

AMADEUS FIRE AG

XTRA:AAD

Preliminary unaudited FY 2024p
Earnings Call Transcripts

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Call Participants

Executives

Robert von Wülfing

Chairman of the Management Board, CEO & CFO

Jörg Peters

Head of Investor Relations

Analyst

Andreas Wolf

Warburg Research GmbH

Presentation

Host

Title p.1 Good day, ladies and gentlemen, and a warm welcome to today's earnings call of the Amadeus Fire AG, following yesterday's publication of the preliminary and unaudited financial year figures of 2024.

With me today is CEO, Robert von Wülfig, so he will speak in a moment and guide us through the presentation and the results. [Operator Instructions]

So Mr. von Wülfig, I hand over to you for the short presentation.

Robert von Wülfig Chairman of the Management Board, CEO & CFO

German map p.2 So let's start. I know most of you do know Amadeus Fire, a staffing and training company. But on this slide, what is quite relevant I do think for 2024 is that we are doing our business in Germany, most B2B business in staffing, some business to government also in training and B2C. But because of the situation in Germany, I do think it's quite relevant to point out that we are a pure German player.

Mr. Habeck p.3 I invited this very popular person in Germany to present our latest GDP development. For us, it's relevant, although in staffing, the tightness of the labour market became the most relevant driver over the past 15 years. What we see here is that we are now in an almost 4-year situation of stagnation in Germany, 3 years of a recession in a row last year. We saw a small decline again in the German GDP.

So overall, what we found as an environment in Germany was quite a cloudy climate and the negative sentiment throughout corporations and throughout all management levels and throughout our clients. And what probably is, especially in the second half-year of 2024 even a little worse is that the climate or the outlook for the upcoming year turned more and more negative, influencing the way corporations today change their behaviour. We're very aware of expenditures and a lot of decisions were not taken.

The business climate index actually is on the lowest level since the financial crisis in Germany in 2009, despite a little dip throughout the most relevant corona months in the beginning of the crisis, but we have an environment which we haven't seen now for 15 years in Germany.

One other remark on the labour market, unemployment rate is increasing. This is relevant in terms of the staffing sector, but also for our training business. Here, it is more a good news in our funded training, which is a countercyclical business. So at least in that niche of our business, we have a more positive development in the market and the more positive outlook compared to the overall economy.

Long-term development p.4 One broader picture in the beginning of Amadeus Fire business, although we saw tough conditions in 2024, it is, well, still a long story of growth and of high level of profitability in the very robust business

segments of staffing and training. Double-digit results throughout all the years, including 2024, although, and this is what we published yesterday, in 2024 with an operating EBITA margin of a little below 13%. We saw the lowest margin for quite some time for our Amadeus Fire business. Nevertheless, having that double-digit 13% in our markets – still a margin where a lot of other companies are looking for even in good times to achieve double-digit results here. But we saw the most difficult environment in staffing for quite some time.

Q4/2024 p.5 So diving deeper into the results. First, let's have a glance at the fourth quarter. Here, the environment we found was less favourable than we anticipated and still anticipated at the beginning of the fourth quarter. So the development was quite negative at the end of the year. So our level of demand in staffing and also the conversion of our business in the end impacted the result of that quarter and the drop in profit from EUR 15.9 million to EUR 9.1 million preliminary operating EBITA of the fourth quarter was mainly driven by the impact in the staffing industry. It's a 10% decline in sales overall and a 13% dip in gross profit. So some pressure on that fourth quarter is what we saw here in Germany.

One other remark, sorry, still on the fourth quarter is that especially in the staffing services in the permanent placement and the temporary staffing, we really saw a low level of business in November and December. So in permanent placement, the level of revenue was basically flatlined throughout the year, January till October, very stable level of business, we saw there. Not an increase, which we expected in the beginning of the year, throughout the year, but it kept a certain level above EUR 6 million per month in permanent placement and that dropped in November and December significantly and unexpected.

FY 2024 p.6 So here, (9 months – sorry) full year figures. The revenue year-on-year, quite stable, 1% down. And given the gross profit margin declining by less 1 percentage point, 80 basis points, we have a 2.8% decline here. In the end, the most significant impact what we saw that year was on our operating results, which declined 21.2%. What I said in the beginning, a little below 13%, at a level of 12.7%.

Overall, looking at the both segments, in our training segment, we met our expectations, and we were able, in the end, to stabilize our business having that successful development in training. But what we saw throughout the whole year, the uncertainty among customers and clients we saw in the staffing business that resulted in a lower level of demand and in a lower level of conversion of requests in placements.

And what about conversion? What does it mean? I do think this is also relevant. It is about taking the decision. So the demand we find at the market is at a lower level, but it is still, well, giving our organisation enough level of requests to work at full capacity, but a lot of decisions were not taken, were cancelled, a lot of matching processes are ongoing until the perfect candidate is found, sometimes never. And when it's found, the negotiations about the employment contract starts giving more pressure to candidates and also candidates need more secure situation and the willingness to change jobs is decreasing in the end.

So in the end, it is disproportionately hitting our profit line because the ability to adopt the SG&A cost for sales organisation and staffing is not corresponding to the decline in net fees what we saw because of lower performance. There were a lot of cost measurements taken. The number of sales consultant decreased throughout the year. At the end of the year, it was in-between 8% and 9% less sales consultants than end of the year 2023. But we kept the overall structure of our sales organization in staffing because it's, in the end, a question of performance and we tried to manage a lot at the low-performing end. But the solution is not here to decrease the sales organisation significantly because that would, in the end, directly impact net fees back again.

Revenue split p.7 This, you can also find later on in our Investor Relations part on our home page. This gives you an indication about the split. In services, one remark here, what you can see is that in the meantime, the Amadeus Fire Group is based on two businesses, 40% almost of revenue in the meantime is training. And in the end, in 2024, that stabilised our business that guaranteed still a stable level of revenue and the high level of profitability for the overall Group. So that development for us is quite positive over the past years that we expanded that part of our business to that level now and we will continue actually. So this is on the current business.

Value drivers p.9 The complete outlook for next year, I have to apologise, but that will be published with the annual report on 26th of March this year. We saw a tough year in 2024. And I think it's not a secret that it will be also a challenging year 2025, at least now in the beginning all indicators are still at a low level, and we have no turnaround in Germany so far. Well, there is an election, and we will see the development throughout the year. And that will, in the end, be reflected in our outlook given.

The value drivers you see here for our business. This, for me, is a very important remark is: they are still intact. We saw, following that long period of stagnation, that the cycle is back again impacting starting at that level of pessimistic view on the current environment of our corporate clients. Nevertheless, the tightness in the market, the high entry barriers, et cetera, and the shortage of qualifications, we still find. Also an increasing unemployment rate and the necessity to qualify unemployed people which all stakeholders are of the same opinion. Also within the political parties, left-wing, centre, right-wing, there is no discourse here in Germany that this is something good to do.

So we do see that we, in the upcoming years, will have a significant change in skills and qualifications requested in the labour market, driven by technology on top and that corporates need to invest in their recruiting and they need to invest in their training. And this is something we will be part of the game and participate from. So having our unique portfolio, I do think we are well prepared. Nevertheless, I would like to have a little bit more favourable environment to do our B2B service business in Germany.

Strategic direction p.10 The strategic pillars for Amadeus Fire remain the same. We are a company gaining from our high level of reputation we have by delivering quality and speed in all our services. And in the end, our view is to be the best marketplace to find everything about headquarter skills, so administrative roles, commercial roles and IT roles, no matter if you want to train your employees or if you want to hire the qualifications. We are the professional partner for our candidates, for our participants and also for our clients on a lifelong base in terms of professional life. And we are very successful in developing ourselves in an organic growth path.

But on top, it remains our main target to do also additional M&A activities here in our training segment to further improve our positioning to be that marketplace to go to for staffing and training.

Well, this would be my introductory speech. And now, I would actually like to answer your questions.

Questions & Answers



Andreas Wolf
Warburg Research GmbH

I hope you can hear me. I would have the following, Robert. The first one would be on your comments regarding the start to the year. I guess you have already insight regarding January. Obviously, the unemployment went up in January, but maybe you could also share what you see with regard to client demand for personnel services.

The second question would be on training education. What is the current spending behaviour of the public sector given the growing unemployment? Is it increasing? The employment agency trying to get more unemployed into the vocational training courses. And then it sounded a bit like you are looking for takeovers. Again, more concrete in training education, is this correct? And how shall we think of possible steps, in which direction they might go? Where do we see white spots right now? And could you speak about the possible size of a takeover? Yes, that's it for the start.



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

Okay. Thanks, Andreas. Well, first question, start of the year, unchanged in terms of the low level of business we saw in fourth quarter last year. So there is no change. I can tell you about looking at the cross reads also through our competitive landscape, we saw quite similar news like we did today by some other players. And also, if I do some industry talks, you do not feel real positive momentum all around even if you talk to some of our competitors. So a low level starting that year.

In spending in vocational training or public-funded trainings, positive environment, unchanged. No acceleration so far, which is quite normal having the election end of this month. So before that, it's quite normal that you have, well, let's say, a normal or cautious spending behaviour.

Currently, it's not cautious but normal and not an accelerating situation because the stakeholders here do wait for the new government to give guidance. But

that should be the case, well, in the few upcoming months.

And in our M&A environment, yes, training, as you said and as I tried to point out, and within the training, we have a very strong position here in the B2G market. So we do focus currently on potential transactions in the B2B market, maybe B2C. What I was talking about regarding the marketplace to be for corporates and for professionals to find everything around certain skills, the skills we are focusing on our niche of our business. Here, we have to do some steps.

A couple of things we will definitely do ourselves here to develop our business. Nevertheless, the priority here is also to find some targets if and when, as you know, in a pipeline like that, there might be some targets coming through in the upcoming months or quarters. But in the end, it needs two for a kiss.



Klaus Schilling
M.M. Warburg & CO

Okay. Great. Well, sorry for me being not the biggest technical nerd on earth at this moment. But Robert, thanks for giving us this brief rundown. If I may, I would add a couple of questions from the ones which Andreas already raised, and that is, what you push out as a press release this morning, you mentioned that certain elements of economic weakness in our country have finally arrived and you were pointing out office and IT services. Well, knowing that your portfolio is very, very broad-based and you don't have any certain heavyweights in terms of industrial or client relevance, would you be able to say that there are certain elements where you were fearing that they might deteriorate and it finally happened? Or are there specific sectors where you really were caught by surprise?



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

No specific sectors. It is the -- well, the general behaviour throughout the landscape of our clients regarding decision-taking, regarding cost awareness, regarding securing resources for future growth. In the end, you still have to bear in mind that we are not out of business, our business is at a lower level. So we still find demand and then there is hiring ongoing out there.

this is achievable, being an outgoing sales organisation, but the conversion is the issue. There is no sector which took us by surprise and also the dependency of Amadeus Fire on specific sectors is actually not existing as we are operating in the headquarters, no matter which sector it is.

But the question of converting requests in placement in the end is the key challenge also to find the request, but



Klaus Schilling
M.M. Warburg & CO

If I may add this one. So it's still the question, yes or no, but not price because your profitability resilience was again very impressive.



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

Right.



Sarah Mallock
Moderator

So by now, we have no further participants in the queue. We therefore turn over to our chat box, and then we have some questions from Michail Paraskevopoulos. So the first one, can you already comment on the free cash flow generation in 2024?



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

Yes and no. Not concrete, but no surprises in Q4.
So good converting business.



Chat bot
Moderator


Okay. Then another question to the training segment. How do you see the training segment going forward considering the strong turndown in the second half of 2024? Will it recover from the low level of the second half?



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

I would put it more that way that we had an excellent first half and a normalised second half. But as I mentioned, I do think and I'm sure that in both our segments, midterm we have very good opportunities for organic growth, participating in market growth in training and also somewhere in permanent placement

and also taking market shares. So here, I'm actually quite positive in our outlook that we can further develop the business in both segments and definitely in training.

 **Chat bot**
Moderator

All right. So also, could you comment on the IT investments made in 2024 and still needed in expected 2025? Do you intend to keep sales employees and IT investments at an unchanged high pace for expected 2025?

 **Robert von Wülfig**
Chairman of the Management Board, CEO & CFO

Well, as I said, the final outlook for 2025, we will publish in March. So nevertheless, regarding our IT investments and the technology we need for our future business, in 2024, we increased our expenditure here by around EUR 5 million. We have implemented a lot of change, and there are also a lot of transformation projects still ongoing. So as Amadeus Fire is operating

a new IT environment now and the old system is not replaced because some applications are also depending on the old infrastructure, we have this run costs and the new layer. And that means that we will have some additional investments even in 2025 to do.

 **Andreas Wolf**
Warburg Research GmbH

One follow-up, if I may, Robert. It's again on this statement regarding the fact that the economic impacts have finally arrived at the office and IT space. You mentioned that there are still enough requests in the market for the specific job roles. But do you also feel that companies are kind of shrinking their infrastructure, their backbone? Or is it basically the fact that it's more difficult to convert the candidates or the requests from the candidate side as they feel more unsecured in the current environment?

 **Robert von Wülfig**
Chairman of the Management Board, CEO & CFO

Andreas, as we wrote in the publication, it's both. We see a decrease in demand, clearly. And historically, that environment we are in would have been quite severe for permanent placement. Having the scarcity of qualifications and the tightness of the labour market, we see an impact on our business. But the labour market is still holding against, meaning there is still demand, and there is demand for qualified personnel

but it is clearly at a lower level. There are some indicators in Germany showing the level of job postings, for example, they came down now for quite some time. There is an index called BA-X, also indicating a lower level of demand. This is clearly the case. But it's not that you don't find any requests in the market anymore. This is what I meant.



Chat bot
Moderator

So a further question from [Marcus Hammond from Lloyds]. Training revenue in Q4/2024 were only flat year-over-year and 7.5% below the quarterly run rate of the first nine months. What is the reason for that?



Robert von Wülfing
Chairman of the Management Board, CEO & CFO

What we already stated in third quarter that we have had an impact on our B2G business by terms and conditions change in the search engine we saw here, which is one of the most or the best-performing channels in vocational training or funded training. And here, by introducing a cap of a maximum offering you can present, that was impacting mainly the COMCAVE

business having a very broad product portfolio and a large level of locations throughout Germany. This is, well, something which was introduced in May or June and was affecting second half-year of the business.



Chat bot
Moderator

Will the dividend policy stay as it is? So to distribute 67% of the consolidated net profit, when will you announce the dividend for 2024?



Robert von Wülfing
Chairman of the Management Board, CEO & CFO

Well, with the annual report 2024 and the invitation to the AGM, et cetera, there will be a clear statement. We have, and you wrote it in your question, it's a dividend policy. So talking about allocation, we would like to invest in our training business, following that we have our dividend policy in place, which normally lasts for some years if there's no relevant change in terms of what I said, allocation in transaction. And in third place,

we also monitor opportunities of buybacks, also depending on the first and the second way of allocating capital. This is the picture. If there will be the question, do I necessarily see the need to keep the EUR 5.00 payout as last year? No, I don't. So currently, the policy is in place, and I cannot guarantee that it will not be changed, but it's a policy.



Chat bot
Moderator

Could you please provide additional details on the headcount of the whole organisation and TAMs headcount? And maybe you can give us an outlook and your plans for full year 2025.



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

Well, I fully understand that question. And well, I gave one headcount figure regarding the sales organisation.

The overall figures we will publish with the annual report 2024.



Chat bot
Moderator

If these low levels of demand in staffing continued throughout the year, what levels of profitability could you achieve? What levers do you have to protect profitability and not damage the business for the long term?



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

Well, understandable question, but you cannot flattish answer it or just accumulate Q4/2024 figures and evaluate an idea for 2025 from that. We are in a market environment which is, well, negative first, and second, we are in a situation of corporate behaviour and pessimistic view, which I haven't seen in the past and that will not last forever.

So do we anticipate complete different picture in 2025? No, it will be more cautious planning. But can we develop from the level we have in Q4/2024 and are

there opportunities in our staffing and our training business? Yes, there are opportunities.

The thing is what you asked, is it some way limited to bring down the staffing organisation without damaging our future opportunities? Yes, from my point of view, there is and having a 13% margin business, why would I close down all offices. So this is something at the current level, still at the current level, we do not plan to do.



Chat bot
Moderator

So on the capital allocation, do you foresee the capacity for share buybacks in addition to dividends and M&A?



Robert von Wülfing
Chairman of the Management Board, CEO & CFO

What I said, one depends on the other. So the expectation should not be that we use frequently all three levels of capital allocation. So there's a dependency. And we will, well, then decide, on top of

the dividend policy and on the M&A pipeline, is there an opportunity for buybacks or not.



Chat bot
Moderator

Could you comment on how does the layoff of 8% to 9% of sales organisation go together with the long-term plan to expand the sales force.



Robert von Wülfing
Chairman of the Management Board, CEO & CFO

Quite well. What I said is that we did not structurally change our staffing organisation. Currently, we are managing very closely the low-performing end, first. And second, we evaluate which team or which branch office is successful. And on every single fluctuation we have or every single lever, we closely evaluate whether this position will be filled or we leave it vacant till the market is improving and the rest of the team can focus

more on their own performance and not on onboarding a new employee. You have a certain turnover in a sales organisation and this we use currently. And please bear in mind that by the end of 2023, or in 2023, we came from a peak situation in our sales organisation, which we grew very fast the two years before. So structurally, the organisation is in place.



Chat bot
Moderator

So then a question on your share price valuation versus M&A targets. Do the potential targets you see for B2B or B2C training targets trade at a lower multiple than Amadeus' share price? That means cheaper than 6x EV/EBITDA or 9x EV/EBIT.



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

This question, I cannot answer. But for us, our own valuation is a significant guidance. And the rest very much depends on the situation we will find with that

specific target. But for us, it's a very important indicator what is Amadeus FiRe valuation.

Chat bot
Moderator

Then we have another question for the share buyback. Could you consider a tender offer to buy back instead of a buyback over the stock market? What would be your criteria to choose either of those?



Robert von Wülfig
Chairman of the Management Board, CEO & CFO

I like very much the way we did it the first time, and that was a tender. And a buyback via the market over the stock market, given our liquidity takes a long time

to collect a decent number of shares, so no decision on that. But the probability, if there's a buyback, that it will be a tender is very high.



Chat bot
Moderator

Will you implement short-term cost-cutting measures and reduce staff?



Robert von Wülfig

Chairman of the Management Board, CEO & CFO

We did. Not severely, but straightforward, nevertheless, carefully, and this we will continue. So there is no spending done currently where we do not

reflect is it pushing our business or can we do some savings.



Andreas Wolf

Warburg Research GmbH

One quick follow-up, Robert, on the reduction in sales staff. Was it basically a voluntary attrition? Or was Q4/2024 also impacted by severance payments? And on training education, you mentioned the cap on the KursNet platform. How shall we think of this segment going forward – is EUR 40 million the new run rate, as I got it in my spreadsheet right now in Q4/2024? Or have you taken already measures which are leading to new leads for cost requests, which should give us hope for higher growth in 2025?



Robert von Wülfig

Chairman of the Management Board, CEO & CFO

Well, let's start with the second one. Yes, we started measures and well, the terms and conditions are as they are. But that does not mean that you cannot optimise that channel also and a lot of other measures. In the end, that is something which the larger players were affected, not only COMCAVE, but also a couple of others. And we will find our way to gain market shares. Yes, let's leave it like that.

There's a lot of change in the training environment. There's a lot of technological change, digitalisation,

et cetera, where you can really participate from. It's not done in the quarter. But are there opportunities to position yourself stronger and stronger in these training markets? Yes, it is possible and there are a lot of ways to do that.

And to your first question, well, we use fluctuation basically. Nevertheless, also, there were some decisions taken. So you do have some payments for levers, but this is not on a significant level.

Moderator

Thank you so much. So this question concludes our call for today as we did not receive any further questions in the meantime. So thank you, everyone, for joining and showing interest in Amadeus Fire. So we hope you still trust the company due to challenging economic environment in these times.

Mr. von Wülfig, a big thank you also to you for your time and for the presentation today. So from my side, I wish you all, a lovely remaining day. Dear Mr. von Wülfig, maybe you'd like to say some final remarks for today.

Robert von Wülfig

Chairman of the Management Board, CEO & CFO

Some final remarks, thanks for being interested in our company. Thanks for trusting in our model, although we are crossing stormy waters. But the performance in a better environment will pick up. Nevertheless, we still have to ride the storm a little bit. Thank you all.

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