CDI Corp. Reports Third Quarter 2006 Net Earnings Increase 46.2% and Announces Dividend

PHILADELPHIA, Oct 26, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- CDI Corp. (NYSE: CDI) today reported earnings for the third quarter and announced a quarterly cash dividend.

For the quarter ended September 30, 2006, the company reported net earnings of $6.1 million, or $0.30 per diluted share, on revenues of $322.5 million. Total third quarter revenue increased 11.0% compared to $290.5 million for the third quarter of 2005 and net earnings increased 46.2% compared to the year-ago quarter. The company also announced a quarterly dividend of $0.11 per share to be paid on November 22, 2006 to all shareholders of record as of November 8, 2006.

"Solid year-over-year revenue growth in the third quarter was driven by continued strength in our clients' capital spending as well as by generally steady demand for permanent and contingent hiring," said President and Chief Executive Officer Roger H. Ballou. "We were pleased that our variable contribution margin was 10.9% indicating sound execution of our business model."

Business Segment Discussion

The Business Solutions segment reported a strong 11.8% gain in revenue on a year-over-year basis as capital expenditures by clients drove revenue in most vertical markets. Operating profit increased 41.9% over the year-ago quarter.

U.K.-based AndersElite reported robust revenue growth of 19.8% (or 15.1% on a constant currency basis) versus the comparable period last year driven by continued demand for skilled contract and permanent professionals in the U.K. infrastructure marketplace. Operating profit climbed by 11.3% on a year-over- year basis (or 6.8% on a constant currency basis) even as investment in new offices continued.

Todays Staffing year-over-year revenue declined 4.9% largely due to reductions in mortgage processing business and large account billable hours. Operating profit declined 32.9% versus the previous year due to the above- noted revenue decline and continuing gross margin pressure.

Management Recruiters International, Inc. year-over-year revenue increased by 12.5% reflecting solid growth in staffing revenue and franchise sales, and modestly improved domestic royalty results. Year-over-year operating profit increased by 48.4% driven by the above-mentioned factors and effective cost control initiatives.

Corporate Summary

CDI ended the quarter with approximately $18.9 million in cash and cash equivalents and no debt, compared to $14.4 million in cash and $3.8 million in short-term debt at the end of the second quarter. Corporate expenses declined to 1.4% of revenue for the quarter reflecting effective cost control programs.

Business Outlook

"We are pleased with our operating performance this quarter and with the year-over-year growth in operating profit margin from 2.4% to 3.2%. Our management team is focused on, over time, achieving operating profit margins of 5%," said Ballou. "We believe that we can achieve this goal through continued revenue growth and through effective execution of our business model which can generate low to mid-teen variable contribution margins.

"Looking ahead, we anticipate year-over-year revenue growth of 6% to 8% in the fourth quarter with full year revenue growth in the expected range of 10% to 12%. A broad look at our pipeline of new business and overall economic forecasts indicate the possibility of 7% to 9% revenue growth in 2007 versus 2006. We also believe that we can continue to deliver 11% to 13% variable contribution margin on this revenue growth in 2007."

Financial Tables Follow

Conference Call/Webcast

CDI Corp. will conduct a conference call at 11 a.m. (ET) today to discuss this announcement. The conference call will be

broadcast live over the Internet and can be accessed by any interested party at http://www.cdicorp.com. An online replay will be available at http://www.cdicorp.com for 14 days after the call.

Company Information

Headquartered in Philadelphia, CDI Corp. (NYSE: CDI) is a leading provider of engineering and information technology outsourcing solutions and professional staffing. Its operating units include CDI Business Solutions, CDI AndersElite Limited, Todays Staffing, Inc. and Management Recruiters International, Inc. Visit CDI at http://www.cdicorp.com.

Caution Concerning Forward-Looking Statements

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that address expectations or projections about the future, including statements about our strategy for growth, expected expenditures and future financial results are forward-looking statements. Some of the forward-looking statements can be identified by words like "anticipates," "believes," "expects," "may," "will," "could," "intends," "plans," "estimates," and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements depending on a variety of factors, including the following: changes in general economic conditions and levels of capital spending by customers in the industries we serve; possible inaccurate assumptions or forecasts regarding the bill rate, profit margin, duration of assignment and utilization rate applicable to our billable personnel; competitive market pressures; the availability of qualified labor; changes in customers' attitudes towards outsourcing; our level of success in attracting, training, and retaining qualified management personnel and other staff employees; our ability to pass on to customers increases in our costs (such as those relating to workers' compensation insurance or which may arise from regulatory requirements); our performance on our customer contracts; the possibility of our incurring liability for our activities, including the activities of our temporary employees; adverse consequences arising out of the previously disclosed U.K. Office of Fair Trading investigation; and government policies or judicial decisions adverse to the staffing industry. More detailed information about some of these risks and uncertainties may be found in our filings with the SEC, particularly in the "Risk Factors" section of our Form 10-K's and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Form 10-K 's and Form 10-Q's. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We assume no obligation to update such statements, whether as a result of new information, future events or otherwise.

CDI CORP. AND SUBSIDIARIES
Consolidated Statements of Earnings
Unaudited
(in thousands, except per share data)

	For the three months ended			For the nine months ended	
	September 30, 2006	September 30, 2005	June 30, 2006	September 30, 2006	September 30, 2005
Revenues	$322,451	$290,530	$314,478	$944,260	$842,860
Cost of services	247,597	222,395	242,170	726,527	647,694
Gross profit	74,854	68,135	72,308	217,733	195,166
Operating and administrative expenses	64,447	61,207	64,049	191,233	178,852
Gain on sale of asset	-	-	-	-	(420)
Operating profit	10,407	6,928	8,259	26,500	16,734
Other (expense) income, net	(42)	45	(697)	(576)	291

Earnings before income taxes	10,365	6,973	7,562	25,924	17,025
Income tax expense	4,263	2,800	2,108	9,462	6,540
Net earnings	$6,102	$4,173	$5,454	$16,462	$10,485
Diluted earnings per share	$0.30	$0.21	$0.27	$0.82	$0.53
Diluted number of shares (000)	20,102	19,972	20,128	20,079	19,907

	Sept. 30, 2006	June 30, 2006	Dec. 31, 2005	Sept. 30, 2005
Selected Balance Sheet Data:				
Cash and cash equivalents	$18,882	$14,447	$13,407	$12,284
Accounts receivable, net	$265,506	$257,453	$232,365	$229,630
Current assets	$301,316	$287,883	$259,755	$254,777
Total assets	$420,308	$408,324	$379,494	$373,649
Current liabilities	$118,787	$113,483	$97,766	$95,959
Shareholders' equity	$293,366	$285,673	$271,478	$270,837

	For the three months ended			For the nine months ended	
	September 30, 2006	2005	June 30, 2006	September 30, 2006	2005
Selected Cash Flow Data:					
Depreciation expense	$2,687	$2,547	$2,543	$7,740	$7,610
Capital expenditures	$2,991	$5,682	$2,728	$8,790	$12,195
Dividends paid	$2,202	$2,175	$2,196	$6,582	$6,515

Free cash flow for the quarter ended September 30, 2006 is shown below:

Net cash provided by operating activities	$13,012
Less: capital expenditures	(2,991)

Less: dividends paid	(2,202)
Free cash flow for the quarter ended September 30, 2006	$7,819

	For the three months ended			For the nine months ended	
	September 30, 2006	2005	June 30, 2006	September 30, 2006	2005
Selected Earnings and Other Financial Data:					
Revenues	$322,451	$290,530	$314,478	$944,260	$842,860
Gross profit	$74,854	$68,135	$72,308	$217,733	$195,166
Gross profit margin	23.2%	23.5%	23.0%	23.1%	23.2%
Operating and administrative expenses as a percentage of revenue	20.0%	21.1%	20.4%	20.3%	21.2%
Corporate expenses	$4,458	$4,459	$4,629	$14,111	$12,690
Corporate expenses as a percentage of revenue	1.4%	1.5%	1.5%	1.5%	1.5%
Operating profit margin	3.2%	2.4%	2.6%	2.8%	2.0%
Effective income tax rate	41.1%	40.2%	27.9%	36.5%	38.4%
After-tax return on shareholders' equity (a)	7.0%	2.5%	6.4%		
Pre-tax return on net assets (b)	11.7%	4.1%	10.8%		
Variable contribution margin (c)	10.9%	19.1%	7.1%	9.63%	2.42%

	For the three months ended			For the nine months ended	
	September 30, 2006	2005	June 30, 2006	September 30, 2006	2005
Selected Segment Data (d):					
Business Solutions					
Revenues	$209,643	$187,518	$206,662	$619,852	$551,023

Gross profit	40,301	36,138	38,832	118,701	103,218
Gross profit margin	19.2%	19.3%	18.8%	19.1%	18.7%
Operating profit	7,439	5,244	6,100	21,277	12,866
Operating profit margin	3.5%	2.8%	3.0%	3.4%	2.3%
AndersElite					
Revenues	$58,639	$48,934	$51,623	$158,848	$137,438
Gross profit	14,938	12,294	13,488	40,353	34,522
Gross profit margin	25.5%	25.1%	26.2%	25.4%	25.1%
Operating profit	2,706	2,431	1,901	5,724	4,950
Operating profit margin	4.6%	5.0%	3.7%	3.6%	3.6%
Todays Staffing					
Revenues	$36,546	$38,418	$39,791	$115,791	$109,420
Gross profit	8,625	9,357	9,610	27,328	27,123
Gross profit margin	23.6%	24.4%	24.2%	23.6%	24.8%
Operating profit	651	970	1,375	2,750	1,032
Operating profit margin	1.8%	2.5%	3.5%	2.4%	0.9%
Management Recruiters International					
Revenues	$17,623	$15,661	$16,402	$49,769	$44,979
Gross profit	10,990	10,346	10,378	31,351	30,303
Gross profit margin	62.4%	66.2%	63.3%	63.0%	67.2%
Operating profit	4,069	2,742	3,512	10,860	10,156
Operating profit margin	23.1%	17.5%	21.4%	21.8%	22.6%

	For the three months ended			For the nine months ended	
	September 30,		June 30,	September 30,	
	2006	2005	2006	2006	2005
Business Solutions Revenue by Vertical:					
CDI Process and Industrial	$93,331	$85,286	$90,775	$274,772	$252,015
CDI Information Technology Services	78,323	67,097	77,744	229,521	196,417
CDI Aerospace	20,616	20,782	20,828	64,250	61,566
CDI Government Services	14,188	12,025	14,438	42,774	34,574
CDI Life Sciences	3,185	2,328	2,877	8,535	6,451
Total Business Solutions Revenue	$209,643	$187,518	$206,662	$619,852	$551,023

(a) Current quarter combined with the three preceding quarters' net earnings or (loss) divided by the average shareholders' equity.

(b) Current quarter combined with the three preceding quarters' pre-tax

earnings or (loss) divided by the average net assets.
Net assets include total assets minus total liabilities excluding cash and income tax accounts

(c) Year-over-year change in operating profit divided by year-over-year change in revenue

(d) Commencing January 1, 2006, the company changed its method of allocating certain support services expenses to the business segments. The operating profit for the three and nine-month periods ended September 30, 2005 has been revised for comparative purposes.

SOURCE CDI Corp.

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