

## RECRUITMENT AND STAFFING

21<sup>st</sup> September 2007

The Big Jump in FDM's Pre-Tax Profits

BUY

This was alluded to in a trading update in July and is down to margin improvement. The IT staffing company is using more of its directly employed staff (known as Mounties), rather than external freelancers, to fulfil its clients' needs. As a result, the operating margin increased from 5.7% to 7.1% in the period.

FDM is hoping that this trend will continue, so it is aggressively recruiting new Mounties. There were 190 at 30 June, up from 154 at 31 December, and the utilisation rate stands at an impressive 98.5% because of strong demand. But while a large team of Mounties is helping to improve margins when times are good, it could turn out to be a liability if trading conditions deteriorate and demand drops. In those conditions, recruiters who rely on freelancers would be in a stronger position.

Housebroker, Daniel Stewart expects full-year EPS of 11.6p, rising to 14p in 2008.

### TIP Update

FDM's shares, along with others in the sector have suffered in the market sell-off and, at current levels, are only slightly ahead of our buy tip (123p, 30 March 2007). While some caution on the sector is warranted, a rating of 11 times full-year forecast earnings looks harsh for a company that said just two months ago that full-year results would be "materially ahead of expectations". BUY

Source: [Investors Chronicle](#)

For PR information please contact Jacs Flavell on 01273 811530