

Keyword: InterQuest

Interquest reveals £4.6m acquisition

In what should be an earnings enhancing move, fast growing recruitment firm Interquest (ITQ) has unveiled the acquisition of rival Contract Connections for up to 4.6m. The target was founded in 1997 and specialises in contract to permanent technology staffing for the legal sector. It has offices in London and Dublin, moreover it brings an additional 170 contractors to Interquest (total contractors of 1.091 as at December). In the year to May 2011 it achieved sales of 10m and pre-tax profits of 750,000. Contract also brings a managed services operation - an area Interquest has been looking to move into.

Interquest is paying 3.7m in cash and 296,000 in shares, an additional 600,000 is due over the next two years. This is the first acquisition for four years, but is in line with the strategy of seeking to bolster its scale in specialist markets. At its AGM last month the AIM counter reported a continued strengthening in its markets, with the number of contractors on site up 4 per cent since early January.

Demand in the public sector has stabilised, however the financial services market is enjoying growth. House broker finnCap predicts adjusted 2011 pre-tax profits of 4.3m and EPS of 9.4p, the Contract deal has led to an upgrade for 2012 to pre-tax profits of 4.8m and EPS of 11.5p.

We recommended Interquest in Growth Company Investor in March last year at 49.5p, so the price increase to 62.5p is useful. However, the rating is harsh so the shares should have further to run - finnCap has a price target of 85p.

<http://www.growthcompany.co.uk/news/1632203/interquest-reveals-46m-acquisition.html>