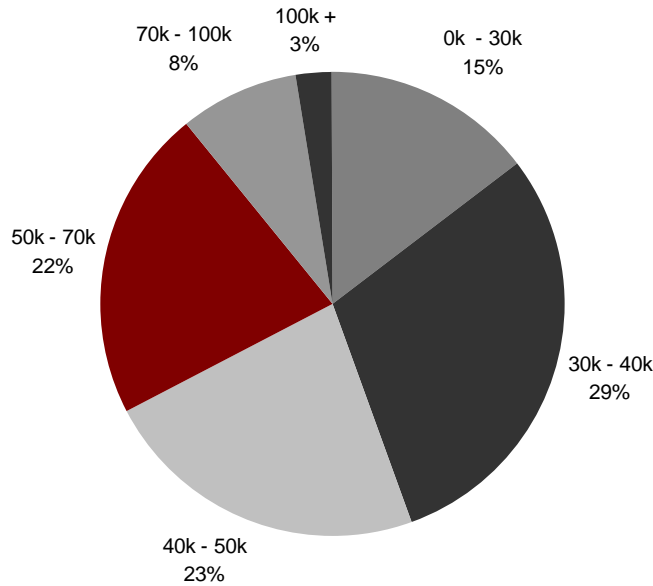
Interim Results for the six months ended 30 May 2010



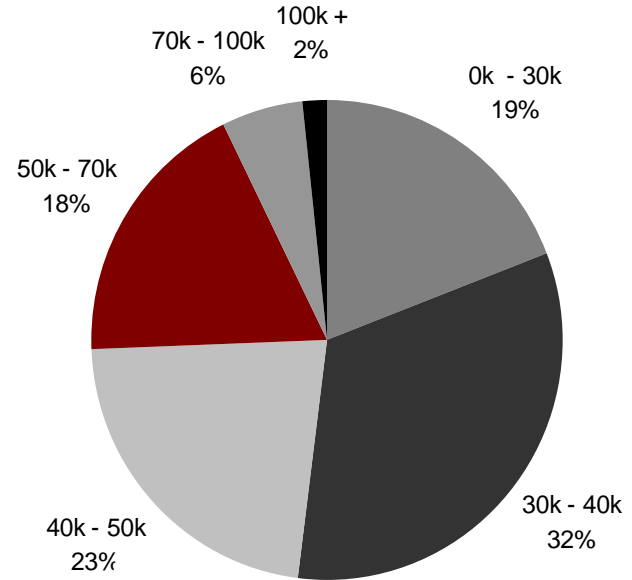
2010

Permanent salary analysis

2009



£47k



£44k

Current average permanent salary is £47k*(2009: £44k)
 Current contract pro rata salary is circa £89k**(2009: £88k)

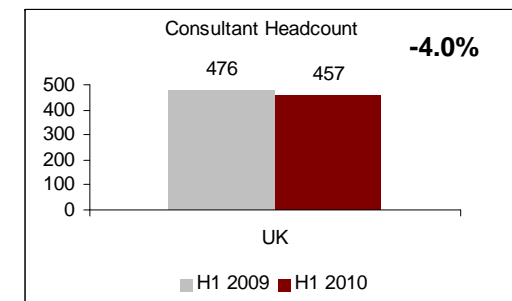
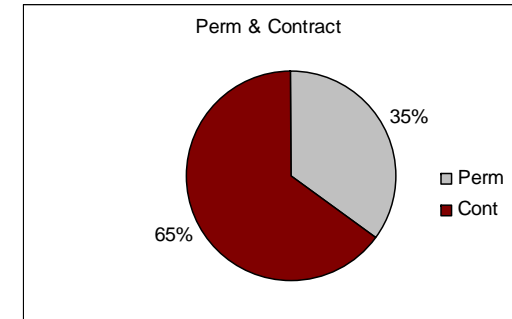
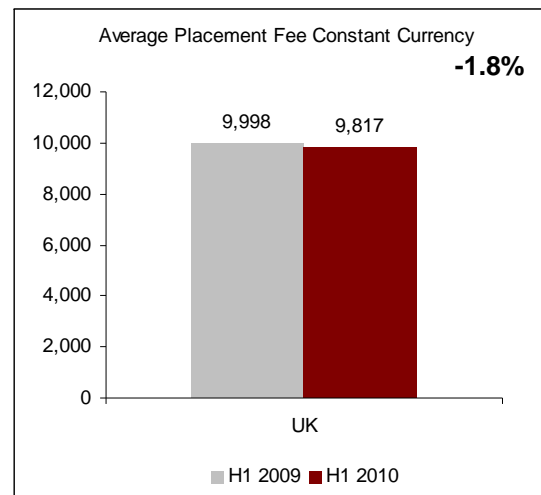
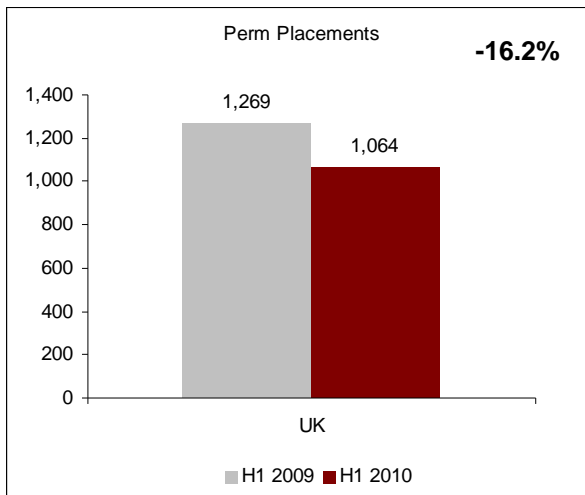
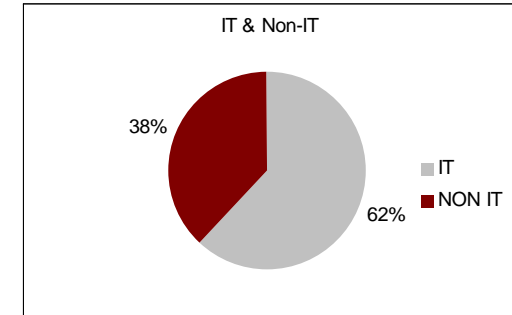
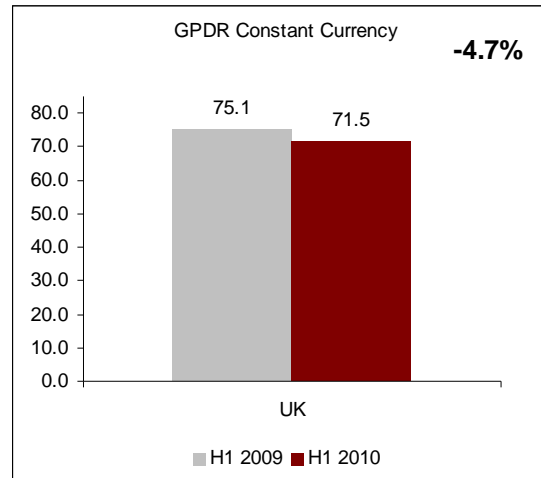
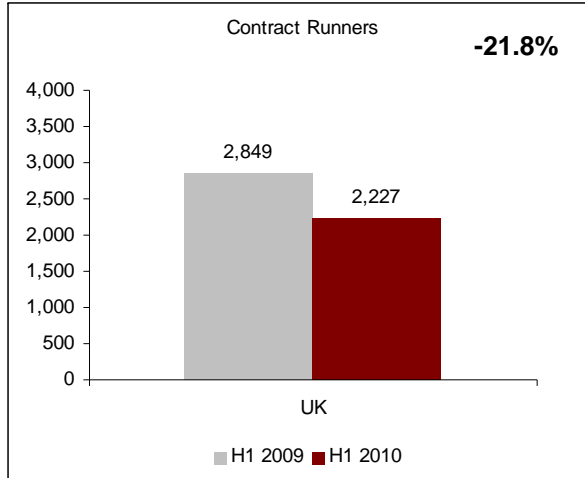
Note: * Salary on new deals per MIS
 **Based on a 46 week year, GP per day rate of £83.24 grossed up at the contract margin of 21.4%

Source: Internal MIS analysis, STthree Accounts



UK Trading Metrics

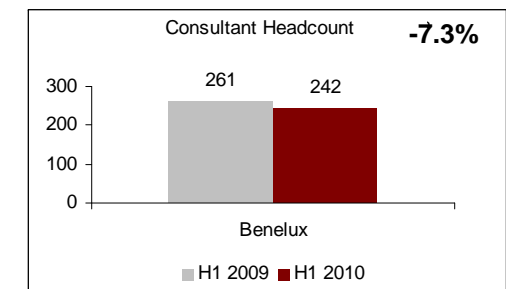
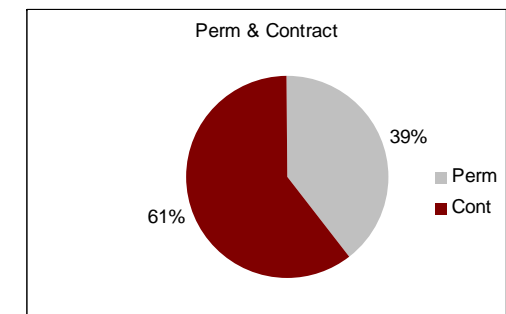
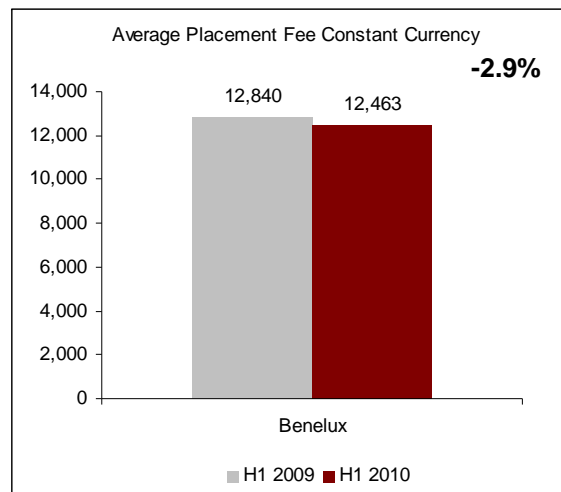
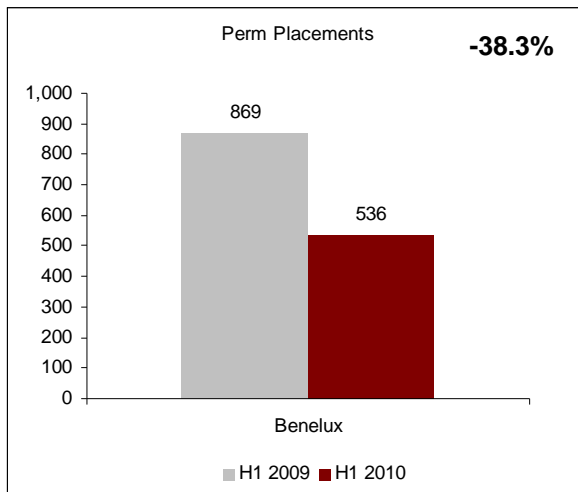
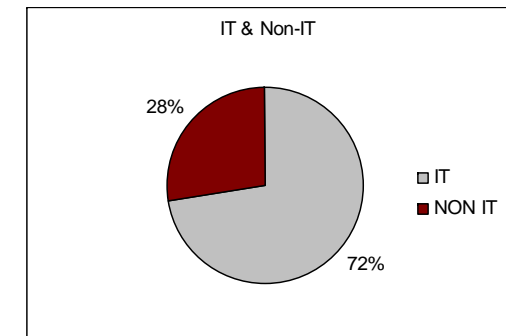
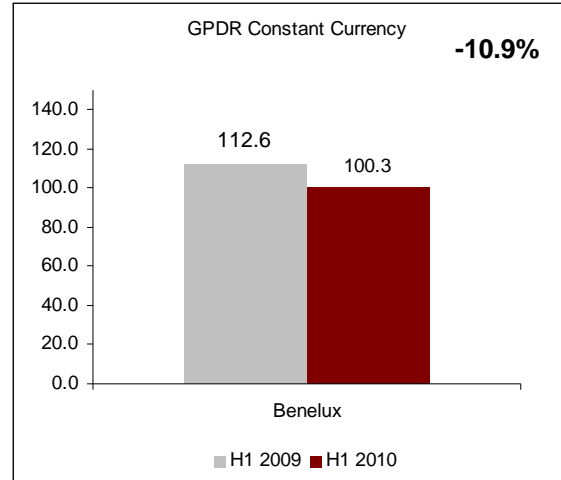
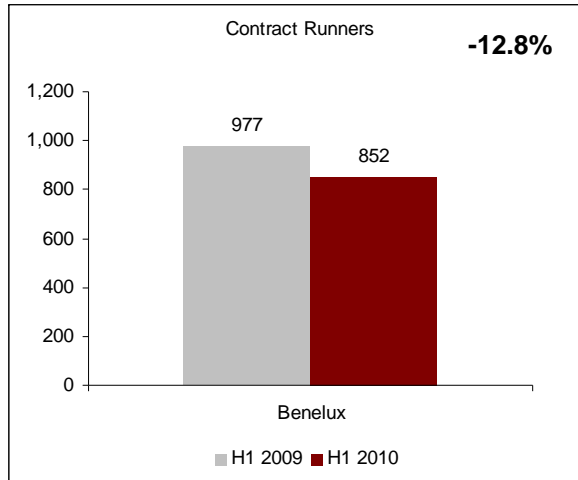
Interim Results for the six months ended 30 May 2010





Benelux Trading Metrics

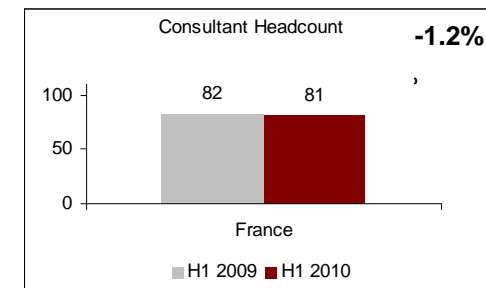
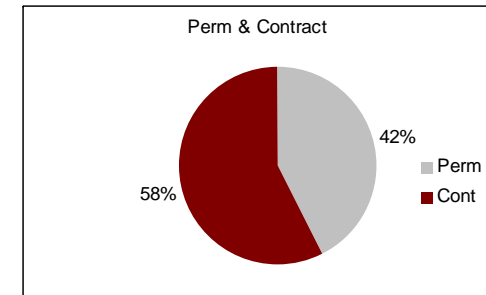
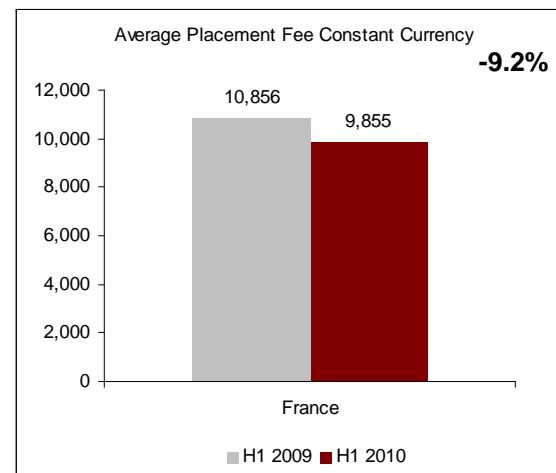
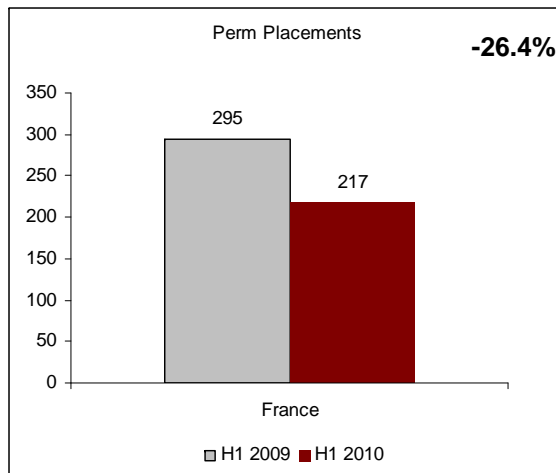
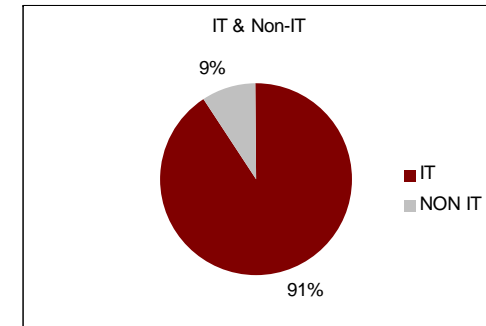
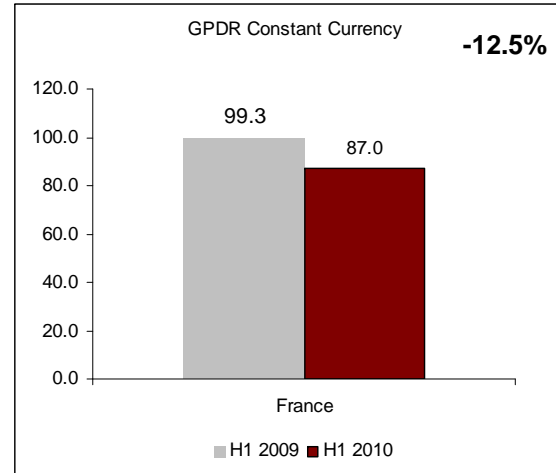
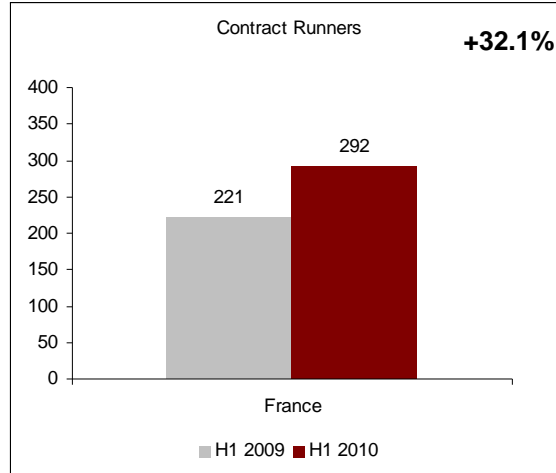
Interim Results for the six months ended 30 May 2010





France Trading Metrics

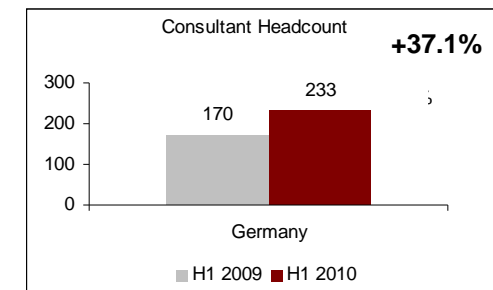
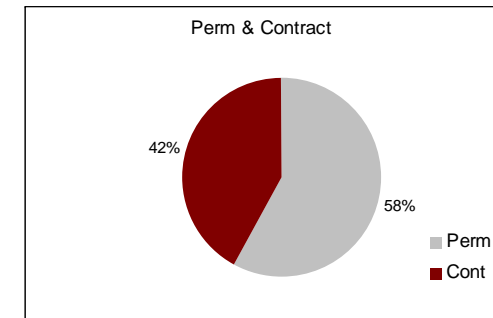
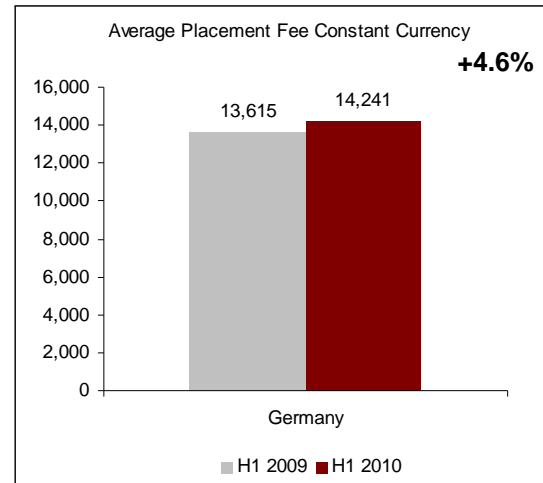
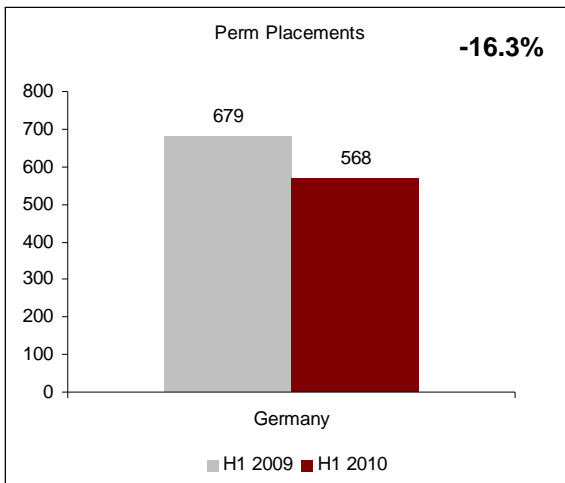
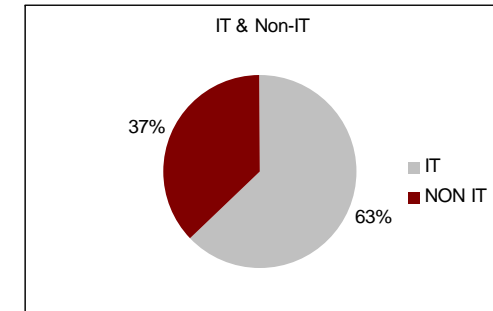
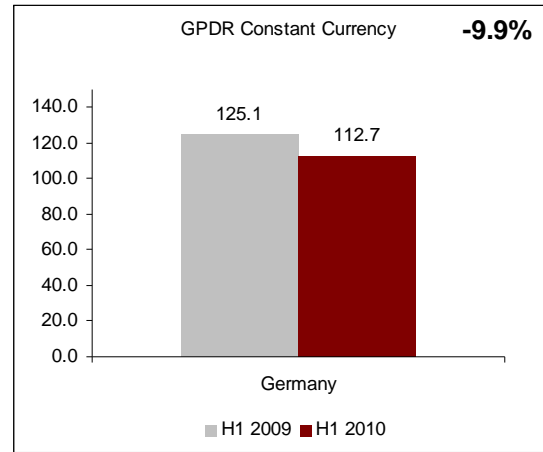
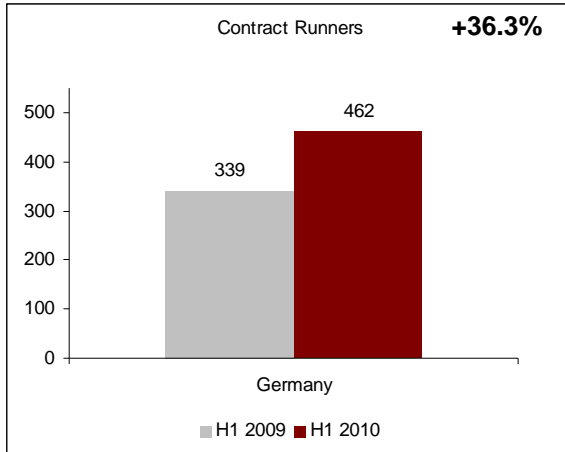
Interim Results for the six months ended 30 May 2010





Germany Trading Metrics

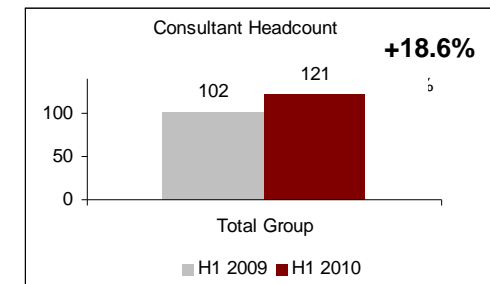
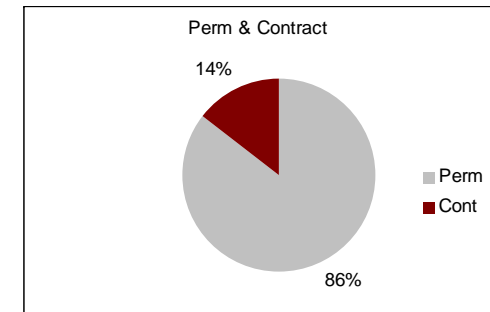
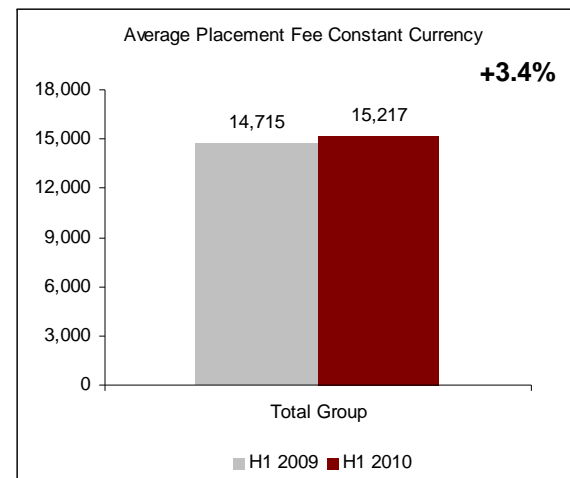
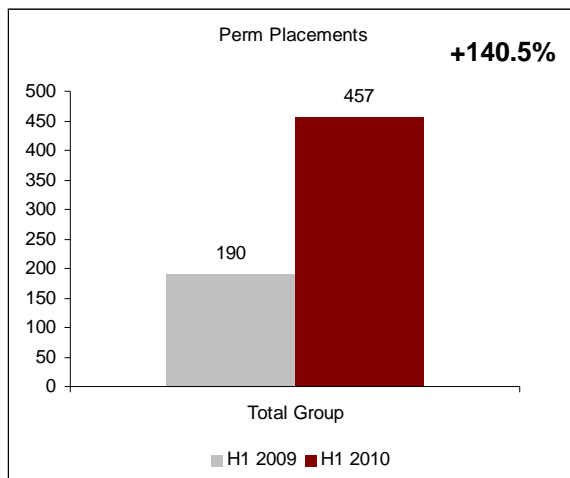
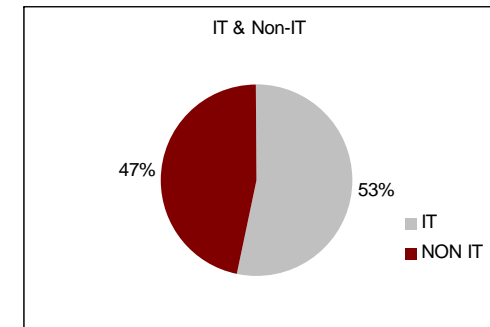
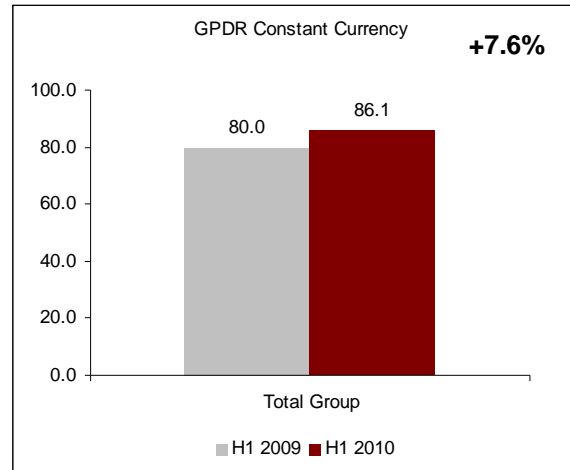
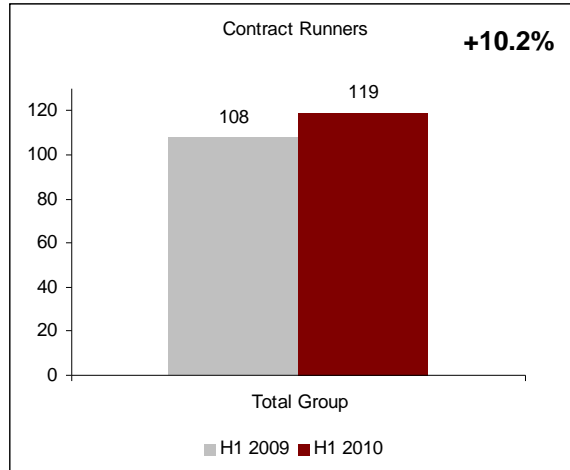
Interim Results for the six months ended 30 May 2010





ROW* Trading Metrics

Interim Results for the six months ended 30 May 2010

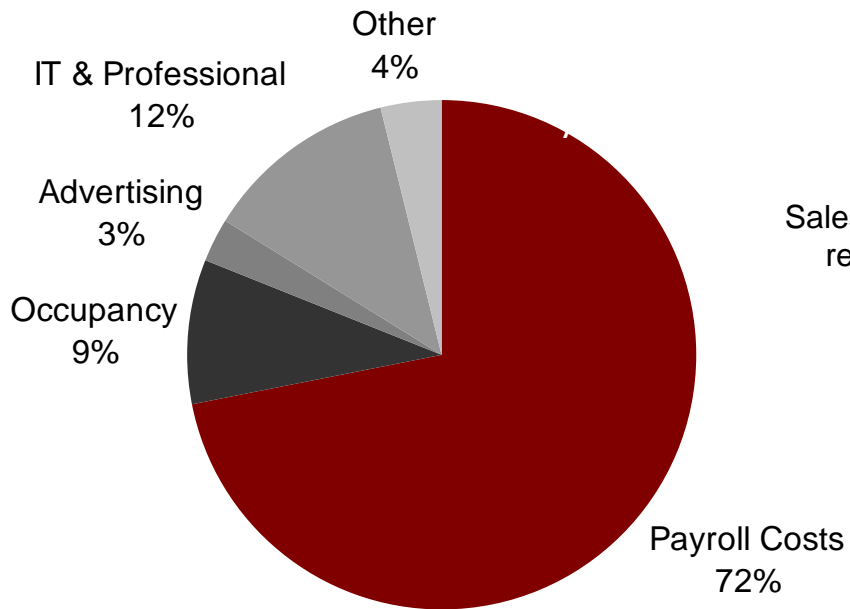


* Includes Middle East, Far East and USA

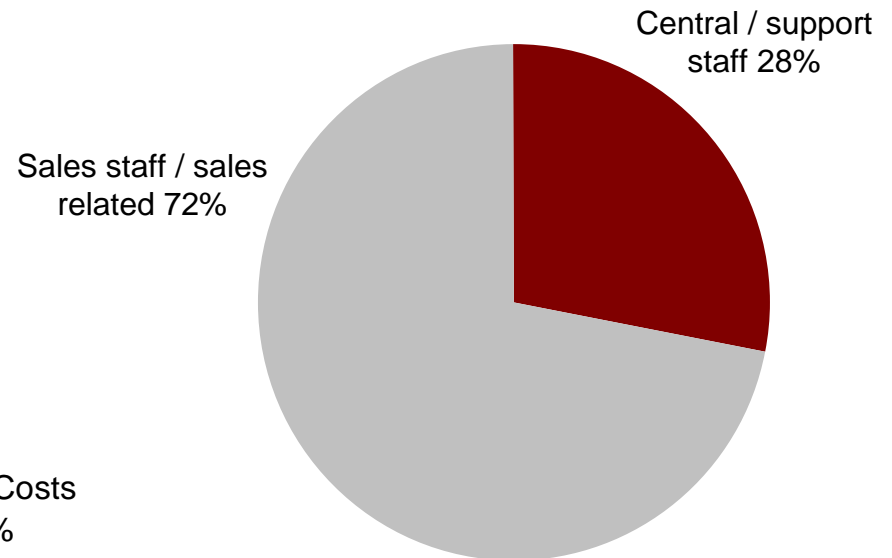


Cost base analysis for H1 2010

Interim Results for the six months ended 30 May 2010

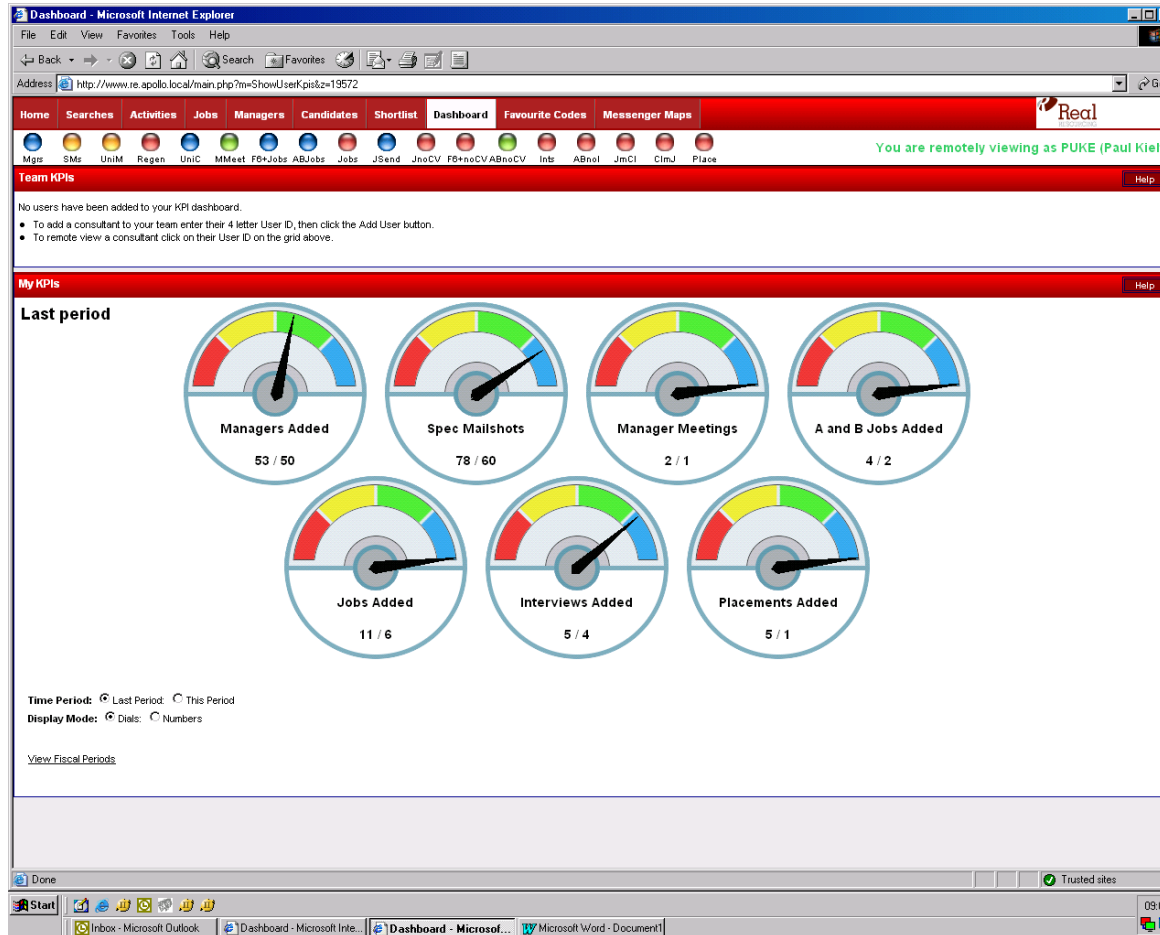


Cost base



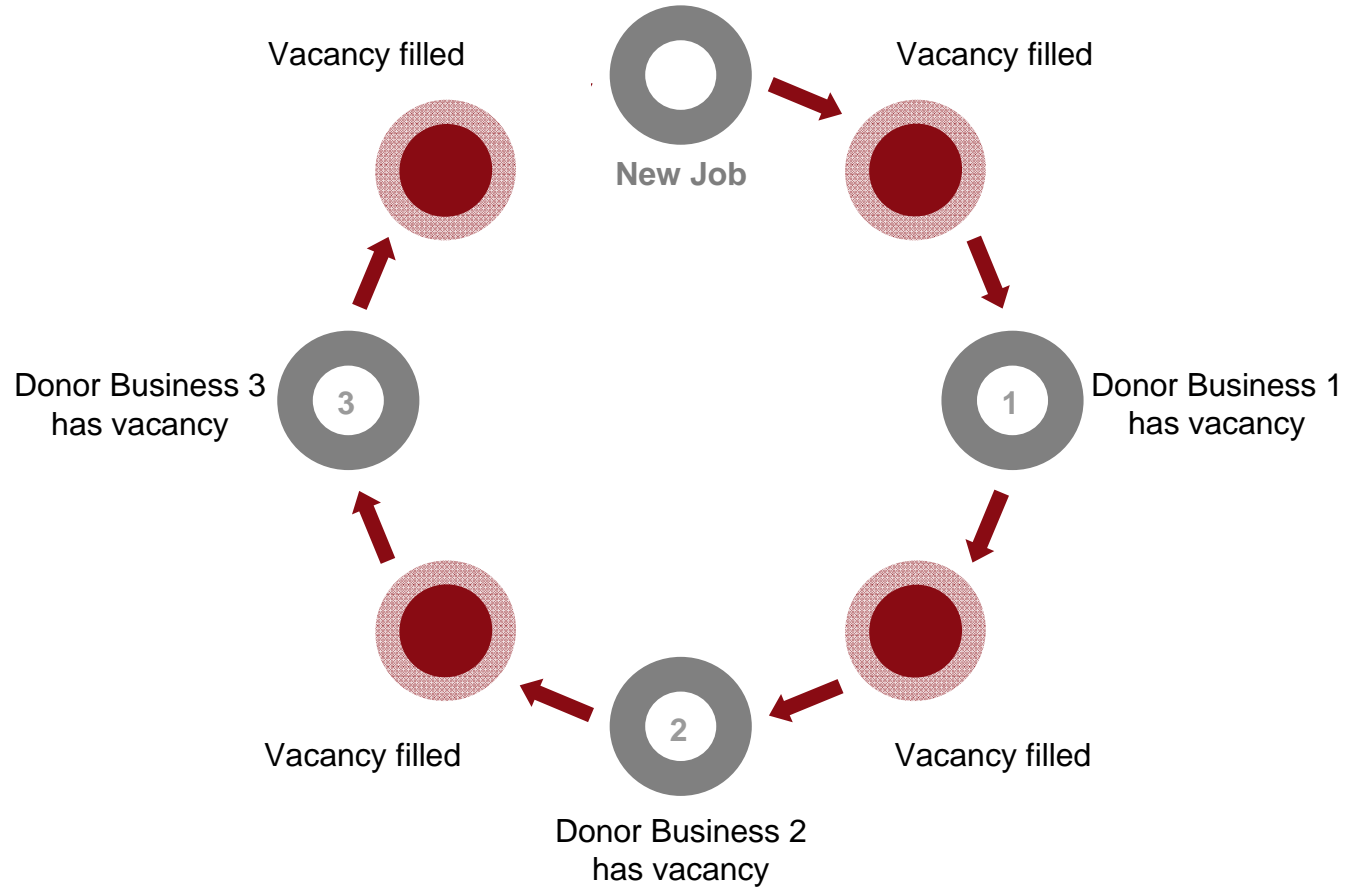
Payroll costs

The Group operates a relatively low fixed salary and has a young consultant demographic



Actual screenshot Permanent Consultant

“Churn” - A key multiplier of demand



Current market uncertainty results in limited churn – this changes quickly as confidence returns