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Page Group plc
Q2 2024 Trading Update

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Q2 and H1 2024 Trading Update

Kelvin Stagg

CFO, PageGroup

Welcome

Good morning, everyone, and thank you for joining us at short notice. Welcome to the PageGroup 2024 Second Quarter Trading Update. I am Kelvin Stagg, Chief Financial Officer, and on the call with me is Nick Kirk, Chief Executive Officer.

Headline Numbers

Although I will not read it through, I would just like to make reference to the legal formalities that are covered in the Cautionary Statement in the appendix to this presentation and which will also be available on our website following the call.

Key financial highlights

Ongoing challenging market conditions

The Group delivered gross profit of £224.3 million in the quarter, a decline of 12% in constant currencies. For the first half, we delivered gross profit of £444.2 million, a decline of 12.4% in constant currencies. We saw a softening in activity levels towards the middle of the quarter, and exited in June slower, down 18% on the prior year.

We reduced our fee earner headcount by 153 or 2.7% during Q2, mainly in Europe. However, going forward we still intend to hold fee earner headcount at around existing levels.

Overall, the Group ended the quarter with 5,598 fee earners and a total headcount of 7,576.

Despite the reduction in gross profit, productivity, measured as gross profit per fee earner, increased 1% on Q2 2023. Our balance sheet remains strong, with net cash at the end of June of around £56 million. This compares to £67 million at the end of Q1, having purchased £9 million worth of shares for the Employee Benefit Trust in April, as well as having paid out the 2023 final dividend of £35 million in June.

Financial Review

I will now give a brief financial review.

Q2 Perm and Temp Ratio

Permanent recruitment impacted more by market uncertainty

Reflecting the uncertain macro-economic conditions, temporary recruitment continued to outperform permanent, as clients sought more flexible options. Temporary recruitment decreased 9.8% against Q2 2023, with permanent down 12.8%. Reflecting this, our ratio of Permanent to Temporary gross profit was 74:26, broadly in line with Q1.

In Michael Page, permanent recruitment represented 82% of gross profit, while in Page Personnel it was less, at 49%. Michael Page was the stronger performing brand, down 10% compared to a decline of 17 in Page Personnel. A part of the drop in permanent recruitment in Page Personnel was due to transitioning teams to more profitable roles within Michael Page, as a result of our new strategy.

Reduction in fee earners of 2.7%

Decrease mainly in Europe

We reduced our fee earner headcount by 153, or 2.7%, during Q2, mainly in Europe. However, we still intend to hold fee earner headcount at around existing levels. Our non-operations headcount decreased by 49 in Q2, due to the finalisation of the closure of our UK Shared Service Centre during the quarter. In total, our headcount is now 996, or 11.6% lower than in Q2 2023

Reduction in activity levels

Slowdown through the quarter

We saw a reduction in the number of new jobs acquired in May. This reduced the number of interviews in June and consequently placements and gross profit, resulting in a lower exit rate for the quarter. We anticipate the further reduction in new jobs acquired in June will impact activity and trading in Q3.

Productivity up 1% on Q2 2023

Despite reduction in activity levels

Gross profit per fee earner increased 1% compared to Q2 2023, despite the softening in activity levels through the quarter. Reflecting continued shortages of candidates, fee rates remained at high levels and slightly above the prior year.

Salary levels also remained strong. However, salary offers have reduced compared to 2022 and early 2023. These lower offers, combined with lower candidate confidence, has led to continued high levels of offers being rejected by candidates, either through employer buybacks or unwillingness to risk the move for the size of incentive on offer.

Regional Review

I will now present a regional review.

Q2 Gross Profit – 12.0%

Negative foreign exchange impact of 3.0 pts

Group gross profit declined 12% in constant currencies against Q2 2023 and we saw tough market conditions in the majority of the Group's markets, with little signs of improvement.

We saw a slower end to the quarter, with a softening in activity levels which led to our exit rate in June being down 18% in constant currencies on the prior year.

Foreign exchange had a negative impact on our results, decreasing our reported gross profit growth rate by 3%age points, or £7.9 million.

EMEA

Tough market conditions in Europe

In our largest region, Europe, Middle East and Africa, which represented 56% of the Group, we declined 10.2% on Q2 2023, with tough market conditions across Europe. France, the Group's largest market, which represented 14% of the Group, declined 14% against a strong comparator, with similar performances in both Michael Page and Page Personnel.

Political uncertainty in June led to a number of jobs and interviews being put on hold. We saw a more resilient performance in temporary recruitment, which is indicative of the current uncertainty in the market.

Germany, which represented 13% of the Group, declined by 9% in Q2, with declines across all brands, albeit with our Technology focused Interim business the most resilient. We saw tough market conditions throughout the rest of Europe, with declines in all major markets.

In the Middle East and Africa, gross profit grew 7%, a new record quarter, with stronger levels of candidate confidence. In line with the tougher trading conditions in Q2, we reduced our fee earner headcount by 120, mainly in Germany, France and the Netherlands.

The Americas

Continued low levels of client and candidate confidence in the US

The Americas, which represented 18% of the Group, declined by 6.6%. North America was down 19%, with the US declining 19%. The trends we saw in Q1 continued into Q2, with uncertainty around market conditions affecting both candidate and client confidence, particularly in Accounting and Financial Service

In Latin America, excluding Argentina due to the hyperinflation, gross profit was down 4%. Mexico, our largest country in the region, was down 10%, broadly in line with Q1, due to its high degree of reliance on the US. Brazil was up 9%, with a particularly strong performance in temporary recruitment. The remaining countries declined 8%, collectively.

Across the region, fee earner headcount decreased by 31

Asia Pacific

Continued tough conditions in Greater China

In Asia Pacific, which represented 14% of the Group, Q2 gross profit declined 19.8% on 2023. In Asia, which represented 12% of the Group, we declined by 14%, due mainly to tough conditions in Greater China.

In Greater China, which represented 4% of the Group, we saw no signs of improvement and declined 29%. Mainland China was down 25% and Hong Kong was down 38% in the quarter, with particularly tough conditions within Financial Services.

Southeast Asia declined by 12% against Q2 2023, due mainly to Singapore, which was down 16. India continued to deliver standout results, delivering a record Q2 and up 7% on Q2 2023, whereas Japan declined 6%.

Australia declined 38% with ongoing challenging conditions in all states. Our fee earner headcount decreased by 9% in the quarter.

UK

Tough conditions across all our brands

In the UK, which represented 12% of the Group, gross profit declined 17.4% with tough conditions in both Michael Page and Page Personnel. We continued to see clients deferring hiring decisions and candidates cautious about accepting offers.

Permanent recruitment was more resilient than temporary recruitment, partly due to a softer comparator in permanent. Following headcount decreases over the past 18 months, in Q2 we held our fee earner headcount broadly flat.

Summary

I will now provide a summary of our results.

Summary

Activity levels softened through the quarter

We continued to see challenging market conditions in most of our markets in Q2 and we experienced a softening in activity levels through the quarter, particularly in terms of new jobs and interviews.

Permanent recruitment continued to be impacted more than temporary, as clients sought more flexible options and permanent candidates remained reluctant to move jobs.

While we saw a slower end to the quarter, having taken action to reduce headcount throughout last year, our intention remains to hold fee earner headcount broadly at existing levels to ensure we are well placed to take advantage of opportunities when sentiment and confidence improve.

We have a highly diversified and adaptable business model, an experienced management team, a strong balance sheet and our cost base is under continuous review.

Given the weaker than expected trading in June, recent increased geopolitical and macro-economic uncertainty, and consequently a more cautious view for H2, the Board now expects full year 2024 operating profit to be in the region of £60 million.

Nick and I will now be happy to take any questions you may have.

Q&A

Rémi Grenu (Morgan Stanley): Three questions on my side. So first on the exit rates of the minus 18%. Just interested in hearing if this has been driven by any geographies in particular, or if the weakness has continued to be relatively broad? So that is the first question.

The second one, it is about France, and given the political uncertainty, I am interested also to understand how this has impacted the trade in June, if you can quantify that a little bit? And related to the previous question, was this country a large contributor to the slowdown experienced and the weaker exit rate? So that would be the second question.

And then the third one has to do with your strategic decision to hold on to your headcount from now on. Can you maybe elaborate a little bit whether it relates to any tangible signs or discussions with your clients? Or if you just believe that doing more in terms of cost savings from now on will start hurting the business more permanently?

Nick Kirk: Okay. No problem. I will take those three questions. So in terms of the exit rates of 18%, was it driven by specific geographies? I think it was the activity was more marked in terms of decline in some of our big European countries, places like France, Germany, to an extent, the UK, but it was broadly across the board.

We saw slowing in a number of markets. So it was not just a European thing. We saw slowing in the numbers in the US, we saw them in Japan, so it was more global. But if you wanted probably one or two more extreme examples, then certainly, France and, to some extent, Germany saw more of a slowing in June than others. And as our two largest markets, clearly, that has a pretty significant impact on us in terms of the performance in June, but also our confidence going into July and then the summer months.

Specifically on to France, I mean I have just touched on France, but we had the first round of elections, as you'll know better than me, and really coming back after that weekend, we had a number of clients contact us and candidates either wanting to pull out of processes to wait to see what happened or clients putting interviews on pause and recruitment on pause until they saw what happened with the second round of elections.

We have now had those. I am not going to move into political territory, but I do not think what we have seen is any kind of certainty falling out of the back of that. And again, that is another element from our perspective where you have already got a market in France, very similar to many of the markets around the world where we have consistently said there is low levels of confidence, there is low levels of sentiment, there is people turning down job offers at final stages, etc., etc.

So what we are doing with the political situation is in effect is layering more uncertainty on top of uncertainty. And with it being our biggest market, that clearly creates a level of caution for us looking forward. We do not have an answer. Maybe we will know more after the summer coming back in early September. But right now, clearly, there is a play through from the political situation into the business situation.

And then your final question on headcount. Look, from my perspective, this is really where the leadership of a business has to make a call, and it also helps that many of us on the exact Board here have been in the organisation a long time like I have, which is nearly 30 years.

I think probably, to answer your question, we need to almost look back and actually just walk through what we have done to bring us to this decision. Our peak headcount in the recent cycle was Q3 2022. Since that peak in Q3 2022, we brought total headcount down by 17%. We brought fee earner headcount down by 21%.

In all of our trading updates through last year, we were talking about removing underperformers and people that were struggling in the market. So in effect, we have removed the bottom 20% of our fee earners. If you want to, you could call that the cyclical element. The ones that you would add in as you were growing, the ones that you can more easily remove as the business starts to underperform.

And we have taken that action steadily in a measured way quarter-by-quarter over the course of the last six quarters. But there is a point at which you then start to look at your business and feel that the headcount is at the right level, it is at the critical level. How do you know that? Well, to some degree, you are looking at productivity. We are still trading at record productivity levels, but you are also looking at what the consultants are doing. Do they have jobs to work on? And the answer at the moment is, yes, they do. There is jobs out there.

Has there been a softening? There has. Has it become more difficult to generate jobs? Yes. But do they still have work? Are they still arranging interviews? Are they still creating an opportunity to make a fee? And all of those things are still true.

So with that in mind and considering the fact that we have regularly stated in these trading updates, difficulty in predicting which fees are going to land because of the conversion from offer to accepted offers, the way to try and minimise that risk is to have a larger pipeline, therefore more jobs that we are working on, more interviews that are going out, because it is harder to predict which jobs are going to turn into revenue. So from our perspective, it is a judgment call.

I think the final thing that is really important from our side, it probably leads into the final part of your question in terms of recovery, is that consultants take on average somewhere around about nine, maybe 12 months to become productive. So the decisions we make on headcount now in terms of recruiting and investing will be around consultants who are going to be productive in end of March next year, end of June next year.

And from our perspective, we believe that there will be signs of recovery at that stage, and we want to be able to accelerate quickly when that opportunity presents itself. Those are the reasons for the decision.

Afonso Osório (Barclays): I have two questions, quick ones for me, please. The first one, you mentioned the exit rate in June, minus 18%. That is actually in line with your March exit rate. I mean, this is not that bad in the grand scheme of things. I was just wondering if it actually implies a much better April and May trading. Obviously, you have the holidays timing there impacting that. But just wondering if you can give us a bit more information on how the quarter went and expectations for Q3 as well, or if we should expect some sort of a stabilization into Q3, small recovery into Q4 and then a full point recovery in 2025, if that is your base case.

Secondly, on the conversion rates in your conversation with your clients at the moment. Just wondering if you have any comments on the pricing side of things with your conversations with your clients, if it has moved significantly today versus in Q2 versus Q1?

And then on the other side, with the candidates, I mean, I remember talking to Kelvin a few months ago. We discussed the pay uplifts candidates were having at that point comparing that to both COVID, where candidates were having like 20% plus pay uplift to move jobs. I think Kelvin previously told us that it was like in the mid-single digit around Q1. Is that still the case? And it is quite interesting, your comments in terms of candidates staying in their current job even though they get an offer, because their current employers match essentially the offer. What is the split?

I mean, I am not sure if you have those numbers in front of you, but what is the split of the cases where actually candidates get an offer, but end up staying in their current employment because of the employer matching that offer versus the offer being too low, which goes back to the mid-single-digit range I was talking about in terms of pay uplift? So those are the two questions, please.

Kelvin Stagg: Sure. Let me take the first one. Yes. So you are correct. Our exit rate in March was around 18%, albeit that it was slightly days adjusted due to how Easter and some

of the bank holidays fell. So it was probably normalised more 14%. April and May, yes, again, you are right, high single-digit in both months and fairly similar in both months. So it had fallen back a bit, or improved a bit in those two months, which is why, to a certain extent, June was more of a surprise to us when it went back to minus 18%.

And that really, probably pointing back at the slide that we showed with activity, looks to have been driven by the decline that we saw in job acquisition in May, which went from sort of minus 12% versus the second half of last year to minus 19% in May, which then fed through into minus 20% in terms of numbers of interviews and activity that clearly then did not get offers over the line in time to actually deliver into June.

I think our expectation is that with the jobs acquired being down 23% in June, that the impact that, that will have on activity will be fairly similar to what we saw in June or possibly slightly worse in July, leading into the summer in August, which obviously is a fairly highly impacted month, particularly with 56% of the Group being in Europe and a sizable proportion of the Group in the Americas, where Christmas is obviously also a fairly sizable impact, just August even.

As we, therefore, go through into the second half of the year, September and October are the big months, and it is too early now to make a guess on what sort of a recovery we see there. But where I think previously we had expected to see some sort of recovery coming through towards the end of Q2, we obviously did not see that. We had assumed that would then carry on into Q3, beginning of Q4. We are now assuming that that is less likely.

So we are forecasting really that things will remain relatively stable in the second half of the year, but that we would not see a recovery until the first half of next year. Until we get there, we would not know whether we are right.

Nick Kirk: And I will pick up your question around the clients and the candidates. I mean, the clients one specifically was in regard to pricing and the pricing remains robust. Our fees remain at record levels, and there has been no reduction on those fee rates in Q2 versus Q1.

In fact, in certain markets that continue to strengthen. I think there is a very logical reason as to why that is the case, is that the roles that the clients are coming out for are the ones that are essential. And they are typically the ones where the candidates are in very high demand. So they have to recruit them and the candidates that they are after are very hard to find.

Therefore, from a consultant's perspective, they know how hard it is going to be to find those candidates. They know that they have probably got more than one client that is interested in them, and you are still finding many situations that for those kind of candidates, their skills are in high demand and they will receive multiple offers. And in that situation, the pricing therefore remains high just on a simple supply-demand model.

So that would be my thought behind why the fees remain at record levels and salaries continue to nudge up, because the roles that are coming out to market are the ones that clients absolutely need to hire.

As regards to comments around candidates and the salary increases, yes, what Kelvin told you is still about right. I mean, it is mid-single digit. It varies a little bit by market. But if you wanted to take an average, that would be about right.

In terms of getting candidates over the line, I think probably two things to say in regard to that. I mean, if you look at the market, for instance, like Germany, you move in Germany, and for six months at the beginning of your new contract, you will be on probation. During that period, your contract can be terminated relatively easily. Beyond that, then you have a lot of reassurances and guarantees on the labour law.

So if you are thinking about making a move, you need to be very, very sure that nothing is going to happen to you during those first six months. And therefore, it comes down to a risk reward. So this 5%, 6%, 7% is going to make you feel comfortable enough to take that risk and potentially expose yourself when you are looking at maybe a situation in the EU, which is quite uncertain and how that may play through to your current employer.

As regards to trying to give you some percentages, we gave some numbers previously. They have not changed significantly. So in good markets, you would expect the average buyback or turndown rate on an offer to be around about 20%. We are currently seeing that more around about 30%, 33%. So a third of everything that we get to final stage will either be bought back or the offer will be turned down. So a lot of work going into processes that ultimately do not end up in revenue.

But that almost feeds back into my earlier answer, which is, therefore, how do you work your way around that uncertainty or have a fuller pipeline? How do you have a fuller pipeline? We have more consultants working in the market, working jobs, arranging interviews and giving you a chance to make the fee in the first place knowing that there is increased uncertainty and therefore lower ratios at the bottom end of the pipeline.

Afonso Osório: That is very clear. If I can, just a quick follow-up. Because this is a question I have been getting quite a lot recently. In terms of where you expect full recovery and where unemployment is today, because today is a very different cycle versus previous ones. With unemployment still super strong today, do we need to see unemployment going up and then down for recovery? Or do you expect to still see a recovery with unemployment remaining low? And what are your thoughts on that front?

Nick Kirk: Yes. I mean the relationship between unemployment data and the type of work that we do is in a particularly close relationship. I think it is fair to say. I mean we work within the white collar professional leadership, management, and expert field in perm recruitment. There is nearly always zero unemployment in the area that we work in.

So the broader statistics about unemployment do not really feed into our market. The way that they do feed in and the biggest driver of the recovery when it comes or the current situation we find ourselves in is sentiment or confidence. So it is another negative headline or it is another positive headline, and they feed into how people are feeling in those leadership roles and whether they are then willing to take the risk of making a move, leaving some relative certainty within their current employer to potentially put themselves in a position where they could be last-in, first-out, which in a more senior role, where you have got responsibilities around a mortgage and a family and other things, you want to make sure you do not make a mistake.

And therefore, at that level, our candidates tend to be well educated, they tend to read the press. They know what is going on with inflation rates, interest rates. They are looking at the political situation in a country on a global level, and there is just a lot of uncertainty

around, which does not help confidence. And confidence does not help the clients in terms of making a decision to hire and it does not help the candidates in terms of making a decision to move and we are caught in the middle of that.

Kean Marden (UBS): Just first of all, is there anything one-off or lumpy in nature, which has a disproportionate impact on your profitability when we start getting towards the numbers that you are guiding to? So, obviously, you have got some office relocations and closures that are taking place at the moment. I think some accruals floating around. So just whether that impacts this year and maybe helps profit recover in fiscal 2025?

And then the second area is just on sort of balance sheet and free cash flow. So your net cash was a little bit lower than I was looking for, for the first half. Forgive me, is the £9 million EBT just for the second quarter? Or did you spend any in the first quarter as well? You normally spend about £15 million. So just wondering what thoughts are for the full year.

I guess more broadly on free cash flow, is there anything different about the cash cycle this time around? What are you seeing with DSO?

And then finally, on fee rates, which is sort of the interesting area. Because I guess in previous downturns, we would have started seeing fee rates coming under pressure probably around about now. Is there any way where you are seeing fee rates starting to decline? Or do you feel actually we are just going through this down cycle actually with fee rates remaining elevated, which would be a little unusual, but interested in your thoughts on that, Nick.

Kelvin Stagg: Kean, I will take the first couple, and then I will hand back to Nick for the fee rates.

So in terms of one-offs, the only real one-off that was in the first half with a couple of million related to the finalisation of the closure of our Shared Service Centre here in the UK, where we transferred those activities into Barcelona for the UK and into Buenos Aires for North America.

We do, as I am sure you know, have a holiday pay accrual that we build up in the first half and then it gets released in the second half when people are normally on holidays July and August time. And that is about £5 million.

So when the interims are released, the underlying in the first half is probably about £7 million understated. And therefore, in the second half, with holiday pay accrual, you will have a £5 million release there that makes that slightly higher.

In terms of cash, I think there was an element that the month finished on a weekend. So essentially, there was an element of cash that was slightly light. Not massive, but probably somewhere £5 million to £10 million that did come in the week after, that probably slightly distorted that number to make it look a little bit lower.

Your question on the EBT. Yes, we spent £4 million in the first quarter and £9 million in the second. So the total was £13 million, exactly what you said, just hedging the share awards that we made in March putting that into the EBT, same as we would do in other periods.

I suspect the amount was fairly similar. So probably the difference between last year and this year was the share price. Outside of that, no, nothing unusual in the working capital cycle. I

think at the moment, we have got relatively strong performances in our non-perm businesses and they are slightly more hungry in terms of working capital.

In terms of the perm businesses, as they have unwound a bit, we have got some working capital coming a bit there. So we are sharing working capital between the perm and the temp businesses. But I do not see anything unusual going on in there, and I would expect to see the working capital build as it always does in the second half.

Nick Kirk: With regards to fee rates, yes, I suppose you could see it as being unusual for the reasons you have just said from a cycle perspective. Hopefully, my answer to the previous question a moment ago answers why I think it is different this time around because of the types of roles that are coming to market and the fact that those roles are highly skilled roles that there are very small numbers of candidates available for.

We have no markets where fee rates are going down. If I have got them all in front of me here where I look at fee rates year-to-date versus last year, they have gone up in the UK, they are flat in Germany, they have gone up in Japan, they have gone up in Australia, France, the US. They are flat in China.

We don't have any where H1 is lower than last year. And last year was higher than the previous two years. So I can, as I say, only believe it is what I have explained, which is that the roles coming to market are critical, but not only are they critical, they lack supply. And therefore, clients believe they have to get them on board and they understand the difficulty in finding them, and therefore, know that they cannot do it through a job board or do it through a local supplier who offers low fees, but cannot provide a shortlist.

Steven Woolf (Deutsche Bank): Just following up on that point and the earlier one about the roles coming to market are critical, and that is what is keeping up the fee rates. If those roles are critical and candidates are receiving multiple offers on it, I am just a little bit surprised that then the wage inflation is not perhaps a little bit higher or the multiple offers have not led back to be moving more as sort of to entice to get these sort of must-have roles. Is there anything you are seeing through that offer process as you are presenting maybe two or three offers to these much sought after candidates?

Nick Kirk: That is a bad call out, Steve. I think we try to give averages across the global market. If you were put in a situation where I was sat looking for a cyber role in Manhattan and we are in a bidding war, you are not winning if you offer 5%. So there are clearly going to be situations where that wage inflation is higher because the client wants to win. They want to get the candidate on board, and they will need to go up to 10%, 12%, 15% to get the right candidate.

But then offsetting that is a large volume of regular movers, maybe in junior finance roles or whatever, that could be moving to 3%, 4%. So it is an average overall that we are giving, but there will still be the moment, to your point, where you will have these kind of particular roles that will drive up the fee rates.

But from our side, we are still working in a market that clients are still looking for candidates who are often sitting on their hands. They know it is difficult to find them. We are getting many clients now that will go out and try to do it themselves and they will be very open about

that and say, "Look, budgets are tight. We are going to try and recruit the role for ourselves". You allow them to go off and do that. They have a go. It does not work.

Well, again, just normal business economics is if the client comes back to you at that point and says, "We've tried ourselves. We tried to do it the cheap way. We used the job board, it did not work. Now we need to use you". You are in a far stronger position to negotiate.

Rory McKenzie (UBS): Two, please. Firstly, are there any other ways you want to cut that exit rate? Any specific verticals that saw weaker job flow or size of clients or qualification levels of candidates? I guess you have touched on that last point.

And then secondly, can you put some more context around just how weak the hiring market is? The comments on the buyback and turndown rates are really interesting. But in aggregate, where do you think economic drop churn is running at today compared to the natural level? You are describing, I guess, lots of segments of the economy outside of those non-critical, or in those non-critical roles perhaps, where candidates and clients must be frozen for the past 18 months, two years, while I guess, life goes on and reasons to change still exist.

So can you help us understand, from your perspective, just where that job number is for you compared to what you would expect for a natural level to be?

Nick Kirk: Yes, I can try. So first part, cutting the exit rate and looking at it in a bit more detail. I mean, there were clearly markets that from our perspective, are more concerning than others, and they would be more concerning because of the level of disruption and the importance to our business. And the obvious one to call out on that is our largest market, which is France, where we continue to see a very uncertain situation that does not show signs of probably resolving itself for the next six, eight weeks at a minimum.

And as I said before, you have already got clients that had levels of concern, candidates that had levels of concern. And if you are based in France, that is just another layer on top as you head into the summer. So why would not you perhaps just look at it and go, "You know what, I will let things settle down, and I will go on a holiday. I will come back in September and take another look".

And that is a worry for us, because, as I say, France is a big profit contributor to the group, and it is our largest market. But generally, what we saw was, as I said, a slowing going into June. We did see a slowing in March, which was one of the previous questions and then we made it back up in April, but we did not see a slowing in activity. So I think that is what makes us less sure that we will make it up in July this time after a slower June.

I think the context question is really, really difficult. I mean, if I go back to, again, something that I said earlier, I have worked through lots of downturns and probably three or four recessions as well over my time here. And there is just a point at which you come in to work and you do not have any jobs to work on.

So your job all day long is to cold call and try to generate business. So it is business development activity and you celebrate getting a lead. You do not celebrate necessarily getting a job, because you do not get one, but your team generates a lead that day. We are not in those kind of conditions. We are flagging a slowdown in the job count. We are flagging a difficulty in job acquisition through more difficult business development scenarios.

That all said, there is work out there and consultants still have jobs to work on and interview to arrange. And that, from my perspective, is why you would hold headcount. Now if that were to change, if in three months' time we were giving you an update and there are no jobs or your clients do not want to interview candidates and you are moving into something that feels more like a recognisable recession that I have been through here two or three times before, you probably may have a different view on headcount, because you still then might be into a situation where you think, well, this could drag on for another 12 months from here.

But sat here today, as I said before, our consultants are still busy. There is still a sentiment from clients and candidates of candidates wanting to move, but not having enough of a reason to move in terms of the reward that they are given, clients wanting to hire, but potentially putting it off or commenting on budgets, and a desire when you speak to a line manager and they will be saying, "Look, I would really like to, and frankly, I need to. My team is really running hard, they are overworked. I really need this additional hire, but I cannot get the budget through from my Board, because there is a greater level of consciousness about costs across all organisations in the current climate".

So yes, I mean, it is just a whole series of personal views, Rory. But I mean, that is how it feels, which is just a market whereby, we said in Q1 that we had a lot more clients wanting to have client meetings, because they were talking about the fact that let us get you in, let us get prepared, ready for recovery. We think it is coming in the second half of the year. We want a fully cooked option that we can just pull off the shelf, know which agencies we are going to use or in what countries, fee rates agreed, so that when that recovery comes in the second half, we can literally pull it off the shelf and hit the button. Because we have waited so long, we do not want to waste time on that in the second half of the year.

Those conversations, as we are mentioning here, are now looking more like that those ready-baked solutions would not be coming off the shelf in the second half of the year, because there is more uncertainty today than there was three months ago. And that, sadly, for us is in many of our largest markets.

Rory Mckenzie: No, that is all helpful thoughts. And just most recently, would you call out accounting and finance, engineering, construction, technology, any verticals that you have seen job boards weaken the most? Or is it just the geography that are more important?

Nick Kirk: No, I mean, probably vertical-wise, I mean, technology is still tough. That really has not shown any particular signs of recovery. You are right about areas like engineering and manufacturing. They have been better. Financial services is a mixed picture. It has been very, very tough in certain areas. And then in one or two other areas, we have started to get through the first kind of front office roles that we have had in quite a while on the sales side, indicating that maybe one or two of the investment banks have got a view that perhaps things are going to be getting better, and that is right at the front end of the cycle.

And we have seen that a little bit in London, a little bit in New York. But then in other parts of FS, like in Hong Kong, it has been ugly.

So again, you can pick the bones out of that. I mean I do not think there is a picture that I can give you across the board that those are two or three examples of different geographies within one discipline.

Kelvin Stagg: Thank you. So as there are no further questions, I would like to thank you all for joining us this morning. Our next update to the market will be our 2024 interim results on 8th August 2024. Thank you all this morning.

[END OF TRANSCRIPT]