



**mastech**

A photograph of four business professionals—three men and one woman—walking together in a modern office hallway. They are dressed in professional attire, including suits and a blazer. The hallway has glass walls and a clean, bright atmosphere.

## Q2 2013 Industry & MHH Overview

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## Business Description

- ▶ National provider of **Information Technology** and Specialized **Healthcare** Staffing Services
- ▶ 100% of Revenues are derived from Staffing Services

## History

- ▶ **26 years** of Staffing Industry Experience (former iGATE Corporation subsidiary)
- ▶ Spun-off from iGATE in October 2008; certified MBE
- ▶ Trade on NYSE / MKT: "**MHH**"
- ▶ Only **Public IT** Staffing Company with "**Centralized**" Business Model

## Employees/Consultants

- ▶ **700** full-time **IT Consultants** in the **USA**
- ▶ **100** FTE **Healthcare** Professionals
- ▶ 200 Staff Employees (Sales / Recruitment / Support / Management)
  - ▶ **70% of Staff India-Based**

## Core Values

- ▶ **Integrity, Accountability, Quality, Dignity & Respect**

## Service Offerings

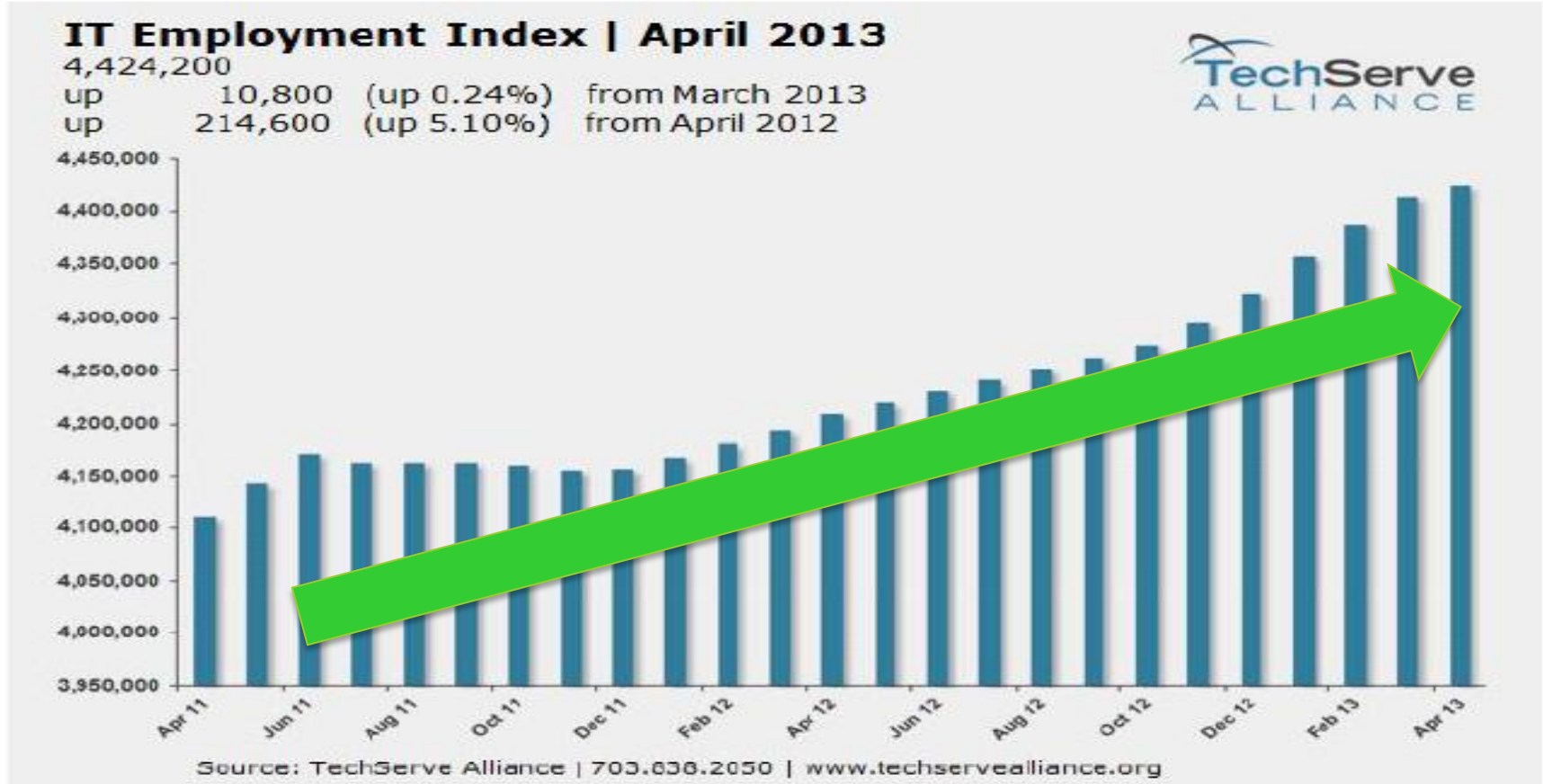
- ▶ e-Business Solutions; Service Oriented Architecture & Web Services
- ▶ Business Intelligence & Data Warehousing
- ▶ ERP / CRM Implementation
- ▶ Surgical Nursing & Physical / Occupational Therapy



Pittsburgh Business Times, Largest Public Companies Jan 2013

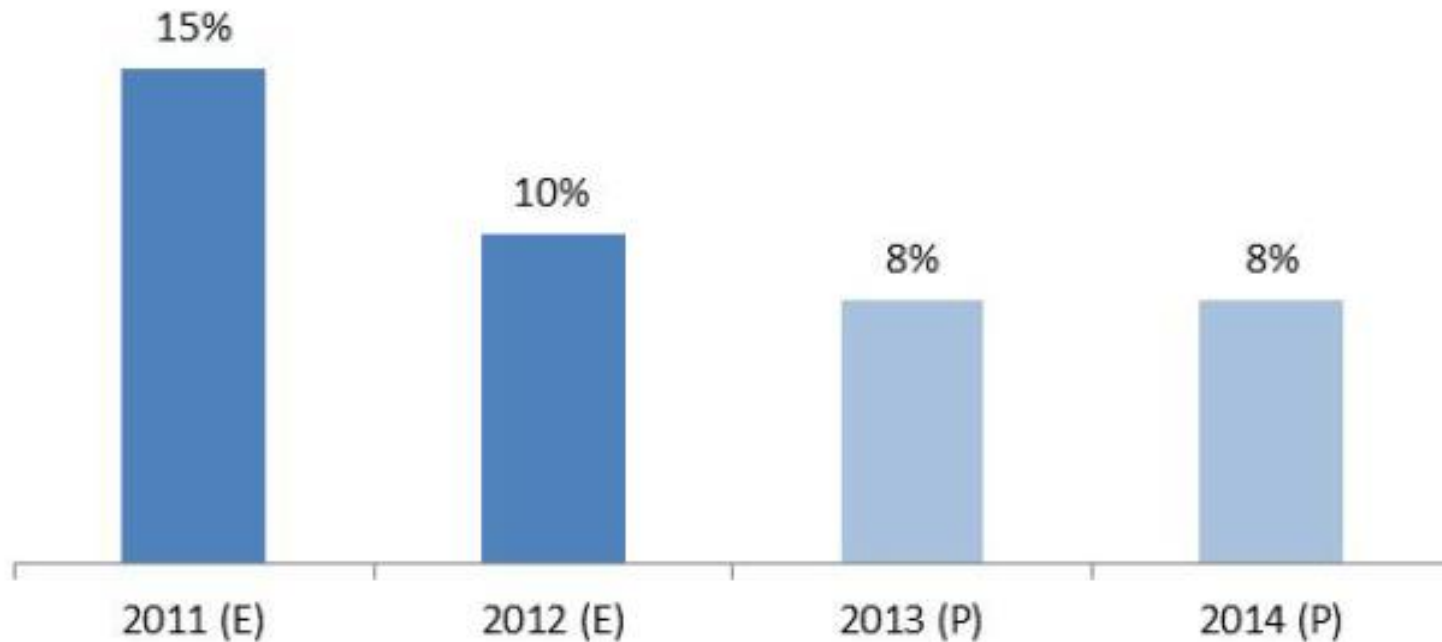


Finance.Yahoo.com / MHH – June 4, 2013

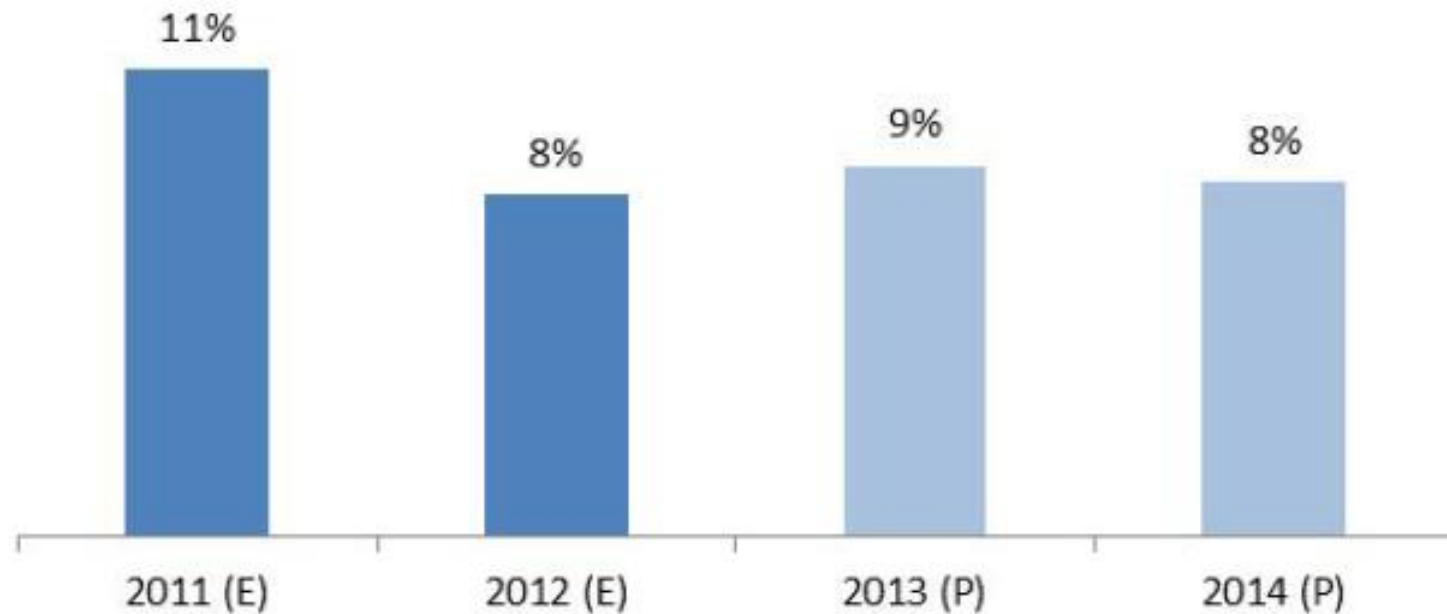


- 215K IT jobs created in the US in the past 12 months; 350K in the past 24 months
- 5.1% Y-O-Y Growth... 3X the Growth rate of the general workforce
- 17<sup>th</sup> consecutive month of growth; former all time high eclipsed in Q1 2012

## IT staffing: y/y growth, actual & projected



## Healthcare staffing: y/y growth, actual & projected





IT and Healthcare Markets are Growing &  
Expected to Continue to Grow....



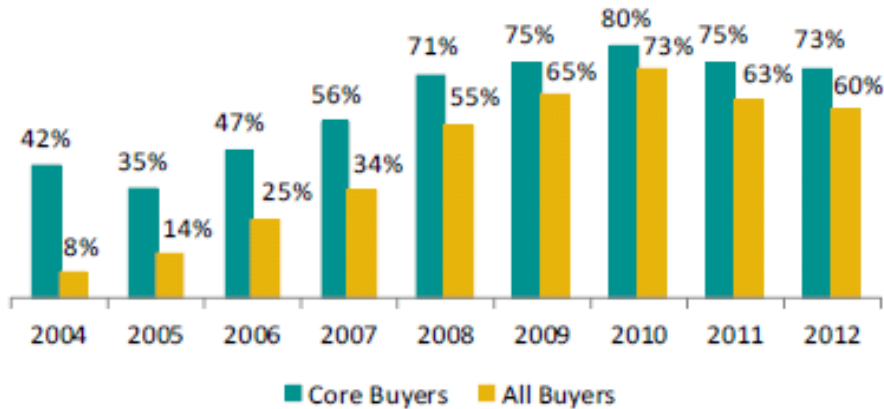
## Branch Services Model

- **Geographic**; “prove it & move it”; **decentralized** control & leadership; **relationship sales** model
- Gross Margin: 24-30%
- S, G & A (expenses): 20-25%
- Operating Margins: 4-8%

## Centralized Model

- **Customers** drive Geography; majority of the organization centralized; **Low Cost Location** opportunity; **Value Pricing**
- Gross Margin: 18-21%
- S, G & A (expenses): 13-17%
- Operating Margins: 4-8%

## Trends in VMS use



## VMS (vendor management system)

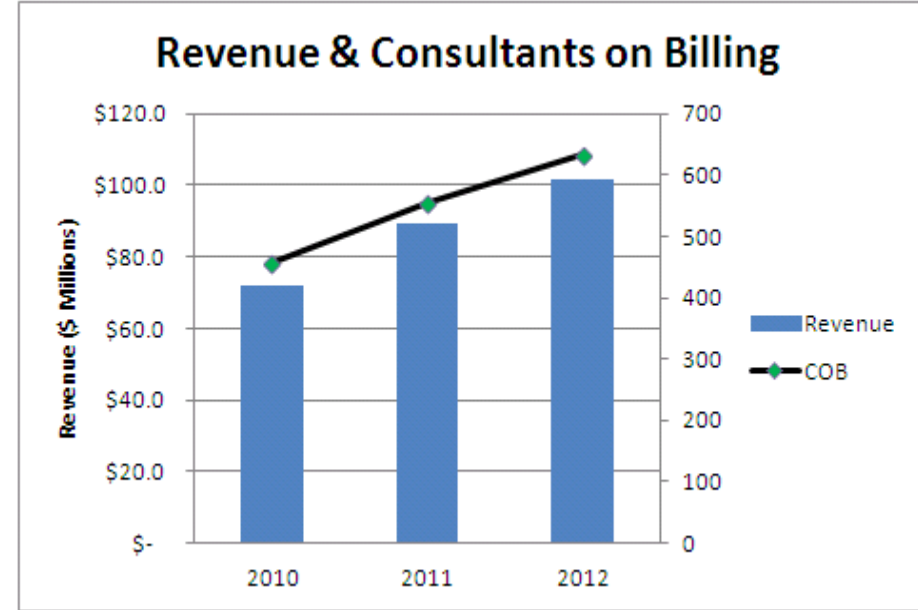
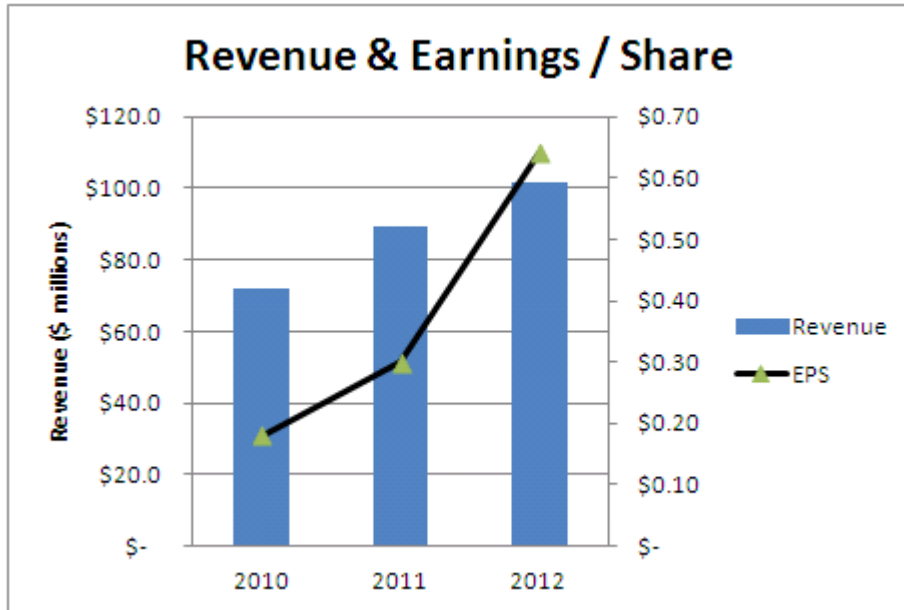
- 9 yr **penetration-All Buyers:** 8% to **60%**
- 9 yr **penetration- Core Buyers:** 42% to **73%**
- **Technology / Telecomm Industry:** **75%** in use; 21% planned use (**96%**)
- All Large Scale (Fortune 1000): **75%** or more in Use and nearly all planned use.

## Core buyers' use of VMS

Industry	In use	Plans	No plans
Finance/insurance	88%	8%	4%
Tech/telecom	75%	21%	4%
Energy/chemical	58%	33%	8%
Number of employees			
1,000-9,999	54%	35%	12%
10,000-29,999	79%	21%	0%
30,000-99,999	80%	17%	3%
100,000 or more	79%	17%	4%
Department			
HR	81%	16%	3%
Procurement	69%	27%	3%
Number of suppliers			
Up to 10 suppliers	37%	42%	21%
11-30 suppliers	83%	17%	0%
More than 30 suppliers	80%	18%	3%
CW spend			
Up to \$29.9m	46%	38%	15%
\$30m-\$99.9m	79%	17%	4%
\$100m-\$199.9m	68%	32%	0%
\$200m or more	75%	19%	6%
<b>All buyers</b>	<b>73%</b>	<b>22%</b>	<b>5%</b>

- Create Transparency & Level the Playing Field...
  - Comparisons become easier
  - Price & Delivery Matters
  - Relationships less important
- Exert Pressure on Gross Margins
  - Low Cost Players will be advantaged
  - Forces Thinking to Move from Gross Margin to Operating Profit
- MHH Loves `em...and the Branch Guys Don't...
  - MHH Operating Profit Increase.... Driven by Top Line Growth and Leverage on the Cost Structure
    - 2012 over 2011: 89%; 2011 over 2010: 75%
- Here to Stay ...
  - Argue Penetration Levels & Timing

- Revenue – 19% CAGR   ➤ EPS – 89% CAGR   ➤ Consultants On Billing – 18% CAGR



- ▶ Strong Balance Sheet / Access to Capital
- ▶ Returned \$9.2 million to Shareholders in 2012
  - ▶ Q1-2012: Dutch Auction Tender Offer within Share Buyback Program Limits
  - ▶ Q4-2012: \$2 / Share Special Dividend

## Industry Trends & Outlook

U.S. Job Market Recovery Positive for Industry

Fundamental Shift Towards Greater Utilization of Staffing Services

Large Consumers of Staffing Services Employing VMS / MSP Model

Client Focus more about Consultant Quality, Speed to Market and Value Pricing

## What Differentiates Mastech

Centralized Business Model; Scalable Cost Structure; Low-Cost Recruitment Engine

Strong Brand Recognition with both U.S. Citizens and H1-B Visa Professionals

Established Client-Base of High-Volume Consumers of Staffing Services

Favorable Pricing / Value Proposition for Clients

Motivated and Capable Management Team

IT and Healthcare Markets are Growing &  
Expected to Continue to Grow....

Staffing Industry Changes Favor MHH's Low  
Cost Business Model

- Organically Grow Revenues at +1.5X Industry Average.
- Maintain Gross Margins @ 19%.
- Drive Operating Expenses to 13-14% of Revenue.
- Deliver Operating Margins of 6%+ of Revenue.
- Continue to Return Capital to our Shareholders.



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## Q2 2013 Industry & MHH Overview

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## Trends in public companies' IT staffing revenue growth

- **Adecco** reported accelerating year-over-year revenue growth in 2H12 in its North American IT staffing business, with revenue up **6% y/y in 3Q12, and up 12% in 4Q12.**
- **Analysts International** experienced an **8% y/y decline** in its total revenue in 3Q12, and a 6% y/y decline in 4Q12. Management cited perm conversions and voluntary attrition of scarce consultants as contributors to the y/y decline.
- **Calian** Technologies reported a **4% year-over-year increase** in its Business and Technologies Services revenue in 3Q12, and a 1% decline in 4Q12. With the Canadian government as its primary customer, Calian has cited spending cuts as a significant headwind.
- **CDI Corp** reported **year-over-year growth of 3%** in its Hi-Tech Professional Staffing Services revenue in both 3Q12 and 4Q12. **Sequentially, revenue was down 6% in 3Q12, and down 4% in 4Q12.**
- **Computer task Group** reported an annual decline of 2% in its total staffing revenue in 3Q12, and growth of 3% in 4Q12. Sequentially, total staffing revenue was down 1% in 3Q12 and up 1% in 4Q12.

x\$1,000, except %	4Q11	1Q12	2Q12	3Q12	4Q12
<b>Adecco -</b>					
<b>N. American IT Revenue</b>	n/a	n/a	n/a	n/a	n/a
<i>y/y</i>	n/a	0%	2%	6%	12%
<b>Analysts International Corp. -</b>					
<b>Total Revenue<sup>1</sup></b>	27,095	26,723	27,079	26,519	25,469
<i>y/y</i>	7%	2%	1%	-8%	-6%
<i>sequential</i>	-6%	-1%	1%	-2%	-4%
<i>Gr. Margin</i>	24.8%	23.9%	23.1%	21.0%	21.7%
<b>Calian Technologies -</b>					
<b>Business/Tech. Services Revenue<sup>2</sup></b>	40,396	45,495	42,360	40,162	39,954
<i>y/y</i>	6%	4%	5%	4%	-1%
<i>sequential</i>	5%	13%	-7%	-5%	-1%
<b>CDI Corp. -</b>					
<b>PSS- Hi-Tech Revenue<sup>3</sup></b>	\$66,648	\$74,307	\$76,426	\$72,136	\$68,970
<i>y/y</i>	n/a	5%	5%	3%	3%
<i>sequential</i>	n/a	n/a	3%	-6%	-4%
<b>Computer Task Group Inc. -</b>					
<b>Total Staffing Revenue<sup>4</sup></b>	60,552	62,167	62,405	61,722	62,597
<i>y/y</i>	8%	0%	1%	-2%	3%
<i>sequential</i>	-3%	3%	0%	-1%	1%

1. Revenue Includes Managed Teams and Project-Based Solutions.

2. Revenue in Canadian Dollars. Includes revenue from healthcare and other professional staffing.

3. CDI changed reporting format at beginning of 2012.

4. Includes European Revenue.

Source: Company reports and Staffing Industry Analysts

## Trends in public companies' IT staffing revenue growth

- **Kforce** reported **year-over-year growth of 3%** in its technology flex revenue in 3Q12, and 4% in 4Q12. Sequentially, tech flex revenue was relatively flat through 2H12.
- **Mastech Holdings** reported **year-over-year growth of 9%** in its Wholesale IT and Retail IT Channel revenue in 3Q12, and **growth of 10% in 4Q12**. Sequentially, revenue was up 1% both quarters.
- On Assignment's Oxford segment reported year-over growth of 26% in 3Q12, and 27% in 4Q12. Sequentially, revenue was flat in 3Q12, and grew by 3% in 4Q12. Apex Systems, which On Assignment acquired in May 2012, reported revenue of \$202.7 million in 3Q12, and \$207.6 million in 4Q12, growing sequentially by 2%.
- **RCM technologies** reported that its IT Services revenue **declined by 1%** from the previous year in 3Q12, though grew 9% year-over-year in 4Q12. Sequentially, IT services revenue declined 8% in 3Q12, and grew by 11% in 4Q12.

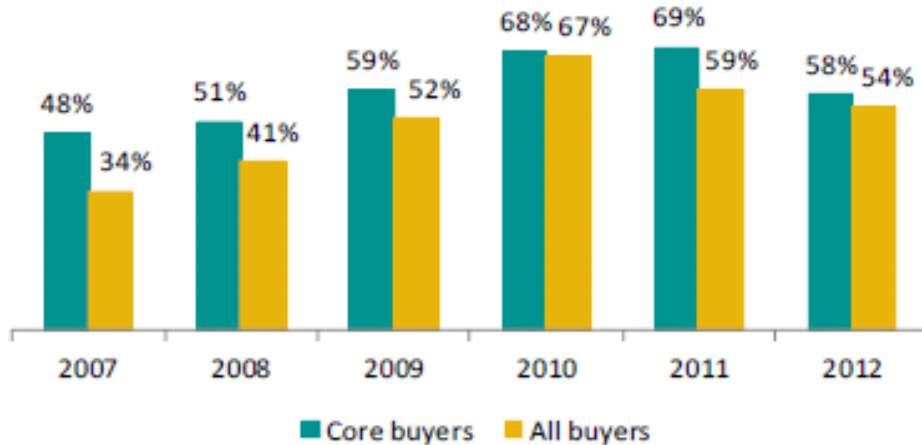
x\$1,000, except %	4Q11	1Q12	2Q12	3Q12	4Q12
<b>Kforce -</b>					
<b>Technology Flex Revenue</b>	<b>156,543</b>	<b>160,394</b>	<b>166,044</b>	<b>165,342</b>	<b>163,282</b>
<i>y/y</i>	13%	15%	11%	3%	4%
<i>sequential</i>	-2%	2%	4%	0%	-1%
<i>Gr. Margin</i>	27.8%	25.3%	27.9%	28.4%	28.4%
<b>Mastech Holdings Inc. -</b>					
<b>Wholesale/Retail IT Chnl. Revenue</b>	<b>21,100</b>	<b>21,900</b>	<b>22,600</b>	<b>22,829</b>	<b>23,171</b>
<i>y/y</i>	12%	22%	13%	9%	10%
<i>sequential</i>	1%	4%	3%	1%	1%
<b>On Assignment -</b>					
<b>Oxford Revenue</b>	<b>71,230</b>	<b>78,759</b>	<b>88,107</b>	<b>88,104</b>	<b>90,410</b>
<i>y/y</i>	n/a	31%	35%	26%	27%
<i>sequential</i>	184%	11%	12%	0%	3%
<i>Gr. Margin</i>	35.8%	n/a	39.3%	35.5%	35.1%
<b>Apex Systems Revenue<sup>5</sup></b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>202,664</b>	<b>207,576</b>
<i>y/y</i>	n/a	n/a	n/a	n/a	n/a
<i>sequential</i>	n/a	n/a	n/a	n/a	2%
<b>RCM Technologies -</b>					
<b>IT Services Revenue<sup>6</sup></b>	<b>12,575</b>	<b>13,754</b>	<b>13,392</b>	<b>12,373</b>	<b>13,754</b>
<i>y/y</i>	-19%	-10%	0%	-1%	9%
<i>sequential</i>	0%	9%	-3%	-8%	11%
<b>Robert Half -</b>					
<b>Technology Revenue<sup>7</sup></b>	<b>112,981</b>	<b>115,637</b>	<b>119,576</b>	<b>121,028</b>	<b>120,217</b>
<i>y/y</i>	23%	20%	14%	6%	6%
<i>sequential</i>	-1%	2%	3%	1%	-1%

5. Acquired by On Assignment in May, 2012.

6. Includes IT solutions revenue.

7. Includes international revenue.

## Trends in MSP use



## MSP (managed service provider program)

- 5 yr **penetration-All Buyers**: 34% to **54%**
- 5 yr **penetration- Core Buyers**: 48% to **58%**
- **Technology** / Telecomm Industry: **62%** in use; 7% planned use (**69%**)
- All Large Scale (Fortune 1000): 60% in Use an additional 10-15% planned use.

## Core buyers' use of MSP

Industry	In use	Plans	No plans
Finance/insurance	64%	9%	27%
Tech/telecom	62%	7%	31%
Energy/chemical	50%	17%	33%
Number of employees			
1,000-9,999	38%	15%	46%
10,000-29,999	70%	4%	26%
30,000-99,999	63%	13%	23%
100,000 or more	61%	13%	26%
Department			
HR	67%	3%	30%
Procurement	59%	17%	24%
Number of suppliers			
Up to 10 suppliers	41%	18%	41%
11-30 suppliers	50%	10%	40%
More than 30 suppliers	68%	10%	23%
CW spend			
Up to \$29.9m	38%	23%	38%
\$30m-\$99.9m	58%	0%	42%
\$100m-\$199.9m	61%	17%	22%
\$200m or more	58%	15%	27%
<b>All buyers</b>	<b>58%</b>	<b>12%</b>	<b>30%</b>