

**Amadeus Fire Group**  
Conference Call  
Q3/9M 2024 Interim Statement  
24<sup>th</sup> October 2024 | 08:00 a.m. CEST

Transcript

**Speakers:**

Robert von Wülfing (CEO)

Robert von Wülfing

Welcome everybody to our conference call. First of all, apart from welcoming all of you, I like to welcome also Jörg Peters, our new Head of Investor Relations at Amadeus Fire. And there's a certain correlation, that we just started to follow our quarterly results by doing this conference call. So you can expect that also in the future, from now on, that we will host this event and will inform you about the latest developments of Amadeus Fire.

And also, if there are any questions apart from that certain point in time, feel free to contact Jörg anytime, and you will receive a profound and professional answer because he is really an experienced Investor Relations guy. So let's jump in our current results.

First picture, current revenue overview and the latest developments. Just a few comments here. I want to remark that in the meantime, 38% of our revenue are delivered by our Training segment, so that increased over the past year significantly and (delivered) already 44% of gross profit.

In the Staffing segment, I want to focus your attention on the net fees or gross profits. In the Staffing segment, more than half of it, 31% of overall gross profits, are derived from permanent placement, so the largest service in the meantime of our Staffing segment.

The business in the third quarter was actually influenced by the economic development we saw overall. It was less favourable than we actually forecasted it, and so we saw in the end some pressure on revenue. Group revenue are in third quarter down by 2.7%, actually at €111.6 million for Q3.

And what we saw in Germany over the recent months was really a growing pessimism, and that was followed by a certain hesitancy in placing orders, especially in the Personnel Services segment and the Staffing segment, which in the end impacted Group's result. In the third quarter, our operating EBITA\* was down by 18.8%, from €21.6 million to €17.6 million for the third quarter.

If you have a look at the nine-month figures accumulated for the year, we still see a profitable growth path we are on. Our revenues increased the first nine months by (around) 2% to €337.7 million. Throughout our business, we saw some differentiated developments. And this is where I will guide you through the following pages in the Staffing and in the Training segment for Q3 and the first nine months.

In the Training segment overall, the picture is that we (achieved) our targets. We are on a nice growth path here. And a very different picture actually in the Personnel Services segment, where we did not meet our expectations and had also to lower our guidance in the end, what you saw last week, because of the latest developments here.

Overall, also the (operating) EBITA\* is affected by the pressure we see on Staffing net fees, but is also affected by increasing personnel and IT expenses. A little different picture throughout the segments, but overall, we saw some increases in the sales and administrative OpEx, also because we invested in digital transformation and in our applications to run our business and new technology.

Given that overview, let me guide you first through the Staffing or Personnel Services segment of our business. First, on the left-hand side of that slide, you see the development of the different services. One remark I want to state up front is what I discussed with a couple of you over the past years.

For me, clearly, the labour market in Germany or the scarcity of qualifications in the Personnel Services segment, is the main driver for us. So if you have a look at 2023, to the four different quarters, you see a steady growth in permanent placement in double-digit figures throughout a year of recession.

This is something that you never saw historically in the Personnel Services segment. And this is because the main driver for us became the labour market or the scarcity of personnel here in Germany. But the (former) historic main driver, the cyclicity of staffing, is not fully out of the game, obviously, but in second place.

Now, as we are in a no-growth scenario in Germany since (the) third quarter of 2021, meaning we are now in the, what is it, 14th quarter in a row of zero-point-something growth or no growth in Germany, this is actually affecting our business, especially because the climate throughout the corporations or the expectations they do have for future business is at a very low level in Germany currently.

Throughout this year we saw a decline in Temporary Staffing and Permanent Placement, countered by a nice growth in Interim and Project Management, unfortunately the smallest of the three services. I have to state, this year, (the decline) accelerated actually on a quarter-by-quarter comparison in the third quarter, which, after a more positive development first to second quarter, is something which we did not anticipated in our planning at the middle of the year.

In Temporary Staffing, we saw a decline of 11%, volume driven. We still have a price increase here in that service. So the underlying wages are still inflating in Germany, and the hourly charge rate is increasing, but the volumes are actually down. And that, as you can see, accelerated in the third quarter compared to the first half of the year.

Permanent Placement, a little bit of a similar development. Here, the willingness to execute final decisions on placing people is limited throughout the corporations, and you also see a hesitation of candidates in their willingness to change. This ends up in a lower conversion rate of enquiries into orders. Nevertheless, the shortage of qualified personnel remains a key factor, but the pressure here on the sourcing side, as you can imagine, is not that severe as what we saw the past years because of the overall environment.

In Interim and Project Management, here, the dependency on the economic cycle is a bit less in an environment of change. And this is also the case in a downturn. You will find certain project work or interim work at the corporations. Here, we are able to grow. Throughout all services, I would say still in the market environment, we are able to gain market shares.

The overall picture for the third quarter in revenue is a 9% decrease and a close to 12% decrease in gross profit. This is at a higher level than what we saw in the first half-year. So as I said, the conditions did not improve but worsened, Q2 compared to Q3.

Nevertheless, the decline, it's hard to state that in a situation like that, but it's within an acceptable range from our point of view, because if you do some cross-reads and a benchmark throughout the industry, we are still at a level where we gain market shares, and we are still a very profitable company, delivering a high EBITA\* margin, probably best in class in the industry.

Also, regarding profitability, there was no acceleration in the decline of our operating EBITA\* in the third quarter compared to the first half-year. And this is because in the meantime, over the last quarters, we put in strict cost measurements, and also, we reduced headcount within the branch office organisation. So year-on-year, we are on an around 5% lower level, end of September, of our sales consultants visiting the clients.

For the first nine months, the picture is basically the same. Net fees or gross profit are down by 7%, better than market but still a decline. The sales organisation, what I'd said, was expanded till middle of last year, then we stopped that

expansion path. It is reduced in headcount, but structurally, we keep the organisation intact.

So we do not fill single positions, but the structure of teams and branch offices we will keep to be able to take part in an improving market situation, which we expect actually somewhere, not this year, clearly. Maybe you will ask in the Q&A when that will be exactly. And I can already state we don't know. We would like to. We have some positive indicators by some institutions for the next year, but the visibility is really low at the current level.

So the personnel costs were in September, first time, below prior year's level. So volume is decreasing. We had some wage inflation also within our internal staff. But from September on, also forward to the fourth quarter, we see our OpEx at a lower level here in terms of personnel expenditure. In both segments, our investments in technology and in IT, continues. Here we are in some value-driving projects, which secures future growth, which we will continue.

So this is basically the picture I wanted to show for our Staffing segment, under pressure market-wise, but still at a comparably high level, high profitability level compared to industry average, also in the white-collar niche. And we prepare ourselves to participate in an improving market situation somewhere in the future.

So this will lead us to our Training segment. Here, we are still in a growth environment. In the third quarter, we saw a 10% top line growth, and the good path we brought the whole segment on last year continues also in the current year.

We have one little downturn I would call, which is not severe but some change in regulatory in the terms and conditions we have for operating on the search engine of the government or the labour agencies where future participants do find course offerings.

They did a limitation in the overall number of postings per Training company (that are) allowed to publish. As we were very visible, let's put it that way here, we had to limit our publications, and this is affecting the number of requests we receive. This has been the case since May (this year).

We are growing here, so this is nothing that limit ourselves in the long run, but we are limited now in this channel and cannot expand our offering as we would actually like to. It's a regulatory move, so nothing we can do about that.

We have an (ongoing) positive development in our B2C business. Here, more because of the annual training calendar we have, we see a more favourable fourth quarter than third quarter compared to last year. So we expect an improving business here.

Just the opposite in B2B, clearly the smallest part of our Training segment, below 5% (currently). Here, the cyclical market is affecting our business, which is not the case in B2G and B2C. So here, we are not affected by a downturn, but in the B2B market, we are, and we see declining revenue, and we also expect that for the fourth quarter.

The gross profit is affected by increasing lecturer fees, and the operating result is also affected because of some very intense initiatives we did throughout the third quarter in some IT projects we are running, where we use the good times we are in in Training to prepare ourselves to improve the way how we proceed our trainings. We developed a new content factory, for example, where we use technology to actually produce better content for our classes. And these were very intense activities throughout the third quarter.

For the picture of the first nine months, we see a 13.6% increase in revenue, a nice increase also in gross profit and operating EBITA\*. This growth is delivered from all our brands, the Tax College, GFN and the Comcave College, the (revenue) mix you see on that slide.

Overall, we are on a 10% growth path in operating EBITA\*, which is affected actually, what I just explained, by our digital transformation we are in and investments in information technology, but also by growing training organisations, so investments in people.

Let me just give you a few remarks on our business model, strategy and the outlook. Here, I will not touch every single detail. But I think the overall picture here, if you have a closer look at that slide, gives you an idea that the value drivers for our business model, as well as in Staffing and Training, in the midterm or long term, from our point of view is still very positive.

We have a very solid position in a very regulated market, with market entry barriers which are very high. The shortage of skilled workers drive both segments, and the shortage will increase because of the demographic development we see in Germany. The Amadeus Fire Group itself is very well positioned within that overall picture. For us, in the end, what is most important is reputation.

And maybe if you have some time, you can do some cross-reads on Kununu and see how Amadeus Fire scores. Kununu is the German Glassdoor, if someone is not familiar with. And here, the picture of Amadeus Fire as an employer is, in our industry and in Germany, actually best in class.

Strategy: The pillars are unchanged. So what we do is to be actually the best marketplace you can find for human resource services in the commercial and IT qualifications. And we do our business in a kind of a triangle in-between excellence and speed, and that delivering a high reputation.

We establish long(-term) partnerships, with some measures we take you will find on that slide. And the steady expansion path over many years is how we back up our development, and this very successful now for many years, in the end delivering the highest or one of the highest operating margins you will find in the industry in both sectors.

One additional remark. In Staffing, we are actually on an organic growth strategy. In Training, we would also like to see some acquisitional growth in the upcoming years, and we also increased our activities here over the past months.

The Training segment will be strengthened by a new Board Member, starting 1<sup>st</sup> November, Monika Wiederhold. For some more detailed information on Monika, there's a press release, and we also have put some information in the current release of the quarterly nine-month results just published.

Our outlook: In the Staffing segment, we will not reach our targets. We are missing our targets. So what we see is the new guidance here, that revenue will decline to €270 to €278 million, and we will see here an operating margin of 13% to 14%, which is not that performative conversion of gross profit in operating results in the end than what we see in normal times, not in good times, but in normal times.

In Training segment, we are actually within our targets. We see a good year. We probably will enter also a good year 2025 with a solid, strong fourth quarter. The picture throughout the different markets we are operating in is in all markets as expected, including the shortfall we see in B2B business. This is expected, and due to the size of the market, the even worse sentiment in Germany is not really affecting the Training segment overall. So in the end, here we will see a record level of revenue and also a record result (in that quarter). This is what we forecast.

Overall, we decreased our guidance to €58 million of operating EBITA\* (this year), following the €70 million we saw last year. So initially, we expected actually a growth in 2024, but now we see a decline to €58 million for the full year.

One last slide. A couple of you know (these) milestones, we published as (the) next goals for our organisation. This is still the case. But the timing we initially put on that, expectations, that throughout a five-year period of time, ending 2026, we can achieve, step by step, these three goals, we do not see within the current situation. Especially the €100 million of operating EBITA\* is something we are still working on to achieve. But in 2025 or 2026, given the current level, we do not expect to achieve that goal.

And actually, we will come up beginning of next year, probably following the Q1 results, with some more detailed guidance also for the upcoming years. Maybe the visibility on the overall economic environment is better at that point in time. So I would like to end my information overview here, and happy to answer your questions now. So please go ahead.

Operator

Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question from the webinar may click the “Q&A” button on the left-hand side of your screen and then click the “raise your hand” button. If you are connected via phone, please press “star” followed by No. 1 on your telephone keypad. You will hear a tone to confirm that you have entered the queue.

If you wish to remove yourself from the question queue, you may press the “lower your hand” button from the webinar or press “star” and No. 2 on your telephone. Anyone who has a question may queue up now. One moment for the first question please. And the first question comes from Andreas Wolf from Warburg Research. Please go ahead.

Andreas Wolf

Yes, hi, good morning, everyone. I hope you can hear me well. I have a couple of questions. The first is on the temp(orary) business. In a situation like this, which is characterised by higher economic uncertainty, at least in the past, the temp business was more robust. Robert, maybe you could elaborate on what you see in the market, why there is also a decline in this business line. Is there overcapacity on the client side? That's my first question.



The second is on you taking advantage of attrition within the organisation. So you have 6% less people in the subsidiaries, if I read correctly. Which roles are affected in particular? Is it commission-carrying roles or all roles within the sales structure? That was my second question.

The third is related to the changes in the search portal of the Bundesagentur, the federal employment agency. You said that you do not expect meaningful changes due to the amendments to the search portal. If I look at the Comcave revenue in Q3, it seems like it was flattish, whereas GFN accelerated its growth. Are these effects of the changes?

And my fourth question is related to the digitalisation projects. For how long will the projects in both segments proceed? Do you have any specific timelines here when the projects are planned to be completed? Thank you.

Robert von Wülfig

Thanks, Andreas, for these four questions. I will try to answer one by the other. First, the consideration of temporary staffing being more robust in a cyclical situation than permanent placement. Historically, absolutely correct, that was the case.

I think that this changed, in line with the overall change that the staffing market in Germany is driven in the first place by shortage and scarcity, and in the second place by cyclicity. So the shortfall in demand historically was actually severe in permanent placement, and in white-collar temporary staffing, more soft and late-cycle.

Now, we see more parallelism in terms of demand of corporations for temp and perm services. So the shortfall in demand which started by the end of last year and accelerated throughout the year, and (is) now at the highest level in Q3, that was actually taking part in both services, permanent placement and temporary staffing, in parallel.

And we do not find a compensation of perm requests replaced by temporary requests, at least not on a larger scale, what we saw in the past, of a comparable qualification level. So here, from our point of view, the dynamics changed, and the behaviour of corporations regarding those two services is not different actually, like in the past, but more parallel as of today.

Your second question was on the development of our sales organisation. Here, it is important to know that we basically have three different roles within the branch office organisation in the Staffing sector. And those three roles are the sales consultant, the recruiter and some back office positions. And the decrease you mentioned throughout the

branch office organisation is affecting, more or less at the same level, all three different roles we have. So it's not that the decline is over proportionally in sales or in recruiting roles.

Your third question was regarding the effect on Comcave revenue due to the change in the terms and conditions. Yes, they are affected, and they are more affected than GFN by the decline in demand or requests we've received through that channel, because the offering was higher.

Comcave is offering commercial and IT qualifications. GFN is offering IT qualifications (only). So the product portfolio is broader. Therefore, the limitation was just at a minor extent affecting the GFN offering, and to a larger extent the Comcave offering, but to a certain extent. So we will see in the upcoming quarters how the development of revenue will be. And Comcave will be able, if we do a good job, let's put it that way, to participate also in the market growth.

Last question, IT projects. Well, some of the minor ones are just affecting a few quarters, as you might imagine. The overall change process we started already in 2022, where we decided some transformations, and here, we are actually in the middle of it. And this is affecting the whole architecture infrastructure, how we run the overall Group systems, cloud readiness and also the operating applications for both segments.

And as long as you are in a transition like that, building new apps, building up a new infrastructure, you have a kind of a double layer, because you have to run your existing systems applications and you have to build the new applications and the new infrastructure.

So actually, we are in the middle of the parallel run and build phase. All about infrastructure, etc., is almost done. So this will be completed more or less by the end of the year, and the business applications are in the middle of the process of developing them, at different stages.

We will see the first go-live steps beginning of next year, but this will last till 2026. So in this year and next year, we are in a peak level, because we have to run and build in parallel, and then we will probably even have some relief in terms of OpEx for IT.

Andreas Wolf

Thank you.

Robert von Wülfing

Hope that answered all your questions. Otherwise, let me know.

Andreas Wolf

Thank you.

Operator And the next question comes from Lukas Spang from Tigris Capital GmbH. Please go ahead.

Lukas Spang Yes, hi, good morning.

Robert von Wülfing Hi.

Lukas Spang I would like to follow on, on the Training segment. If I take the midpoint of your revenue guidance, it seems that you just expect a flat revenue growth in Q4. So can you elaborate a little bit on that, after that good growth in Q3? Let's do the questions one by one.

Robert von Wülfing Yes, okay. First question. Overall, I have to clearly state that given the environment we found ourselves in (the) third quarter, we anticipated a similar or worse situation in (the) fourth quarter and also tried to do a little bit of a very solid or cautious guidance. So in the Training segment, we will see.

But here, you have some calendar effects also which you have to bear in mind, a kind of a seasonality, because basically the last two weeks in December, there will be no trainings. And training is also charged by the hour, so you have less training time, simply. And this is the case throughout all markets. So if you compare third and fourth quarter and you are on a same business level, you will have less revenue in (the) fourth quarter than (in the) third quarter.

Lukas Spang That's true. But if I take quarter four this year compared to quarter four 2023, there seems to be, in the midpoint of your full-year revenue guidance in the Training segment, no growth. So I was just wondering why growth will go down from 10% to zero in the midpoint, year-over-year.

Robert von Wülfing Yes. Actually, if you look a little more in detail at the calendar this year, how the last two December weeks develop, you will see that last year, we had a business situation there. And this year, all the days are in the middle of the week, so in the one-on-one comparison, you have simply less time available, plus cautious planning.

Lukas Spang Okay. Then on the cost side, you already mentioned the cost measures you have, let's say, implemented from September onwards. Is this also the cost phase you go into 2025, or are you going to take more cost measures to, let's say, be more flexible for 2025?

Robert von Wülfing We are in the middle of our planning, so I cannot actually state in detail on that. But looking at the Staffing segment, basically 80% of our OpEx is staff-related. And we will not do a severe cut. So what you see now in September, we did

not start the measures, but September was the first month where the OpEx for personnel was below prior year's level. And this will continue.

But if you compare then again, I don't know, Q4 and Q1 next year, if we finish our planning, it will not be that we will be on a complete different size of organisation in this quarter-to-quarter comparison. But the cautious replacement of new vacancies will continue.

So if someone is leaving Amadeus via our Staffing organisation currently, we closely monitor whether this specific team is in a good or in a not-that-good business situation, and then we will replace or we will not. So the tendency will, head by head, slightly decline month-by-month, but no structural change in the overall organisation.

Lukas Spang

Okay. And if we look into 2025 on a, let's say, qualitative basis for the two segments, I know it's early, and it's a very different environment currently because it's very volatile and unsecure, but on a qualitative basis, what would you see for 2025 in the current point of time for the two segments?

Robert von Wülfing

Well, I see an interesting environment for us in Training and for all our business, but also for activities in a B2B market situation, where other training companies are potentially struggling. So maybe there are some opportunities here.

Positive outlook in general: And the outlook in Training is not really affected by the point in time where you will have a change in the overall sentiment, because the B2G is an anti-cyclical business, and the unemployment is expected to increase first. And the most established and accepted countermeasure here for the federal employment agency is to do some expenditure on publicly funded trainings. So here, we should participate.

The B2C market is not really affected by the cyclicity so it's neutral in terms of exposure to the cycle. And the B2B business is small, so here, we are more focusing on maybe starting some inorganic growth initiatives. If it is buy or build, we will see.

In Staffing, I think that we are very well prepared to use any market opportunity. We will see next year when that will be, as you mentioned. Very hard to project. So the normal productivity level of the Staffing organisation in a normal business environment would deliver much higher sales or gross profits than it currently does. They are working on a high number of requests, but the conversion is simply at a level which we haven't seen, well, I would say now for 15 years.

So here, we have an opportunity, there is an opportunity, but this will depend on the underlying sentiment. As long as this will last, we will be very cautious in terms of spending. The measurements, as I mentioned, are in place. And they will affect next year's OpEx, because we already started it throughout that year. So the year-on-year effect will be visible. Yes, this would be the statement.

Lukas Spang

Yes, okay. Thank you.

Operator

As a reminder, anyone who wishes to ask a question may click the "Q&A" button and the "raise your hand" button on the left-hand side of your screen or press "star" No.1 at this time. And we do have one follow-up question from Andreas Wolf from Warburg Research.

Please go ahead. Mr Wolf, your line is open. Unfortunately, we cannot hear you right now. I'm very sorry, Mr Wolf, we cannot hear you. So as there are no further questions, I would now like to turn the conference back over to Robert von Wülfing for any closing remarks.

Robert von Wülfing

Well, thank you very much. We will see, or we can listen to each other now on a regular base through that channel. On top, I would like to point out what you see here in our financial calendar, that we will be on the road and will be available also in Frankfurt end of November at the Eigenkapitalforum, if someone is interested in meeting us in person. On top, IR is available at any time.

And I say thanks for listening to us. Thanks for following Amadeus Fire, being interested in our business model. And together with all of you, I hope for some better times, especially in Germany. So thank you very much, and goodbye.