

## FDM Group

OUR VIEW: BUY

CURRENT PRICE: 127p (+2p)

The prevailing wisdom about the recruitment sector has always been that when an economic slowdown bites it is generally among the first sectors to feel the pinch. But that is not necessarily the case – particularly when it comes to troubleshooting and temporary placements. FDM Group specialises in both, and looks like a good value play in what has been a strong market in the past two years.

AIM-listed FDM is unique in the staffing market – it recruits and trains IT specialists, guaranteeing them two years of work once the training is completed. It then hires them out to customers as high-margin consultants known as Mounties, a throwback to Mountfield, the company that designed the system which FDM acquired in 1995.

Yesterday's interim results show that the business model is working well, with first-half pre-tax profit up 45.2% to £1.83m on the back of 15.7% jump in revenue to £24.4m. Net fee income, the most common measure used to judge the performance of recruitment stocks, rose by 29% to £5.1m.

If we go into a recession permanent recruitment is likely to suffer, but companies are happier recruiting temporary staff in a slow-down. FDM offers defensive qualities with a strong growth record – during the last major market sell-off, FDM still managed to grow earnings. The stock trades at a substantial discount to the rest of the recruitment sector, at just 9 times forecast 2008 earnings offers good value and a growing dividend into the bargain. BUY.

