

Keyword: InterQuest

TEG smells successful year

Investors looking for a recruitment sector recovery story with a strengthening balance sheet might investigate InterQuest, the niche IT staffing specialist steered by the entrepreneurial Gary Ashworth.

Admittedly, City-based InterQuest experienced tough trading in the first half of last year, with profits declining by 55% to £913,000 on turnover reduced by 8% to £49.2m amid the economic maelstrom. However, the strongly cash generative venture paid a maiden dividend of 1p and more recently, issued a positive trading update for the 2009 calendar year.

Annual results, set for release in March, will meet forecasts - analysts are looking for £3.15m pre-tax and earnings of 7.55p - and InterQuest will propose a doubling of the dividend to 2p, at the top end of market estimates. What is more, executive chairman Ashworth highlighted stronger trading in the IT recruitment market in the final quarter of last year, with permanent placements picking up quarter-on-quarter and placement fees in the financial services sector rebounding.

Furthermore, he informed investors about a strengthening of the balance sheet, driven by the continued profitability of the business and tight cost and cash management. Year-end net debt is now expected to be less than £3m, down from £5.5m at the beginning of 2009.

The shares, which we urged investors to avoid over the summer, on worries regarding the effect of the recession on earnings, are up from a 30.5p 52-week low and are beginning to look attractive again, given recent trading recovery signs. Dividend-yielding and selling for a modest 6.8 times '09 earnings, they could reward a speculation.

<http://www.growthcompany.co.uk/recommendations/1111126/interquest.shtml>