

INVESTOR'S BUSINESS DAILY

THE NEW AMERICA

ADMINISTAFF INC. *Kingwood, Texas*

Latest Buyout Extends Reach For Provider Of HR Workers, Services

BY MARILYN MUCH
INVESTOR'S BUSINESS DAILY

Administaff Chief Executive Paul Sarvadi hasn't been big on acquisitions. So when he makes one, chances are it'll bring a lot to the table.

His company serves as a full-service human resources department for about 5,000 small and midsize businesses.

Key services include handling employee benefits, recruiting and training. Sarvadi's strategy has been to grow the business by expanding into new markets and opening new sales offices.

Brand Extension

In the past six years, Administaff has made only three buyouts. The latest came on Dec. 29, when it purchased certain assets of Recruitmax's KnowledgePoint unit.

Administaff paid \$6.25 million for Recruitmax's HR-Tools.com, a portal for human resources products, services and information.

It also will get other desktop products and Web portals related to areas such as job descriptions and personnel policies.

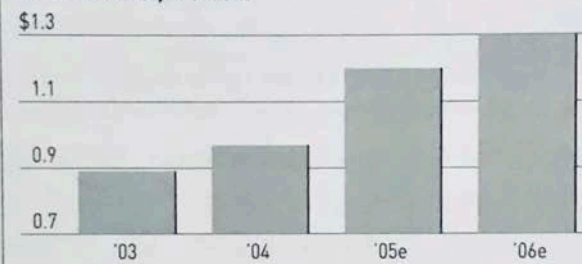
Recruitmax retains ownership of its performance management applications, which serve large and midsize firms.

Though the purchase isn't likely to impact earnings

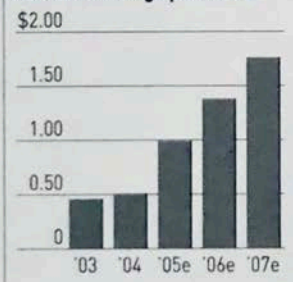
Growing Base

Administaff is a full-service human resources operation for small and midsize firms. The company is growing sales and earnings amid an increasing work-site employee base. Work-site workers are those employed at Administaff's client companies

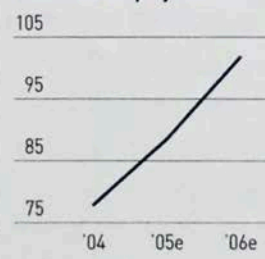
Annual revenue, in billions



Annual earnings per share



Average monthly number of work-site employees



Sources: JMP Securities; First Call; company reports

this year, Sarvadi sees plenty of potential.

"It will help drive more business and awareness, and it also extends our brand," he said.

The buy includes online products such as JobDescription.com and PerformanceReview.com.

Those products also are offered in a bundled package through the HR Productivity Center, accessible on a subscription basis via HRTools.

The idea is to lure more business from companies which don't have much in the way of a human resources operation, Sarvadi says.

The buyout comes at a time of financial strength at Administaff, which has run off three straight quarters of double-digit sales and earnings gains.

Third-quarter 2005 sales grew 21% from the prior year to \$285.2 million. Earn-

Administaff Inc.
administaff.com

Ticker	ASF
Share price	Near 43
12-month sales	\$1.11 bil
5-year profit growth rate	n.a.

IBD SmartSelect Corporate Ratings

Earnings Per Share	75
Relative Price Strength	95
Industry Group Relative Strength	B-
Sales+Profit Margins+ROE	C
Accumulation/Distribution	C+

See investors.com for more details

"Our strategy is to aggregate the best small businesses into our platform. We look for companies that are really trying to move their businesses to the next level."

Paul Sarvadi, CEO, Administaff

ings gained 86% to 26 cents a share.

Analysts polled by First Call expect the company to post earnings of 99 cents a share for all 2005, a 94% increase. They see 2006 profit rising 39% to \$1.38.

Administaff's work-site employee base was up 14.8% during the third quarter. Work-site workers are those employed at Administaff's client companies.

Profilers

The company also has benefited from strong client retention levels. It retains 78% to 80% of its business each year. During down periods the retention level is 74%, Sarvadi says.

(Continued)