

# Our business model

## Why we exist

We bring skilled people together to build the future; this is at the heart of everything we do.

We source and place the single most valuable asset for our clients: people.

### How we operate

We are the only pure play global STEM specialists in recruitment operating primarily through our four largest specialist brands:

- Computer Futures (Technology)
- Progressive (Energy & Engineering)
- Huxley (Banking & Finance)
- Real Staffing (Life Sciences).

Our client base is diverse with over 9,000 small- to large-sized companies. We are a major player in the Technology, Life Sciences, Banking & Finance, and Energy & Engineering sectors.

### Our culture

Our culture is defined by three Operating Principles:

- Build trust
- Care then act
- Be clear then aim high

Our Operating Principles underpin our Purpose, Vision and Strategy by focusing all our people on the best possible behaviours to succeed.

## How we generate fees

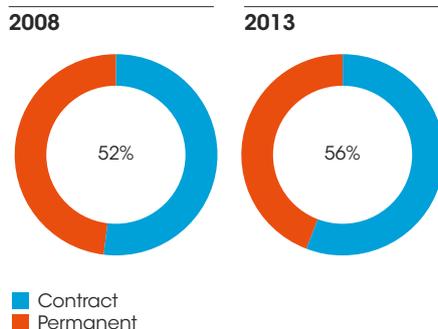
Our platform dynamics enable us to operate at scale, building best practice once and scaling it multiple times. Ours is primarily a recurring revenue business model which is powered by our relationships with clients and contractor candidates alike. We earn fees from our clients when a contractor delivers service. While this is our focus we also have long-standing expertise in delivering Permanent placements, where fees are charged as a percentage of the candidate's salary when a candidate is placed with a client. With contractors we invoice clients on an ongoing basis for the duration of the contract, with the Group paying contractors and retaining a portion of the amount charged as a service fee. Our weighting towards Contract allows for a predictable, stable revenue stream that is likely to continue in the future.

Contract (flexible working) is particularly well suited to STEM recruitment markets, with shift towards increased use of contingent workforces, propensity of organisations to outsource recruitment, rapidly growing societal preferences towards flexible working arrangements, and shorter job tenures among Millennials.

Economically, Contract placements provide for higher (on average nearly 40% greater<sup>1</sup>) lifetime value and profitability than Permanent equivalent.

<sup>1</sup> Based on SThree internal data 2019; compares net fees generated from one temporary contract over the average 42 weeks contract term vs permanent placement fee.

### The active move towards contract



### Three options to service client needs:

#### 1. Employed contractor

- Employed and paid by SThree and contracted out
- Recurring fees for the duration of the contract

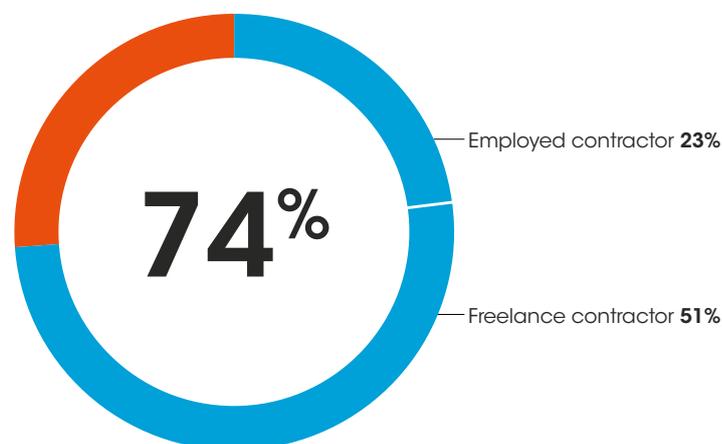
#### 2. Freelance contractor

- Self-employed and paid by SThree
- Recurring fees for the duration of the contract

#### 3. Permanent

- Employed and paid by client
- One-off fee

### 2019



## Why we focus on Contract

The business is weighted towards Contract for the following reasons:

- Particularly suited to STEM staffing market
- Economic case - higher lifetime value and profitability
- More predictable and visible earnings
- High barriers to entry
- Growth in new business models
- Resilient in uncertain markets and strong as markets improve
- Underpins dividend

### Temporary staffing revenue

# 89%

89% of staffing revenue in 2018 was temporary staffing, of which 42% relate to professional staffing.

(Global Staffing Industry Analyst estimate May 2019)

### Rise in freelancers

# 42%

Freelancers in EMEA are expected to increase by 42% in the next ten years.

(Workforce Solutions Buyers Survey EMEA 2017)

### The value of Contract

# 40%

Contract lifetime value is circa 40% greater than Permanent equivalent.

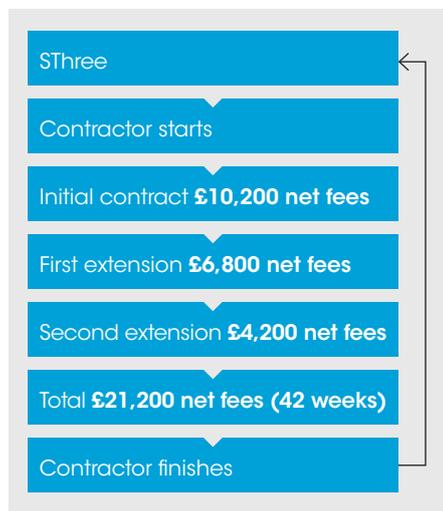
(SThree internal data 2019)

### Higher lifetime value and profitability

# 50%

Contract consultants produced circa 50% more lifetime value per month in 2019.

(Example is in SThree internal constant currency rates and is based on 2019)



### High barriers to entry:

There are two barriers to market entry: know-how (regulatory and compliance expertise) and cash requirements.

#### 1. Know-how

- Experienced team with circa 20 professionals across key markets
- Well placed to benefit, as client and candidate flight to quality
- Scale and global reach advantage
- Tech infrastructure and platform to serve contractors

#### 2. Cash requirements

# £10,000

SThree must spend £10,000 pre-funding each contractor for four months until the Group payback period begins.

### More predictable and visible earnings

In times of macro-economic uncertainty, Contract is more resilient than Permanent as companies tend to defer long-term commitments.

### Rise in contractor orders

# 15%

The contractor order book has a CAGR of 15% over the past four years.

### What we've implemented to make it happen

- First stage of onboarding for all global candidates is now automated
- Ongoing journey post placement on permanent is now automated
- 2020 - automation of post placement journey for all contractors

### The impact that has had

- 1 A standardised and scalable service for all candidates
- 2 Reduced starter drop out rates
- 3 Increased candidate stickiness

## What makes it work:

### We're informed by market intelligence

We collect a wealth of insights about candidates and clients' preferences across all regions and local markets.

We have expertise in sourcing niche skills and difficult-to-find candidates in all our chosen markets and sectors. As a global business with a truly diversified mix of exposures across multiple geographical regions, we are ideally placed to provide our clients with insights as to changing work patterns and with access to the best candidates with specialist skill sets.

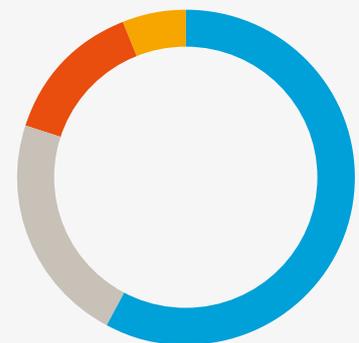
We collect the data by building and cultivating direct business relationships with our clients, candidates and business partners. The breadth of this data supports our strategic decisions, allowing us to continue to develop and adapt our service-proposition to local needs and conditions.

Over the years, we have evolved the way we work and deliver our services in line with the global mega-trends, the idiosyncrasies of different localities, and the particular regulatory requirements of different countries.

### We have global reach

The Group is becoming increasingly global, but at the same time specialises at a local level. We can source the right people for clients in multiple territories whilst also understanding the nuances and dynamics of each individual market. These include legislative requirements where our local knowledge can help us to advise clients on choosing the right contracts and also help successful candidates navigate the necessary requirements.

Net fees by geography



Continental Europe	58%
USA	22%
UK&I	14%
APAC & ME	6%

## We are pure play specialists in STEM recruitment with a diverse client base

The Science, Technology, Engineering and Mathematics ('STEM') fields are at the forefront of change across the developed world and societies.

STEM represents a significant and growing opportunity. The Fourth Industrial Revolution centred on technological solutions is set to continue, mainly in USA and Europe, but spreading rapidly across the globe.

The focus and spend on STEM is growing both in STEM industries and non-STEM industries as customers embrace technological change.

On average our contractors stay in their roles for 42 weeks.

In our mature and competitive market our speed of placement is an important differentiator. We fill technology roles in an average of two and a half weeks.

## We attract scarce and highly skilled candidates

The availability of skilled and motivated candidates to meet client needs is essential to our business growth as well as being crucial to economic prosperity. Supported by our own bespoke tools and market-leading sourcing techniques, we source high-quality candidates seeking new opportunities. High-quality candidates often have multiple years of experience and often have niche, valued skills.

### Niche STEM talent

- Specialist roles, highly candidate focused
- Global team working together to interact with and build out the candidate community:
  1. Digital targeting and retargeting of niche and passive STEM talent with thought leadership content relevant to their specialism
  2. Gated content allows us to capture data and begin nurturing passive/ niche talent
  3. Multichannel campaigns to engage niche talent into communities

### Mainstream STEM talent

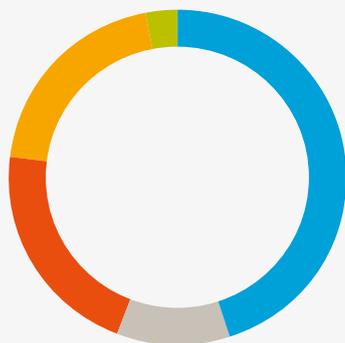
Higher volumes of roles, a combination of candidate and client focus.

- Local teams working together to build the most comprehensive network of talent available in the marketplace:
  1. Market specialist consultants, building up the largest networks of talent through utilisation of our database, external networking, social media and advertising platforms
  2. New applications come into our platform via our website and other advertising platforms, and existing members of the network are constantly refreshed
  3. Candidates then enter the recruitment process for a role/ assignment

A multi-brand, sector approach enables us to connect with highly qualified candidates across the Netherlands.

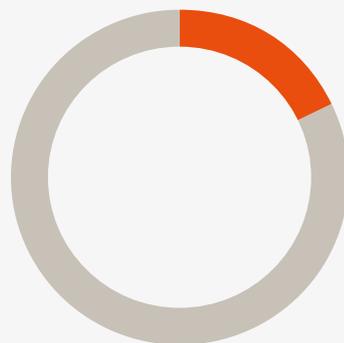
Every brand has tripled its LinkedIn followers since 2016.

Split by sector



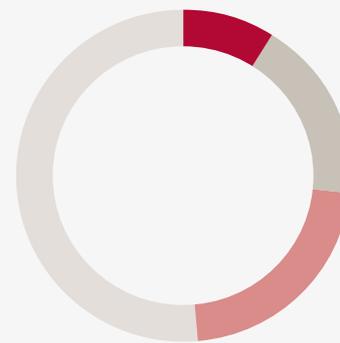
Technology	45%
Banking & Finance	11%
Energy & Engineering	21%
Life Sciences	20%
Other	3%

Split by client



Large Enterprise	18%
SME to Mid-Size	82%

How we attract STEM talent



Number of LinkedIn followers	715,000
New STEM candidate applications in the last 12 months	1.4 million
Visits to our websites in the last 12 months	1.7 million
STEM specialists on our database	4 million

# Our business model

continued

We have a clear and disciplined approach to cash and a strong track record of cash generation

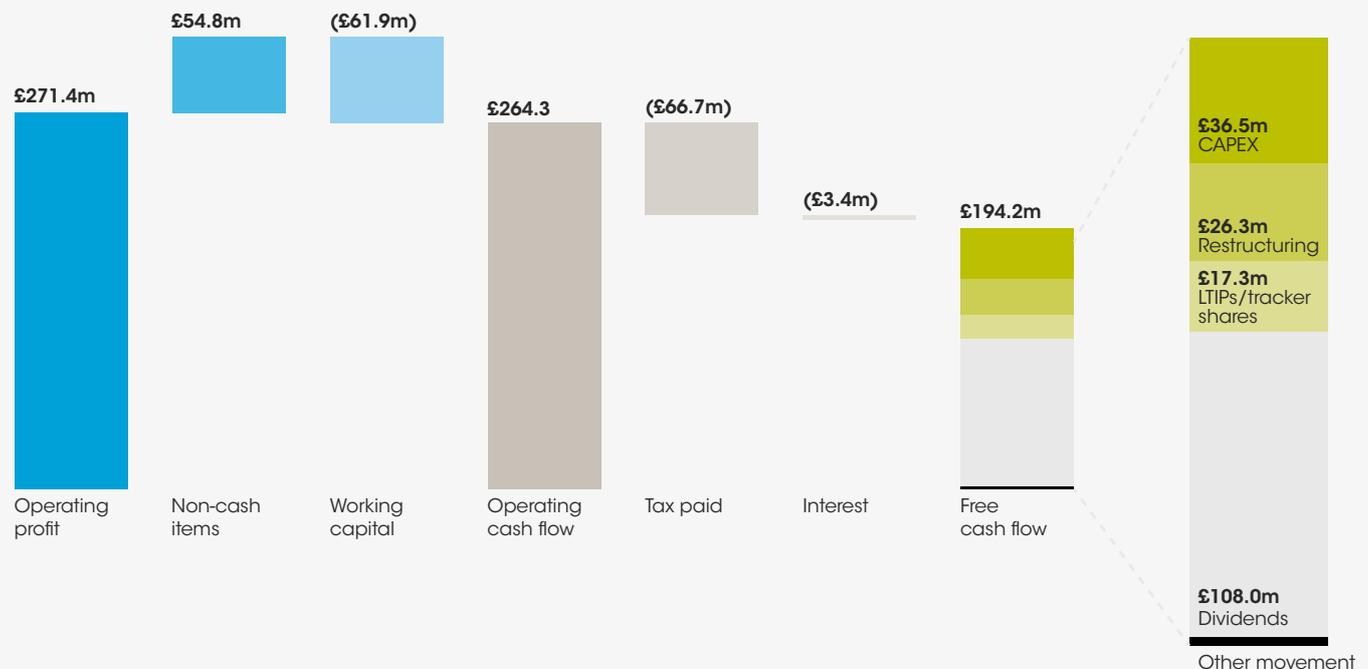
## Our priorities for uses of free cash flow



## We have a strong track record of cash generation

2014 to 2019

Operating profit to free cash flow conversion



---

## We use technological innovation

The recruitment industry is being profoundly impacted by new technologies and changing customer expectations. In such an environment, we drive our success through our ability to innovate, harness the Fourth Industrial Revolution by leveraging technology to streamline our operations and improve customer experience, and help us stay relevant in the long run. We hope this would make collaborating with us more efficient for our clients and candidates, and that it will motivate them to deal with us in future and to recommend us to other prospective customers.

To help meet our customer expectations, we utilise tools that allow us to fine-tune services. We monitor customer satisfaction by commissioning an annual survey (customer net promoter score) of more than 20,000 customers. We analyse customer feedback and tailor our service to individual needs.

---

## We operate responsibly

We support and shape sustainable and responsible growth and job creation. Whether through community development, diversity programmes or climate leadership, we know that pursuing outstanding corporate citizenship creates value not only for our business but also for our employees and the communities where we live and work. We invest in public and private initiatives, whereby we help the underprivileged move into meaningful careers, which brings a wide range of societal benefits including self-worth, productivity and economic growth. In 2019, we contributed over £210,000 to community programmes.

We also understand that we must support the wider system in which we operate to achieve long-term profitability. We foster communities to retain and develop candidates for specific skill areas.

We established the SThree Foundation to diversify and grow the STEM talent pipeline in the long-term sustainability of the sector. The foundation supports people from diverse backgrounds on the path to a STEM career, both meeting our need to source future candidates in our key markets and driving employability and economic growth within the communities most in need.