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# The ReThink Group\* - Interim results show growth in all divisions. Declaration of inaugural dividend - BUY at 5.5p with a revised target price of 14.8p (20.5p).

The ReThink Group (ReThink), the IT recruitment and IT consulting business today delivered a robust set of interim results for the six months to 30 June. Gross revenues were up by 9% to GBP 27 million and net fee income increased by 12% to GBP 5.9m. This growth was magnified at the bottom line with pre-tax profit growing from GBP 12,000 to GBP 0.21 million. The company has declared an inaugural interim dividend of 0.054p per share.

The increase in gross profit has been largely driven by an increase in permanent revenues. Contract margin increased by GBP 84,000 to GBP 3.1 million and permanent margin jumped by GBP 627,000 to GBP 2.1 million. ReThink's strategy of not cutting permanent recruitment teams in 2009 is proving to be the correct one, as demand has increased across the UK and long-term customers have begun to hire again. Year on year permanent placements increased from 277 to 364. The company has had some exposure to certain public sector clients and this has led to some pressure on revenues in this division, as a result of Government led public spending decisions. In particular, ReThink lost a major client with 70 onsite contractors. However, elsewhere in the business there have been higher margin contract wins to compensate for this. The company's Southend division is being relocated to London which should enable some measure of cost savings.

The Business and IT Consultancy division is also performing well with revenues up 4% to GBP 211,000. Aiimi has increased its head count by 20 per cent and seen utilisation levels increase by 51 per cent. As anticipated the investment in staff and business development has resulted in a loss in this division in the first half, however the Board anticipates a return to profitability in the second

Key Data	
EPIC	RTG
Share Price	5.5p
NMS	5,000
Spread	5p-6p
Total no of Shares	93.22 million
Market Cap	GBP 5.13 million
12 Month Range	4.5p-10.5p
Market	AIM
Website	<a href="http://www.therethink-group.com">www.therethink-group.com</a>
Sector	Support Services
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half. The division has added new customers across several sectors.

Whilst this is an upbeat set of results, we share the company's ongoing concerns about the UK economy, and have trimmed our 2010 forecasts. Our pre-tax profit forecast now stands at GBP 0.9 million ( GBP 1.2million). We have also trimmed our 2011 forecasts but given the strong trends in trading shown in today's results, have reduced our pre-tax profit forecast by just GBP 0.1 million to GBP 1.6 million.

The announcement of an inaugural interim dividend underlies the management's cautious optimism about future trading. The continued focus on securing longer term contracts in the Recruitment Process Outsourcing and Managed Service area has resulted in the signing of another three year contract with Boots UK Limited. Further deals of this type will strengthen earnings visibility and recurring fee income. Going into 2011 the investment in Aiimi will start to reap returns. Our target price of 14.8p puts the company on a price to earnings multiple of 12.8 times forecast 2011 earnings which we regard as fair given the growth projected and the increased confidence we have in our revised estimates. The stance remains buy.

*\*ReThink Group is a corporate client of RSCF which is owned by Rivington Street Holdings (RSH) the ultimate owner of GE&CR. The SF t1ps Smaller Companies Growth Fund which is managed by another RSH subsidiary owns ReThink shares.*

#### Forecasts table

Year to 31st December	Sales (GBP million)	Pre-tax Profit (GBP million)	Earnings per share (p)	Price Earning Ratio (x)	Dividend (p)	Yield (%)
2008A	43.4	0.19	0.09	61.1	0	0
2009A	49.7	0.3	0.24	22.9	0	0
2010E	55	0.9	0.66	8.3	0.11	2
2011E	62	1.6	1.16	4.7	0.2	3.6

*Source: Company and Growth Equities & Company Research*



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