CDI Corp. Reports Third Quarter 2007 Net Earnings from Continuing Operations Increase by 40% and Increases Dividend

PHILADELPHIA, Oct 25, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- CDI Corp. (NYSE: CDI) today reported earnings for the third quarter ended September 30, 2007 and announced a quarterly cash dividend.

For the quarter ended September 30, 2007, the company reported revenue from continuing operations of $298.7 million - an increase of 4.5% compared to $285.9 million for the third quarter of 2006. Third quarter net earnings from continuing operations were $8.0 million, or $0.39 per diluted share - an increase of 40% compared to the year-ago quarter.

The company's consolidated after-tax net earnings were $9.6 million, or $0.47 per diluted share, on revenue of $335.4 million. Earnings include $1.3 million in an after-tax gain on the previously-announced sale of Todays Staffing, Inc. (Todays) and $0.3 million in net earnings for Todays which was reported as discontinued operations.

The company also announced a dividend of $0.13 per share to be paid on November 21, 2007 to all shareholders of record as of November 7, 2007.

"Our three highest margin businesses - CDI Engineering Solutions, Management Recruiters International (MRI) and AndersElite - each reported double-digit revenue increases producing overall moderate revenue growth of 4.5% over the prior-year quarter," said President and Chief Executive Officer, Roger H. Ballou.

"Growth in our higher-margin businesses had the effect of increasing our gross profit by 9.3% - double the rate of revenue growth and producing a variable contribution margin of over 14%. This is the result of effective implementation of our long-term growth strategy as we focus on three areas: providing higher-margin project outsourcing in our engineering vertical markets; generating professional services revenue from permanent placement and staffing services in the U.K. and Australia infrastructure marketplaces; and, building permanent placement revenue in North America as well as high margin business in the MRI network.

"This emphasis on generating higher-margin revenue and our ability to control expenses contributed to continued improvement in operating profit margin from continuing operations which increased to 3.9% this quarter versus 3.4% in the third quarter of 2006."

Business Segment Discussion

The Engineering Solutions segment reported a 10.3% increase in revenue compared to the third quarter of 2006 driven by continued strength in engineering project outsourcing demand in the Process & Industrial and Government Services verticals. Operating profit margin on a year-over-year basis increased significantly to 5.2% versus 3.5% in the prior-year quarter driven primarily by increases in permanent placement and in high-margin engineering projects.

MRI third quarter revenue increased 18.2% on a year-over-year basis driven by solid increases in contract staffing revenue offset by some weakness in royalty revenue. Operating profit margin declined to 20.4% from 23.1% in the prior-year quarter due to a mix shift to lower-margin contract revenues.

Strong demand for professional staff in the U.K. and Australia continued into the third quarter as AndersElite revenue increased by 13.2% versus the prior-year quarter (or 4.8% on a local currency basis). Operating profit margin increased significantly to 5.8% from 4.6% in the prior-year quarter driven by increases in higher-margin permanent placement business and by continued improvement in recruiter productivity.

IT Solutions revenue declined 18.1% versus the year-ago quarter due to decreases in staffing services provided to smaller accounts and staffing cutbacks by a large IT client. Operating profit margin declined to 0.6% versus 3.6% for the prior-year quarter due primarily to the revenue decline and continued margin pressures within staffing services.

Corporate Summary

Corporate overhead costs increased by 10.5% versus the prior-year quarter due to higher variable and stock-based compensation costs partially offset by decreases in compliance spending.

"CDI ended the quarter with $113.6 million in cash and cash equivalents compared to $53.2 million at the end of the prior quarter, reflecting cash proceeds from the previously-announced sale of the Todays Staffing subsidiary and from the operating results of our cash generative business model," said Ballou. "Our cash balance is more than sufficient to support organic revenue growth and capital spending, and we have sufficient cash resources to increase our shareholder dividend. Additionally, the cash balance and our untapped debt capacity could support potential strategic acquisitions in higher-margin service segments."

Business Outlook

"The combination of strong project demand in our engineering verticals, continued strength in U.K. and Australia infrastructure spending, and strength in North American permanent placement could produce fourth quarter revenue growth from continuing operations of 4% to 6% even with potential continued softness in the IT segment. Revenue growth from continuing operations could be in the range of 6% to 8% for the full year 2007. Variable contribution margin on this incremental revenue in the fourth quarter could be in the mid to upper teens due to continued increases in high-margin permanent placement and the effects of additional high-margin engineering solutions business. If current economic trends continue, we could achieve year-over-year revenue growth from continuing operations of 6% to 8% in 2008. We also believe that we could deliver 12% to 14% variable contribution margin on that revenue growth."

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 www.cdicorp.com. An online replay will be available at www.cdicorp.com for 14 days after the call.

Company Information

Headquartered in Philadelphia, CDI Corp. (NYSE: CDI) is a leading provider of engineering & information technology outsourcing solutions and professional staffing. Its operating units include CDI Engineering Solutions, CDI IT Solutions, CDI AndersElite Limited, and Management Recruiters International, Inc. Visit CDI at 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. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to: changes in general economic conditions and levels of capital spending by customers in the industries that we serve; the impact of a potential reduction in demand in our IT Solutions segment; possible inaccurate assumptions or forecasts regarding the bill rate, profit margin and duration of assignment applicable to billable personnel (and regarding the utilization rate of billable personnel in our project business); competitive market pressures; the availability and cost 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; the ability to pass on to customers increases in costs (such as those relating to workers' compensation, unemployment insurance, medical insurance coverage or other costs which may arise from regulatory requirements); our performance on customer contracts; the possibility of incurring liability for our activities, including the activities of our temporary employees; adverse consequences arising out of the 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 Earnings Press Release Tables
Unaudited
(in thousands, except per share data)

	For the three months ended			For the nine months ended	
	September 30, 2007	2006	June 30, 2007	September 30, 2007	2006
Revenues	$298,708	$285,905	$295,717	$888,339	$828,469
Cost of services	226,315	219,676	223,919	676,106	638,064
Gross profit	72,393	66,229	71,798	212,233	190,405
Operating and administrative expenses	60,825	56,473	60,623	177,091	166,655
Operating profit	11,568	9,756	11,175	35,142	23,750
Other income (expense), net	508	(42)	264	1,207	(576)
Earnings from continuing operations before income taxes	12,076	9,714	11,439	36,349	23,174
Income tax expense	4,109	4,024	3,796	12,692	8,452
Earnings from continuing operations (a)	7,967	5,690	7,643	23,657	14,722
Earnings from discontinued operations, including $1,345 gain from disposal of discontinued operations in the quarter ended September 30, 2007, net of tax (a)	1,622	412	686	2,729	1,740
Net earnings	$9,589	$6,102	$8,329	$26,386	$16,462
Diluted earnings per share (a):					
Earnings from continuing operations	$0.39	$0.28	$0.38	$1.17	$0.73
Discontinued operations, including $0.07 gain from disposal of discontinued operations in the quarter ended September 30, 2007	0.08	0.02	0.03	0.13	0.09
Net earnings	$0.47	$0.30	$0.41	$1.30	$0.82
Diluted number of shares	20,454	20,102	20,406	20,351	20,079

Selected Balance Sheet Data from continuing operations (a):	September 30, 2007	June 30, 2007	December 31, 2006	September 30, 2006
Cash and cash equivalents	$113,582	$53,219	$33,551	$18,882
Accounts receivable, net	$232,283	$241,389	$224,334	$247,674
Current assets	$356,313	$305,441	$270,878	$283,009
Total assets	$459,777	$403,484	$366,825	$375,597
Current liabilities	$116,967	$108,122	$99,364	$110,288
Shareholders' equity	$329,969	$322,153	$299,332	$293,366

Selected Balance Sheet Data from discontinued operations (a):	September 30, 2007	June 30, 2007	December 31, 2006	September 30, 2006
Total assets of discontinued operations	$-	$46,536	$46,294	$44,711
Total liabilities of discontinued operations	$-	$7,690	$5,540	$8,624

Selected Cash Flow Data from continuing operations (a):	For the three months ended September 30, 2007	2006	June 30, 2007	For the nine months ended September 30, 2007	2006
Depreciation expense	$2,870	$2,516	$2,634	$8,097	$7,267
Capital expenditures	$1,198	$2,818	$2,487	$5,844	$8,250
Dividends paid	$2,228	$2,202	$2,220	$6,660	$6,582

Free cash flow for the quarter ended September 30, 2007 is shown below:

Net cash provided by operating activities	$24,662
Less: capital expenditures	(1,198)
Less: dividends paid	(2,228)
Free cash flow from continuing operations	$21,236

Free cash flow from operations of discontinued operations (a):	$1,522

Selected Earnings and Other Financial Data from continuing operations (a):	For the three months ended September 30, 2007	2006	June 30, 2007	For the nine months ended September 30, 2007	2006
Revenues	$298,708	$285,905	$295,717	$888,339	$828,469
Gross profit	$72,393	$66,229	$71,798	$212,233	$190,405
Gross profit margin	24.2%	23.2%	24.3%	23.9%	23.0%
Operating and administrative expenses as a percentage of revenue	20.4%	19.8%	20.5%	19.9%	20.1%
Corporate expenses	$4,926	$4,458	$5,108	$14,775	$14,111
Corporate expenses as a percentage of revenue	1.6%	1.6%	1.7%	1.7%	1.7%
Operating profit margin	3.9%	3.4%	3.8%	4.0%	2.9%
Effective income tax rate	34.0%	41.4%	33.2%	34.9%	36.5%
After-tax return on shareholders' equity (b)	9.5%	6.1%	9.0%		
Pre-tax return on net assets (c)	20.5%	11.9%	18.7%		
Variable contribution margin (d)	14.2%	11.2%	20.4%	19.0%	8.5%

Selected Earnings Data from discontinued operations (a):	For the three months ended September 30, 2007	2006	June 30, 2007	For the nine months ended September 30, 2007	2006
Net Revenues	$36,720	$36,546	$42,421	$117,168	$115,791
Earnings from discontinued operations, before taxes	443	651	1,096	2,211	2,750
Income tax expense	166	239	410	827	1,010
Earnings from discontinued operations, net of taxes	277	412	686	1,384	1,740
Gain from disposal of discontinued operations, net of taxes	1,345	-	-	1,345	-
Earnings from					

discontinued operations, net of taxes	$1,622	$412	$686	$2,729	$1,740

Selected Segment Data from continuing operations (a):	For the three months ended September 30, 2007	2006	June 30, 2007	For the nine months ended September 30, 2007	2006
Engineering Solutions(e)					
Revenues	$154,647	$140,230	$153,166	$458,781	$417,342
Gross profit	31,875	26,453	31,572	93,438	79,465
Gross profit margin	20.6%	18.9%	20.6%	20.4%	19.0%
Operating profit	8,070	4,916	7,999	25,696	17,057
Operating profit margin	5.2%	3.5%	5.2%	5.6%	4.1%
Management Recruiters International					
Revenues	$20,830	$17,623	$19,496	$56,500	$49,769
Gross profit	11,951	10,990	11,735	33,517	31,351
Gross profit margin	57.4%	62.4%	60.2%	59.3%	63.0%
Operating profit	4,240	4,069	4,281	11,840	10,860
Operating profit margin	20.4%	23.1%	22.0%	21.0%	21.8%
AndersElite					
Revenues	$66,356	$58,639	$63,193	$191,144	$158,848
Gross profit	18,023	14,938	17,456	51,654	40,353
Gross profit margin	27.2%	25.5%	27.6%	27.0%	25.4%
Operating profit	3,857	2,706	3,520	10,070	5,724
Operating profit margin	5.8%	4.6%	5.6%	5.2%	3.6%
IT Solutions (e)					
Revenues	$56,875	$69,413	$59,862	$181,914	$202,510
Gross profit	10,544	13,849	11,035	33,624	39,236
Gross profit margin	18.5%	20.0%	18.4%	18.5%	19.4%
Operating profit	327	2,523	483	2,311	4,220
Operating profit margin	0.6%	3.6%	0.8%	1.3%	2.1%

Engineering Solutions Revenue by Vertical(f):	For the three months ended September 30, 2007	2006	June 30, 2007	For the nine months ended September 30, 2007	2006
CDI Process and Industrial	$117,994	$102,247	$115,509	$346,041	$302,331
CDI Aerospace	16,888	20,616	17,282	52,299	64,250
CDI Government Services	17,642	14,188	17,193	51,387	42,774
CDI Life Sciences	2,123	3,179	3,182	9,054	7,987
Total Engineering Solutions Revenue	$154,647	$140,230	$153,166	$458,781	$417,342

(a) On September 19, 2007, the Company signed a definitive agreement to

sell all of the issued and outstanding common stock of its Todays Staffing, Inc. (Todays) subsidiary to Spherion Corporation. The sale closed on September 28, 2007. The sales price was $40,075 in cash, including the retention of certain liabilities and certain current and deferred income taxes directly related to the business. The Company recorded a gain of $2,086 ($1,345 after-tax) in connection with the sale. The sales price is subject to working capital adjustments which are expected to be agreed between the parties during the fourth quarter 2007. Included in current liabilities of continuing operations at September 30, 2007 are $2,018 of estimated working capital and other transaction related liabilities.

(b) Current quarter combined with the three preceding quarters' net earnings from continuing operations divided by the average shareholders' equity.

(c) Current quarter combined with the three preceding quarters' pre-tax earnings from continuing operations divided by the average net assets. Net assets include total assets from continuing operations minus total liabilities from continuing operations excluding cash, external debt and income tax accounts.

(d) Year-over-year change in operating profit from continuing operations divided by year-over-year change in revenue from continuing operations.

(e) As noted in the fourth quarter 2006 earnings press release, CDI began reporting on a new operating structure in place January 1, 2007. Under the new structure, CDI now separately reports CDI Engineering Solutions and CDI IT Solutions. For comparative purposes, the Company has revised the reporting segments' 2006 data for these two segments.

(f) The Company has revised the reporting segments' prior year revenue for Engineering Solutions for comparative purposes.

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