

1ST QUARTER 2009

IT Staffing Trends

Hollis Associates to Exhibit at This Year's TechServe Alliance Tradeshow

Las Vegas, NV
 Oct. 7 - 9

Don't miss your chance for a confidential discussion of market conditions and opportunities with a Hollis Associates advisor. The TechServe Alliance Tradeshow (formerly known as the NAACB conference) offers educational programming to owners and other executives of IT staffing/services firms.

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Q1 Financials: Staffing Firms Struggle to Maintain Margins

This quarter's financial reports for our benchmark information technology services and staffing firms we reflect the rigorous steps these companies are taking to protect their margins in the face of declining revenues.

Revenues of publicly-traded information technology staffing revenues generally softened this quarter (Figure 1). This represented a continuing trend of slow revenue growth at these firms. Benchmark companies are Comsys IT Partners Inc. (CITP), Ciber Inc.(CBR), CDI Corp (CDI), and Com-

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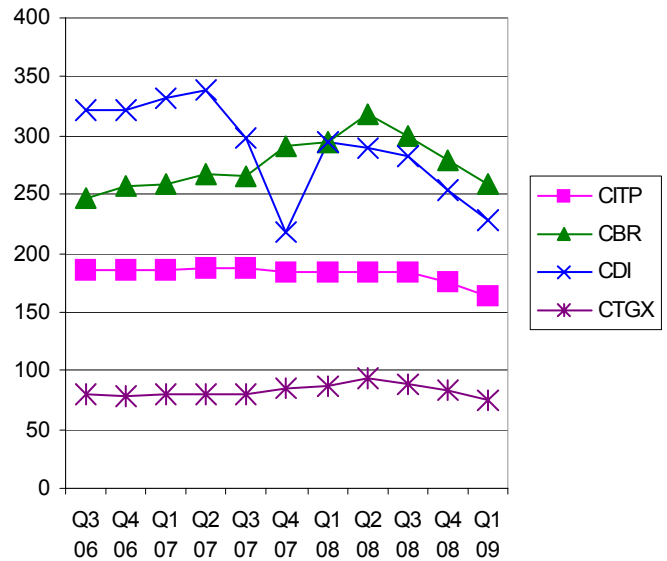


Figure 1: Net Sales (Millions USD) Sources: Thomson ONE Banker and company filings.

A bright spot on the horizon... the Federal Reserve Board's latest Beige Book notes that staffing services firms in some cities reported stable and even improving employment trends.

Take Steps Now to Prepare for Improved Market Conditions

With many economists predicting a business recovery by the end of the year, some business owners who want to sell their firms are delaying their plans in hope of receiving better offers. In fact, owners should take steps now to be ready to sell when the market improves. The mergers and

acquisitions market can heat up and cool down quickly, and positioning a firm for optimal after-tax profit can require months of advance preparation.

An owner can increase the value of the firm by reducing the perceived risk that business performance will

suffer after the transaction. To allay this concern, the owner will need time to draw up an implement an effective transition plan, addressing possible benefits to staff, the level of continuing involvement of the owners, and a plan for company growth. The seller

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Q1 Financials: Staffing Firms Struggle to Maintain Margins *Continued*

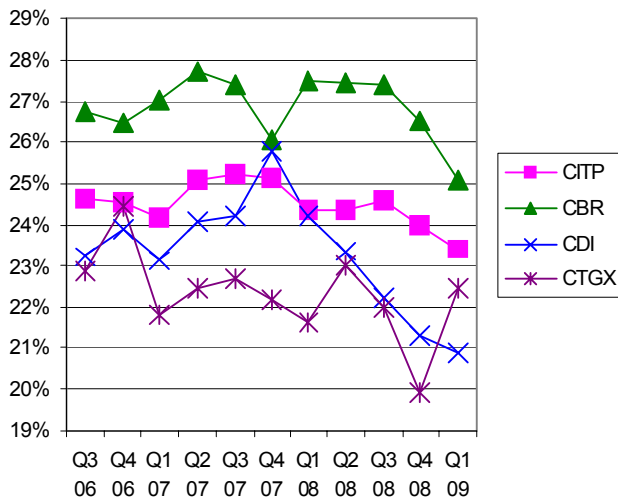


Figure 2: Gross Margin Sources: Thomson ONE Banker and company filings.

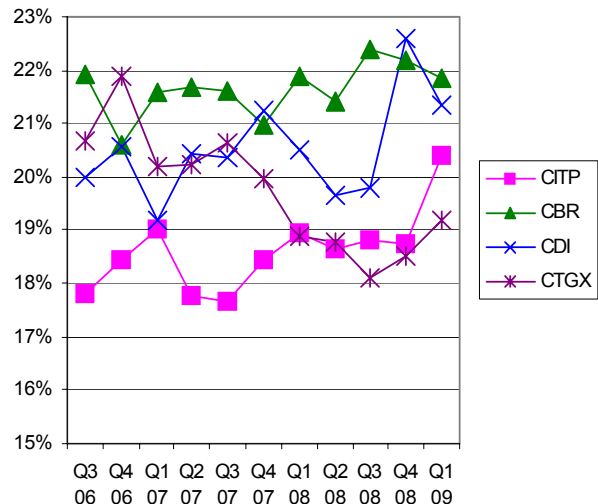


Figure 3: Sales, General & Administrative Expenses as a Percentage of Sales

puter Task Group (CTGX).

Earnings calls at these firms all cited worsening economic conditions as the cause of lower revenues. Companies reported increasing pricing pressures, a decline in permanent placements, and reduced billable hours. Nonetheless, these firms generally expected to remain profitable through-

out the year.

Although firms reported reducing head counts, gross margins at these firms generally dropped this quarter. Permanent placements were reportedly significantly weaker.

Gross margin is a key metric companies consider when evaluating acquisition targets. Some of these firms

are continuing to look for complimentary acquisitions.

In order to hold the line on sales, general and administrative expenses (SG&A) vs. sales (Figure 3) this quarter, firms reported closing less profitable offices and streamlining operations.

While all of these firms ex-

pect a further weakening in the IT staffing field through the year, and the Staffing Industry Analysts forecasts a drop in staffing revenues of about 25% for the year, the firms reported preparing for economic recovery by year-end.

Take Steps Now to Prepare for Improved Market Conditions *Continued*

will likely also need to ensure that staff have been adequately trained to take over some management responsibilities. Business owners need time to address documentation issues: financial statements in

shape for rigorous scrutiny; a corporate tax structure that facilitates an asset sale; non-compete agreements in place; etc. In addition, owners should budget time to review SGA expenses and the breadth of the customer base.

Identifying a team of advisors—including financial, legal, and M&A experts—should be done far enough in advance for the owner to fully benefit from their knowledge. Call an advisor at Hollis Associates now to get an initial evaluation of

your firm and start preparing for a sale. You've worked for years to build a valuable business; put our 20+ years of M&A experience to work for you to realize that value.

“Hollis Associates—charting the course to successful M&A transactions for 20 years”