

SUPPORT SERVICES
INTERQUEST GROUP (ITQ)

Green shoots at InterQuest



Although recruitment will be a late beneficiary of UK economic recovery as unemployment heads for 3m-plus, InterQuest is better insulated from recessionary pressures than many of its rivals. The company has reported an upturn in demand that began in June, particularly as the clearing banks are starting to re-hire.

InterQuest had a tough time in the first half of 2009, though. In fact, these results could have been a lot worse were it not for the increased public sector work that offset a fall in demand from financial services. Gross profits from permanent staff fees fell by 58 per cent in the half year but, fortunately, InterQuest concentrates on contract workers and profit from that area was only 7 per cent lower. At end-June, contractors accounted for 80 per cent of gross profits against two-thirds in the comparable period of 2008.

InterQuest pays its contract staff on a monthly basis and receives payment from customers 45 days after billing. So in good times working capital can be stretched, but the reverse tends to happen during a recession. That's why the company's end-June balance sheet improved so dramatically, with trade debtors reduced by £4m to £15.6m, while trade creditors were only down by £1m at £9.8m. There was also a £4.2m reduction in net debt to £1.4m. Broker Cenkos expects 12-month sales down £10m to £96m and adjusted profits £1.8m lower at £3m.

IQ is one of our favoured shares in the recruitment sector. So, as the recession tide starts to turn, we upgrade them from good value to buy.

Buy

Ord Price: 53p Market Value: £16.2m
 Touch: 51.25-54.5p 12-Month High: 59p Low: 30.5p
 Dividend Yield: 1.89% PE Ratio: 9
 Net Asset Value: 62p Net Debt: 7%

Half-year to 30 Jun	Turnover (£m)	Pre-tax profit (£m)	Earnings per share (p)	Dividend per share (p)
2008	53.4	2.09	5.0	nil
2009	49.2	0.91	2.1	nil
% change	-8	-56	-58	-

Last IC view: Good value, 32p, 6 Mar 2009

