

# Preliminary Results Presentation

Prelim Results for the year ended 28 November 2010



# SThree Profiles

Prelim Results for the year ended 28 November 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



## Key facts

Prelim Results for the year ended 28 November 2010



- Founded in 1986, floated in 2005
- 100% organic growth through multi brand model
- Pure play specialist staffing – average perm salary £47k, contract pro rata £90k
- 52 offices, 30 non UK, 60% of GP international
- A balanced contract and permanent business
- Niche specialisations in ICT, Engineering & Energy, Banking, Accountancy & Finance, and Pharmaceuticals
- ICT\* represents 62% of GP
- Entrepreneurial culture, significant management equity
- Agile business model, seasoned home-grown management
- Cash rich, no debt, robust attitude towards dividend

**Note:** \* Defined by candidate skill set NOT end client sector. Total ICT exposure by client for FY 2010 19%

## Full Year 2010: An Overview

Prelim Results for the year ended 28 November 2010



- A very satisfactory performance for the year
- PBT up 20.0% to £21.6m (2009: £18.0m), slightly ahead of consensus
- Greater geographical diversification, with non-UK share of gross profit at 60% (2009: 55%)
- Permanent led recovery with Permanent GP +13.8%\* and up 49.7%\* in Q4
- Contract down 12.8%\*, but up 3.8%\* in Q4
- Permanent fees and contract GP day rates both improved\*
- Ratio of Contract to Permanent GP 51%:49%
- Year end net cash\*\* £55.2m (2009: £48.5m)
- Total dividend held at 12.0p (2009: 12.0p)
- All markets improving and in growth by Q4

**Note:** \* At constant currency  
 \*\* Includes term investments of £3.5m



# Full Year 2010 Financial Highlights



Prelim Results for the year ended 28 November 2010

	2010	2009	Actual growth	LFL growth
Revenue	£474.5m	£519.4m	-8.6%	-7.5%
Gross profit	£166.4m	£171.2m	-2.8%	-1.6%
Operating profit*	£21.2m	£18.0m	+17.8%	+20.7%
Conversion ratio*	12.8%	10.5%		
Profit before tax*	£21.6m	£18.0m	+20.0%	+23.0%
Basic earnings per share*	11.9p	9.5p	+25.3%	
Total dividend	12.0p	12.0p		
Net Cash**	£55.2m	£48.5m		

**Note:** Conversion Ratio = operating profit expressed as a % of gross profit

LFL growth is at constant currency

\* Before prior year Group restructuring exceptional item

\*\* Includes term investments

## 22 UK Offices

Prelim Results for the year ended 28 November 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



# 30 Non-UK Offices

Prelim Results for the year ended 28 November 2010



SAN FRANCISCO



DUBLIN



PARIS



DELHI



SINGAPORE



SYDNEY

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

- **Perth**
  - Progressive
- **Dusseldorf**
  - Huxley / Computer Futures
- **Munich**
  - Computer Futures
- **Delhi**
  - Huxley
- **San Francisco**
  - Real Staffing Group
- **Houston**
  - Progressive

- **Amsterdam**
  - Computer Futures (2000)
  - Progressive (2002) / Orgtel (2007)
  - Huxley (2002) / Real Staffing Group (2007) / ITJB (2007)
  - SThree L&D (2007)
- **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)
  - Huxley (2006) / SThree L& D (2009)
  - Real Staffing Group (2009) / ITJB (2010) / Orgtel (2010)
- **Munich**
  - Progressive (2004) / Computer Futures (2006)
- **Dusseldorf**
  - Progressive (2009)
- **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)

## KPIs and Business Analysis

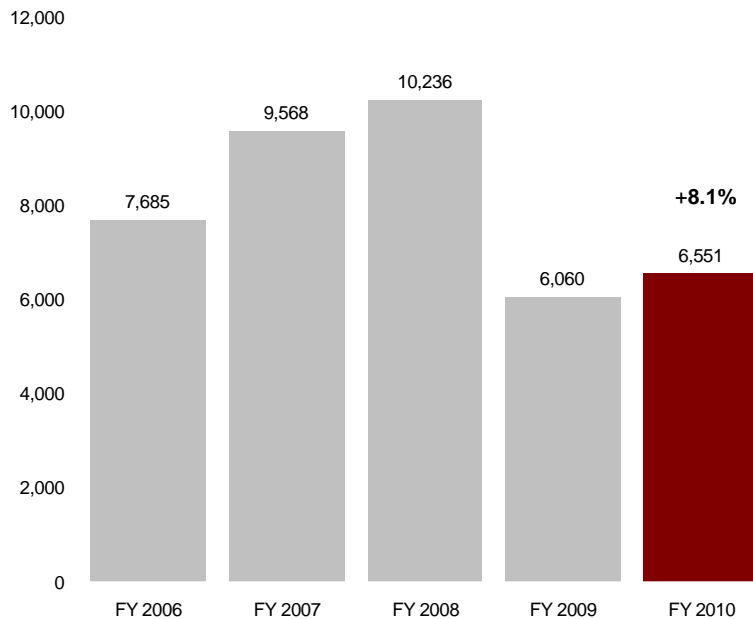


# Key Performance Indicators: Permanent

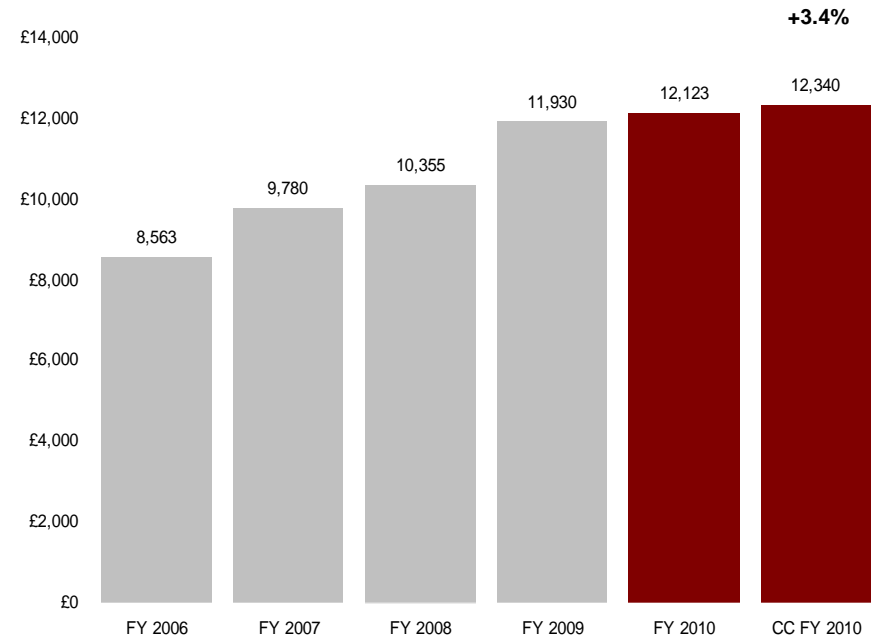
Prelim Results for the year ended 28 November 2010



## Growth in Permanent Placement Volume



## Growth in Permanent Average Fee



Fees up 3.4% on a constant currency basis

**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

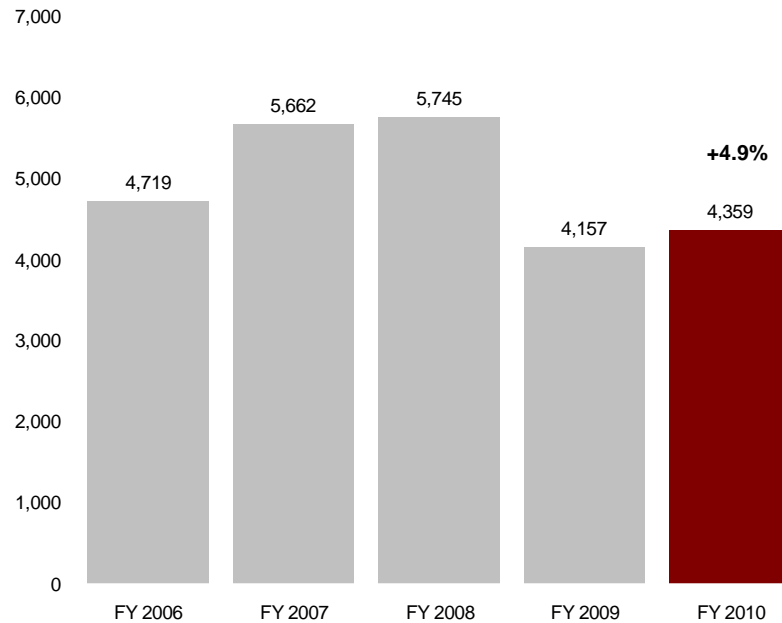
Source: SThree Accounts

# Key Performance Indicators: Contract

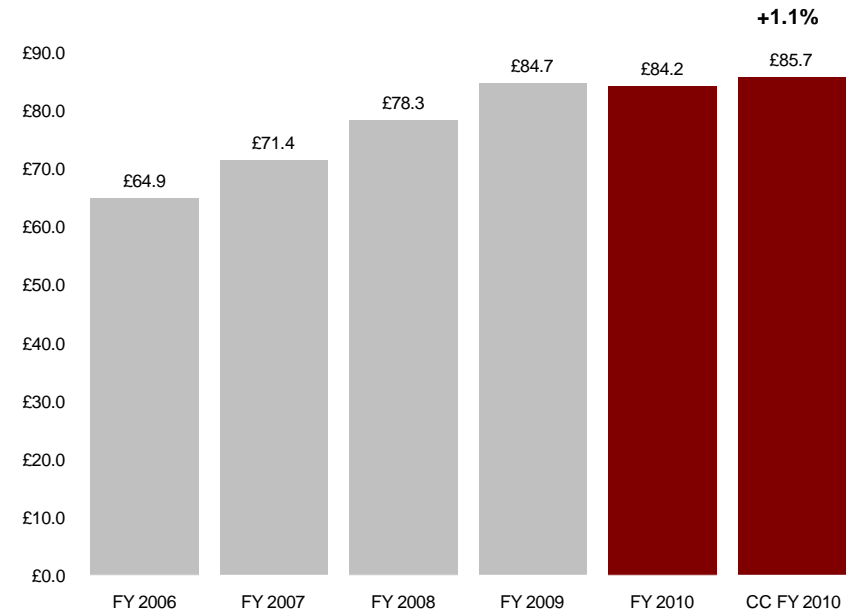
Prelim Results for the year ended 28 November 2010



## Growth in Contract Runners



## Growth in Gross Profit Per Day Rate



GP per day rate up 1.1% on a constant currency basis

**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

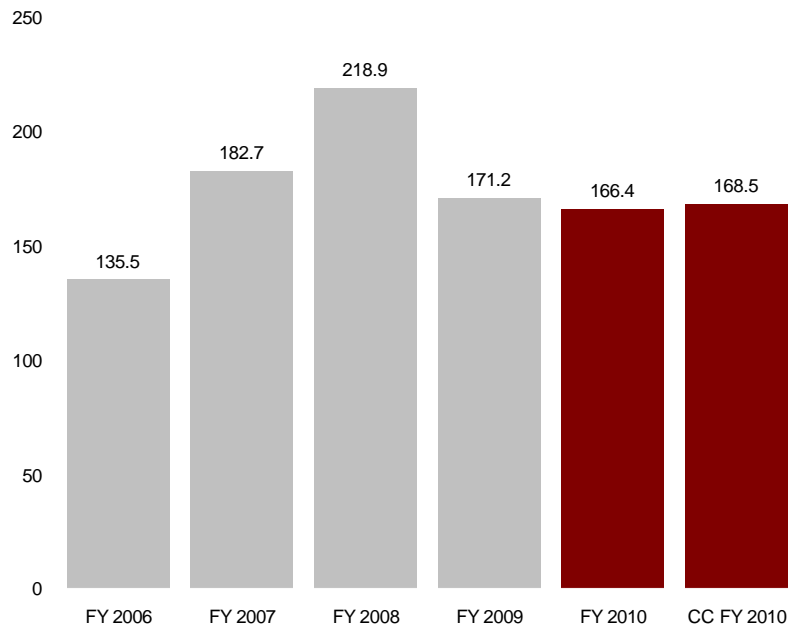
**Source:** SThree Accounts

# Gross Profit & Gross Margin

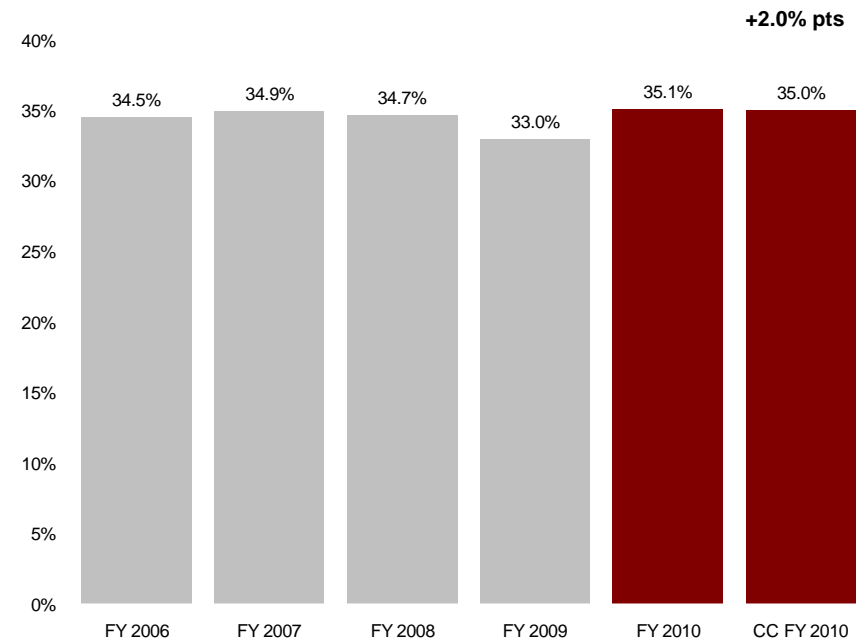
Prelim Results for the year ended 28 November 2010



### Gross Profit (£m)



### Gross Margin %



Source: SThree Accounts

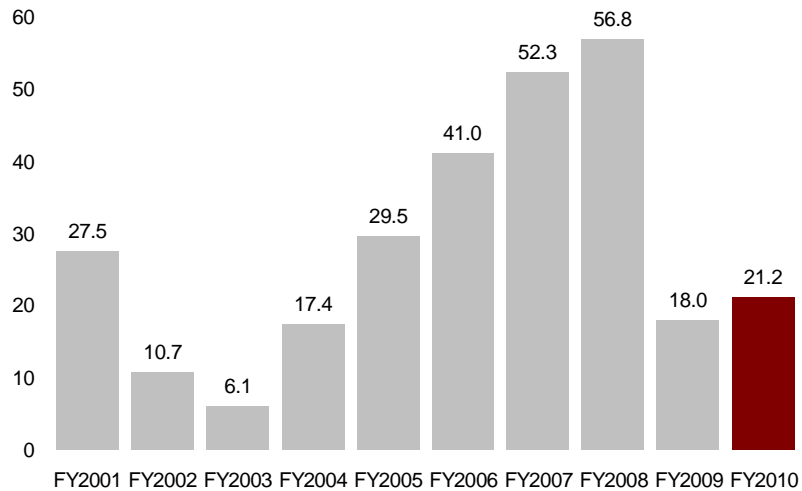
Gross margin percentage up 2.0% pts

# Historical Operating Profit & Conversion Ratio



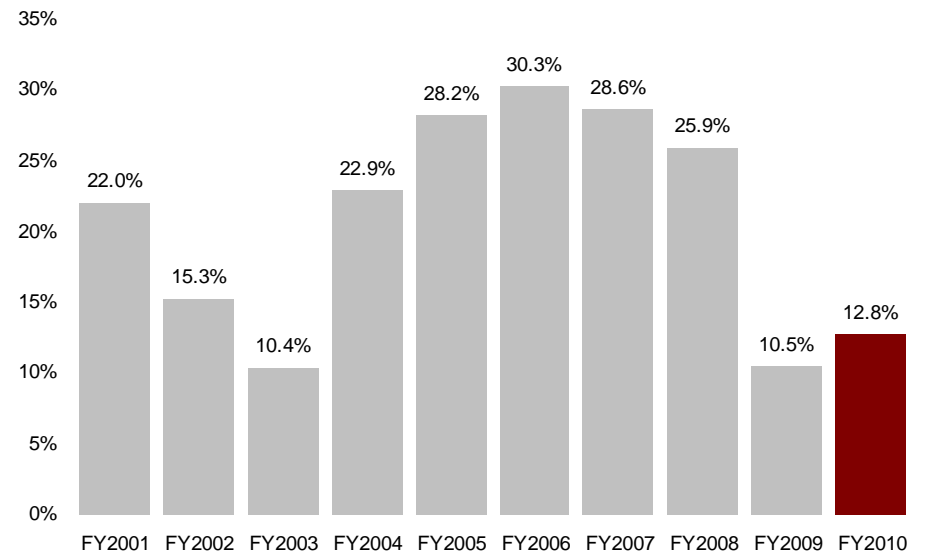
Prelim Results for the year ended 28 November 2010

## Operating Profit (£m)



## Conversion Ratio

(operating profit as a % of gross profit)



FY 2002/2003 impacted by dotcom crash

Notes:  
2000-2005 UK GAAP  
2006-2010 IFRS

Source: SThree Accounts

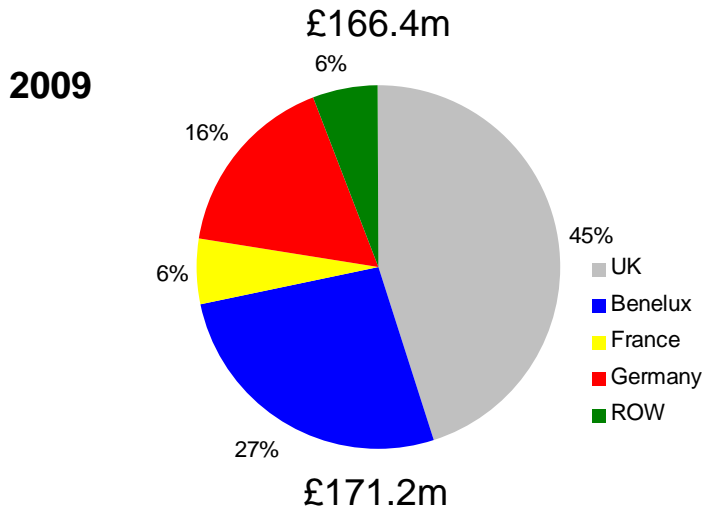
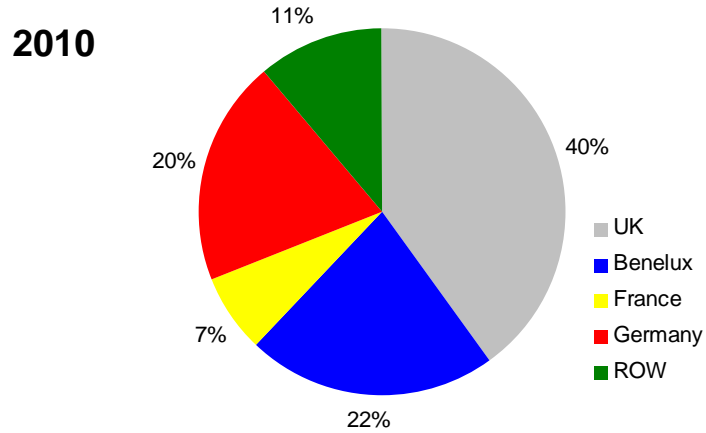


# Geographic Analysis by Location of Client

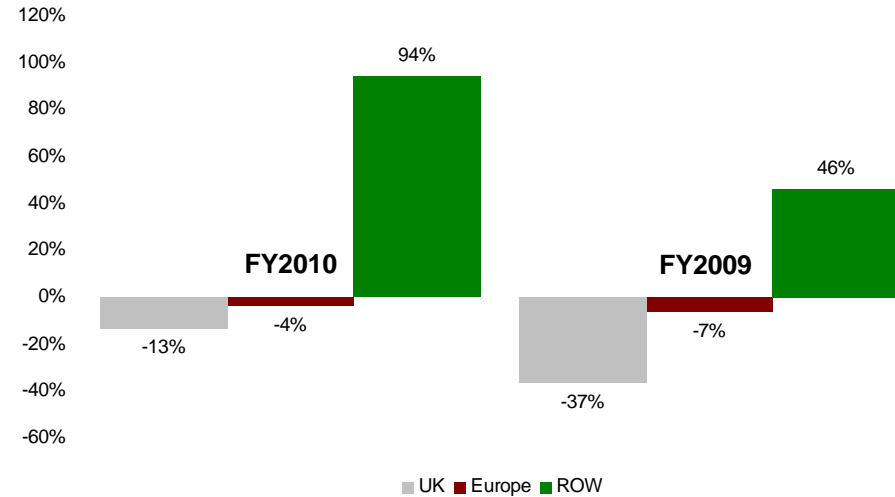
Prelim Results for the year ended 28 November 2010



## Gross Profit



## Growth by Region



### Rest of World consists of Asia Pacific, Middle East and Americas

2010 Asia Pacific	52%	Middle East	15%	Americas	33%
2009 Asia Pacific	38%	Middle East	22%	Americas	40%

Source: SThree Accounts



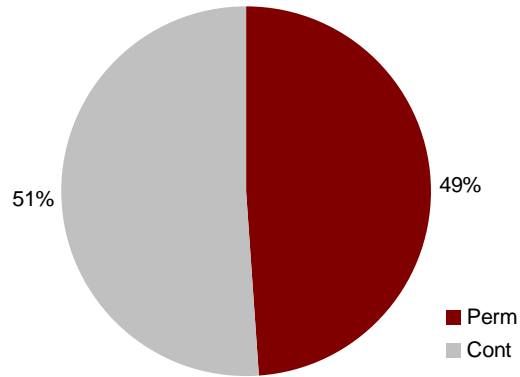
# Permanent/Contract Analysis

Prelim Results for the year ended 28 November 2010



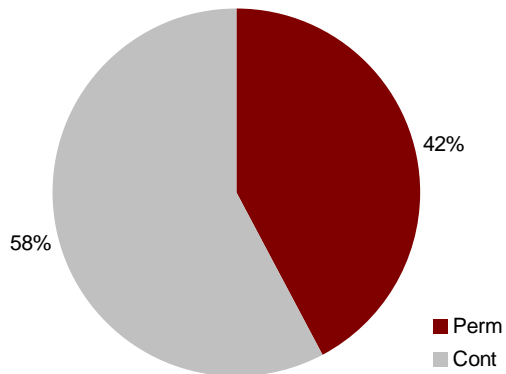
## Gross Profit

2010



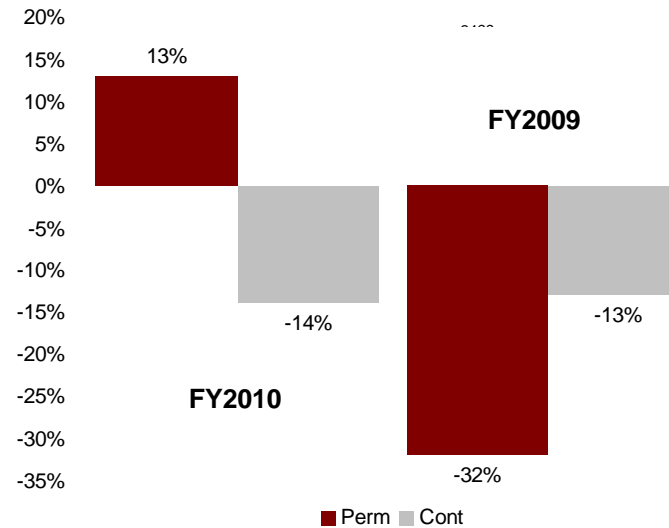
£166.4m

2009



£171.2m

## Growth In Permanent/Contract GP



Gross margin	2010	2009
Group (blended)	35.1%	33.0%
Contract	21.6%	22.1%

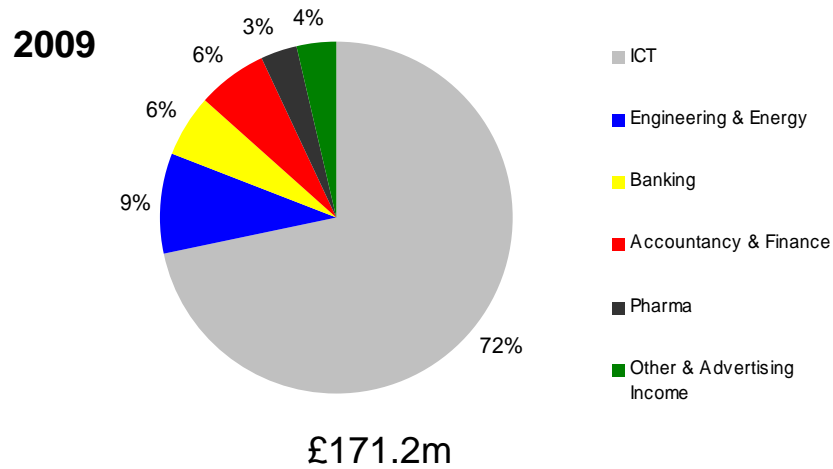
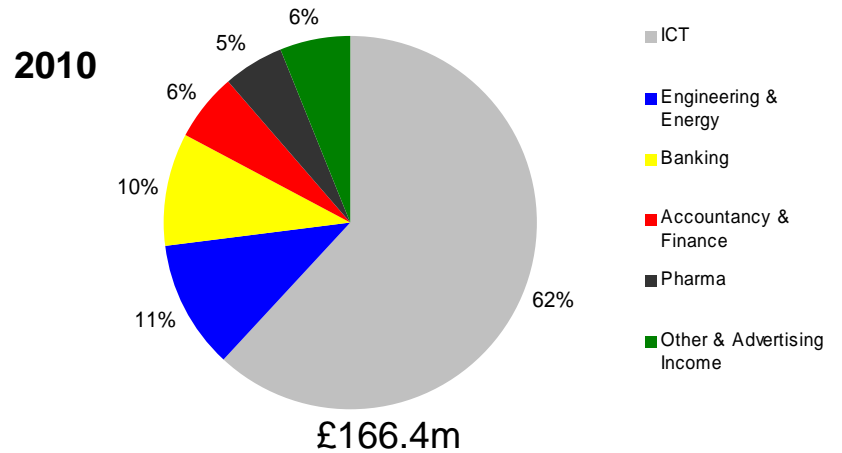
Source: SThree Accounts

# Sector Analysis by Candidate Skillset

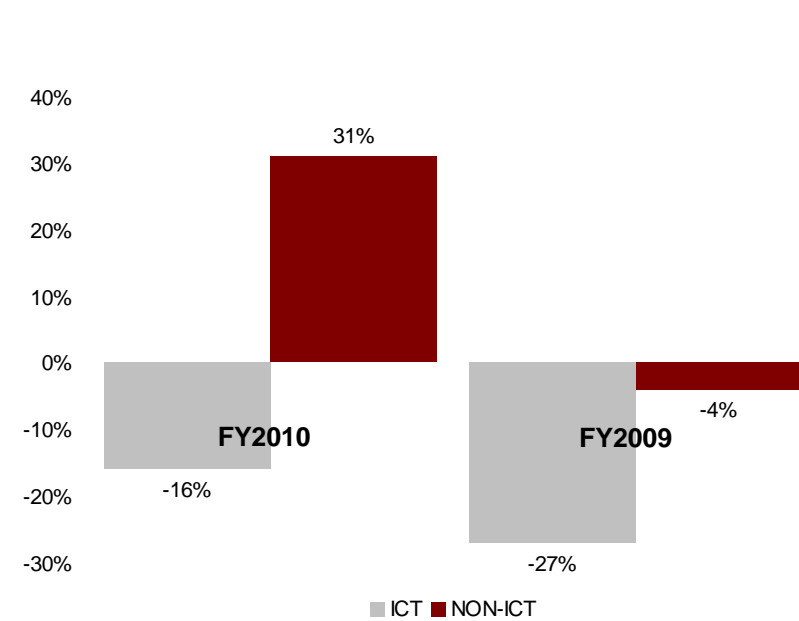
Prelim Results for the year ended 28 November 2010



## Gross Profit



## Growth In ICT / Non ICT GP



Non ICT at 38% of GP (2009: 28%)

ICT performance impacted by contract bias, UK & Benelux weighting and public sector

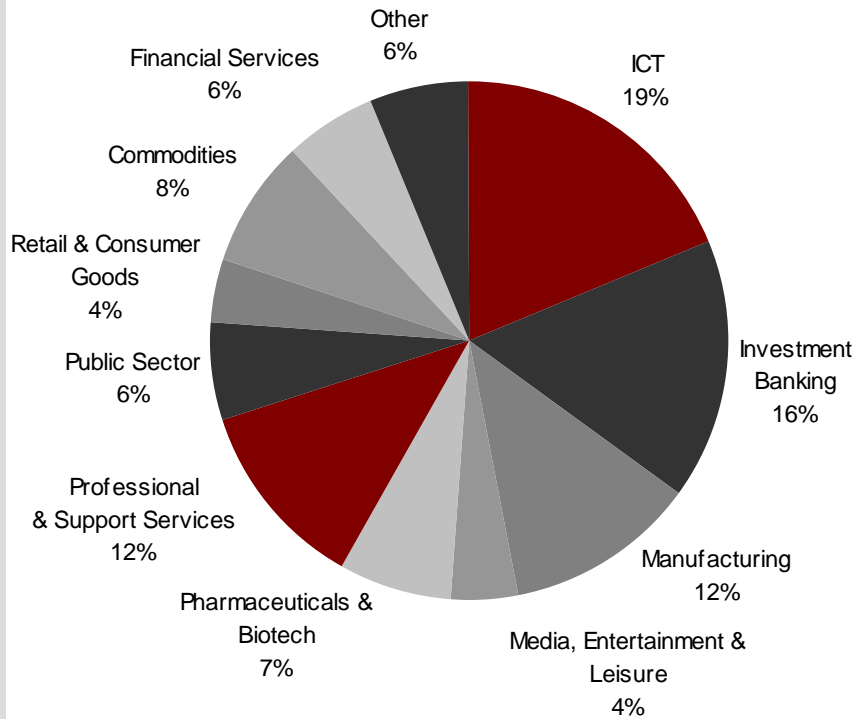
Source: SThree Accounts



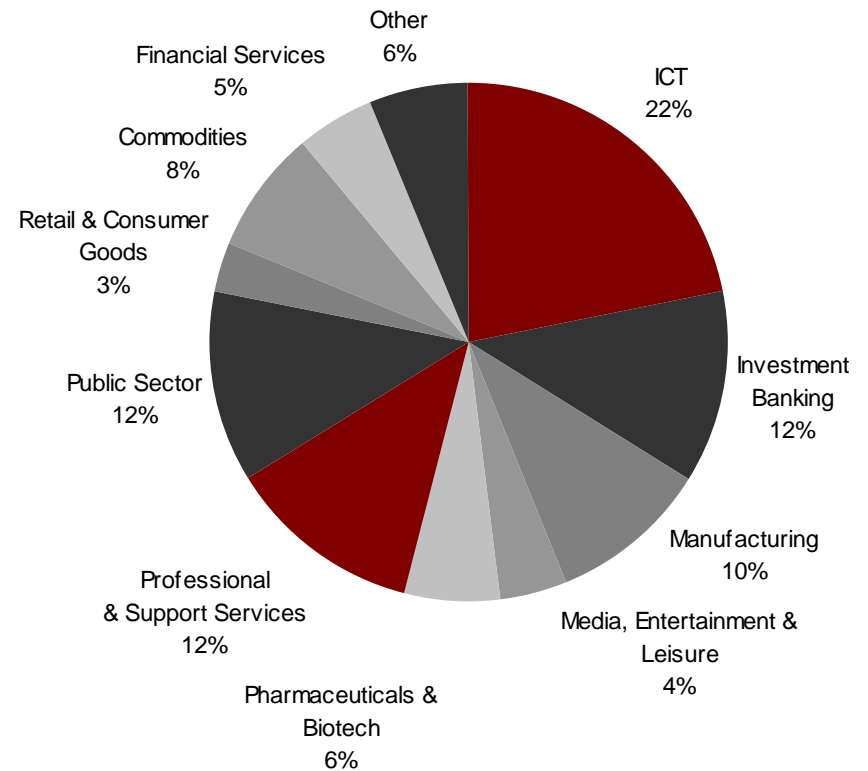
# Business breakdown by client industry sector



Prelim Results for the year ended 28 November 2010



Full year 2010



Full year 2009

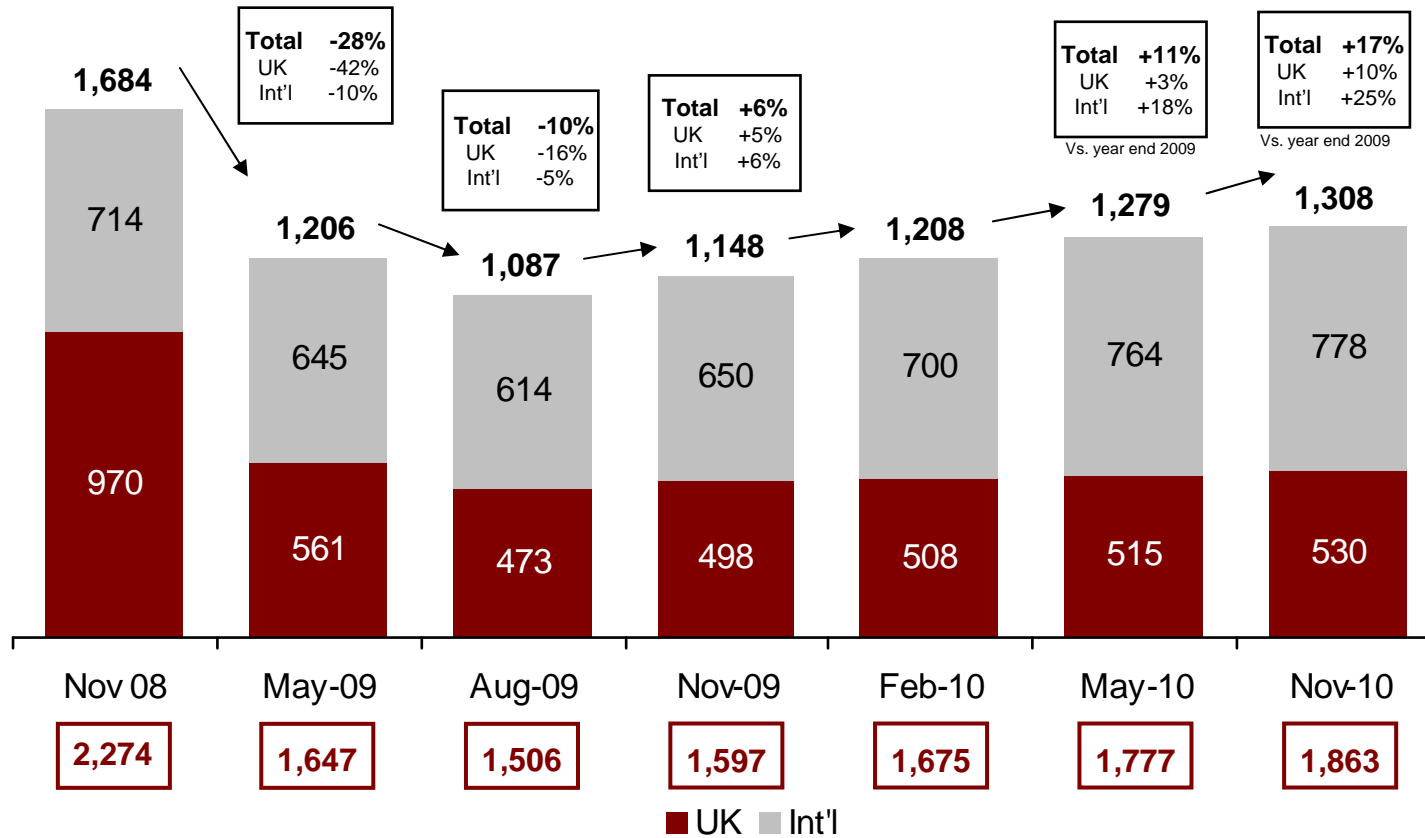
Despite ICT representing 62% of candidates placed, only 19% of clients are in the ICT sector

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



# Sales Headcount

Prelim Results for the year ended 28 November 2010



Total heads up 16.7% v November 2009  
60% of sales heads in International

**Note:** Sales headcount includes consultants and sales management

# 2010 Financial Results



# Income Statement

Prelim Results for the year ended 28 November 2010



	2010 £m	2009 £m	Actual growth	LFL Growth
Revenue	474.5	519.4	-8.6%	-7.5%
Gross profit	166.4	171.2	-2.8%	-1.6%
Operating profit*	21.2	18.0	+17.8%	+20.7%
Net finance income	0.4	-	-	-
<b>Profit before tax*</b>	<b>21.6</b>	<b>18.0</b>	<b>+20.0%</b>	<b>+23.0%</b>
Taxation	(7.3)	(5.6)		
<b>Profit after tax*</b>	<b>14.3</b>	<b>12.4</b>	<b>+15.3%</b>	

**Note:** \*Before prior year Group restructuring exceptional item of £9.1m

Source: SThree Accounts



# Balance Sheet

Prelim Results for the year ended 28 November 2010



Balance Sheet £m	28 Nov 2010	29 Nov 2009
Goodwill & intangibles	10.2	10.9
Property, plant & equipment	5.4	5.4
Deferred tax	8.7	5.5
Net working capital	11.8	17.2
Tax (liability) / asset	(3.8)	3.3
Provisions	(5.6)	(6.0)
	26.7	36.3
Net cash	55.2	48.5
<b>Net assets</b>	<b>81.9</b>	<b>84.8</b>

£20m invoice discounting facility with RBS until April 2012

- £20m committed
- Base rate +175 bp

Deferred tax

- Modest reduction vs 30 May 2010 at £9.0m
- Confident in recovery as profitability grows

Focus on working capital

- Debtor days stable at 37
- Debtors ageing improved

Strong cash performance in year

A strong balance sheet

Source: STthree Accounts



## Cash Flow

Prelim Results for the year ended 28 November 2010



	2010 £m	2009 £m
Operating profit after exceptional items	21.2	8.9
Depreciation and amortisation	6.3	6.1
Share awards charge, asset write offs, other non cash items	2.3	3.4
(Increase)/decrease in receivables	(3.7)	51.0
Increase/(decrease) in payables & provisions	6.2	(5.7)
Net cash inflow from operating activities	32.3	63.7
Taxation paid	(6.0)	(18.3)
Capital expenditure	(5.8)	(4.8)
Net Finance Income	0.4	-
Held to maturity investment	(0.3)	(3.2)
Dividends paid & repurchase of Minority Stakes	(15.3)	(15.9)
Cashflow	5.3	21.5

Strong cash generation in the period

Source: STthree Accounts

# Earnings Per Share

Prelim Results for the year ended 28 November 2010



	2010	2009	Change %
<b>Profit After Tax*</b>	£14.3m	£12.4m	+15.3%
<b>Minority Interest**</b>	-£0.1m	-£1.1m	
<b>Profit attributable to equity holders of the company</b>	£14.2m	£11.3m	+25.7%
<b>Weighted average number of shares</b>			
<b>for basic EPS</b>	119.9m	118.7m	+1.0%
<b>for fully diluted EPS</b>	123.8m	122.5m	+1.1%
<b>EPS*</b>			
<b>basic</b>	11.9p	9.5p	+25.3%
<b>diluted</b>	11.5p	9.2p	+25.0%
<b>DPS</b>	12.0p	12.0p	-

\* Before prior year Group restructuring exceptional item

\*\* As a result of a corporate restructuring and simplification programme, entity based Minority Interests have now been replaced by tracker share arrangements, falling within the scope of IFRS2 'Share-based payment'. In these arrangements, participants buy in at a fair market value as determined by an independent valuation expert. Therefore no accounting charge will arise, as the payment made by the employee reduces the fair value of the award to nil.

Source: SThree Accounts

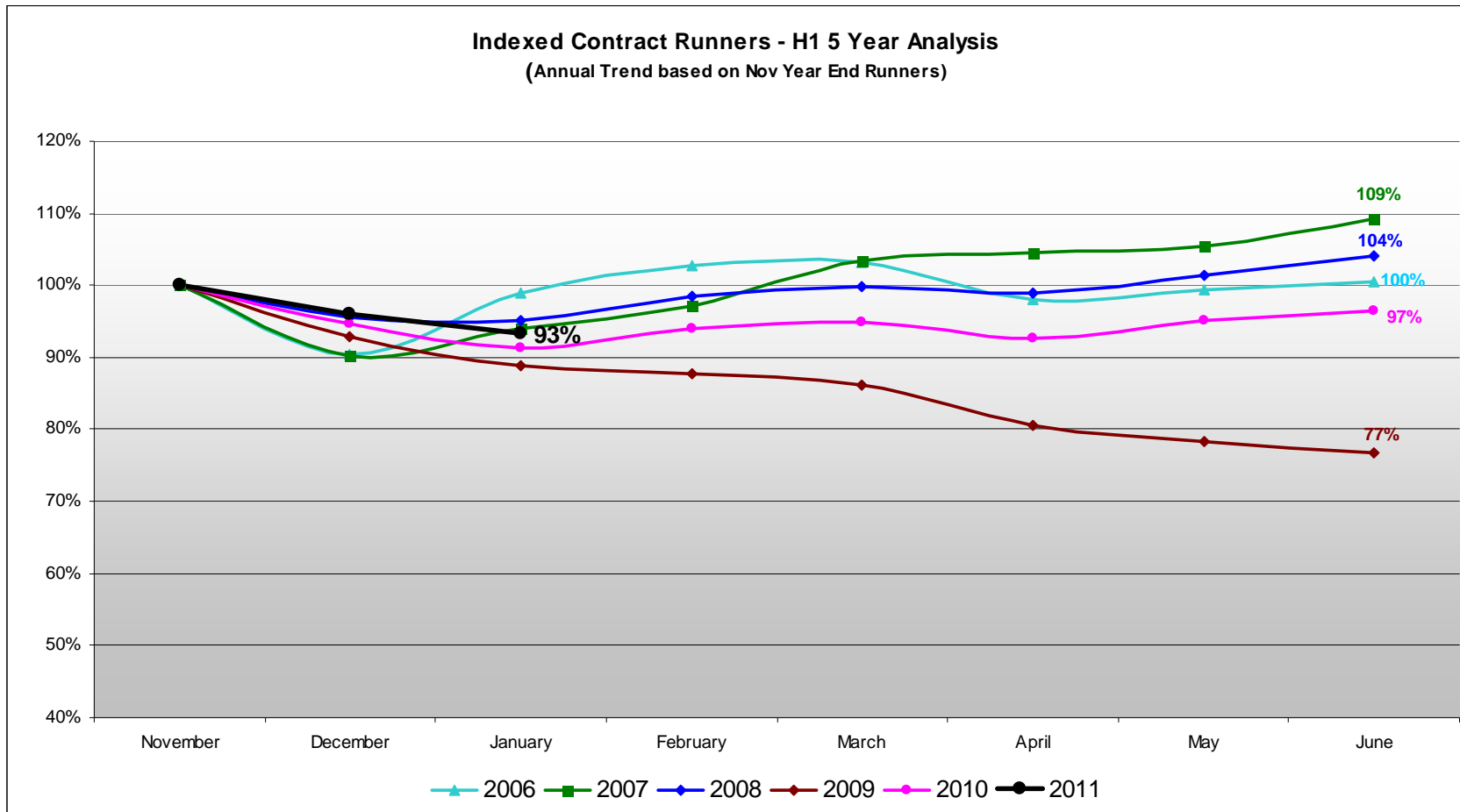
## Summary & 2011 Outlook





# Contract Runners – H1 5 year comparison

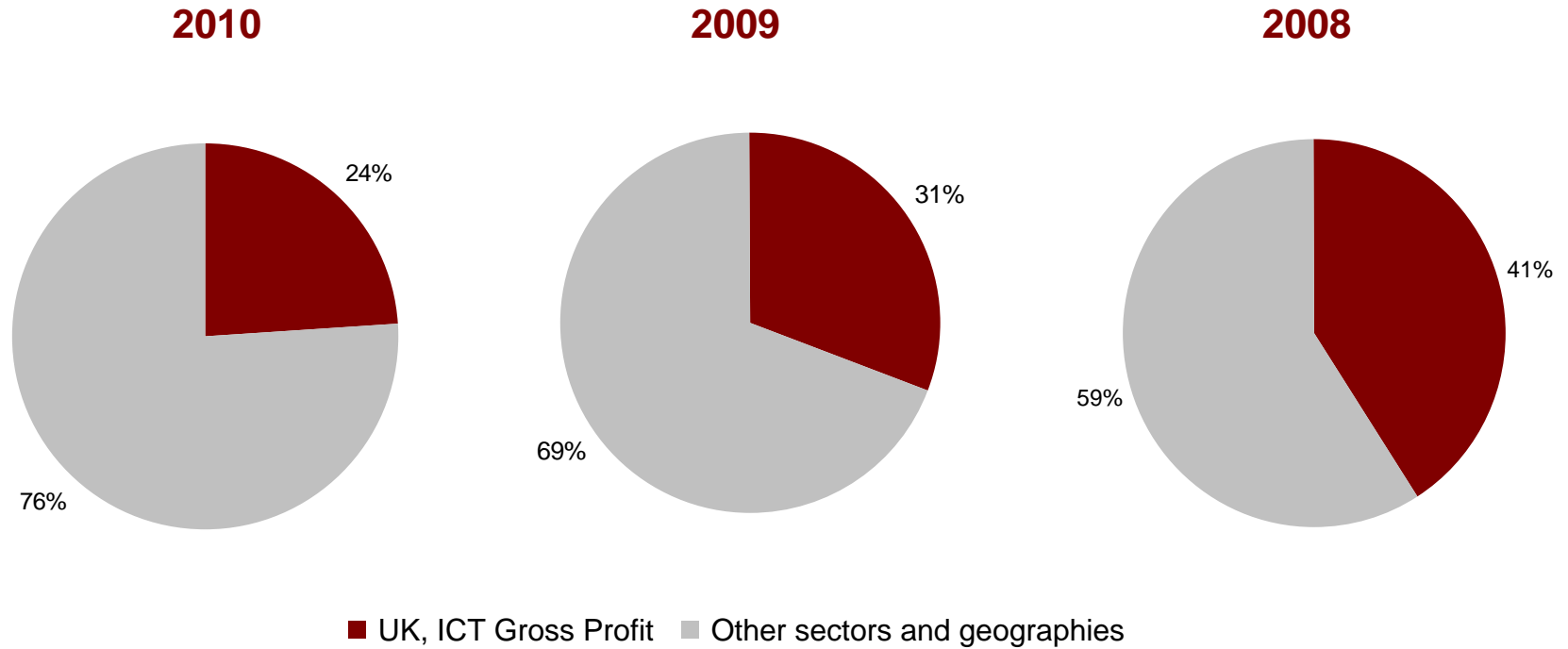
Prelim Results for the year ended 28 November 2010



# Business mix - a transformation



Prelim Results for the year ended 28 November 2010



Continued geographical & sector diversification derisks our business, longer established sectors/geographies still capable of strong growth

## Summary & 2011 outlook

Prelim Results for the year ended 28 November 2010



- All markets now improving and in growth
- Selective rehiring undertaken +17% headcount increase year on year
- Strong Q4 performance gives us a solid platform for 2011
- 2011 planned to be a further year of investment in headcount, as we grow across all markets
- New offices planned for Doha, Sao Paulo, Antwerp and Abu Dhabi in H1 2011
- SThree increasingly exposed to territories & segments with strong structural growth



# The Future of SThree



# SThree: Evolving the Multi Brand Model



Prelim Results for the year ended 28 November 2010

## Niche Specialisations

ICT

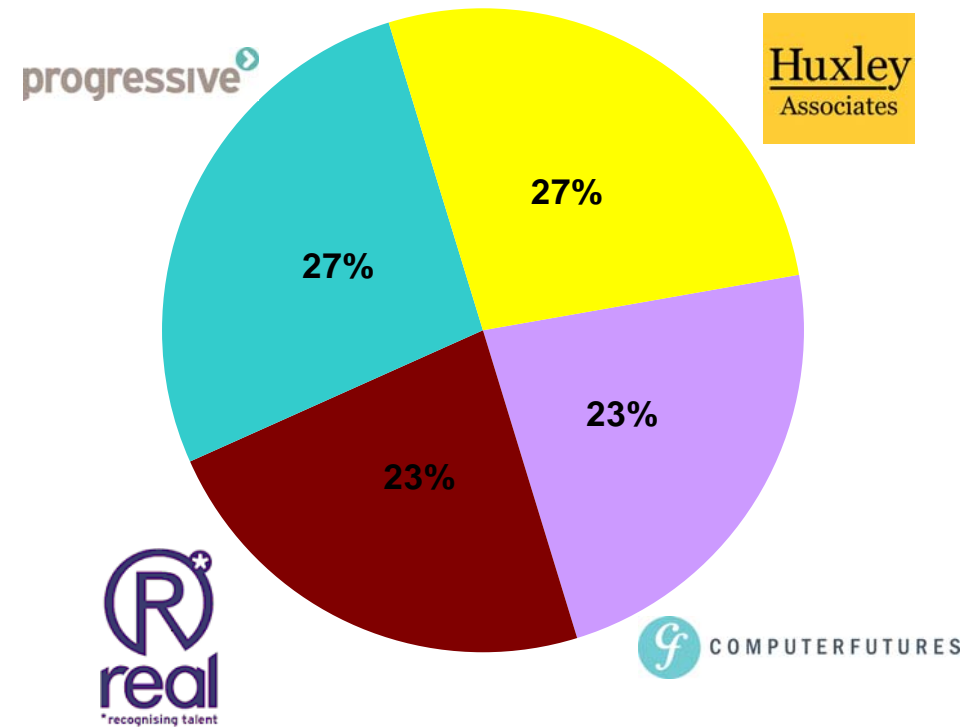
Banking

Engineering & Energy

Accountancy & Finance

Pharma / Healthcare

Sales & Marketing



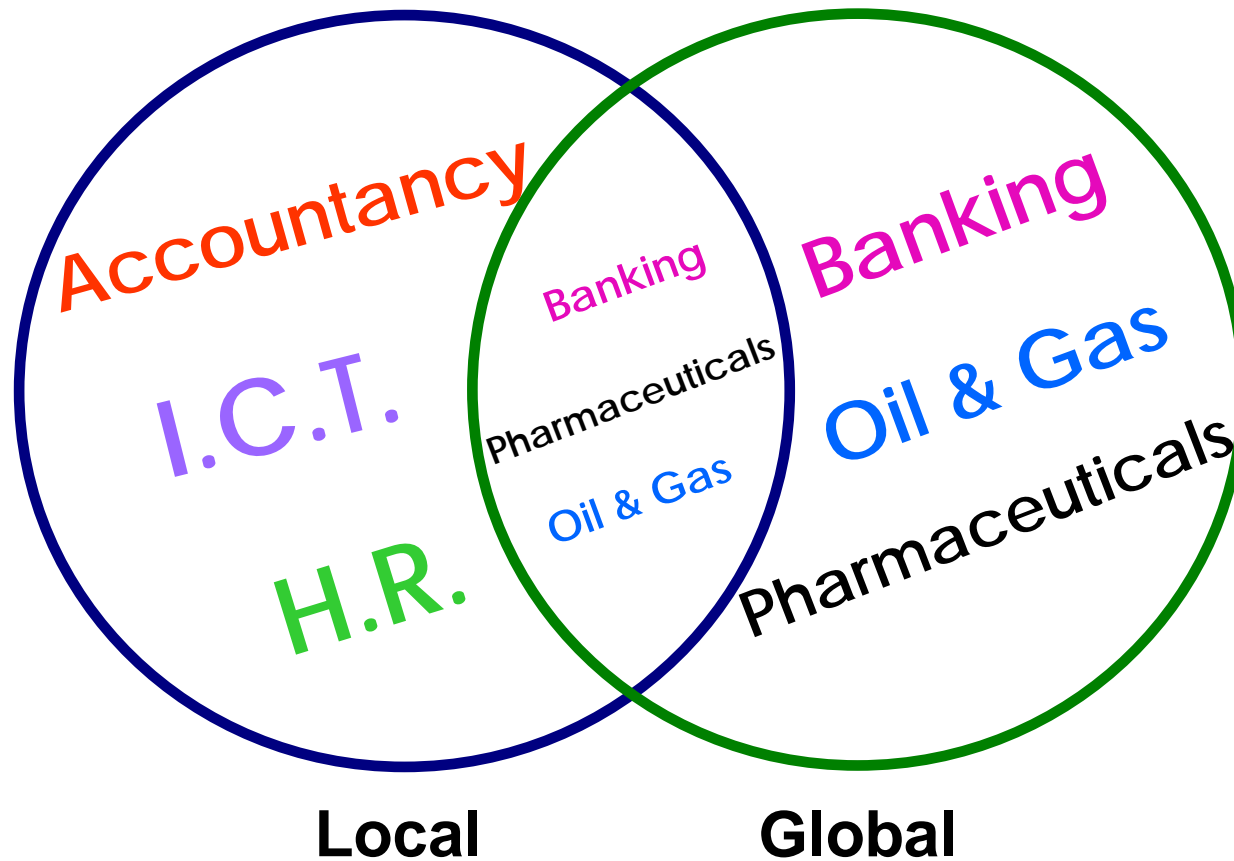
Brand % of 2010 Group GP

SThree has grown 100% organically through niche brands

Source: Internal MIS analysis

# Two types of specialist staffing market – defined by candidate mobility

Prelim Results for the year ended 28 November 2010



Global candidates provide an ability to take larger geographical steps  
Approximately 30% of consultants are working on global candidate markets

# Profile of International Growth



Prelim Results for the year ended 28 November 2010

The Group's expansion has four major dimensions:

Increase headcount in an existing office in an established sector e.g. Munich ICT



Increase headcount in an existing office into a newer sector e.g. Sydney Banking



Increase office footprint in existing geography e.g. Perth



Open entirely new regions e.g. Sao Paulo



The majority of planned growth comes from additional heads in existing locations, in both existing and new sectors



# Planned & potential office openings 2011/12



Prelim Results for the year ended 28 November 2010

**Doha**

**Antwerp**

**Zurich**

**Sao Paulo**

**Abu Dhabi**

**Rio de Janeiro**

**Approved**

**Pending approval**

**Subject to business case**



**Chicago**

**Melbourne**

**Moscow**

**Mumbai**

**Shanghai**

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

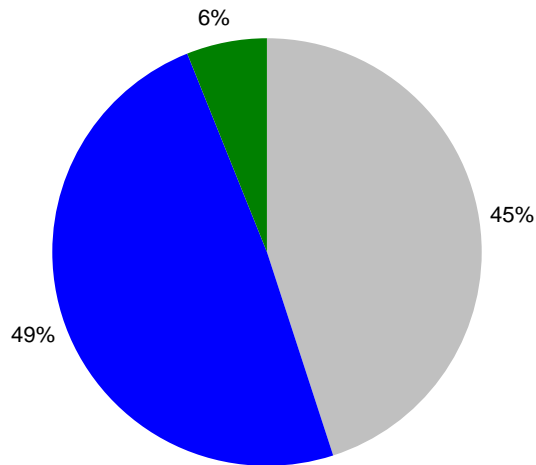


# Business Mix

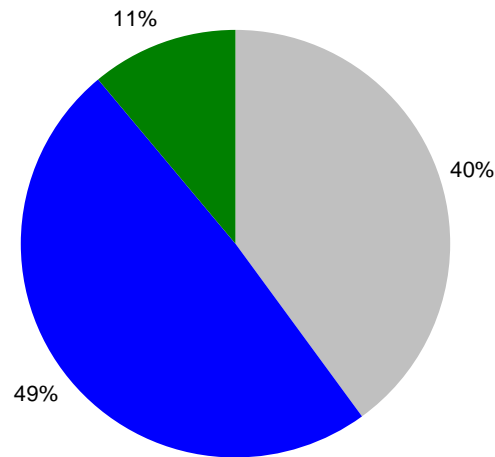
Prelim Results for the year ended 28 November 2010



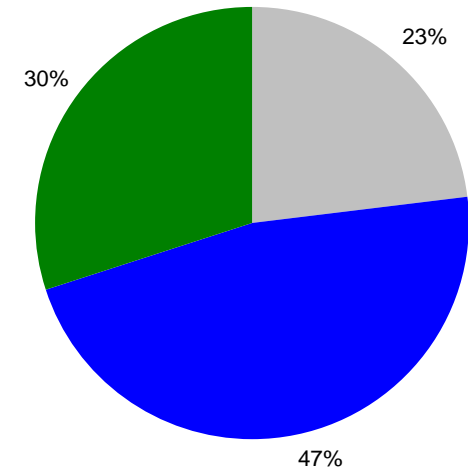
### Geographical Mix 2009



### Geographical Mix 2010



### Indicative Future Mix (c. 5 years)



■ UK ■ Europe ■ ROW

2010 ROW represents 11% of Group mix

Source: SThree Internal Analysis



# Indicative Future Footprint

Prelim Results for the year ended 28 November 2010



### Americas

- New York
- San Francisco
- Washington
- Houston
- Dallas
- Chicago
- Los Angeles
- Boston
- Atlanta
- Calgary
- Toronto
- Vancouver
- Rio de Janeiro
- Sao Paulo
- Buenos Aires
- Mexico City

### UK & Ireland

- London
- Manchester
- Birmingham
- Leeds
- Reading
- Bristol
- Edinburgh
- Glasgow
- Aberdeen
- Dublin

### Europe

- Düsseldorf
- Hamburg
- Frankfurt
- Munich
- Cologne
- Stuttgart
- Berlin
- Amsterdam
- Rotterdam
- Eindhoven
- Brussels
- Antwerp
- Luxembourg
- Paris
- Marseille
- Lyon
- Rome
- Milan
- Stavanger
- Vienna
- Zurich
- Geneva
- Moscow
- Prague
- Warsaw

### Middle East & Africa

- Dubai
- Abu Dhabi
- Doha
- Saudi Arabia
- Cape Town

### AsiaPac

- Hong Kong
- Singapore
- Kuala Lumpur
- Seoul
- Sydney
- Perth
- Melbourne
- Brisbane
- Shanghai
- Beijing
- Tokyo
- Osaka
- Delhi
- Mumbai
- Bangalore



# Questions

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

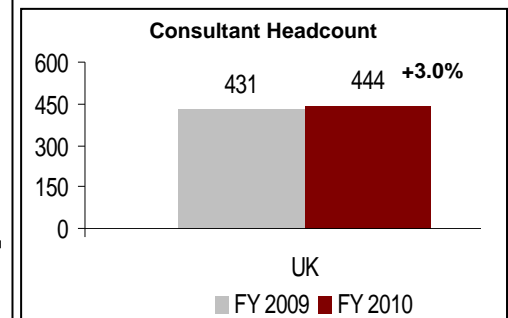
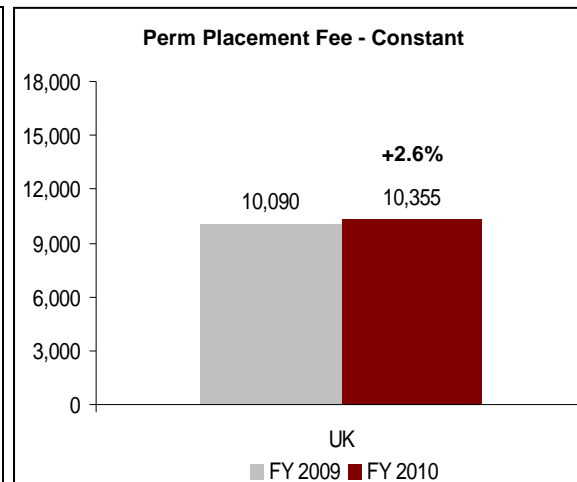
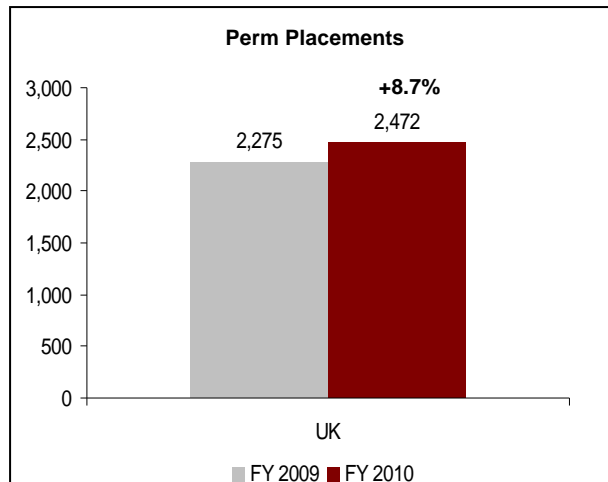
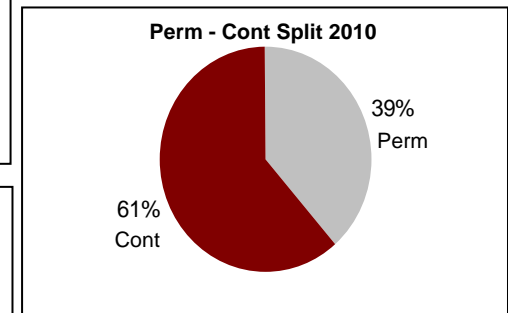
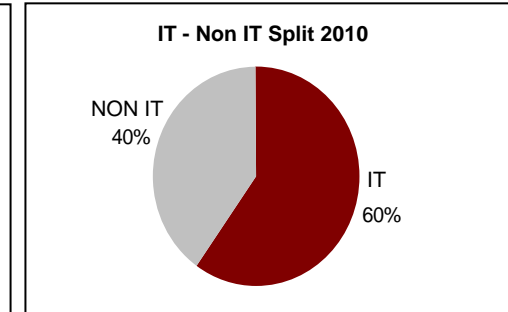
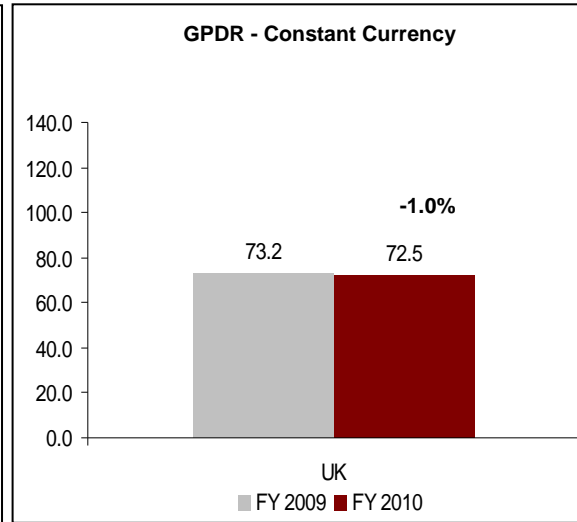
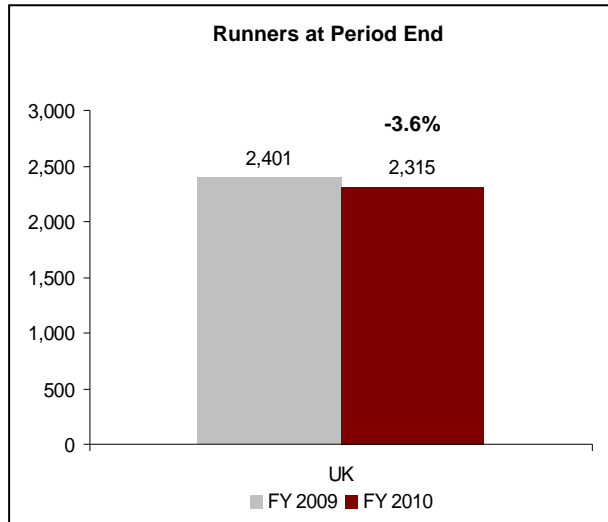


# Regional Trading Metrics



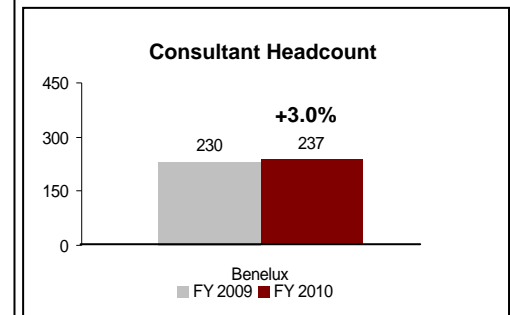
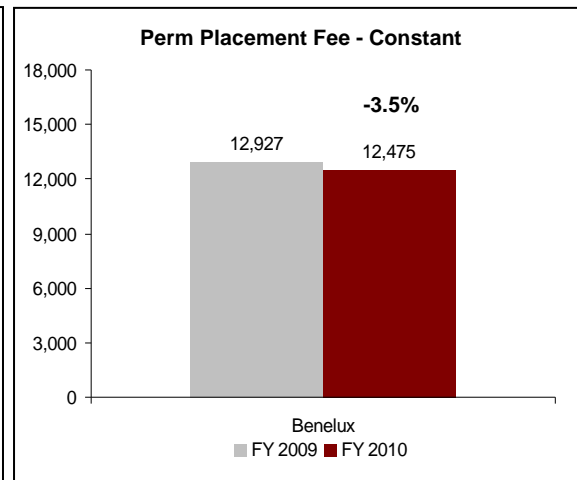
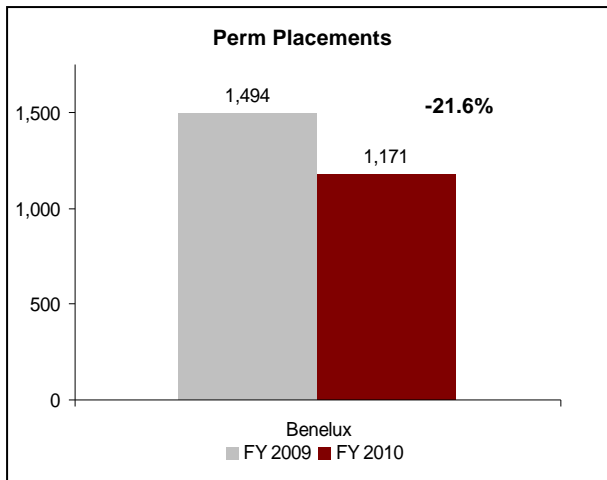
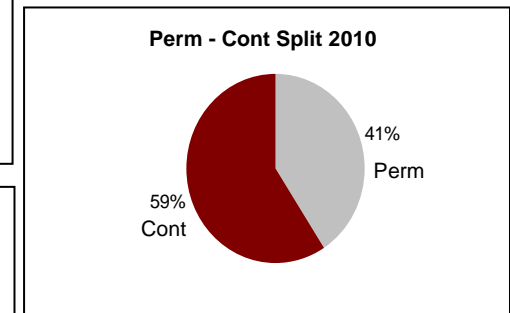
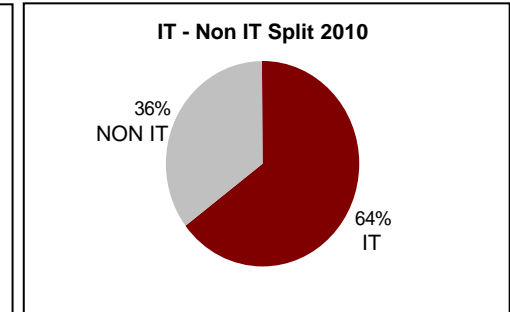
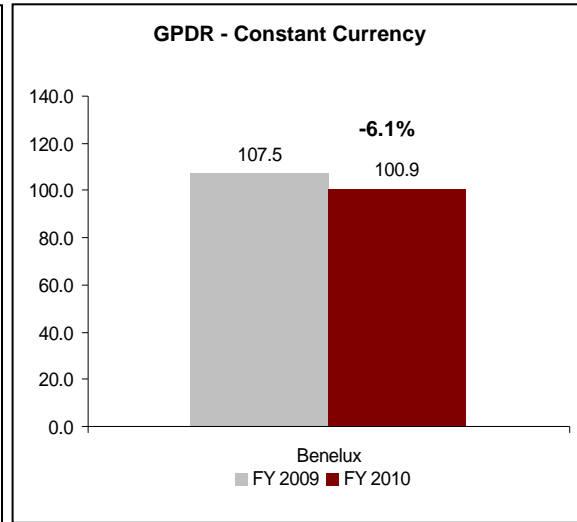
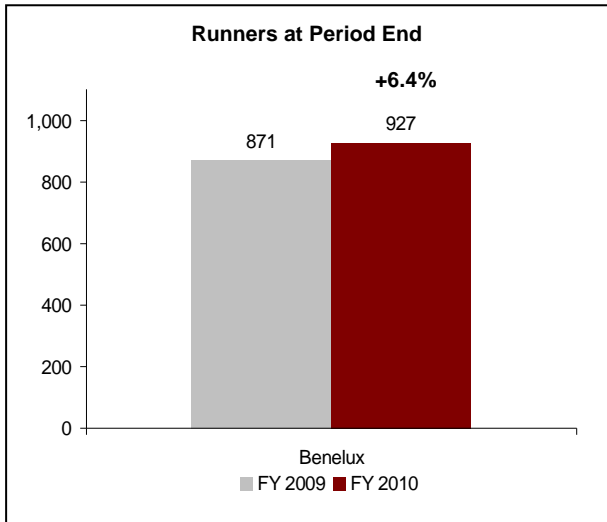
# UK Trading Metrics

Prelim Results for the year ended 28 November 2010



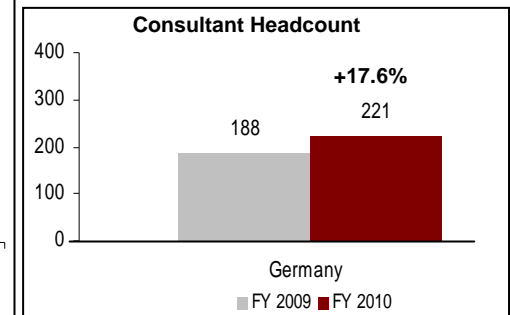
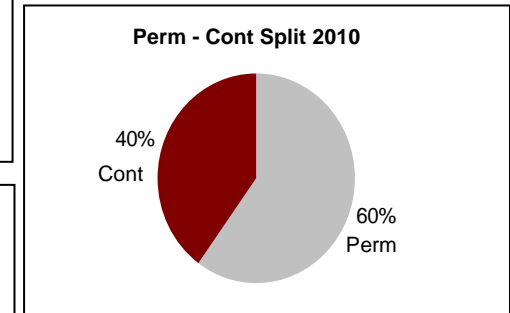
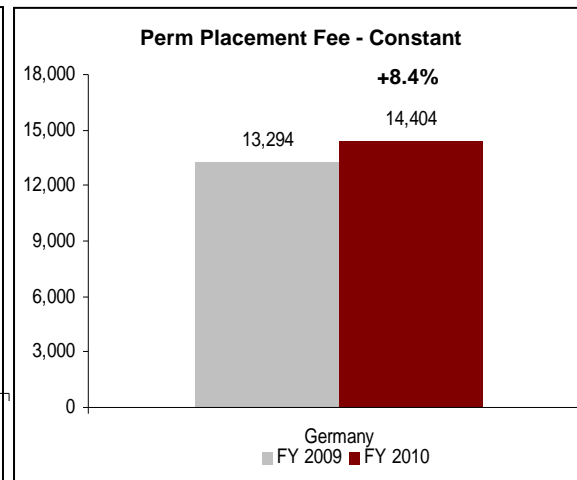
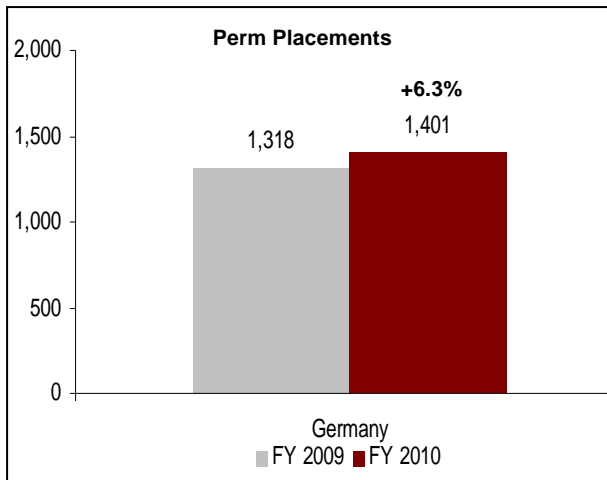
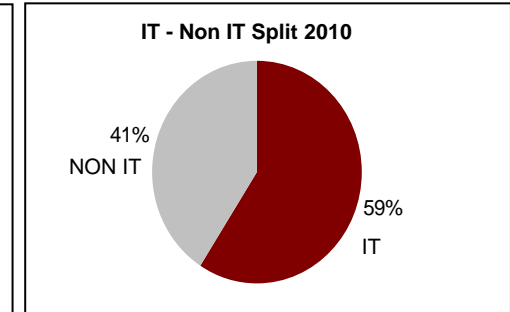
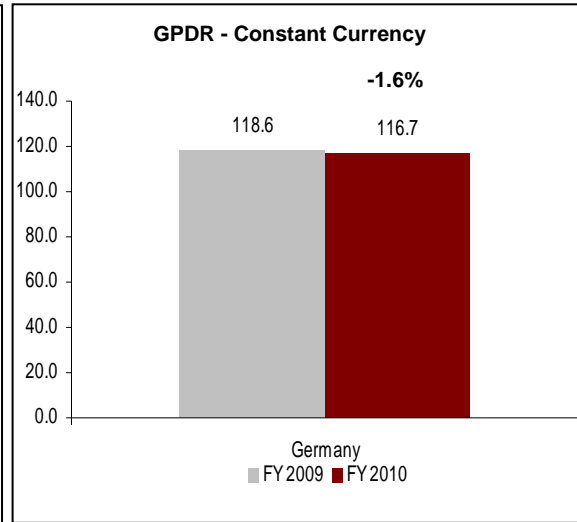
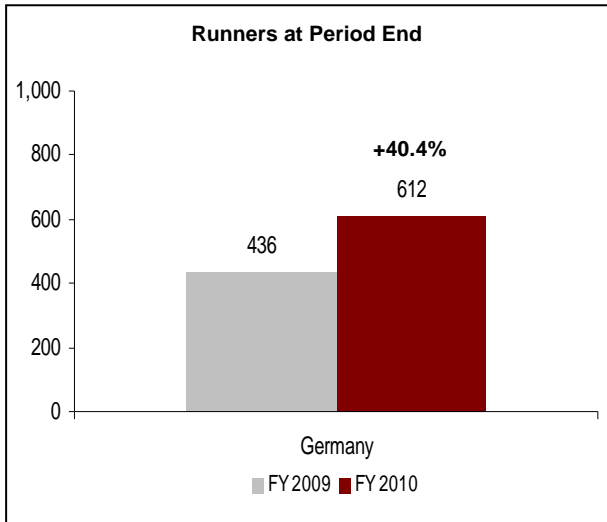
# Benelux Trading Metrics

Prelim Results for the year ended 28 November 2010



# Germany Trading Metrics

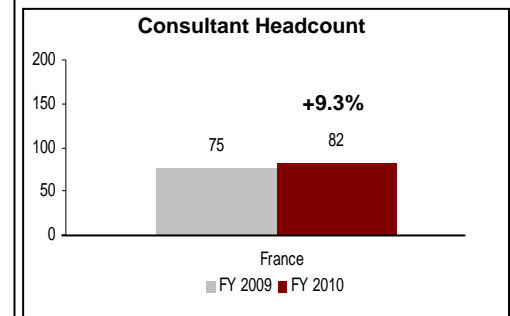
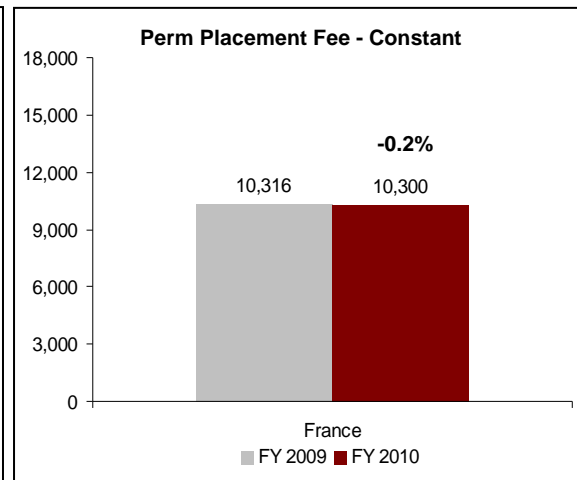
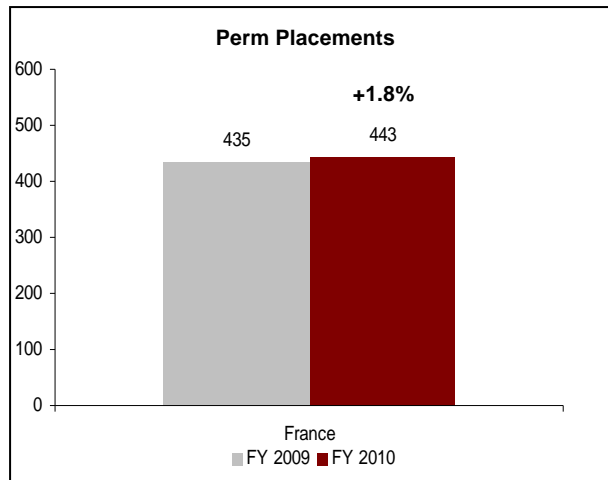
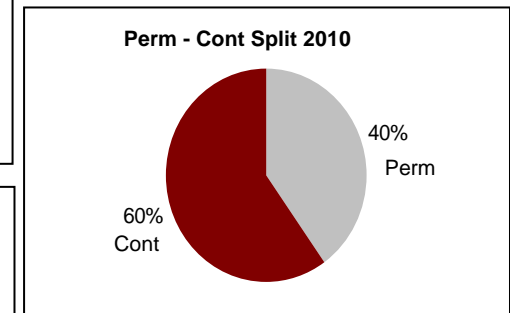
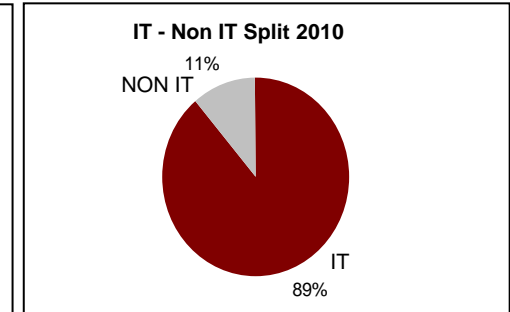
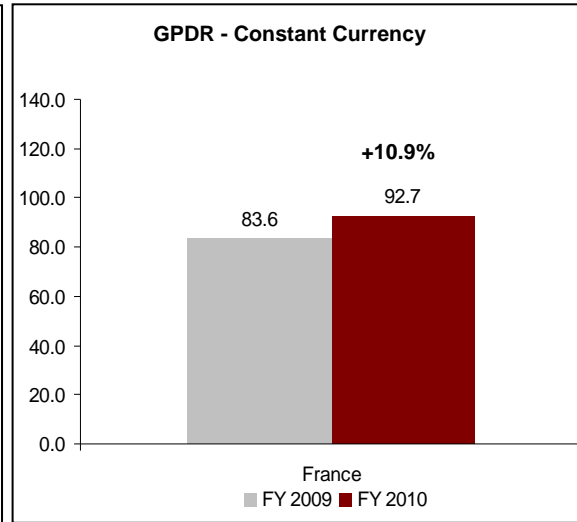
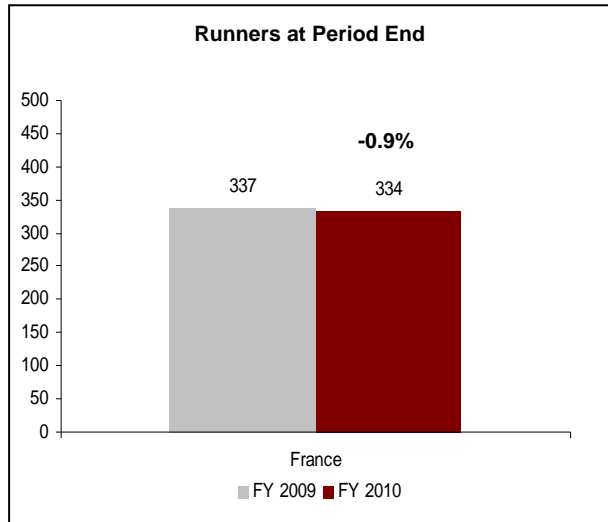
Prelim Results for the year ended 28 November 2010





# France Trading Metrics

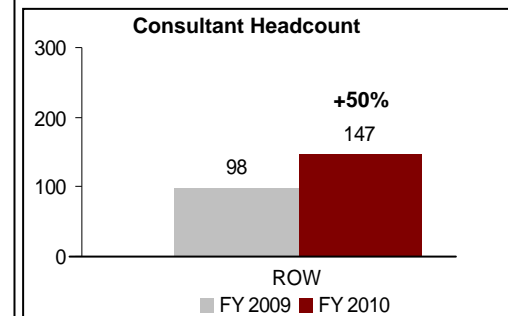
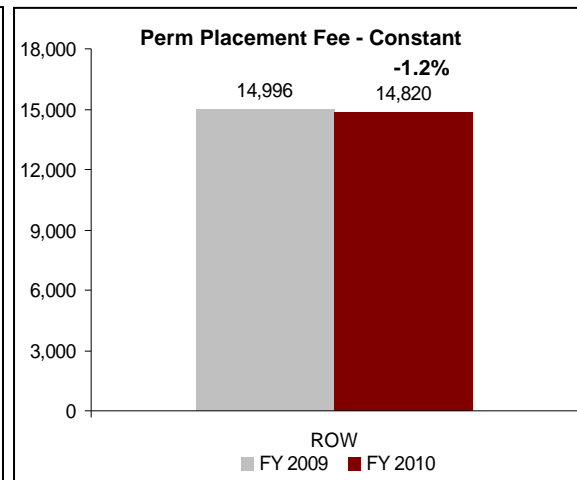
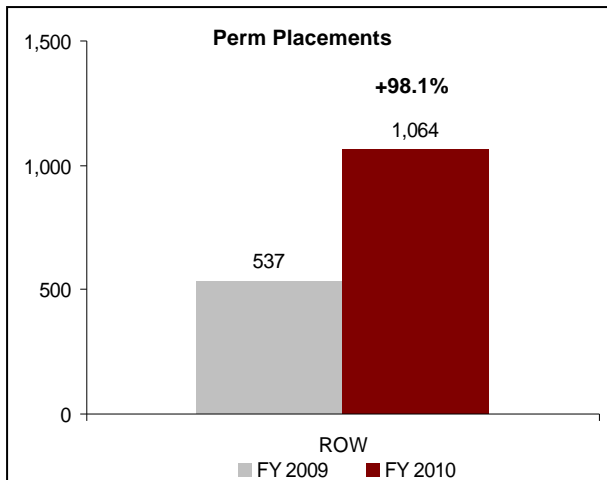
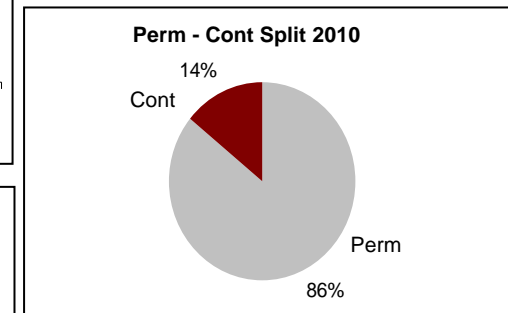
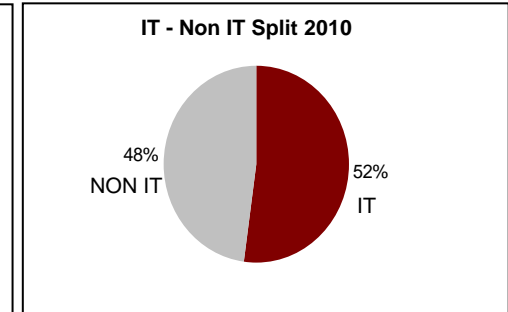
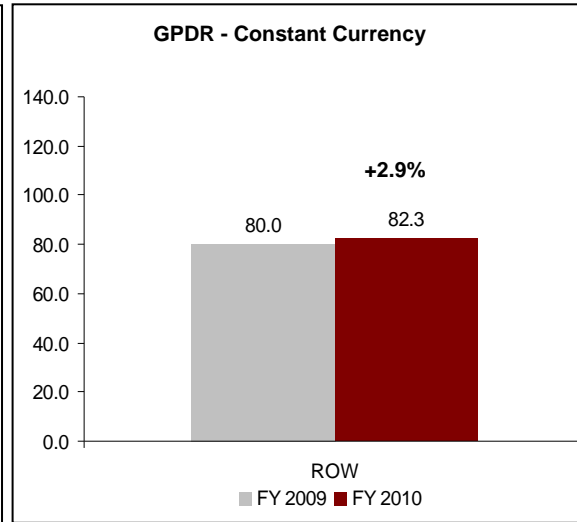
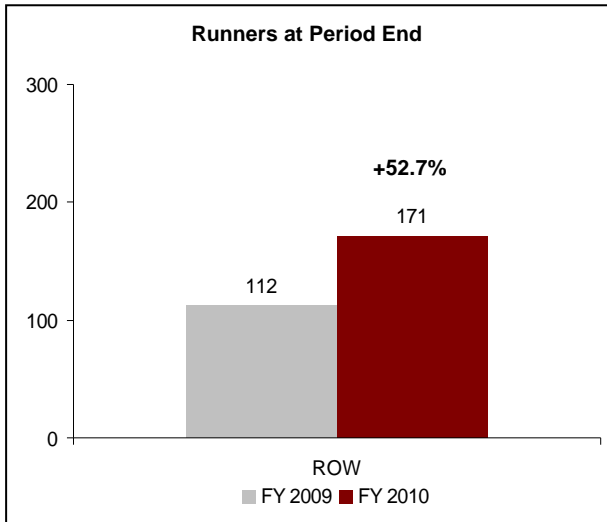
Prelim Results for the year ended 28 November 2010





# ROW Trading Metrics

Prelim Results for the year ended 28 November 2010



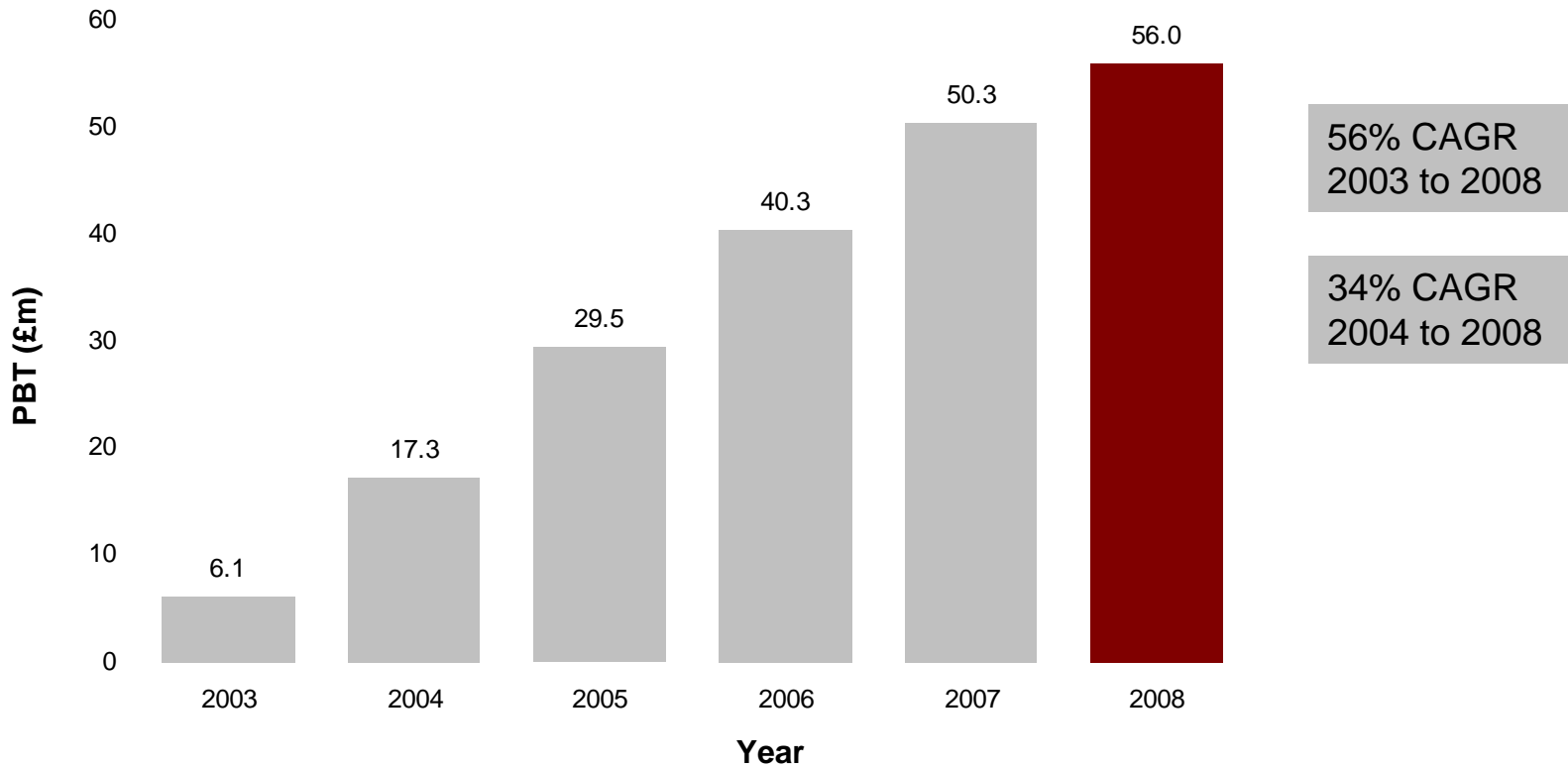


# Supplementary Material



# PBT Growth post dot com crash 2003 - 2008

Prelim Results for the year ended 28 November 2010



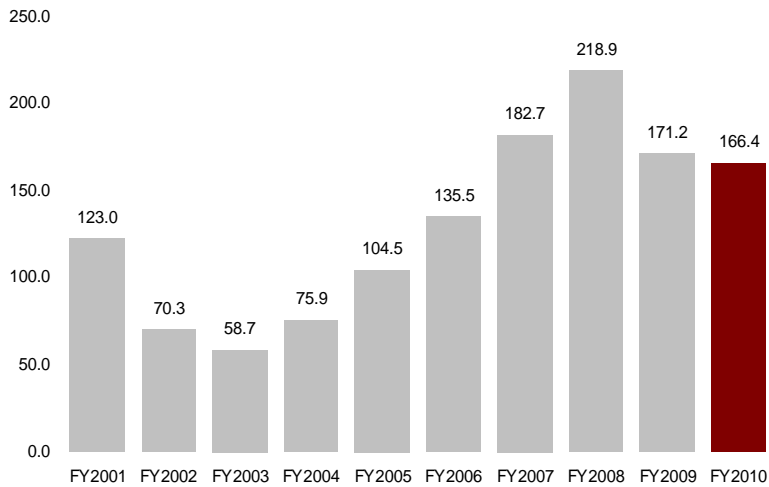
Total PBT increase of 818% on 2003

# Historical Gross Profit and Gross Margin

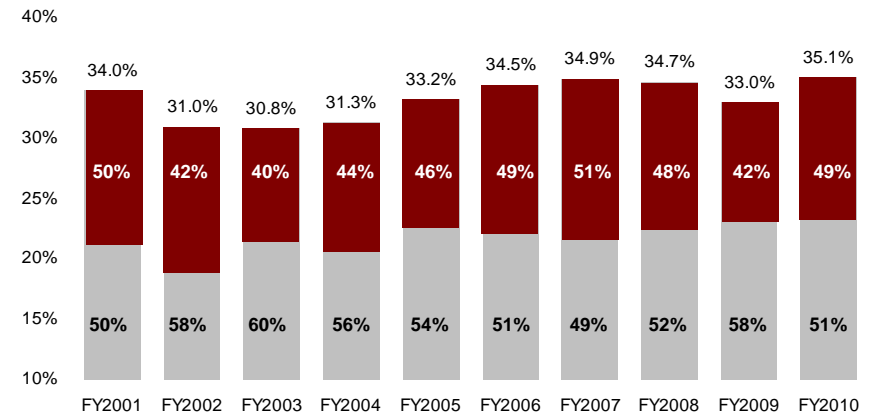
Prelim Results for the year ended 28 November 2010



## Gross Profit (£'m)



## Gross Margin (%)



Notes:  
2000-2005 UK GAAP  
2006-2010 IFRS

	2001	2002	2003	2004	2005	2006	2006	2008	2009	2010
<b>Contract Margin</b>	20.6%	20.6%	21.0%	20.5%	21.1%	21.3%	20.8%	21.5%	22.1%	21.6%

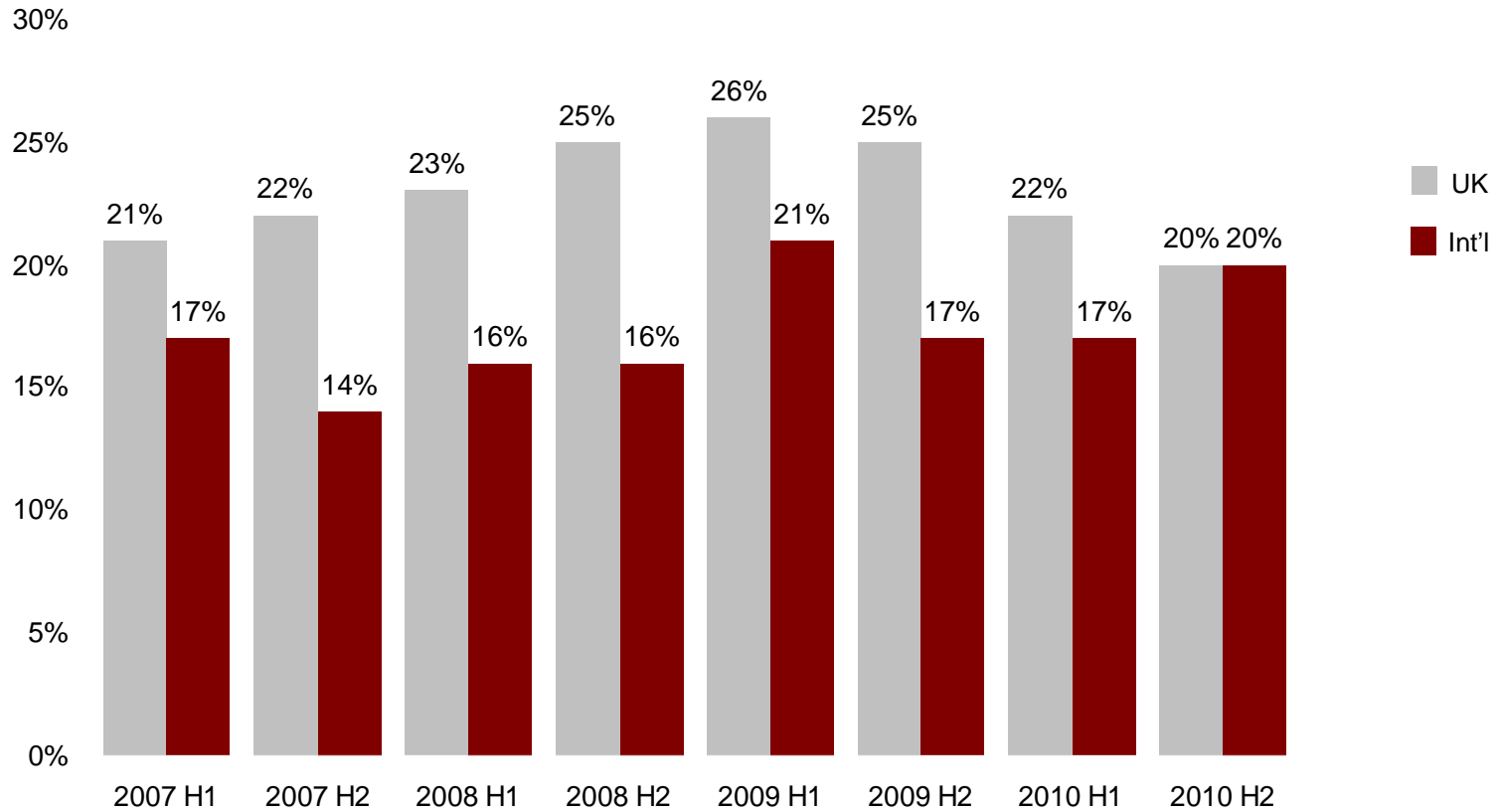


# Health of Market: KPIs

Prelim Results for the year ended 28 November 2010



## Permanent hires starting within the month



Source: STthree MIS / Internal Analysis

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

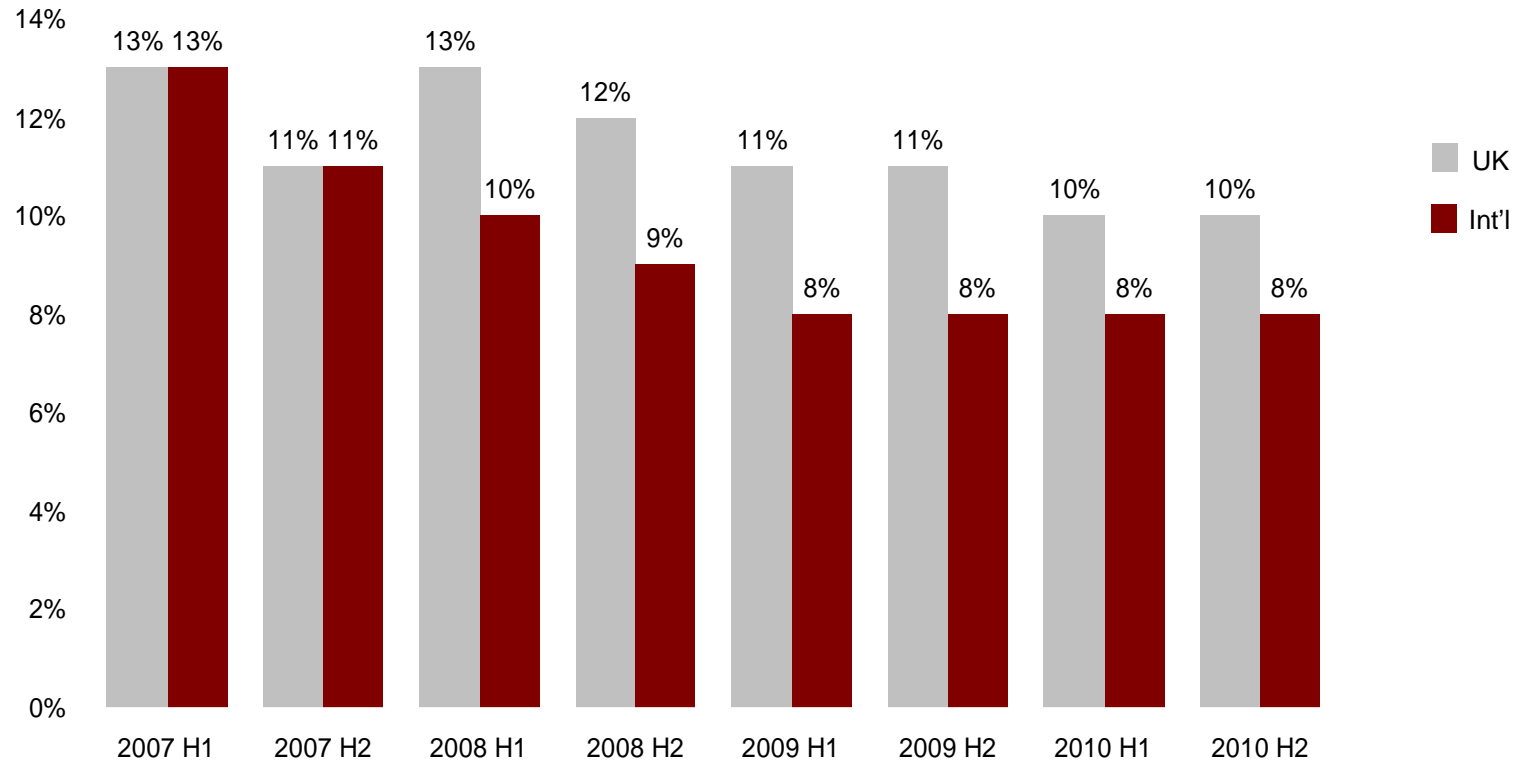


# Health of Market: KPIs

Prelim Results for the year ended 28 November 2010



## Permanent placement 'dropouts'



'Dropouts' are a useful indication of labour market tightness

<sup>1</sup> 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

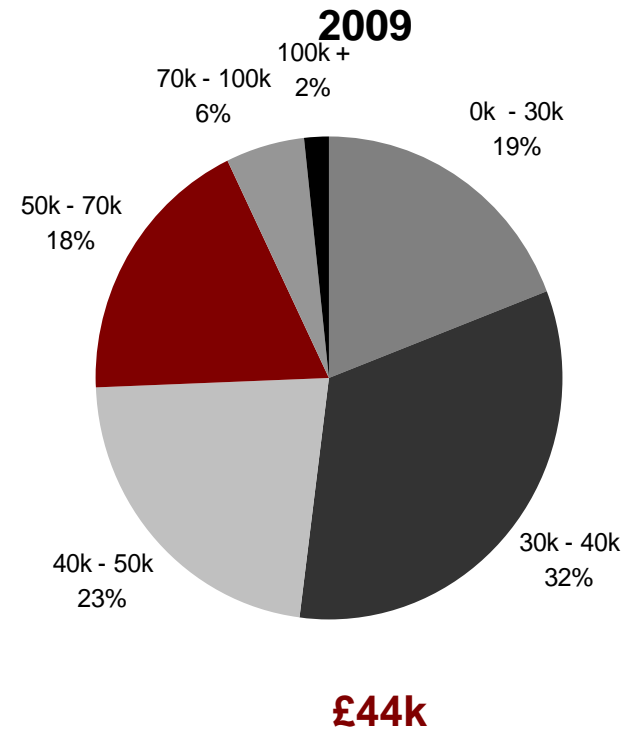
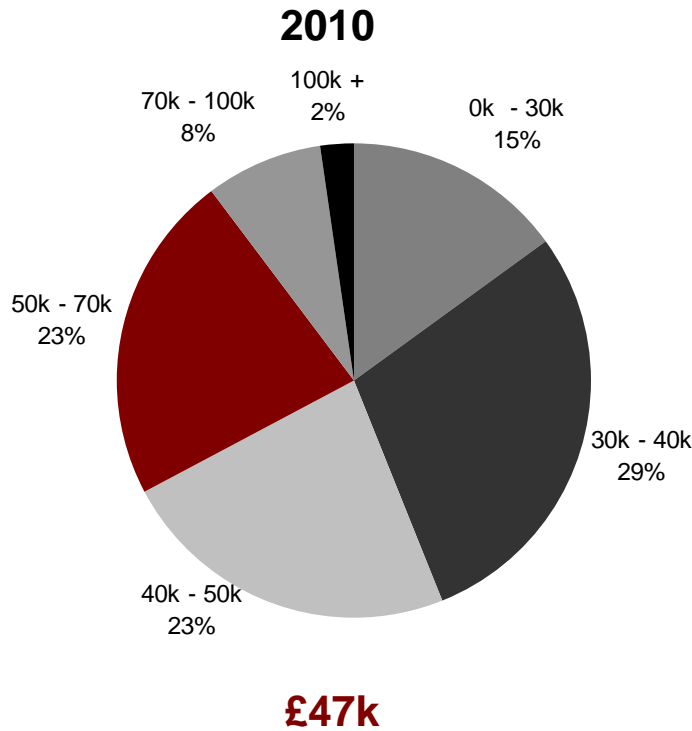


# Candidate salary positioning

Prelim Results for the year ended 28 November 2010



## Permanent salary analysis



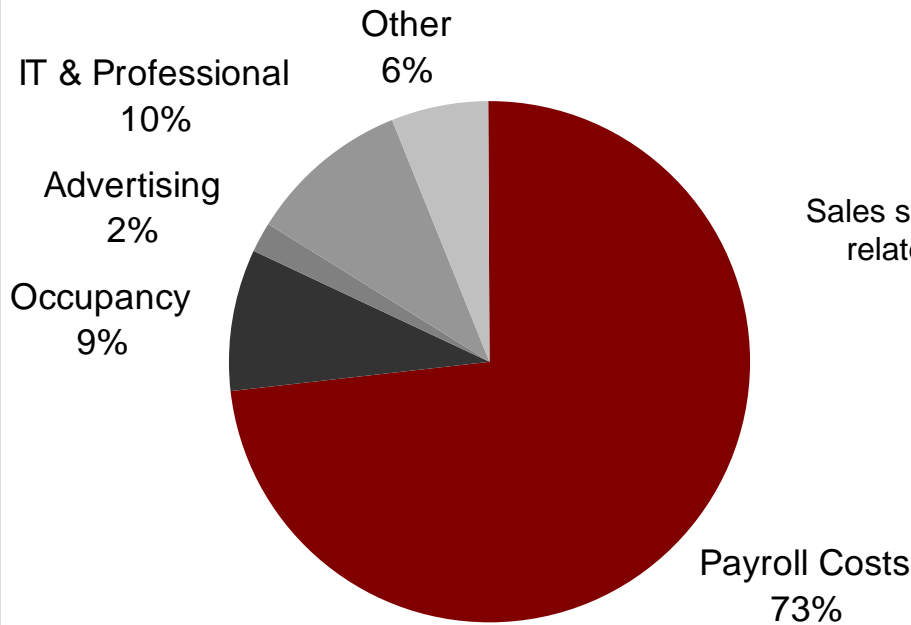
Current average permanent salary is £47k\*(2009: £44k)  
 Current contract pro rata salary is circa £90k\*\*(2009: £88k)

**Note:** \* Salary on new deals per MIS  
 \*\*Based on a 46 week year, GP per day rate of £84.22 grossed up at the contract margin of 21.6%

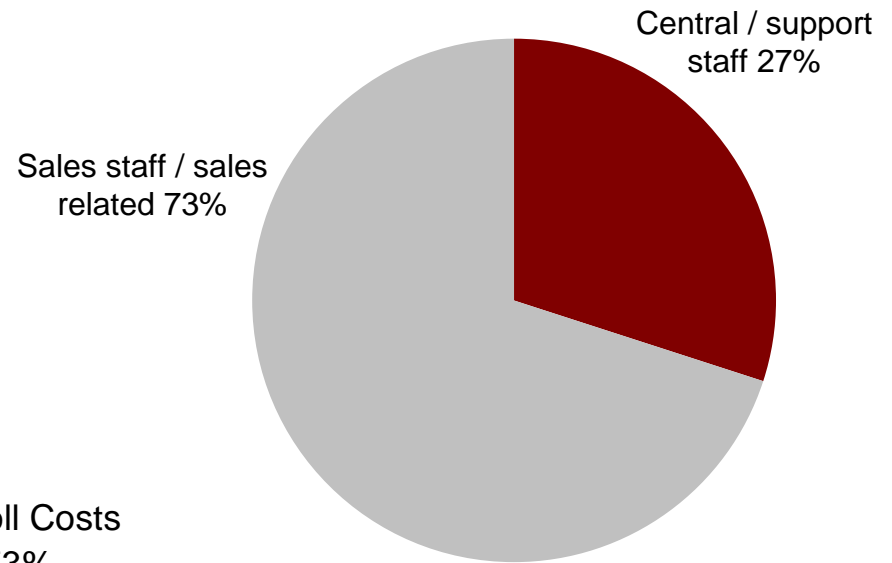
**Source:** Internal MIS analysis, SThree Accounts

# Cost base analysis for 2010

Prelim Results for the year ended 28 November 2010



**Cost base**



**Payroll costs**

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

# Exchange Rate

Prelim Results for the year ended 28 November 2010



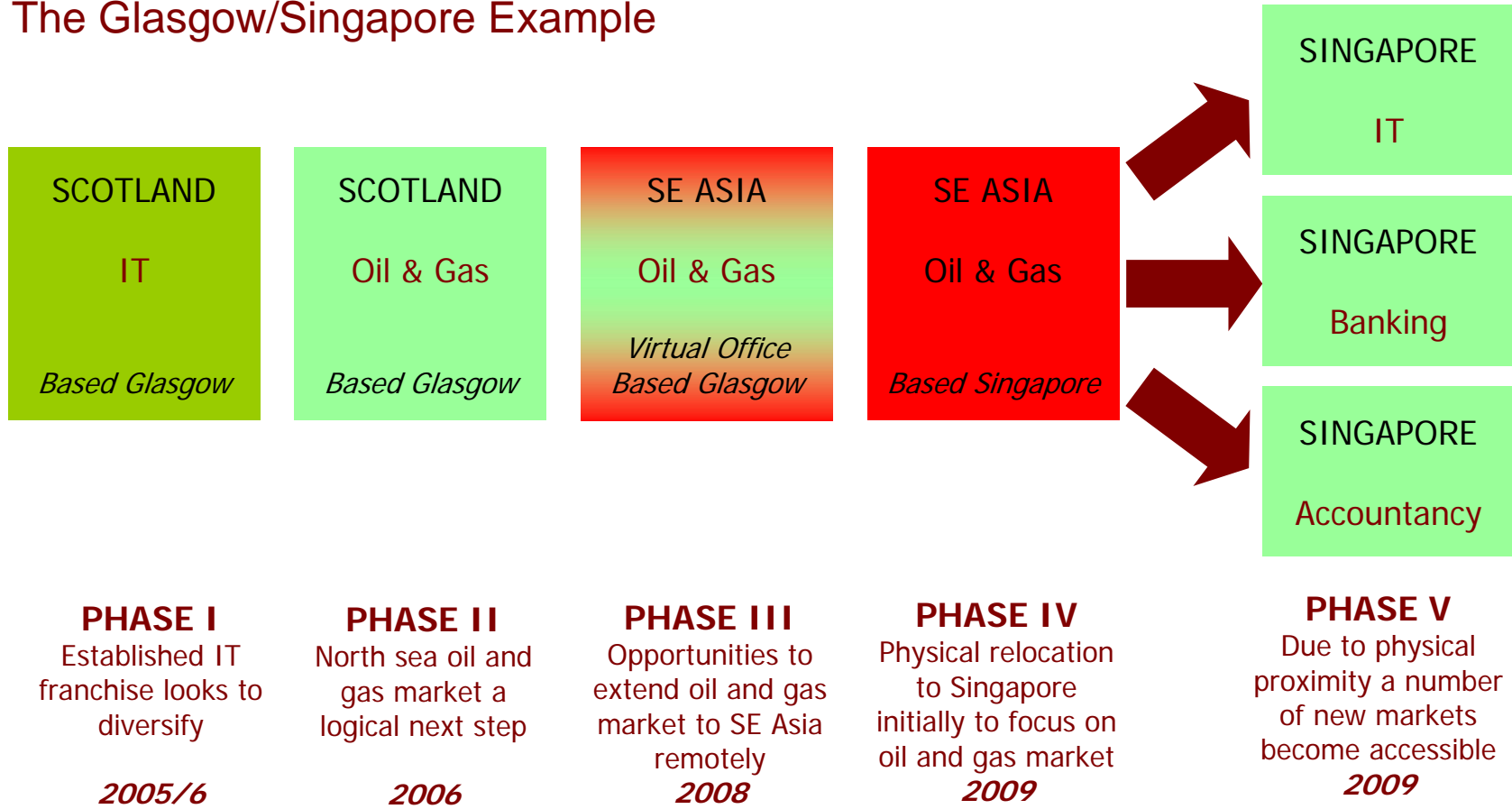
	Year ended 28 Nov 2010		Year ended 29 Nov 2009		Year ended 30 Nov 2008	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
Euro €	0.8691	0.8499	0.8977	0.9087	0.7755	0.8268
	1.1506	1.1766	1.114	1.1005	1.2895	1.2095
% Fluctuations	-3.2%	-6.4%	15.8%	9.9%	14.3%	16.2%
<b>Impact of a one cent change per annum</b>	<b>Net Fees</b>	<b>Op Profit</b>	<b>Net Fees</b>	<b>Op Profit</b>	<b>Net Fees</b>	<b>Op Profit</b>
Euro €	826	276	951	383	883	350

# Sector Diversification Leads To Global Opportunities

Prelim Results for the year ended 28 November 2010

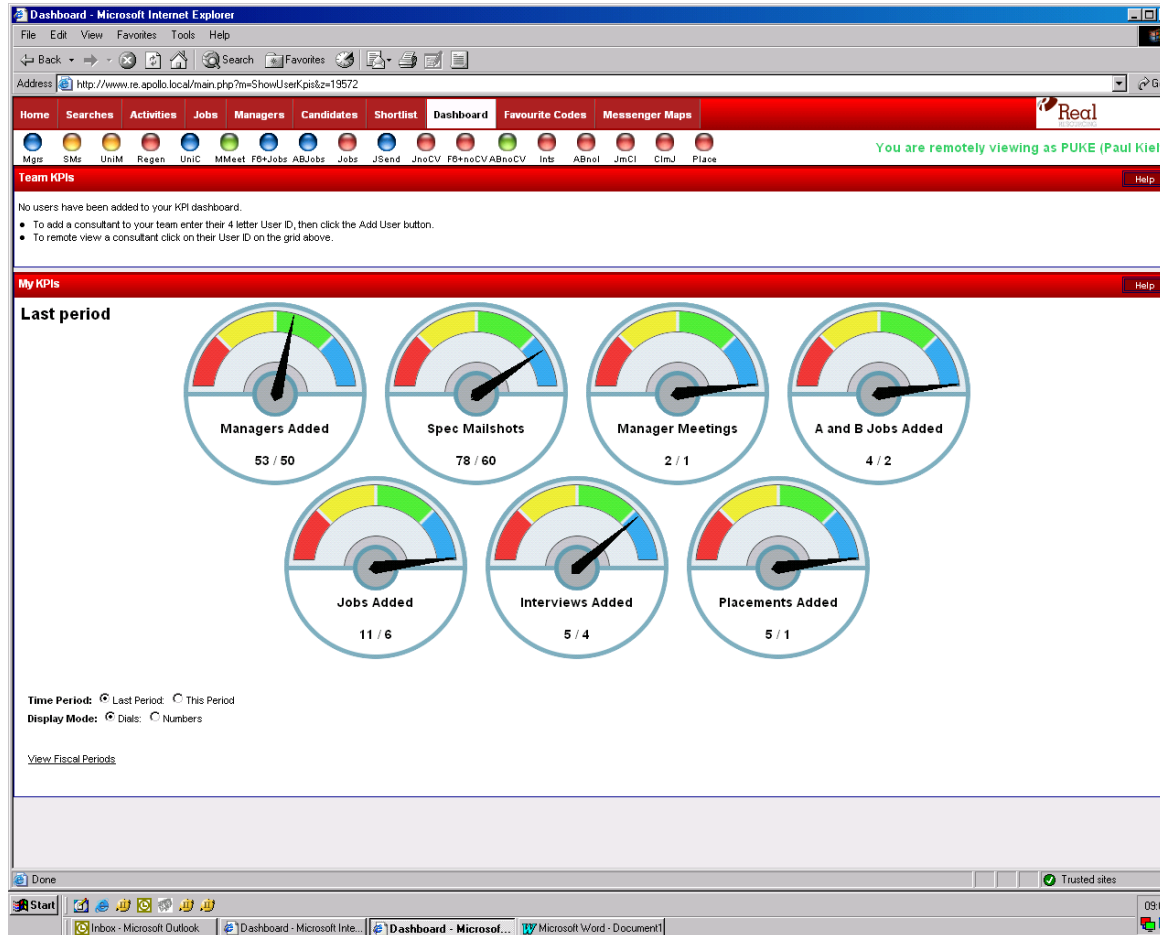


## The Glasgow/Singapore Example





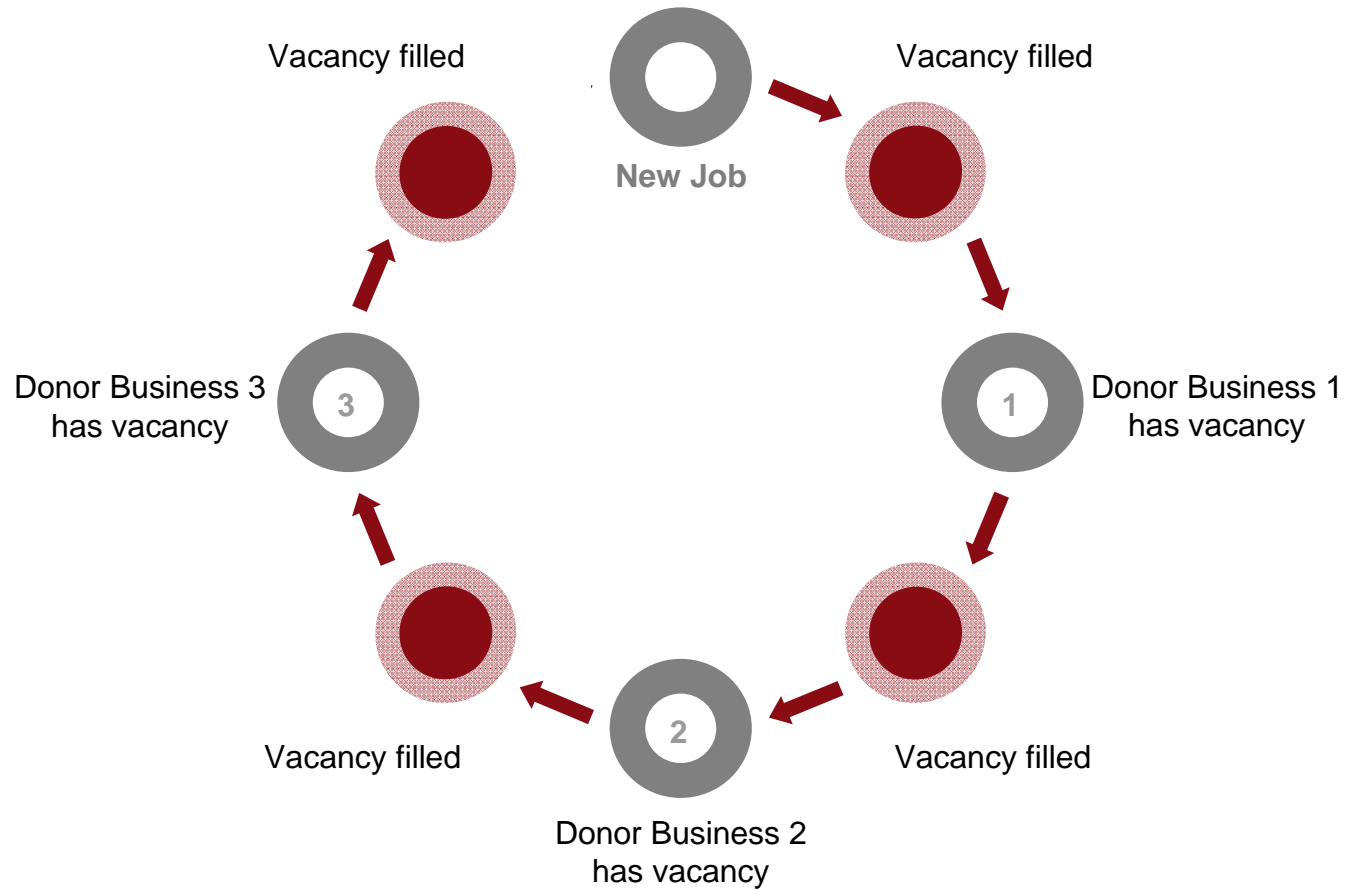
# Performance management systems



Actual screenshot Permanent Consultant



# “Churn” - A key multiplier of demand



Even when markets are mature, churn drives growth