

Robert Walters
Full Year Results 2023
Audio Webcast

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Transcript



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Welcome & introduction – Toby Fowlston

Good morning everyone, and welcome to the Robert Walters plc 2023 full year results presentation webcast. I'm Toby Fowlston, Chief Executive of Robert Walters, and with me on the call today is David Bower – Chief Financial Officer.

This is David's first set of full-year results at Robert Walters since he joined the business in September. It's great to have him on board and to benefit from his extensive experience.

In terms of what we'll cover today, I'll begin with a review of trading in our regional segments, before handing over to David to walk you through the financial performance of the business over the last year, how we will approach capital allocation moving forward and also an overview of our sustainability agenda. I'll then return to give an update on people and technology and then close with some of our current strategic priorities. We'll then open up for Q&A.

For those of you not joining the live conference call, to submit a question, please e-mail this to investor dot relations at Robert Walters dot com, and we will endeavour to include that in the Q&A section.

So as we dive in, let me begin with my key messages for today.

Key messages – Toby Fowlston

Firstly, while 2023 was clearly a challenging year right across our industry – with labour demand cooling markedly across the vast majority of our markets and lower levels of client and candidate confidence – our business performed resiliently. I'm really proud of the contribution of all of our people to the actions taken to mitigate the impact of the external environment.

Our 2023 performance was underpinned by the international diversification of our business – a key strength which we will continue to pursue purposefully. Robert Walters is a strong business with a good track record of long-run fee growth – well ahead of average annual global GDP growth. The mix of fee income derived outside of the UK has risen from 71% in 2013 to 84% today, with Asia-Pacific accounting for around half of this non-UK portion. Furthermore, that diversification is nicely balanced, with no single country accounting for more than a sixth of group net fee income.

So as I approach the end of my first year as Group CEO, I am confident in the fantastic platform we have to deliver further growth in the business, and further value to all our stakeholders. We continue to see the key levers of growth for this business as two-fold – geographic penetration and discipline diversification. And we also see a clear opportunity to deliver an improvement in our performance.

I will touch on some of our immediate priorities to deliver this improvement later. However, it's our intention to give more details on our medium-term plans at a Capital Markets Day in the Autumn.

With that said, let's turn to look at trading in each of our segments during 2023.

Trading review (Asia-Pacific) – Toby Fowlston

We continue to have great positions in some of the most attractive hiring markets globally, with notably exciting opportunities in Asia-Pacific.

Asia-Pacific net fee income was down 9% for the year, with a diverging performance between Australia – which was down 19% in-line with the market – and greater resilience in North-East Asia, which delivered net fee income in-line with the prior year. North-East Asia comprises Japan and South Korea, and our business in Japan continues to produce Group-leading conversion rates. As you can see from the slide in the bottom right, Japan is the second largest hiring market globally and we will continue to see demographic tailwinds there.

In China, the anticipated bounce back in broader economic conditions after pandemic control measures were relaxed in late 2022 didn't materialise. However, following a more impacted H1 performance, we did see conditions stabilise somewhat during the second half.

Robert Walters is a pioneer in the South-East Asian markets of Singapore, Malaysia, Thailand, Vietnam, the Philippines and Indonesia. Fee income was down 9% year-on-year here – which should be seen in the light of the wider regional backdrop of weaker macro conditions. But we continue to see a positive medium-term outlook. In Vietnam, Thailand and Malaysia in particular, our teams are seeking to harness a trend driving new sources of demand from multinational companies. This China plus one strategy sees them mitigate their supply chain risks by selecting an additional base in the region. Our international diversification and strong regional network enables us to tap opportunities like this, and move quickly to support our clients.

The conversion rate in Asia-Pacific as a whole was the highest of any of our geographic segments for the fourth consecutive year, and the Covid-impacted 2020 aside, marked the 9th year of consistent double-digit conversion rate – as you can see from the chart on the top right of the slide. Looking ahead, I'm keen to leverage my prior experience holding leadership positions in our Asia-Pacific business for 9 years to drive similarly high levels of performance across the rest of our global footprint.

Turning now to look at Europe.

Trading review (Europe) – Toby Fowlston

Europe was our most resilient segment in 2023, delivering a flat NFI performance against the record prior year comparative.

In the mix, Belgium really stood out, with net fee income up 21% year-on-year. Our Belgian business has built a really nice blend of income streams across permanent and temp recruitment.

This is of true of Europe more generally, with temp representing 46% of fee income in 2023, 13 percentage points above the group average. Within this temp portion, our interim business – which places mid to senior level talent, was notably strong.

Fee income in our largest European markets of France and the Netherlands was down 3% and 5% year-on-year respectively. Client sentiment in these markets remains cautious – most clearly seen perhaps in slightly extended time to hire. However, we have strong businesses in these markets and feel good about the opportunities our brand gives us to tactically take share from less established players.

As you can see from the chart, the incremental international diversification of the Group over the last 10 years has really been driven by our Europe business. With a scaling business in Germany and a new operation in Italy, we see further opportunities ahead.

Turning now to the UK.

Trading review (UK) – Toby Fowlston

Our home market continues to be a really important one for us, notwithstanding the international diversification of the Group overall.

London recruitment, down 29% year-on-year, was particularly impacted by wider sectoral upheavals in the technology and financial services industries. This tallies with data from Linked In which suggests that, as 2023 closed, hiring in both the UK tech and financial services sectors was considerably lower than the December 2019 pre-pandemic level, relative to other sectors. Recruitment in the regions was comparatively more resilient, particularly underpinned by the strength of our brand in accounting and finance.

We have put new management into the UK and this will drive a sharpened focus on productivity and cost management. It's fair to say that the roller-coaster of the last few years means market conditions are still settling. However, given the management change, we feel good about the opportunities this gives us to take market share.

Turning now to look at the rest of our global footprint.

Trading review (Rest of World) – Toby Fowlston

With businesses in North and South America, the Middle East and South Africa, our Rest of World segment gives us good positions in attractive emerging hiring markets of the future.

In some of these, we are developing an increasingly efficient operating model. South Africa is a great case in point. From our base in Johannesburg we also serve key west African markets like Nigeria, and also east Africa, via a remote presence. Enabling our South African business to drive a comfortably mid-teens conversion rate.

Our business in Mexico also made good progress during the year, with a notable rise in fee income and operating profit. This was partly driven by the trend of near-shoring, where US domiciled businesses like Tesla bring manufacturing capacity and specialist disciplines closer to US borders – particularly into northern Mexico. As you can see from the chart on the bottom right, they are by no means alone in setting up physical facilities in Mexico. I've recently returned from our business in Mexico City, and my time there only served to reaffirm to me the opportunity we have.

The route to profitability in the Rest of World segment is to drive geographic penetration – scaling our businesses to reach a critical mass of consultants and fee income. I'm looking forward to driving this over the medium term.

Turning now to Resource Solutions.

Trading review (Resource Solutions) – Toby Fowlston

Resource Solutions is our offering in the recruitment process outsourcing and managed services space, a sizeable global market.

We like this business. It brings the benefits of some natural hedging in our portfolio compared to spot recruitment, and it's firmly in the vanguard of some of the most exciting new product development at an industry level, as clients increasingly seek out more flexible hiring options and specialised consulting and advisory support to come alongside their perm workforce.

A good example of this is our Workforce Consultancy business, which provides our clients with ongoing access to a pool of on-demand, highly skilled talent, whilst enabling them to realise meaningful cost savings when compared with their traditional contractor spend. From a low base in 2022, Workforce Consultancy delivered a ten-fold increase in fee income in 2023 – a sign of how the offering has resonated with customers.

But as we look at the Resource Solutions business overall, there is clearly work to be done to deliver the financial returns we desire. Our product range is too wide, and so we are taking steps to focus on those service offerings where we have good scale and like the market opportunity, all backed by a customer-first approach.

So that gives a view on our performance during 2023 and before handing over to David, let me briefly touch on current trading.

Current trading – Toby Fowlston

As noted in this morning's statement, trading over the first few weeks of 2024 continues to be similar to what we were seeing as 2023 closed – albeit with some isolated pockets of growth.

Lead indicators, such as job postings on platforms like Indeed, suggest a bit of a weakened dynamic in the new year job listings bounce that was traditionally seen pre-Covid – as you can see from these two charts. Furthermore, the materiality of our Asia-Pacific business, and the Chinese New Year holiday for much of last month, means that it won't be until we see activity levels and trading at the end of March that we'll get the first robust read for what the year may hold.

In the meantime, we remain focused on those factors within our control. Namely, continuing to sensibly manage our cost base and enabling our specialist consultants, supported with the right tools, to focus on deepening relationships with their clients and candidates – the key elements of our business model.

With that said, I'll now hand over to David to take you through the financials.

Introductory remarks – David Bower

Thanks Toby, and good morning everyone.

I've had a really warm welcome from everyone here at Robert Walters during my first six months and it's been great to get around the business, where I have already visited a number of offices around the world.

I'm delighted to say that the core characteristics of the business, that first attracted me to the role, are visible every day – from the focus on delivering an excellent client and candidate experience right through to our track record of sustainable cash generation.

And of course, I've really enjoyed meeting many of the fantastic people that define the culture of the business globally.

I have also been fortunate to meet many of you who are joining the call this morning, and I look forward to extending this further in the next few weeks as Toby and I roadshow these results.

2023 financial performance – David Bower

I will begin with an overview of group financial performance.

Throughout my remarks, references to year-on-year net fee income movements are in constant currency terms.

Group net fee income of £387m was down 8% against a record prior year comparative, reflecting the cooling in labour demand across our markets as Toby touched on a moment ago.

This reduction was particularly pronounced during the second half, where we saw net fee income down by 12% year-on-year versus a 5% drop during the first half.

Around 70% of our cost base is driven by spend on people. Total group operating costs were £360m in 2023, down 2% on the prior year in constant currency terms.

The inherent operating leverage of our model meant that the 8% decrease in fee income, drove a 52% drop in operating profit to £26.3m.

The £26.3m operating profit represents a 6.8% conversion rate. Looking at each half in turn, the first half conversion rate of 5.5% improved to 8.2% in H2 as we took action to better match headcount and other costs to local market conditions. Toby will share more on this later.

Profit before tax was £20.8m, with earnings per share of 20.1p down materially on the prior year - reflecting the underlying trading performance.

We announced this morning the Board's proposal for a final dividend of 17 pence per share, taking the total dividend for the year to 23.5 pence per share.

While this represents a dividend cover of just 0.9 times, we intend to restore full dividend cover moving forward and I will say more on this shortly.

But first a look at fee income in slightly more detail.

Fee income bridge – David Bower

In reported terms, fee income declined by around £41m on the prior year, though this includes an FX headwind of around £5m.

Looking at each of our geographical segments in turn, in Asia-Pacific, where we are over 70% perm-weighted, the particularly challenging conditions in Greater China and Australia were the main drivers of the £16m reduction in fee income from perm placements.

As we've touched on, our European business, which has a much more even split of fee income between perm and temp, delivered flat net fee income overall year-on-year. On the perm side, we saw good growth in Germany and Belgium offset by more challenging conditions in the Netherlands, while Belgium's interim business performed even better still year-on-year.

In the UK, the challenging conditions in the technology and financial services hiring markets were concentrated in perm, which is where the majority of our UK business sits, with greater resilience seen in temp with a greater weighting into accounting.

Meanwhile, in our Rest of World segment, the USA drove the £2.7m drop in fee income, particularly driven by heavily impacted client and candidate confidence in the technology sector.

In Resource Solutions, fee income fell by a little over £11m, as we narrowed our product set and focused on profitable accounts. We are adopting a more rational approach and, simply put, we will walk away from business that doesn't meet our returns criteria and as a result, we saw some account losses during the year.

Turning now to look at group operating costs.

Group operating costs – David Bower

On the slide, we've split out operating costs into the key categories we look at.

As mentioned earlier, total group operating costs were down by 3% in reported terms - around £10m on the prior year.

Again, this movement is split very differently between the first and second halves. In the first half costs actually increased by around 5%, but then, following the action taken in the second half, we have seen costs decline by around 10% in that period.

Staff costs were down by around £6m year-on-year, largely driven by the lower period-end headcount - which was down 9% to just under 4,000.

Variable remuneration for fee earners, was down by £4.4m, reflecting the trading performance in 2023 versus the record levels of activity in the prior year.

Toby will share more detail later on how we seek to manage headcount, but again, you will note that the movement was particularly second half-weighted, with net attrition of 76 in the first half increasing four-fold to net attrition of 300 during the second half.

Those lower staff costs were partially offset by modest rises in depreciation and property and equipment costs.

We are increasing our focus on cost discipline across the business, and therefore expect to see further benefits as we move forward.

Let's turn now to look at cash

Cashflow – David Bower

Free cash flow for the year was £14m - shown here as after meeting the capex needs of the business, as well as interest, lease liabilities and tax.

The good cash generation in 2023 supported capital returns through share buybacks of £10m, in-line with the prior year, and cash dividends in the year of £15.8m, up by 4%.

It is also worth noting that we continue to maintain a strong balance sheet, with around 80 million pounds of net cash, excluding finance leases, at the year-end. This is an important tool in managing our counter-cyclical working capital profile as, we will absorb cash when things pick up and we grow fee income. We have seen the converse of this during 2023 with cash generated from operating activities at around £55m, only slightly down on the prior year despite the reduced operating profit.

And now, I'll talk about capital allocation more broadly.

Capital allocation – David Bower

Since my arrival, and along with the rest of the Board, we have been reviewing the capital priorities for the business and hence developing our capital risk appetite and in turn our capital allocation policy.

While it will be kept under review, it has been formulated to provide clarity and consistency for our stakeholders through the cycle.

As Toby touched on earlier, we remain confident in the levers of growth – namely geographic penetration and discipline diversification.

We will therefore continue to deploy capital to deliver this in each of our markets. Examples of this include commencing the development of a business in Italy and supporting growth and productivity by investing internally in our CRM system – which is now live across 50% of our countries.

Alongside investing for growth, we understand the importance of the ordinary dividend. We will look to maintain our ordinary dividend cover in the range of 1.75 to 2.25 times. However, the continued cash generation of the business, the resilience of the business model built on international diversification, and the strength of our balance sheet gives us confidence being outside the lower end of this range through dips in the economic cycle when the Group's profits may be impacted – as they were in 2023.

While investing for growth opportunities and delivering the ordinary dividend, we are also acutely aware of the value that our balance sheet strength provides. Accordingly, we will target maintaining net cash of at least 50 million pounds.

We will consider ad-hoc returns to shareholders when medium term cash forecasts indicate surplus capital being maintained above this amount.

Turning now to look at guidance.

Guidance – David Bower

Though the macro-economic backdrop remains uncertain, the international diversification of our business gives us scope to continue to respond in an agile way – capitalising on improved activity levels where, and when, we see them.

We will continue to sensibly manage our cost base and expect to deliver an improvement in conversion rate such that it is at least in-line with that seen during the second half of 2023.

I would note that the 36% effective tax rate in 2023 not only reflects the higher rates of taxation in some of the Group's major overseas markets such as Japan, France and the Netherlands, but also the current year mix of where our profits have been the greatest and, conversely, where we have continued to support future capacity. While 2024 will see a full 12 months of UK corporation tax rates at the higher level of 25%, we would expect the effective rate to trend down slightly over the medium term.

We will continue to manage working capital closely, but top-line growth will have a relatively modest associated working capital outflow, most likely being second half-weighted.

Capex is expected to remain at the levels seen over the past 12-24 months as we complete the final deployments of our new CRM system across the remaining countries, before then trending down in 2025 and beyond.

That concludes my review of financial performance and our capital priorities.

Before handing back to Toby, I'd like to say a few words on our sustainability agenda.

Sustainability – David Bower

At Robert Walters, our approach to sustainability is informed by our purpose of powering people and organisations to fulfil their unique potential. In 2023, we lived out this purpose by helping place over 42,000 candidates in new roles, and in so doing, helping around 10,000 organisations solve some of their talent challenges.

Our purpose helps shape and focus the contribution WE can best make to a sustainable future.

As you may know, back in 2022, and with the help of an external sustainability specialist, we considered as a business how we could make the biggest difference to help deliver a sustainable future. The output of that was a sustainability strategy based on six key pillars, which are summarised on the slide on the left hand-side. These pillars are aligned to ten of the United Nations Sustainable Development Goals.

I chair our Group ESG Committee, comprising key stakeholders and decision-makers across the business, focused on driving measurable progress against our key targets – some of which are set out on the right-hand side.

Sustainability is core for us as a business, and I look forward to updating you on our progress moving forward.

And with that said, I will now hand back over to Toby.

People – Toby Fowlston

Thanks David.

So against the backdrop of our resilient performance in 2023, we continue to invest selectively to support our growth, and we are focused on cost discipline.

I'll now spend the next few moments updating you on two of our key enablers – people and technology.

Let's firstly take a look at people.

This chart shows how our quarterly sequential constant currency net fee income percentage growth – the blue line – moved over time across 2021, 2022 and 2023. Also shown for the same time period – in the orange bars – is the quarterly net movement in headcount.

The cooling in labour demand that set in towards the end of 2022 is of course very apparent. We delayed our response in terms of headcount reduction, reflecting our view that demand would pick up again in early 2023 – not least driven by the assumed bounce back in China as tight pandemic controls were relaxed. Clearly that didn't materialise. Therefore, we have managed our headcount down as we've sought to more closely match our consultant capacity to local market conditions. In making these decisions we've been guided by two principles – striking a balance, and being data-driven.

We've struck a balance in that we have been AND REMAIN very clear that we're not going to cut into our "core muscle". By core muscle I mean our consultant cohorts that have reached productive maturity in terms of billings. As you might expect, getting up the productivity curve is largely a function of time and experience. And therefore we allowed the higher levels of attrition seen within our LESS experienced consultant cohorts, particularly those in the nought to 18 months range, to largely flow through.

And the decisions were data-driven in that we've been very targeted – taking most concerted action on headcount in markets where we've seen weaker performance because of the external macro picture.

That point is well brought out on this slide, which shows YoY movement in headcount as at the year-end.

In Asia-Pacific, we took more concerted action in China whilst, in relative terms, broadly holding headcount steady in Japan.

Similarly in Europe, we broadly held headcount in Belgium, and grew in Germany, reflecting an additional office opening in 2022 as we scale our presence. Meanwhile, in the Netherlands, we have right-sized our non-fee earner headcount levels.

Across our portfolio, in proportionate terms, we've taken most decisive action on headcount in the UK and the US – in-line with fee performance and, importantly, the wider market backdrop.

We will continue to pursue a balanced data-driven approach to headcount through 2024.

Turning now to look at technology.

Technology – Toby Fowlston

In deploying technology in our business, we have a single overriding objective – enabling our consultants to deliver a better experience for clients and candidates, and by doing so, deepening relationships with them.

Let me tell you about two ways we're doing that at the moment.

Firstly, our internally developed CRM system, which we call Zenith. The key impulse behind Zenith is to enable our consultants to have a single platform which gives them a comprehensive view of all client and candidate interactions. Importantly, this view is

accessible for all team members – fuelling our collaborative model, which is reflected in our team-based profit share.

We decided to build Zenith ourselves rather than purchase something off the shelf so it's specifically tailored to the way OUR consultants do business. Zenith has enabled us to automate previously manual activities, and has more powerful search functionality – supporting our consultants in completing core CRM activities, on average, two and a half times quicker than the legacy system. In serving their clients and candidates, our consultants' journeys will start and end with Zenith – with all the other key tools and apps they need integrated in a seamless way.

It was great to reach the important milestone of Zenith being live in half of our countries by the end of 2023, and everything we've learnt so far gives us confidence as the rollout goes to our largest markets over the next 12 months.

The second area of technology I'd like to touch on is artificial intelligence. We are using AI to enhance productivity and save time, so our consultants can focus even more on the magic of human connections. For us, the key application is to take the burden of some of those everyday tasks, such as writing a job advert. To take this example, AI is able to give a very good first suggestion to our consultants, to which they are able to then overlay their unique style and make sure it captures the specific flavour of the opportunity. It frees up our consultants and gives them more time to invest in client and candidate relationships.

Spearheaded by our central innovation team, but ultimately driven by over a thousand people across our business – our AI trailblazers, we have been experimenting in our Open AI Playground – putting AI to work on everyday tasks. Having such a critical mass of our people interacting with AI then means potential use cases can be road-tested at greater scale, refined and then offered as time-saving productivity apps across our business for all our people to use.

I want to stress that our efforts on AI are measured – we're very clear on the parameters within which it will deliver most benefit, and greatest uptake, in our business. As well as this, our efforts on AI are secure. We have our own private version of the Open AI studio, meaning we are able to deploy our data in the tool safe in the knowledge that it remains solely within our business.

I'm excited to see how the inventiveness of our people can be harnessed even more over the coming year.

So that covers our key priorities on the technology side and as I conclude this morning's presentation, I want to finish with some of our other current strategic priorities.

Current strategic priorities – Toby Fowlston

Firstly, our brand. The Robert Walters brand is highly differentiated, and stands for professional expertise built on being a trusted adviser to clients and candidates. We believe there is more value we can add for our clients and candidates by leveraging the Robert Walters brand further across our three key offerings of recruitment, outsourcing and advisory. Simply put, in an increasingly complicated world of work, we want to make it as uncomplicated as possible for our customers to access the full suite of talent services and solutions – all of which they can get at Robert Walters.

Secondly, we see a great opportunity in the ever-changing world of work, where the new norm is one of constant change and adaptability. Perhaps the most notable driver of that at present is AI, which I of course touched on a moment ago. Even as that technology moves forward at pace, in the AI-augmented future we are clear that clients will need the support of specialist talent partners like us even more. A recent survey found that 92 percent of US professionals agree that AI means people skills become even more important. More than ever, relationships are the currency of the future. And we are really well positioned to take advantage of this tailwind.

Lastly, we see an opportunity to improve conversion rates. The two years either side of the pandemic saw us deliver a conversion rate in the teens. Our Asia-Pacific and European businesses give us a solid foundation to pursue an improved conversion rate over time. And our slight shift in focus strategically from geographic expansion to geographic penetration will help us to build on this. Better geographic penetration means focusing first on being at the right size in each of the markets we are committed to competing in. That will drive benefits of scale as we look to further optimise our office network. During 2023, and confident in the knowledge that we would retain client and candidates relationships in the Group, we consolidated an office in Utrecht into Amsterdam for instance, and did similarly in Thailand where we consolidated an office on the eastern seaboard into Bangkok.

In addition, we will continue to review the balance of our support functions between those that need to be in each local market, and those that can be centralised in global service centres, to make sure we scale as efficiently as possible.

We will provide more colour on people, technology and all our strategic priorities during the Capital Markets Day.

Conclusion – Toby Fowlston

In conclusion, I feel immensely privileged to be leading this great business. Our key differentiator is our people and our quality of service, and we have a fantastic platform in the strength of our brand and our diversified international footprint.

As we look ahead to the next phase of our development, I'm really excited by our potential. In the rapidly changing world of work, we are big enough to make an impact, and nimble enough to move quickly.

And with that, David and I would be very happy to take your questions.

Q&A

Conference call operator:

Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the first question from the line of Tom Callan from Investec. The line is open now. Please go ahead.

Tom Callan:

Thanks very much. Thanks guys. I've got three questions please. Firstly, just thinking ahead to '24 in a bit more detail, I just wondered if you could provide a bit more colour as to your

thinking around fee growth progression as we move through the year, perhaps maybe through a H1 versus H2 lens and what that might translate to in terms of conversion half on half, assuming that productivity ticks up with a steadily improving macro.

Second question on Europe. So clearly the Europe performance was very strong given the strength of the prior comp. So just interested to understand the dynamics there a bit more. And also on Germany in particular, given the growth rate there seemingly somewhat at odds with what we're hearing about the German macro more broadly, so any specific verticals and perm temp worthy of call out in Germany specifically.

And then finally on the upcoming CMD, appreciate that a lot of the detail will be conveyed at the event, but perhaps if you could just give us a little bit more colour around those medium-term initiatives designed to strengthen the business. I'm thinking it's probably going to be stuff around what productivity, maybe Resource Solutions given the commentary and the statement today as well as the benefits you'll get from the CRM rollout. But yeah, any comments on that would be helpful as well. Thanks.

Toby Fowlston:

Thanks Tom. So why don't I answer the second and third question, David can take the first question. So on Europe, I mean we have a stronger blended temp recruitment perm to there. It's about 46% temp versus 54 perm, so it is a heavier weighting.

So that obviously gives us a bit more resilience across that European segment. We also are very strong in commerce and finance, so it counts for about 50, just over 50% of our net fee income. And that's a market we're very tenured in and obviously we've got a lot of depth and knowledge there as well.

I think the other factor actually has been the success of our interim businesses, which are generally bigger and that's partly driven by culture and how people view interim. I think interim is an opportunity actually across our business over time, particularly as people sort of think about life coming out of Covid at the executive level.

So we've seen the benefit of some very successful interim returns, particularly in the likes of Belgium. Our France interim business and the Netherlands as well.

In terms of the capital markets day? Yes. I mean essentially I want to give a bit more flavour. I've touched a bit on brands, so I want to talk a little bit more about that in autumn and what that actually means. We are very clear that whilst conversion rates are not where they need to be, clearly that is an opportunity. So we want to dive a bit more into detail on that and how we see those conversion rates moving.

As I mentioned in the notes, we are certainly looking to replicate where we got to in the second half of last year and that was very much a tactical move to try and improve that conversion rate. And the other part, obviously with the capital markets day, I'm very conscious that our stakeholders get to meet some of our team. We've got a very, very strong tenured experience management team and there's going to be an opportunity for some of them to share their stories across the region. I'll hand over to David now for the first question.

David Bower:

Hi Tom, it's David. So yeah, I think on the fee growth piece there's definitely a second half weighting to fees generally. As Toby touched on earlier with the southern hemisphere and China New Year in the Asian markets, we see a smaller first half than the second half and

therefore naturally we will see conversion being better in the second half, the first half. But overall for the year, I'd like to think that we can get to the margin we saw in the second half of '23 as the full year average for '24. And we've got a fee growth. Again, it is a muted start to the year from a people perspective.

We're playing on overall flat headcount for the year. As we've said before, we will keep investing in those pockets of growth that we can see across the world.

Toby Fowlston:

Tom, sorry, just quickly as well. Germany, I didn't touch on Germany. So we're obviously not at the same scale as a number of our competitors. We do see that as an opportunity. Berlin, which is where we launched the office, it's probably less exposed perhaps to automotive and general manufacturing sectors where we've seen a lot of the stress in that German market. So as I say, it's still a young fledgling growth business for us, but one that we will be investing in.

Tom Callan:

Super helpful. Thanks guys.

Conference call operator:

Thank you. We will take the next question from line Sanjay Vidyarthi from Libreum. The line is up now. Please go ahead.

Sanjay Vidyarthi:

Morning Toby, David. Just one question on I take a point in terms of geographic penetration rather than expansion and optimizing the office network. Might that also involve rationalisation in certain markets where you don't see maybe the conversion rates likely to reach the levels that you want to in other parts of the business?

Toby Fowlston:

Yeah, so hi Sanjay. We are looking very closely at all of our geographies, largely speaking, we're in the markets we want to be in. I mean clearly we see opportunity in some of our more established markets, the likes of Japan, Southeast Asia is very attractive for us. I think there are opportunities in particularly Latin America, places like Mexico, Germany I've touched on. So for us it's about how we build more into those markets that we know we're strong in.

I think turning to the office footprint, we are just over 50 offices. I think it's heightened our focus, particularly coming out of Covid as to how we maximise our management focus and effort. And we don't have them sort of being distracted by offices that are perhaps not as profitable as we would hope them to be. So we're thinking quite carefully about how we remain in terms of having a footprint in those offices from a delivery perspective. But we don't necessarily need to be in some of those smaller cities perhaps.

Another example is Chatswood in Sydney. We consolidated and redeployed our very good people from Chatswood into Sydney, but we can operate that from our Sydney office so that it removes the lease cost, it removes management having to get in the car and drive around different offices and we consolidate our effort and focus from Sydney.

Sanjay Vidyarthi:

Okay, thank you. Actually, one follow up question. Thinking about the headcount reduction you've experienced, I know a lot of that natural attrition at lower levels in markets where the declines are, but as markets do start to recover and it will obviously be a little bit harder to drive the growth as you start to rehire at the lower levels and it takes time to build up the productivity of those hires. Will there be some offset, presumably from the productivity initiatives that you've got underway in terms of AI and tech and CRM, etc. But also might you consider hiring experienced hires, which I know Robert Walters historically hasn't done, but could that be a change in the way you look at things?

Toby Fowlston:

So I was actually over. We have every year we get all of our top achievers around the world together and there were 120 of them came together and I was fortunate to be there and spoke with all of them actually. And one of the questions in my mind was how are these people getting here? How are they performing at this high level? It was a tough market. There was some very common threads throughout tenure experience and all the rest of it, but over 80% of them came from industry and they came whether they're an accountant or a lawyer, and obviously they joined us without the recruitment experience and we can teach those skills. So I still stand true to the fact that at our core it's people that come from the industry and then recruit into that sector, which again plays into our specialisation. Now that said, of course there are some very good competitors out there.

We've hired someone very recently into our UK market who's got extensive experience, but we're selective about that. And actually the benefit of him coming in is he's given a very different perspective in terms of outside in, which has been very helpful for us.

David Bower:

And Sanjay, David, I think the other piece on that headcount recovery and as the market comes back, it's fair to say because we're holding our muscle, we're holding our most

experienced recruiters and they're probably not today as productive as they were 12, 18 months ago. So I think I'd like to say we've got capacity within our existing workforce to do more as the market comes back before we find any sort of stress on headcount.

Sanjay Vidyarthi:

Okay, that's great. Understood. Thank you very much.

Toby Fowlston:

Thank you very much. And thank you for attending today and I look forward to myself and David. Look forward to speaking to you in the near future. All the best. Take care.