

2ND QUARTER 2009

Twy Bethard, ed.

IT 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 IT 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 continued to decline this quarter (Figure 1). Some firms reported fewer billable hours. However, all reported making a profit for the quarter.

Despite the revenue shortfalls, three out of four of these companies reported an increase in their gross margins (Figure 2), due to ag-

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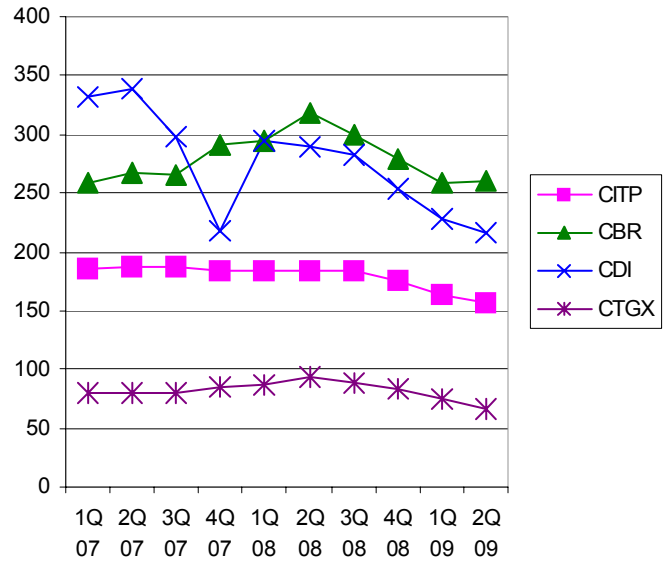


Figure 1: Net Sales (Millions USD) Sources: Thomson ONE Banker and

Benchmark Companies

CITP Comsys IT Partners CBR Ciber Inc.
 CDI CDI Corp. CTGX Computer Task Group Inc

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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.

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Q2 Financials: Some Firms See Revenues Stabilizing *Continued*

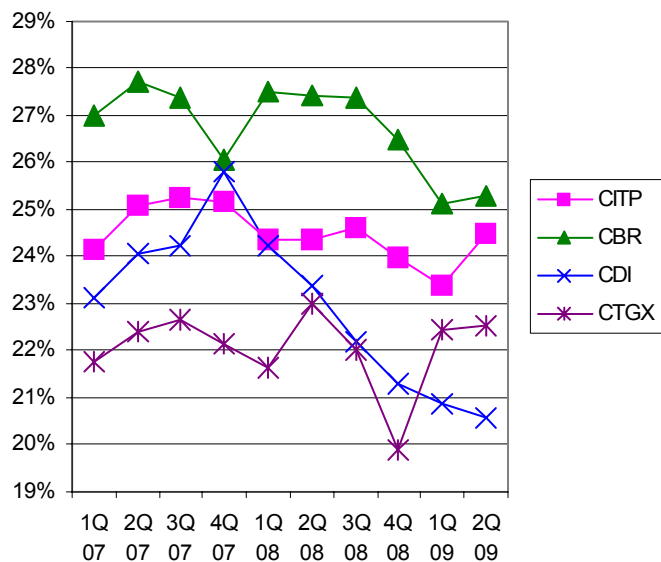


Figure 2: Gross Margin Sources: Thomson ONE Banker and company filings

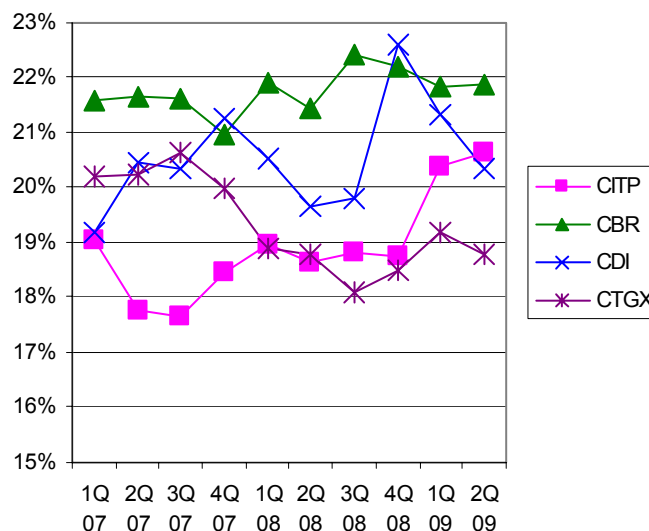


Figure 3: Sales, General & Administrative Expenses as a Percentage of Net Sales Sources: Thomson ONE Banker and company filings

gressive cost-containment measures. These companies reported mixed results in attempts to reduce 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. Also, maintaining operations infrastructure may improve exit valuations for smaller firms.

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 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 IT companies in our survey reported taking steps to be positioned for economic recovery, by focusing on verticals such as healthcare and government.

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.