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AMADEUS FIRE AG

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Q1 2025 Earnings Call Transcript

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Executives

Robert von Wülfing
CEO & Chairman of the Management Board

Jörg Peters
Head of Investor Relations

Analysts

Andreas Wolf
Warburg Research GmbH

Simon van Oppen
UniCredit Kepler Cheuvreux

Presentation

Operator

Good morning, ladies and gentlemen, I warmly welcome you to today's earnings call of the Amadeus Fire AG following the publication of the Q1 figures of 2025.

I'm delighted to welcome CEO, Robert von Wülfing and Head of Investor Relations, Jörg Peters. So the gentlemen, and Mr von Wülfing, especially, will speak in a moment and guide us through the presentation and the results. And afterwards, you have the opportunity to ask your questions directly to him.

Having said this, let's dive into the numbers. Mr von Wülfing, the stage is yours.

Robert von Wülfing
CEO & Chairman of the Management Board

Thanks, Sarah. Good morning, everybody. We prepared half an hour presentation following a Q&A. The estimated hour should be sufficient to answer all additional questions.

Following that turbulent day we had yesterday in Germany regarding the founding of the new coalition government. In this bumpy environment, we present our Q1 figures. I shared this information several times, now for the 16th time in a row, we saw basically no growth in Germany. The environment did not improve last year 2024. The decline of the German GDP was minus 0.4 percent. In the meantime the outlook in Germany has worsened for the year 2025, where the expectation is a zero-growth scenario for now.

We are still in a pessimistic environment throughout the German corporations with certain reluctance to invest, with delayed decisions that result in a general slowdown of the day-to-day business in Germany, even in accounting – the professional business services we are operating in.

Looking at the unemployment rate, we saw some slight increase to 6.3 percent or close to 3 million people in Germany unemployed, and this goes alongside with the decrease in demand. At least there is some glimmer of hope throughout the macroeconomic indicators we have. For the past two months, we saw a slight increase in the business climate index of the ifo Institute in Germany up to 86.9 points, based on a larger increase February to March and then a slight increase from March to April. 86.9 points is a very low level but at least a slight improvement from where we started at the end of last year.

The environment overall is still quite uncertain. Visibility is low. We are now in this 90 days break we have regarding the tariffs. We will see how this will affect the global economy and subsequently the German economy. And luckily, yesterday we saw in the second round at least the founding of the new German government, so they can start work. And we have to monitor closely whether this might have an impact on the development for the rest of the year.

In Germany, the start was not the best, as you all know. This leads us to the assumptions we made. The forecast we made 1.5 months ago is almost unchanged. The GDP expectations were lowered. The founding of the government was bumpy. But in the end the outlook remains the same for us: We see a basically poor environment throughout the year 2025 with no significant improvement. That's what we still based our assumption on.

Some highlights, and actually, there are some lowlights also on that sheet for Q1 2025. We should have to bear in mind that in 2024, throughout the year, we saw a decreasing development quarter-by-quarter to a lower level of business. January and February were a continuation of that lowest level we saw last year in November and December.

For us, the year-on-year comparison in Q1 this year was definitely the toughest. From our point of view, there is currently no need to change our outlook we gave for the year 2025, where we said that we will have a revenue around € 400 million and an operating EBITA of around € 40 million for the year. This remains our expectation and the business in Q1 will develop as expected like we saw the situation in March when we gave the outlook.

In first quarter we experienced again a decrease in the Personnel Services segment in revenue, in gross profit and in earnings. We also saw a difficult environment in the Training segment, especially in the B2G and the B2B market in Q1.

Finally the EBITA margin ended at 4.4 percent for the quarter, a margin we are not used to at Amadeus Fire given the current environment we are in. We saw that poor margin in first quarter this year coming from 12.6 percent last year, where we started quite differently at the beginning of the year, especially in the Training segment. The expectations this year basically are more the other way around in terms of how this will develop.

Ending in a low level of earnings per share of € 0.18 coming from earnings per share of € 1.67 last year. We stick to our dividend policy to pay out 2/3 of our earnings, and will propose a dividend payout of € 4.03 for the full year 2024 at the upcoming Annual General Meeting in May.

One other remark, although it's concerning myself. The Supervisory Board extended the contract of myself in my role as CEO for additional five years. Something very important for me actually, especially in tough times, to give the organisation a stable and solid outlook in terms of management focus within the Group.

So bottom line for us, despite we are very sure that we have a strong position for the upcoming years or, say, next decade, with our two segments, Training and Personnel Services, the current situation will lead us in a challenging year 2025 with a decrease in earnings, as already forecasted.

Looking to the figures a little bit more in detail. The revenue achieved in the first quarter with close to € 100 million, a decline of 14.5 percent, following also the market environment I described. Same development, a little bit disproportionately in gross profit. Margin declined to 52 percent, leaving us with € 51.1 million in gross profit. And this development also had that impact on the operating EBITA and on earnings as I described already.

So what is affecting the EBITA? Basically, as stated, the gross profit development in staffing and also a lower level of gross profit and business performance in B2G- and B2B-training. We are in a cycle of investments, which increased throughout the past year, and there's still a like-for-like increase in Q1 compared to Q1 last year in IT expenditure on transformations. But on the other hand, I clearly want to point out that the cost measurements that are in place do have their impact and will have an increasing impact over the turn of the year 2025.

Business mix inbetween the segments leaves us in first quarter with a revenue share of about 40 percent of Training and 59 percent of Personnel Services. Within the Personnel Services, you see that permanent placement is our largest service in terms of gross profit, which is the leading indicator in staffing of the relevance of the services, temporary staffing compared to permanent placement at a lower level of 20% of the overall share.

One brief remark on our client mix in B2B business: I just want to point out that Amadeus Fire, because of the broad range of customers, has no dependency on single customers or sectors. The details you will find on that slide, and also that we don't have any remarkable developments in terms of bad debts. Here, we have a nicely stable situation following the broad customer base we serve.

Some more details now on the staffing business. On the left-hand side, you find the development throughout the past two years quarter-by-quarter, seeing that in the recession year of 2023, we already were on a growth path in some services; in 2024, that development slowed down and turned into a decrease, except interim management; and the decrease in revenue in the different services continued now on the highest level in terms of decrease in Q1 2025, which is basically on a similar level what we saw in the fourth quarter 2024.

In temporary staffing, we still saw some price increases driven by the underlying wage inflation we still have in Germany. Because of the mix of assignments, the demand at the higher-skilled profiles is more stable than on the lower level of qualifications in the range of temporary staffing assignments we serve, which has a positive impact on the hourly charge rates. Volumes are down and the utilisation rate in first quarter was more or less on the same level like from first quarter last year, 0.5 percentage points lower.

In permanent placement and in temporary staffing, we saw a lower conversion rate of the inquiries we received into orders or placements of temporary employees. This is for a couple of quarters the main issue, in terms of performance, that is limiting our organisation achieving the net fee or gross profit level we are used to.

What do we mean with lower conversion? This is along the sales funnel. If we receive or when we receive the inquiry at the different points along the way, customers or clients turn down a process or delay processes more often than we saw in the past. We still have a shortage of qualifications and scarcity of personnel in the German labour market, especially in the qualified segments. So this is holding back against that development I just described. We still saw some growth in the beginning of the recession. But along the road, now having the pessimistic outlook and the cautious behaviour of corporate clients, you see that impact on the current business.

In Interim Management, this is holding up on a stable level compared to prior year, where we still saw significant growth. So relatively, Interim Management is taking share and is becoming step-by-step more relevant.

Overall, we saw almost a 20percent-decline in revenue and 23 percent in gross profit throughout all the roles and qualifications we have in the commercial fields and IT. What I already stated, the bad sentiment we felt in fourth quarter, especially in November and December last year, remains in Q1/2025.

This one lever I stated on regarding the business climate index, we saw in our staffing business, following January and February, on the low level similar to November and December, in March this year we saw some improvement in business. If this remains or not remains to be seen, at least the situation improved a little.

On the OpEx-side, we invest in our systems and are currently implementing a new CRM system. On the other side, we have some cost savings in personnel costs. If you compare quarter end on quarter end last year, our number of fee earners in our sales organisation is down 13 percent. But what we still continue is to keep the organisational structure overall in place, the number of branch offices and the structure within the branch offices, but we very cautiously monitor every lever and decide whether we can replace that position or not. Currently, most of the time, we concentrate on performance and not on onboarding activities, et cetera, which are also necessary if you have starters.

We saw the decline in EBITA significantly from close to € 8 million to € 2.7 million in first quarter despite the cost measurement we have in place and the reduction of head count, but here also accounts that some measures we already implemented will develop the strengths or impact throughout the year increasingly.

In Training, just a brief look on the mix throughout the markets we are operating. With 78 percent the B2G market segment dominates the training business of Amadeus Fire, while the lowest part is B2B. B2B, our cyclical part of the market, is also under pressure in the current economic environment. The B2C part remains, market-wise as well as our business, very stable.

Revenue here also declined by 6.5 percent and earnings came down to EUR 1.6 million compared to EUR 6.5 million in Q1 last year. Just one flashback, last year Q1 we started very strongly in B2G with both our businesses, Comcave and GFN. And then we saw a change in terms and conditions in second quarter, lowering our visibility in the most important sales funnel, which is the public search engine we have, and that impacted both businesses, GFN and Comcave, because of the very broad offering of Comcave, more Comcave than GFN. So the countermeasures here are taken, but this will develop throughout this year. And the like-for-like comparison with last year, we see the full impact of that issue.

We have two other topics in Q1 also regarding the B2G Training segment. First, we always see a certain slowdown before election in that market because the employment agencies normally act more cautiously because they want to have the new guidance by the new government how to continue with their training expenditure. Having had the breakdown of the German “traffic light” coalition end of last year, it gave even more uncertainty in that period than we normally see, something we saw in how the funnel of planning vouchers worked out over the turn of the year, impacting also the number of students in first quarter.

And lastly, one third topic, which is quite bureaucratic, the change of “who is responsible for issuing the training vouchers?” The whole responsibility went to the employment agencies. Before, in 2024, also the job centres were responsible for part of the training vouchers. Also the institutions had to learn to proceed with this new way – in some regions some turbulences came up over the turn of the year. That impacted the market in B2G. In B2B, the given pressure we have in the overall environment, impacted that segment, and in B2C, we saw an increasing revenue.

Such a different picture here throughout the different brands we operate, Tax College Dr. Endriss and GFN growing and Comcave, impacted most by the three topics I mentioned above, although GFN is also affected in Q1 with a decline of 19 percent.

Here, again, related to the outlook we gave, we see an increasing dynamic over the turn of the year. In the Training segment, in our projection, the first quarter will be the weakest one. We will see different results in the following quarters. The three issues I mentioned regarding the B2G market, the first one will have no year-on-year impact in second half-year because it was already included last year and the countermeasures from our point of view will gain ground initially.

And second, the election is done. In March, we saw a change in behaviour and a normal outflow back again of training vouchers, already resulting in increasing numbers of participants with GFN, also with Comcave. Therefore the development, which was a downward trend last year, will turn in an upward trend this year from our projection point of view.

This little metric gives an overview where we are operating in, with which qualifications and which markets. We are intensively looking for additions. And after my new colleague, Monika Wiederhold, our COO for Training, started in November last year, we will see what we can achieve through the turn of the year in terms of acquisitional growth. We focus mostly on the B2B part of the markets, non-accounting where we think that we can round up our offering for the large broad range of corporate clients we have and build up, in the end, a platform of combining the services of training and staffing finally. There are still lots of efforts being made here.

Finally, one brief view on development of the dividend, what we saw over the past years. And as I said in the beginning, the proposal to the AGM is for the third time in a row, to stay with the 2/3 or 67 percent payout ratio, which this year ends in an amount of € 4.03 dividend payout per share, following the AGM on 22nd May.

From my part, that was the first overview on the development in the first quarter 2025. I know that these are disappointing results. We announced already in the past meetings we had that we will see these disappointing results. Nevertheless, this Q1 now is effective. What has changed? We see a stable development with some improvement in Training for the rest of the year. This in contrary to last year, where we had a good start at the first and second quarter and then we saw a declining development in the second half-year, with the lowest end at the fourth quarter. Here we foresee a different path we will take this year. The cost measurements, as I said, are in place and become more and more effective. The proposed result of around € 40 million this year is something we are still looking for to achieve.

So now I'm happy to answer all of your questions.

Questions & Answers

Operator

[Operator Instructions] We received the first hand from Andreas Wolf.

Q

Andreas Wolf
Warburg Research GmbH

I have two questions, if I may. So Robert, you spoke about a weak Q1. Is it basically in line with what you expected when the guidance was given, the guidance for the full year? And could you also provide the building blocks that would take Amadeus to the adjusted EBIT target for 2025, the internal factors that management can influence and factors that have to contribute to the business from outside? So that's kind of the first question.

And then as we are going into Q2, could you also comment on the business in April in Personnel Services as well as Training and here also the new candidate requests for the courses? That would be very helpful.

A

Robert von Wülfing
CEO & Chairman of the Management Board

Thanks for the question, Andreas. On the first question, yes, Q1 came in as expected. So the forecast we gave, in the end, is on the same level of revenue, results and gross profit as stated in March when we gave the outlook. That was, I think, the first part of the first question.

Throughout the year, what are the blocks, in the end, resulting in the forecast we gave? As I said, I see increasing potential in Training over the course of the year. And in the B2C market, where we are operating, we have a traditional low level of earnings in first quarter. Here, we will see different results in the upcoming three quarters as planned from a current point of view.

We see an improvement in the B2G market, but we expected this after the elections and the beginning of the work of the new coalition. Luckily, they are in office since yesterday. We also see some improvements from which we will benefit in the B2G segment due to the poor market environment overall in Germany with higher unemployment rates.

In staffing, as I said, there was a little improvement in March. What we are planning is a business level on a continuing low level. Cost management is actively in place here, as the same as in Training, where we should see some improvements. What I also said in the last call: We invest in technology and we will continue to do this. Nevertheless, we turn around every penny. And the originally proposed increase, when we were in the middle of last year, that we will have another significant increase in 2025 following 2024, having the two peak years, this will still be an increase, but on a much lower level.

OpEx-management, hiring cautiously by using technology to drive efficiency, having started some reorganisation measures and/or in place. This is the cost management we will continue throughout the year. So stable business in staffing, improving business in Training and cost management are basically the blocks which we see for achieving the full year results. And well, these are the main elements to talk about in second quarter.

I don't know whether this fits with your question. At least I understood that was what you were asking for.

Q

Andreas Wolf
Warburg Research GmbH

Yes. So basically, you see stabilisation in staffing. So that's related to Q2 and improvements in training as well as we are going into the second quarter with the building blocks that you provided for the first question.

A

Robert von Wülfing
CEO & Chairman of the Management Board

One thing you should have to bear in mind: We always have a lower number of chargeable days in second quarter.

Operator

Now we have a further virtual hand from Simon Van Oppen.

Q

Simon van Oppen
Kepler Cheuvreux

I have a question about the Training segment. You mentioned that you're making significant investments here. And I was wondering, with the lower visibility on the federal employment agencies' website, I was wondering how do you steer your investment in the Training segment to accommodate for this lower visibility? Do you think investments in the Training segment are going to be paid off also when visibility on the employment agency's website remains poor?

A **Robert von Wülfing**
CEO & Chairman of the Management Board

The visibility is depending on the terms and conditions, which changed because of the maximum level of offerings you can put on the search engine. But this new mix is something we were starting from second and third quarter last year. Nevertheless, you can develop your business further, gain market shares, use other channels and develop the business. Here, I do not see that we are fundamentally limited in our performance in B2G segment, and we want to improve as a first statement.

Secondly, the investments we do, are not only for the B2G market, but for the Training segment in total where we want to develop all three markets in the upcoming years. It is about building up an ecosystem or a platform for every individual professional and our corporate clients, fitting in with staffing. This is a path we want to follow and in which we see many opportunities.

And thirdly, the Training itself, the market or the way you offer trainings to people, is changing significantly. You have to use an increasing part of technology already now and even more in the future. So the whole didactic concept, the whole way of producing content, is in a fundamental change. And I think it's more than necessary to be part of that process in this market. If you don't, you are in a difficult situation in the upcoming years. So from our point of view, this is much more an opportunity than a threat, but we have to follow that path to offer our students and participants this new and better formats in terms of achieving their learning goals. And here necessarily, we have to invest.

Q **Simon van Oppen**
Kepler Cheuvreux

Okay. That's very clear. And maybe, if I may, one other question. In your quarterly statement, you mentioned that there was a reluctance to share training vouchers by the government, but expenditures by the federal employment agencies were actually up roughly 30% compared to last year. Could you please give some more colour on how expenditures under the SGB II and SGB III programmes affect spending on training vouchers and, in turn, the results of GFN and Comcave?

A **Robert von Wülfing**
CEO & Chairman of the Management Board

This is actually an interesting figure, this increase, because we have introduced new measures that are funded directly to the unemployed from the Social Code, the SGB. So they receive additional unemployment money if they take part in trainings and some other measures, which are not funded to training companies, but directly to the people, which were not in place the year before. So most part of the increase is coming from that. And we are currently working on finding out what exactly are the portions in which fund. Hopefully, I can state that the following quarters because the pure figure of increase are a kind of misleading because the increase is not ending with the training companies, but with the unemployed themselves.

Operator

By now, we have no further questions. [Operator Instructions] It seems everything is answered so far, and this means we will come to the end of today's earnings call. So thank you, everyone, for joining and your shown interest in Amadeus Fire. It was a pleasure to be a host today. So I wish you all a lovely remaining week. And I'll hand back to you, Mr. von Wülfing, for some final remarks, which concludes our call for today.

Robert von Wülfing
CEO & Chairman of the Management Board

Thank you Sarah. Thank you, everyone, for joining our call. Let's see how 2025 will develop also for overall of Germany. I'm quite happy that we finally saw a conclusion yesterday. We have a new government. Let's see how that will impact the ongoing development. I see some opportunities. Nevertheless, as I said the last time, it's still cloudy weather. So we will try hard to improve the top line. We will hardly push also on the cost base. And so we will deliver the proposed results for the full year if circumstances remain at least stable.

So thank you very much, and hope to see you next time in an improving environment. Goodbye.

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