

2ND QUARTER 2009

Twy Bethard, ed.

General Staffing Trends

Hollis Associates Exhibits at TechServe Tradeshow

Hollis Associates will be exhibiting at the TechServe Alliance Trade Show in Las Vegas, Oct. 7-9. Phil Heyde and Steve Newman will host a roundtable discussion Oct. 9th at 11:45 on deal breakers—items that could potentially derail a firm's sale.

Check our website for other upcoming events. Register to receive this newsletter by email.

Weathering the Storm

A Deutsche Bank analyst recently predicted that staffing companies will begin to recover early next year. A revenue rebound should mean higher profits, because firms have cut costs.

Q2 Financials: Some Firms See Revenues Stabilizing

The general staffing companies tracked in our quarterly snapshot of financial trends in the industry continued to meet the challenges posed by economic conditions and generally were successful in maintaining gross margins.

Revenues at these companies seemed to stabilize this quarter (Figure 1), although some firms reported fewer billable hours. Commercial staffing appeared to be stronger than professional staffing.

Despite the revenue shortfalls, three out of four of these companies reported an increase in their gross mar-

Continued on back...

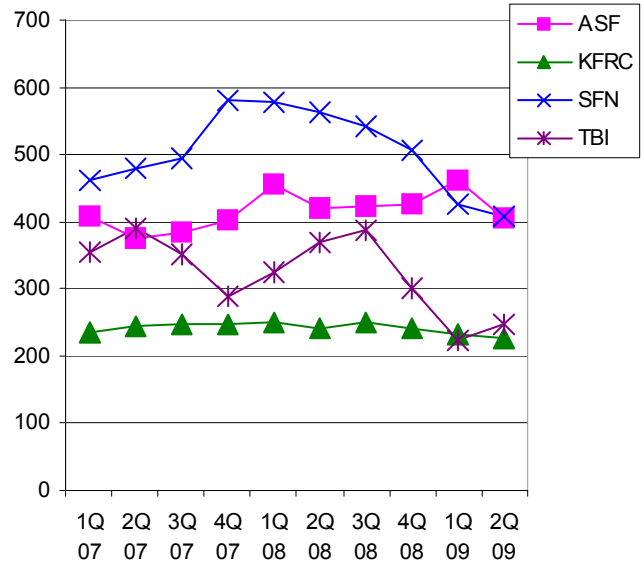


Figure 1: Net Sales (Millions USD) Sources: Thomson ONE Banker and company filings

Benchmark Companies

Companies were selected to reflect a broad range of staffing firms: blue collar and professional workers and PEOs.

- ASF Administaff Inc.
- KFRC Kforce Inc.
- SFN Spherion Corp.
- TBI TrueBlue Inc

Contact Us:

Brooke Hollis, President
 Cell: 860-985-6223

Phil Heyde, Managing Director
 Cell: 480-213-3871

Steve Newman, Managing Director
 Cell: 860-748-1523

Staffing Firms Weigh Costs, Benefits of Healthcare Reform

As the debate on healthcare reform continues, staffing agencies are examining the impact various proposals could have on their companies. A Congressional Budget Office brief released in July noted that some proposals might impose fees that would apply to all workers, but be lower for

temporary workers.

One of the largest providers of temporary workers, Kelly Services, has weighed in in favor of a pay-or-play system that would require large companies to provide health insurance—as long as the plan has effective cost controls. As Jim McIntire,

VP of public affairs, asserted, wider availability of health insurance could increase the supply of temporary workers.

For some small businesses taxed as individuals, the House proposal targeting the wealthy could increase their tax load.

General Staffing Trends

Q2 Financials: Some Firms See Revenues Stabilizing *Continued*

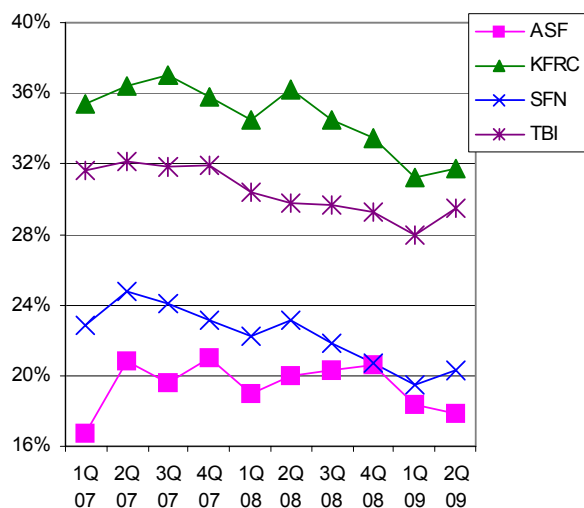


Figure 2: Gross Margin Sources: Thomson ONE Banker and company filings

gins (Figure 2), due to aggressive cost-containment measures. These companies generally held the line on sales, general and administrative expenses (SG&A) vs. sales this quarter (Figure 3). Although cutting back on SG&A can improve profits in the near term, cuts that are too deep can

hamper the ability to participate in a recovery.

Many staffing companies reported signs of stabilization in July and August. The Labor Department released figures showing that only 10,000 temporary jobs were lost in July, compared to 37,000 in June. Another optimistic signal comes

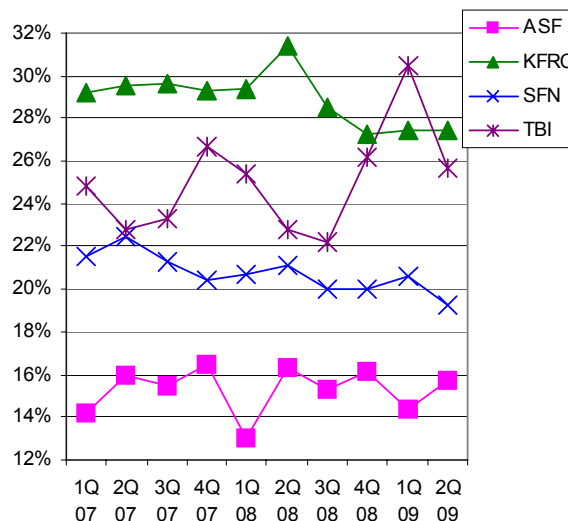


Figure 3: Sales, General & Administrative Expenses as a Percentage of Net Sales Sources: Thomson ONE Banker and company filings

from a recent survey by CareerBuilder.com, which found that firms anticipate steady use of temporary staffing for the third quarter, and increasing numbers of firms expect to use staffing agencies to fill health-care, professional, and IT positions.

The companies in our sur-

vey reported taking steps to position for economic recovery, including securing additional credit. Some firms are looking for acquisitions, anticipating a greater need for a flexible workforce due to the severity of the recession.

Social Network Sites May Be Supplanting Job Boards

Online job board sites such as Monster.com and CareerBuilder.com largely replaced classified ads for jobs in newspapers. Now social networking sites appear to be replacing the job boards as a source of recruitment

at all levels, from temporary staff to top executives.

In response, job boards and staffing agencies are looking for ways to use social networking sites to their advantage. In July, Monster announced plans to lay off

160 employees but hire 80 new employees to staff a research facility focused on integrating social networking into the site.

A host of online startups are also combining job listings with social networking.

Is retirement on your horizon? When is the best time to sell your firm? How can you prepare for an eventual sale? The advisors at Hollis Associates specialize in helping owners plan and implement their succession and exit strategies.