

Robert Walters plc

Q4 2025 Trading Update

15 January 2026

Analyst conference call transcript

**Robert—
—Walters**

Disclaimer

This transcript is derived from a recording of the event. Every possible effort has been made to transcribe accurately. However, neither Robert Walters plc nor BRR Media Limited shall be liable for any inaccuracies, errors, or omissions.

David Bower:

Good morning everyone, and thank you for joining our Q4 2025 Trading Update conference call. I'm David Bower, Chief Financial Officer. And with me this morning is Toby Fowlston, Chief Executive. We'll follow our usual format for this morning's call with me making a few remarks regarding performance at the group level, before Toby touches on trading in our service lines, the wider market backdrop and our early thoughts on 2026. As ever, we'll then be happy to take any questions you may have. As usual and unless otherwise stated, all percentage movements in net fee income are in constant currency terms.

So turning first then to group trading during the fourth quarter. Net fee income was down 14% year on year, largely mirroring the cumulative position across the first three quarters. We saw broadly consistent trends to those in the third quarter, with the headline performance again being a composite of markets moving at different speeds across our geographic portfolio, perhaps to an even greater extent than we saw in Q3.

Some examples of this, and just looking at the specialist recruitment business:

The UK, whilst lapping an easier comparative, delivered a good step up in the rate of year-on-year net fee income growth.

Spain also saw sequential improvement.

And in New Zealand, temp volumes were at their highest level in Q4 since the second quarter of 2024.

Counterbalancing this though, and again, in a continuation of the trends seen in Q3, Northern Europe continued to remain very challenging, albeit it is sequentially stable.

I'm sure you have noticed a refinement to the presentational format of the tables in our statement this morning. Specifically, we have more clearly separated the performance of specialist recruitment, which accounted for 82% of group fees in Q4, from that of recruitment outsourcing, which was 18% of group fees. We hope that you find that useful in more quickly seeing how the different parts of our business are trending.

Turning to consider productivity, headcount, and costs, we again saw year-on-year progression in the all important metric of perm placements per perm fee earner in our specialist recruitment business, up 2% to 0.84, and underpinned by double digit growth in the UK and Southern Europe.

Careful management of fee earner headcount has to date been the primary driver of the volume productivity improvements we've made, but with fee earner headcount now broadly appropriate for the current market conditions, 2026 will be about continuing to drive further fee earner productivity from maximizing the sales funnel in specialist recruitment, as well as ensuring we're getting in front of clients to highlight the full range of talent solutions we have to help them. And you'll hear more from us on that at the prelims in March.

Our overall measure of group productivity, being net fee income per fee earner, also grew and was up 3% year on year, driven by a favourable mix impact and continued strong fee rates, which were either stable or growing across our key markets.

Turning to headcount, we closed the year with just under 2,900 staff, a reduction of 5% quarter on quarter, and with fee earners and non-fee earners both falling by around this amount. We continue to believe that current fee earner levels are broadly appropriate for the current market conditions at a total level, but focus remains on reallocating between markets based on the strategic opportunity and our activity levels.

Turning to operating costs, we made progress here through 2025, and again saw further reductions in the fourth quarter, where we exited the year with a cost base run rate below 24 million pounds. This compares to our monthly cost base 12 months ago, which you may recall was in the 25 to 26 million pound range at that time.

During the quarter, we also made further progress towards our goal of delivering at least 10 million pounds of annualized structural cost savings by 2027. Within this, we're particularly focused just now on moving transactional processes in our finance functions out of local markets and into global business services hubs, and activity really ramped up here during the quarter. We continue to control our costs closely, which combined with the financial benefits of our transformation programs, will deliver a further reduction of costs in 2026 versus 2025.

Turning to the balance sheet, we closed the year with net cash of 26 million pounds, in line with the guidance issued at the H1 results. The board continues to view a strong balance sheet as a critical enabler of the group's strategic and operational priorities as we move through 2026. And this will remain the key consideration in our capital allocation decisions ahead.

So let me now hand you over to Toby who will take you through trading in our service lines, the wider market backdrop, and our early thoughts on 2026.

Toby Fowlston:

Thanks, David. Morning, everyone. I'll start by making a few remarks on our specialist recruitment business across each of our four geographic regions before turning to recruitment outsourcing.

Asia Pacific specialist recruitment net fee income was down 11% year on year in quarter four, a few points below the first three quarters in aggregate.

In Japan, which remains our single largest recruitment market, fees were down 10%. Here, whilst we saw continued good performance in temp with volumes closing the year strongly, our perm performance was weaker, and we have actions underway to drive the required improvement there. I would say though that the underlying drivers in the bilingual candidate market that is our focus remained strong.

Both Australia and New Zealand have seen sustained improvement in temp volumes through 2025, and this continued in the fourth quarter. As David mentioned earlier, temp volumes were the highest they've been in 18 months in New Zealand and temp volumes in Australia also showed further momentum. Overall, quarter four fees were up 18% in New Zealand, whilst they declined 20% in Australia, with the progress in temp more than offset by the immediate impact of a weaker perm performance - albeit, we were pleased to see a rebound in Australia in December.

Turning to consider Europe, specialist recruitment net fee income was down 23% in the fourth quarter. You've heard already that our headline performance is a blend of markets moving at different speeds, and that is well exemplified in Europe. While Southern Europe, anchored by Spain, continues to see year-on-year improvements in hiring leading indicators, notably job vacancies, the market backdrop in Northern Europe remains the most challenging of our key markets. A mix of regulatory, macro, and political factors continue to drive considerable uncertainty here, and hence we saw fees down 27% in France, 28% in the Netherlands, and 30% in Belgium. Whilst challenging, this performance was, however, sequentially stable in each of those markets.

Moving across to the UK, this was the standout performer of our major markets in quarter four, with fees up 25% year-on-year. Though we did have a soft comparative, underlying momentum is building, and we were really pleased to see the sequential improvement - up from 6% growth in quarter three. This is testament to both the good work of our

teams working their sales funnel in a more disciplined way, as well as a wider backdrop for the UK, that is, we think, more resilient than the news headlines perhaps suggest. London was up 20% with broad-based growth in both perm and temp and across verticals, whilst it was also a great confidence boost for our teams in the Regions to post a quarter of growth for the first time since the end of 2022.

In Rest of World, whilst the Middle East had a slower end of the year with fees down 23%, our continuing operations in the Americas grew 11%.

Turning then to our recruitment outsourcing business, fees were down 12% year-on-year in the fourth quarter, a slight improvement on the cumulative position across the first three quarters. The main driver continued to be the annualisation impact of clients who were contracted with us in 2024, but were not renewed into 2025. It's important to note, however, that our retained client book performed more resiliently, with fees in this portion of the book down just 5% year-on-year across 2025 as a whole.

In addition, and following the expansion of a perm volume hiring partnership with a very significant client as announced in the quarter three update, it was great to start supporting that client with their hiring needs, and therefore start driving a contribution to group fees from the contract.

Our workforce consultancy offering, in which we meet the flexible hiring needs of our clients often in technology by deploying our own permanently employed skilled consultants into their organisations, also finished the year well. We have established that business by selling into our existing recruitment outsourcing client base, but we see opportunities beyond that, and we'll take the opportunity at our full year results in March to share more.

Our newest service line of talent advisory, which offers market intelligence, future of work advice and talent development, continue to demonstrate the clear market opportunity it has as it closed 2025 with net fee income for the year almost double the 2024 level. We're testing and learning to refine the operating model in talent advisory, and again we look forward to sharing more of our learnings with you in March.

Turning then to consider the market backdrop and our early thoughts on 2026.

With 2025 being the third year in which we've seen reduced hiring market volumes following the post-pandemic surge, we were

encouraged to see some major markets stabilizing and returning to growth through the second half of the year. At the country level, around a quarter of our specialist recruitment business was in growth during quarter four, with the same proportion also growing in quarter three, and this was up from a single digit percentage in H1.

Having said that, the uncertain global backdrop continues to mean overall client and candidate confidence levels remain fragile. Because no single event or global phenomenon took us into the constrained conditions of the last three years, it remains our view that no single event will trigger a sharp global snapback. Rather, our view has been that recovery will be gradual and will unfold market by market, and we feel this last quarter continues to corroborate that view.

In our business, we've begun 2026 acting with pace and purpose to position the group as strongly as possible as markets continue this gradual recovery. Our capacity to execute our plans to the levels required is unquestionably better than it was a year ago. However, we are mindful that the timing of any top line inflection for the group as a whole remains somewhat dependent on the profile, location, and timing of hiring market recovery. As such, we start the year with the assumption that 2026 group net fee income will be slightly below 2025, whilst acknowledging that a modest range of outcomes remain possible.

That said, we remain laser focused on those factors within our control. Firstly, our cost base, which we expect to further reduce in 2026 following good progress in 2025. Secondly, our specialist recruitment portfolio management actions at both a country and individual team level, and thirdly, ensuring we continue to showcase the full range of our solutions to clients to further drive fee owner productivity.

Our client's talent challenges continue to be shaped by long-term structural drivers, and we have a full suite of solutions to help them. We therefore start the year with confidence in the opportunity that remains ahead of us. With that said, David and I would be very happy to take your questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad and we'll pause for a brief moment. Thank you. We will now take our first question from Tom Callan of Investec. Your line is open. Please go ahead.

Tom Callan (Investec): Thanks, Morning Chaps. Hope you're well. Two questions from me, please. So firstly, just on Japan, could you provide a bit more colour around the fee rates and underlying hiring dynamics that you're seeing

there on the perm side? Trying to understand the dynamic there, whether or not underlying market conditions have shifted, or if the softness that the statement refers to in terms of perm, it's more of a function of increased competition in the areas that you're playing, just trying to get a bit more understanding there?

And then secondly, on AI. So obviously a lot of chatter in the market at the moment currently, around the potential impact of that, both in the way in which consultants operate, but also with respect to demand for the services more broadly. So I just wondered if you could give us a bit more insight in terms of what you're hearing and seeing from clients and also any impact on fee rates from that as well. Thanks.

Toby Fowlston:

Thanks, Tom. I'll take both questions. So it's Toby here. I think just on Japan, probably just a reminder, obviously, fee rates are still absolutely among the highest globally. That's very much a function of the demographics and the bilingual talent candidate scarcity obviously continues to be the order of the day in Japan. Fee rates have been stable to probably slightly up actually, in Japan. So as we said in the statement, all the underlying drivers remain attractive. We have seen a tick up in competitive intensity, and I guess in that sense, the actions that we flag are to improve very much our perm performance and just sharpen again, how we're doing the recruitment fundamentals of working the sales funnel and I guess critically, particularly given the candidate scarcity, influencing both clients and candidates and focusing on those relationships. But just to be clear, absolutely remain excited by the runway for very profitable growth in Japan.

AI. I think, look, there's lots of focus presently. We are intending to set out our thoughts more fully at the March prelims. Probably a few things I'd just say at this point. As a banner point, clearly AI will be transformative, but importantly, particularly in our industry, that transition will have to be effected by humans exhibiting fundamentally human skills. We'll say more in March, but ultimately we tend to take the view that the aggregate labour market disruption is net positive for our business because overall, our view is that there will end up being net job creation. I think the World Bank have certainly corroborated that. Their view is that probably approaching 80 million net new jobs are created by 2030 because of AI.

Secondly, I guess in terms of what we're hearing from clients, we generally see that SMEs are much slower adopters than some of the larger enterprises.

And thirdly, in terms of how our consultants operate. What we've been, I believe, is thoughtful about what AI can and can't do as we are with any technology. For us, those somewhat repetitive administrative tasks

AI can take. And that leaves our consultants with more time to build those trusted advisor relationships with our clients and candidates.

And three years in, clients are beginning to understand that at the mid to senior level that we operate at, an AI or automation tool scraping job boards for lists of candidates is all well and good, but likely isn't going to be the difference in getting the high quality, passive candidates who maybe makes a move every five years to leave where they are. They really need influence from a trusted advisor who knows the market for that. And again, just to be clear, if we take the UK as an example, our average salary of placed perm candidates was a little over £70k in 2025, and just looking at London, that rises to £85k.

So overall, absolutely recognise still in the early days, it will be transformative. And I think we're really happy as well, as recently announced, to have an addition to our board, Andrew Rashbass, who has some very strong credentials in the AI space. But our conviction remains high that a total talent solutions provider has even more relevance in a future AI world.

Tom Callan (Investec): Thanks. Really helpful.

Operator: And we'll now take our next question from Sanjay Vidyarthi of Panmure Liberum. Your line is open, please go ahead.

Sanjay Vidyarthi (PL): Morning, Toby. David, a couple of questions from me as well. First one, you mentioned increased competition in Japan, but more broadly, I guess, across markets, there's probably a fair amount of distress. So there's an opportunity as well as a threat, I guess, in terms of maybe some competition falling out of the market, particularly maybe on the outsourcing side. So just interested in the dynamic in terms of increased pricing competition versus opportunity for market share gains. And then second question is just, given your outlook for FY26, how are your thoughts evolving in terms of specific sectors or countries that you may wish to exit during the year? Thanks.

Toby Fowlston: So I'll take the first question and I'll hand over to David for the second. I think you're absolutely right, Sanjay. I think the UK is probably a good example of that. I think one of the reasons why we've seen that 25% uplift is that there's no question there's been some consolidation, probably perhaps the recruitment businesses who don't have as much depth in terms of cash, et cetera. And of course, clients still have needs. So we're clearly picking up some of those clients obviously as a result. So I think obviously price points and fee rates have marginally increased. So obviously we're seeing the net benefit of that.

David Bower: And Sanjay, it's David here. With regard to your second question, we continue to use the four box model that we talked about at the capital markets day about 18 months ago. We're really focused on what's in our control and the underlying dynamics. So that was the methodology and the framework we applied in our decision to come out of the LA office earlier in the year, Canada at the back end of the year, Brazil during the year as well. So that's the framework we use. We continue to use it through 2026. Yeah, it would be wrong to name countries or offices at this stage. But that's the framework we've got. It's served us well through 2025 and that'll continue through 2026 as we see markets develop over the next 12, 24 months.

Sanjay Vidyarthi (PL): Okay, understood. That's great. Thank you.

Operator: We'll now take our next question from Steve Woolf of Deutsche Bank. Please go ahead.

Steve Woolf (DB): Morning, gents. A couple from me. Just on the RPO side, just trying to get a sense there of how much in some of these markets might be just, pure and simple, customer volumes and what the impact might have been on contract losses. So if you could detail where contract losses perhaps have been hardest hit in which markets to try and give an idea of churn there.

Secondly, when it comes to recruitment, headcount attrition you've had, do you feel in part you might have lost any sort of key earners from teams, or has it all been largely those who've got less than two years' experience?

And then thirdly, excluding the regulatory stuff in the Netherlands. Again, just any thoughts on trends you're seeing, I appreciate we've got macro, we've got political, etcetera, but is this still job creation? Is it job conversion? Are the interviews there, but we're just not getting them over the line?

Any thoughts around that basically? Thank you.

David Bower: Hi Steve, it's David, I'll try and pick up those questions. In terms of the RPO business, there's no one particular market that has seen particular churn. We've got a broad range of clients. A lot of the clients we work with are international by nature. That's why they go to RPO because they need a broad base provider to help them with their global needs at scale. I think what it's also encouraging for us is that in the sense we lost some through the early part of the year, and as we referenced in the statement, we've also had some good wins, some good extensions during the year as well, such that overall we would see the RPO business overall being broadly stable through 2026 versus

2025, with new wins and extensions offsetting the churn that we've seen.

Across, from a fee earner perspective, I think it's been a combination. We have continued to see some of the lower tenured individuals leaving. Obviously, a lot of that was probably earlier in this current down cycle linked to the fact that the recruitment levels in 21, 22 were significant. So a lot of people came into the sector and then quickly left the sector when times got tougher. But equally, we have been, in terms of our overall focus on productivity and improvement, we have, for example, been much clearer with all of our people that a fee earner is a fee earner and they need to be billing, building those relationships and generating and building their own work as well as feeding their teams. And some people have not wanted to do that and have moved on accordingly. So again, we've had a broad range of people leave predominantly at the less tenured, but where appropriate at the senior level people have moved on as well.

And then in terms of the final question, that regulatory piece in Europe. I think there's two things to note. The challenging conditions have created certainly a step, I would say a step down in activity levels. The regulatory change in the Netherlands has affected a particular group of individuals, but that, we think, has probably worked its way through now. So hence, very encouraged by the stability that we're seeing across the Northern European market at this stage. So yes, it's come down, but now it's stable. And from here, by doing all the things we've talked about in the other markets about the focusing on the sales, the funnel, the productivity, there's no reason why those markets, even in the climate that we've got today, can't grow from here having stabilized at this lower level of activity following the regulatory changes or the political uncertainty in some markets.

Steve Woolf (DB): Okay. And just in terms of your thinking that might a couple of months ago have been 2026 perhaps of the modest growth, 1-2% say, now to thinking perhaps, planning at least for a slight decline, what would you say the key delta in that is? Is it the sustained downturn in Europe is the main factor, or are there any other triggers that you thought we better bed in for this?

David Bower: Yeah look, I think there's two things. Of course, we're planning for what could be another very tough 2026. There are, as we've talked about in the statement, certainly opportunities for growth. We're seeing growth in number of markets that we called out individually. And even in Europe, which as you referenced is challenging, equally, it does appear to have broadly stabilized as well. So we're planning for it to be lower so that we are ready in case that it is, but actually there's plenty of

opportunity for growth. And we've had around about a quarter or so of our fee income in growth at the end of Q3, similarly now again at the end of Q4, albeit different markets in that group who are growing in Q3 versus Q4. So we've got a number of markets that have seen stability and growth during the course of the year.

So I think that's why it's a varied. We've got a range of outcomes for 2026, but we plan for it being slightly down just so we're ready for it in case that happens.

Steve Woolf (DB): Gotcha. That's great. Thank you, David. Okay.

Operator: Thank you. Once again, as a reminder, if you would like to ask a question, please press star one on your telephone keypad and we'll pause for a further moment. Thank you. With no further questions on the line, I'll now hand it back to Toby for closing remarks.

Toby Fowlston: Toby here, just to say thank you very much everybody, and we look forward to seeing you at the March Prelims. All the best.