

CDI Corp. Reports Profitable Third Quarter Financial Results and Announces Dividend

PHILADELPHIA, Oct 27, 2005 /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, 2005, the company reported net earnings of \$4.2 million, or \$0.21 per diluted share, on revenues of \$290.5 million. The company also announced a quarterly dividend of \$0.11 per share to be paid on November 23, 2005 to all shareholders of record as of November 9, 2005.

"Our year-over-year operating performance demonstrated solid momentum as revenue increased by 10.4% and operating profits more than doubled," said President and Chief Executive Officer Roger H. Ballou. "Sequentially, revenue increased by 1.4% and operating profits increased by 10.6%. This momentum was constrained due to the impact of the Gulf Coast hurricanes which caused a loss of approximately \$1.5 million in revenues and approximately \$0.7 million in operating profits.

"During the quarter, the company incurred approximately \$0.7 million in start-up costs associated with a previously-announced major account win in our IT Services vertical which should produce profitable revenue growth in later quarters. The company also incurred an expense of \$0.5 million to increase accruals recorded during 2004 for real estate exit costs in Business Solutions and Management Recruiters International."

Business Segment Discussion

The Business Solutions segment reported year-over-year revenue growth of 6.0% due to solid business momentum in the Process & Industrial vertical. Operating profits increased 43.4% vs. the comparable period last year in spite of the aforementioned impact of the hurricanes and the new account start-up expenses.

U.K.-based AndersElite reported record revenues in the third quarter as revenues grew 13.7% on a year-over-year basis driven by continued demand for skilled contract and permanent professionals in the U.K. infrastructure marketplace. Operating profits more than tripled vs. the comparable period last year as the Anders' sales and recruitment organization continued to improve productivity.

Todays Staffing third quarter revenues increased by 31.9% on a year-over-year basis reflecting a solid increase in demand. Operating profits more than doubled vs. the comparable period last year as sales personnel hired in 2004 continued to improve productivity.

Management Recruiters International, Inc. (MRI) revenues increased 10.8% on a year-over-year basis as contract staffing revenues increased. Operating profits were down 5.7% vs. the comparable period last year due to a slowing rate of growth in its high margin royalty revenue and an increase in sales mix to less-profitable contract staffing revenue, as well as to an increase in headquarter staff investment.

Sequential data for the business segments can be found in the attached tables.

Corporate Summary

CDI ended the quarter with approximately \$12.3 million in cash and cash equivalents compared to \$22.5 million at the end of the second quarter. Additionally, CDI ended the quarter with \$6.1 million in short-term debt from a credit facility. Capital spending for the quarter increased to \$5.7 million as the company continued development of a new recruitment software system and significantly increased office space to support engineering growth in the Process & Industrial vertical. The decline in cash is primarily due to higher working capital requirements driven by higher revenue run rates, new business ramp ups and timing of certain cash outlays including those for an executive relocation at MRI.

"The combination of our cash generative business model and our opening cash balance is sufficient to support accelerating growth and anticipated capital spending in 2005," said Ballou. "We also have significant debt capacity if necessary to fund potential acquisitions."

Business Outlook

"While we are pleased with our robust organic revenue growth in the third quarter and the strong acceleration in operating profit margin to 2.4%, we are still targeting the company to, over time, achieve historical operating profit returns of 5%," said Ballou. "Looking ahead, we anticipate a 1-3% sequential revenue decline in the fourth quarter reflecting normal seasonality somewhat offset by a ramp-up of new account wins. We expect particular strength in the IT Services vertical and continued growth in demand in the petrochemical, chemical and aerospace industries. This would translate into revenue growth in our previously described range of 7-9% for the entire year.

"We expect to see significant year-over-year revenue momentum as we exit the fourth quarter and continue to ramp up 2005 account wins in our IT Services and Process & Industrial verticals and as we maintain our revenue momentum at Anders. Our business model is sound and we should be able to generate low to mid-teen variable contribution margins on these incremental sales."

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

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.

Safe Harbor Statement

Certain information in this news release contains forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Certain forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "could," "seeks," "approximately," "hopes," "intends," "plans," "estimates," or "anticipates" or the negative thereof or other comparable terminology, or by discussions of strategy, plans or intentions. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Readers are urged to note the various risks and uncertainties described in our public filings. In particular, these risks and uncertainties include: competitive market pressures, material changes in demand from larger customers, availability of labor, the company's performance on contracts, changes in customers' attitudes towards outsourcing, government policies or judicial decisions adverse to the staffing industry and changes in economic conditions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The company assumes no obligation to update such information.

CDI CORP. AND SUBSIDIARIES

Consolidated Statements of Earnings
Unaudited
(in thousands, except per share data)

		FOI CHE			FOI CHE			
		three	months en	.ded n	ine month	s ended		
		Septemb	er 30,	June 30,	Septemb	er 30,		
		2005	2004	2005	2005	2004		
		A	s Restate	ed	As	Restated		
			(a)			(a)		
Revenues	\$	290,530	263,152	286,411	842,860	783,978		
Cost of services		222,395	200,928	220,165	647,694	597,663		
Gross profit		68,135	62,224	66,246	195,166	186,315		
Operating and								
administrative expenses	3	61,207	59,544	59,980	178,852	171,029		

For the

For the

Gain on sale of asset		_	-	-	(420)	(1,295)
Operating profit		6,928	2,680	6,266	16,734	16,581
Interest income, net and other		(45)	(39)	(99)	(291)	(443)
Earnings before income taxes		6,973	2,719	6,365	17,025	17,024
Income tax expense		2,800	1,012	2,367	6,540	5,825
Net earnings	\$	4,173	1,707	3,998	10,485	11,199
Diluted earnings per share: Net earnings	\$	0.21	0.08	0.20	0.53	0.56
Diluted number of shares (000)	5	19,972	19,975	19,871	19,907	20,004
		Sept. 30, 2005	Dec. 31, 2004	2005	Sept. 30, 2004 As Restate (a)	
Selected Balance Sheet I Cash, cash equivalents and short-term	Oata:					
investments	\$	12,284	32,716	22,455	34,188	
Accounts receivable, net	\$	229,630	192,145	213,477	201,712	
Current assets	\$	254,777	242,628	249,626	249,859	
Total assets	\$	373,649	359,019	363,312	361,404	
Current liabilities	\$	95,959	83,623	88,192	84,320	
Shareholders' equity	\$	270,837	267,190	268,394	269,270	
		Se		s ended 0, June 3	0, Septem	ths ended aber 30,
Selected Cash Flow Data:	:			04 2005		2004
Depreciation expense	Ś	2.	.547 2	411 2.52	6 7.610	7.250

				ine mont Septem	
Selected Cash Flow Data:	2005	2004	2005	2005	2004
Depreciation expense	\$ 2,547	2,411	2,526	7,610	7,250
Capital expenditures	\$ 5,682	1,948	4,000	12,195	5,054
Dividends paid (b)	\$ 2,175	41,567	2,172	6,515	45,099

Free cash flow for the quarter ended September 30, 2005 is shown below:

Net cash flow used

in operating	
activities	\$ (7,398)
Less: capital	
expenditures	(5,682)
Less: dividend paid	(2,175)
Free cash used for	
the quarter ended	
September 30, 2005	\$ (15,255)

Selected Earnings and	three magnetic three	or the months end r 30, 2004 s Restated (a)	June 30, 2005	September 2005	ns ended er 30,
Other Financial Data: Revenues	\$ 290,530	263,152	286,411	842,860	783,978
Gross profit	\$ 68,135	62,224	66,246	195,166	186,315
Gross profit margin	23.5%	23.6%	23.1%	23.2%	23.8%
Operating and administrative expenses as a percentage of revenue	21.1%	22.6%	20.9%	21.2%	21.8%
Corporate expenses	\$ 4,458	4,655	4,043	12,691	11,455
Corporate expenses as a percentage of revenue	1.5%	1.8%	1.4%	1.5%	1.5%
Operating profit margin	2.4%	1.0%	2.2%	2.0%	2.0%
Effective income tax rate	40.2%	37.2%	37.2%	38.4%	34.2%
Pre-tax return on shareholders' equity - last twelve months (c)	3.7%	8.7%	2.0%	N/A	N/A

		F	or the	For the			
	three months ended			nine months ended			
		Septemb	er 30,	June 30,	Septem	September 30,	
		2005	2004	2005	2005	2004	
		A	s Restate	d	As	Restated	
Selected Segment Data:			(a)			(a)	
Business Solutions							
Revenues	\$	187,518	176,833	186,508	551,025	528,920	
Gross profit		36,138	33,697	34,636	103,218	102,911	
Gross profit margin		19.3%	19.1%	18.6%	18.7%	19.5%	
Operating profit		5,002	3,489	3,753	12,091	14,412	
Operating profit margin		2.7%	2.0%	2.0%	2.2%	2.7%	
AndersElite							
Revenues	\$	48,933	43,052	46,695	137,438	122,953	
Gross profit		12,294	10,635	11,687	34,522	30,398	
Gross profit margin		25.1%	24.7%	25.1%	25.1%	24.7%	
Operating profit		2,583	687	1,963	5,439	3,056	

Operating profit margin	5.3%	1.6%	4.2%	4.0%	2.5%
Todays Staffing					
Revenues	\$ 38,418	29,131	37,795	109,419	90,255
Gross profit	9,357	8,071	9,421	27,122	24,298
Gross profit margin	24.4%	27.7%	24.9%	24.8%	26.9%
Operating profit	1,237	440	839	1,892	1,730
Operating profit margin	3.2%	1.5%	2.2%	1.7%	1.9%
Management Recruiters International					
Revenues	\$ 15,661	14,136	15,413	44,978	41,850
Gross profit	10,346	9,821	10,502	30,304	28,708
Gross profit margin	66.1%	69.5%	68.2%	67.4%	68.6%
Operating profit (d)	2,564 16.4%	2,719 19.2%	-	•	8,838
Operating profit margin	10.46	19.26	24.46	∠1.36	21.1%

		For the	For the			
	thre	e months e	nine months ended			
	Septem	ber 30,	June 30,	September 30,		
	2005 2004 2005		2005	2004		
		As Restate	ed	As Restated		
		(a)			(a)	
Business Solutions						
Revenue by Vertical:						
CDI Information						
Technology Services	\$ 67,097	70,689	65,536	196,417	213,065	
CDI Process and						
Industrial	85,286	70,392	87,055	252,017	204,928	
CDI Aerospace	20,782	21,686	20,666	61,566	66,743	
CDI Government Services	12,025	12,134	11,228	34,574	37,660	
CDI Life Sciences	2,328	1,932	2,023	6,451	6,524	
Total Business						
Solutions Revenue	\$ 187,518	176,833	186,508	551,025	528,920	

- (a) As disclosed previously in the Company's Form 10-K for 2004, CDI restated its earnings for the first three quarters of 2004 for adjustments impacting its Business Solutions segment.
- (b) The three and nine months ended September 30, 2004 included a special dividend of \$2.00 per share or \$39.4 million.
- (c) Current quarter combined with the three preceding quarters earnings or (loss) from operations before income taxes divided by the average shareholders' equity.
- (d) The nine months operating profits in 2004 include a \$1.3\$ million gain from the sale of an MRI company-owned office.

SOURCE CDI Corp.

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