

INDUSTRY INSIGHTS

Staffing Industry M&A Landscape

Winter 2020

Q Highlights

As the staffing industry continues to benefit from a positive operating environment across most industry sectors, owners continue to capitalize on their strong financial performance by realizing value through either a full company sale or recapitalization transaction.

Most U.S. public staffing companies continue to be absent from recent M&A activity, as staffing industry acquisition activity remains primarily driven by private equity-backed strategic buyers seeking to scale their existing platforms.

Strategic buyers accounted for 94% of the staffing industry acquisitions in 2019, with private equity funds (financial buyers) investing in a new platform acquisition, accounting for the other 6% of transactions.

– Private equity acquired only 9 new platform staffing investments in 2019, a noticeable decrease following the 28 new investments completed in each of 2018 and 2017.

Professional staffing companies (including IT, digital / creative, healthcare and life sciences) continue to see the most widespread demand from buyers and investors.

Buyers continue to have very specific criteria as they evaluate acquisition targets. Acquirers desire companies with a strong blend of both recurring revenue growth and profitability, with significant attention paid to customer diversification and the gross margin impact of potential acquisitions. Proven management teams desiring to stay on post-transaction also remain highly sought after.

BY THE NUMBERS



M&A Activity – Staffing Industry ●○○

The fourth quarter of 2019 saw 31 staffing industry M&A transactions completed by 27 different buyers. For all of 2019, 143 staffing industry M&A transactions were completed by 113 unique buyers, a continuance of the strong M&A activity seen over the past five years. As the U.S. economy continues its resilience, the temporary staffing industry also continues to benefit from a generally positive operating environment across most industry sectors. Consequently, we are seeing staffing company owners aggressively capitalizing on their current financial performance by realizing value through either a full company sale or a recapitalization transaction.

We believe transaction activity will likely remain robust in the near term, as we continue to field a steady stream of inquiries from both strategic buyers and financial investors interested in the staffing industry, as well as sellers positioning to complete transactions while the current M&A market remains strong. This seller interest is also being driven by strong operating results with increased profitability, thus making valuation targets more achievable. Furthermore, many veteran staffing industry owners are mentioning the potential risk of holding their businesses too long in this cycle and missing the open M&A window that currently exists for completing a transaction at these favorable valuations.

Even as acquisition activity continues to flourish, buyers / investors continue to have very specific criteria as they evaluate acquisition targets. Professional staffing businesses, particularly those in the areas of IT, healthcare and life sciences staffing, continue to generate the greatest buyer demand. Niche staffing businesses in the areas of skilled trades and truck driver staffing are also gaining attention. Acquirers continue to be most interested in companies that have a strong blend of both recurring revenue growth and profitability, with significant attention paid to customer diversification and the gross margin impact of potential acquisitions. Proven management teams desiring to continue with the business post-transaction also remain highly sought after. Conversely, companies with flat or declining growth profiles, excessive customer concentration or without management teams staying on with the business post-transaction are finding more limited buyer interest and, hence, less exciting valuation multiples.

Most U.S. public staffing companies continue to be absent from recent M&A activity, as staffing industry acquisition activity remains primarily driven by lesser-known, privately held strategic buyers (many of whom are now backed by private equity capital). Of the 143 staffing transactions completed in 2019, 124 deals were completed by privately owned investors / buyers, and only 19 of these transactions were completed by a publicly traded staffing company.

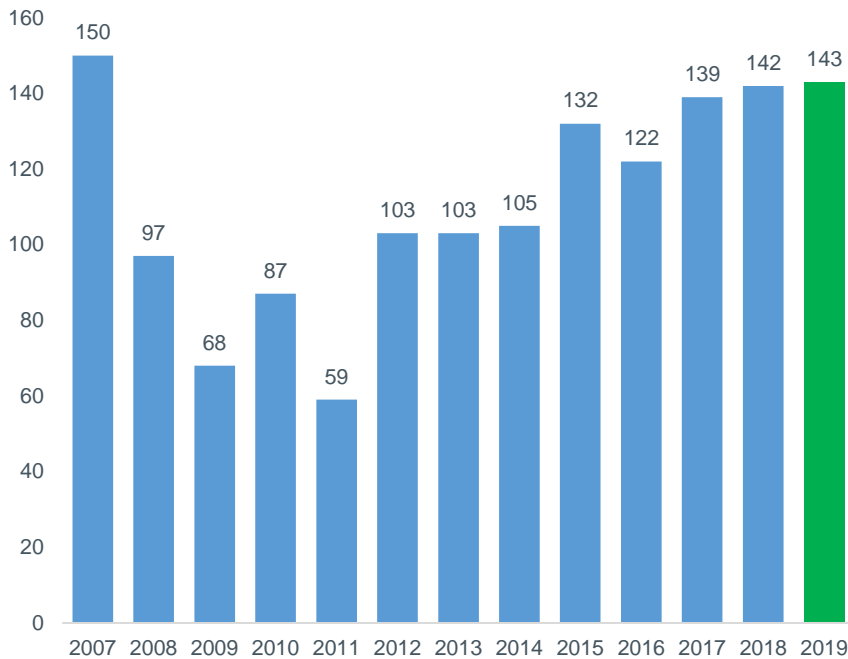
Strategic buyers (including those staffing businesses that are majority-owned by private equity) completed 94% of the staffing acquisitions in 2019. While private equity continues to be an attractive option for the largest and fastest-growing staffing companies, only 9 new platform investments were completed in 2019. This is a noticeable decrease following the 28 new platform investments made by private equity in the staffing industry in both 2018 and 2017. Contract staffing companies with scale, excellent historical and projected growth rates, and with management teams seeking to continue the growth of their successful businesses while taking some money off the table, can still be very attractive investment platforms. However, the noticeable decline in completed new platform investments may suggest that private equity is taking a more cautious approach to the staffing industry at this point in the economic cycle.

IT staffing, especially those businesses with a more relationship-oriented sales model that produces higher gross margins and double-digit EBITDA margins, continues to be one of the most attractive staffing segments for acquirers, as 32 of the 143 transactions reported in 2019 involved companies whose predominant service offering was IT staffing and / or IT solutions. Healthcare staffing companies are also seeing broad buyer interest and very attractive valuation multiples, with 24 transactions completed in 2019. The professional staffing segments (including IT, digital / creative, healthcare and life sciences) all continue to see the most widespread demand from buyers and, thus, the strongest valuations. The light industrial / clerical staffing segment also continues to be very active, although typically at much lower valuation multiples compared to higher-margin professional staffing businesses.

M&A Activity – Staffing Industry ○○○

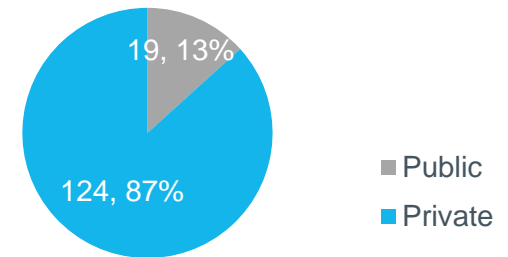
Yearly Staffing Transaction Volume – 2007 to 2019

Number of Deals

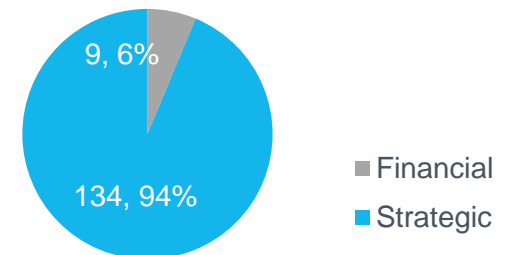


Staffing Industry Transaction Activity – 2019

Public vs. Private Buyer

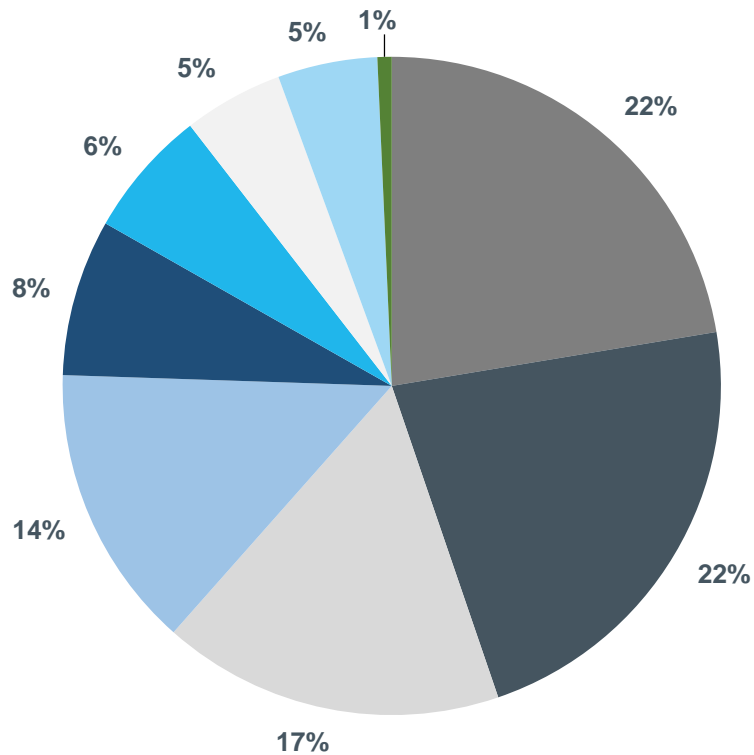


Strategic vs. Financial Buyer



M&A Activity – Staffing Industry

M&A Activity by Staffing Industry Sector – 2019



Industry Sector	No. of 2019 Transactions
Light Industrial / Clerical	32
IT Staffing	32
Healthcare	24
Executive Search	20
PEO	11
Other	9
F&A	7
Technical	7
Legal	1

Notable Staffing Transactions

Q4 2019



NMS Capital announced that it exited its investment in ettain group Inc. through its sale to Alvarez & Marsal Capital. NMS invested in ettain in 2014, alongside the company's co-founders and management team. ettain was founded by Jeff Harris and Brian Deblitz in 1996 in Charlotte, NC as a staff augmentation business providing information technology services to companies in need of temporary IT services and support. ettain grew significantly over NMS' ownership tenure while diversifying its staff augmentation business with the addition of managed services and healthcare IT practice areas to become a leading national provider of talent solutions.



Private equity firm Olympus Partners completed the acquisition of education and healthcare staffing provider Soliant Health from the Adecco Group. Founded in 1991 as Elite Medical by David Alexander, the Atlanta-headquartered company provides therapists –including speech pathologists, psychologists, occupational therapists and nurses– to K-12 schools. The company also provides the life sciences market with travel nurses, allied health clinicians and clinical development specialists. The Adecco Group acquired the company in July 2002, and was rebranded in March 2003 as Soliant Health.



ettain group announced that it has acquired Global Employment Solutions (GES). In connection with the transaction, ettain group has received a new majority investment from Alvarez & Marsal Capital. GES provides information technology and professional staffing services in the commercial and government markets under the brands Fahrenheit IT, ITEC and Global Employment Solutions. GES employs over 1,500 professionals, with office locations in 13 markets. Since 2014, GES has been a portfolio company of TZP Group. TZP and co-investors will retain a minority stake in the combined company.



The Planet Group, a portfolio company of MidOcean Partners and a leading provider of outsourced human capital and consulting solutions, announced that it has entered into an agreement to acquire WinterWyman, a leading staffing provider specializing in technology, finance & admin. and human resources. Established in 1972, WinterWyman is a premier provider of contract staffing services and is among the best-known talent acquisition firms in the Northeastern U.S. Over the years, WinterWyman has developed an excellent reputation for client and candidate satisfaction fostered, by a tenured team recruiting high-impact talent in several key functional areas.



ettain group announced that it has acquired Leidos Inc.'s commercial electronic health records (EHR) consulting business (Leidos Health LLC). In connection with the transaction, ettain group has received a new majority investment from Alvarez & Marsal Capital. Leidos Health LLC was originally formed through the acquisitions of Vitalize Consulting Solutions and MaxIT Healthcare in 2011 and 2012, respectively, and is a market-leading provider of EHR implementation, optimization and go-live services. The business has been carved out from Leidos Inc. and will be re-branded along, with ettain group's healthcare IT practice, as ettain Health.



Hire Dynamics acquired Trace Staffing Solutions, a commercial staffing firm headquartered in Savannah, Georgia. Hire Dynamics is majority owned by private equity firm MSouth Equity Partners. Trace was owned by Amzak Capital Management. Senior leadership at Trace has joined Hire Dynamics. Both companies provide staffing for warehouses, administration, manufacturing and contact centers. Trace Staffing has 16 branches, while Hire Dynamics has 36 offices. The combined company will serve more than 2,000 clients and put more than 10,300 people to work each week.



Staffing M&A Transactions Q4 2019 ●○○

Announced Date	Seller	Buyer	Business Description
10/2/2019	Command Center's CA locations	Resolute Enterprises	Provides industrial staffing services from four locations in California.
10/7/2019	International TechneGroup Inc.	Wipro Ltd.	Provides software and services in the computer-aided design and product life cycle management space for manufacturers in the aerospace, automotive, healthcare and other industries.
10/9/2019	BFP Staffing Inc.	Texas-based technical staffing company	Provides temporary medical staff for the California Department of Corrections.
10/17/2019	Intersys Consulting LLC	ASGN Inc.	Provides big data and data management, business intelligence and analytics, and application development services to businesses and IT organizations.
10/21/2019	KNF&T Staffing Resources	BANKW Staffing	Provides finance/accounting, administrative, customer service, human resources and legal staffing services.
10/23/2019	ettain group	Alvarez & Marsal Capital	Provides recruitment and managed services in the areas of information technology, healthcare IT and digital creative fields.
10/23/2019	Global Employment Solutions	ettain group	Provides IT and professional staffing services.
10/23/2019	Leidos Inc.'s consulting business in commercial EHR	ettain group	Provides electronic health records implementation, optimization and go-live services.
10/23/2019	ExecuTeam Staffing	The Reserves Network	Provides staffing of in-office, accounting and professional employment personnel.
11/4/2019	Fast Switch Ltd.	Management-led Buyout	Provides IT staffing services in multiple offices across the U.S.

Staffing M&A Transactions Q4 2019

Announced Date	Seller	Buyer	Business Description
11/5/2019	Soliant Health	Olympus Partners	Provides multidisciplinary healthcare staffing solutions to healthcare facilities in metropolitan areas and rural hospitals in the United States.
11/7/2019	Ohio Hospital Association's workforce solutions program	Aya Healthcare	Provides workforce solutions via VMS relationships.
11/7/2019	Aligned Telehealth, Inc.	American Well Corporation	Provides on-site behavioral health staffing solutions to hospitals, long-term care facilities and outpatient clinics.
11/13/2019	Webster Consulting Group LLC	Eliassen Group LLC	Provides IT staffing services.
11/14/2019	Toft Group	ZRG	An executive search firm focused on early stage life science and biotech recruitment.
11/14/2019	neteffects	Magic Software Enterprises Ltd.	Provides information technology contract staffing solutions and consulting services in the Midwestern U.S.
11/19/2019	Advance Employment Enterprises, Inc.	Undisclosed Buyer	Offers recruiting services, screening services, qualifying solutions, evaluating services, payroll and tax administration, worker compensation programs, safety programs, benefit administration, orientation training, project management and vendor management systems.
11/19/2019	WinterWyman	The Planet Group	A regional staffing firm specializing in technology, finance / accounting and human resources staffing.
11/25/2019	Intelligent Quality Solutions Inc.	Reliability Incorporated	An IT consulting services firm focused exclusively on staff augmentation in support of client software testing needs, as well as full-service software quality management solutions, including QA staff augmentation.
11/27/2019	Converdia Health Staffing	Rural Health Alliance	Provides nursing, allied and physician staffing.

Staffing M&A Transactions Q4 2019 ○○●

Announced Date	Seller	Buyer	Business Description
12/2/2019	AmeriStaff Inc.	QPS Employment Group, Inc.	Provides staffing and recruiting, screening, skills assessment and back-office services.
12/3/2019	Trace Staffing Solutions	Hire Dynamics	Provides staffing for warehouses, administration, manufacturing and contact centers.
12/6/2019	Flux7	NTT DATA Services	An IT services firm with capabilities in cloud computing, DevOps and Agile development capabilities.
12/9/2019	Matthews Aviation	Malone Workforce Solutions	Provides aviation personnel.
12/12/2019	Greeley Co.	The Chartis Group	Provides clinical effectiveness, regulatory compliance and CMS remediation, as well as physician and medical staff services. Its clients range from large healthcare systems and academic medical centers to remote critical access rural hospitals.
12/13/2019	Base2 Solutions	Belcan LLC	Provides IT consulting services, including software development, DevOps, security and systems engineering.
12/16/2019	L.J. Kushner & Associates LLC	BG Staffing Inc.	Provider of cyber security-retained search services for high- and midlevel security professionals.
12/17/2019	Mirror Partners	ZRG	Provides executive search and leadership development services focused on technology leadership.
12/17/2019	QStride Inc.	Drisla Inc.	Provides IT consulting and contingent staffing services.
12/20/2019	Net eSolutions Corporation	NTT DATA Services	Provides strategic management consulting, business systems development and integration, web design and technology, and managed outsourcing services to commercial companies and federal government agencies.
12/31/2019	Staff Smart, Inc.	NSC Technologies	Provides recruiting and staffing for technical, professional, administrative and industrial roles for small to large enterprises in Arizona.

Public Trading Data for Staffing Companies ●○○

(\$ in millions, except per share amounts;
average excludes highest and lowest values)

Company Name	Ticker	Price as of 12/31/2019	52 Week		% of 52 Week High	Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV/EBITDA	
			Low	High					2019E	2020E		2019E	2020E
Commercial Staffing													
Adecco Group AG	ADEN	\$63.23	\$43.81	\$65.36	96.7%	\$10,269.0	\$12,146.6	\$25,725.7	\$1,280.4	\$1,335.6	4.8%	9.5x	9.1x
Barrett Business Services, Inc.	BBSI	90.46	54.81	95.64	94.6	677.9	569.1	935.0	56.1	56.1	6.3	10.2	10.1
GEE Group, Inc.	JOB	0.39	0.32	2.04	19.1	5.1	102.5	151.7	11.0	12.1	6.3	9.3	8.4
Kelly Services, Inc.	KELY.A	22.58	20.24	28.91	78.1	883.2	945.4	5,432.5	122.7	122.3	2.3	7.7	7.7
ManpowerGroup Inc.	MAN	97.10	63.10	97.98	99.1	5,725.2	6,383.9	21,060.1	781.0	796.5	3.9	8.2	8.0
Randstad N.V.	RAND	61.09	40.86	62.33	98.0	11,197.3	12,945.7	25,931.7	1,509.2	1,487.8	4.4	8.6	8.7
Staffing 360 Solutions, Inc.	STAF	0.80	0.62	3.45	23.2	6.9	67.1	288.7	9.1	11.5	2.2	7.4	5.8
TrueBlue, Inc.	TBI	24.06	18.62	25.75	93.4	905.6	964.9	2,427.9	111.2	102.2	5.1	8.7	9.4
Average⁽¹⁾					80.7%	\$3,078.0	\$3,518.7	\$9,311.6	\$393.7	\$404.1	4.5%	8.7x	8.6x
Median					94.0%	\$894.4	\$955.1	\$3,930.2	\$116.9	\$112.2	4.6%	8.6x	8.6x

(1) Excludes the highest and lowest values.

DEFINITIONS

EBITDA: earnings before interest, taxes, depreciation and amortization

Enterprise Value (EV): market capitalization + total debt + preferred equity + minority interest – cash and short-term investments

LTM: publicly announced last 12 months

NM: none meaningful

Note: EBITDA does not reflect adjustments for extraordinary items.

Source: S&P Global Market Intelligence as of Dec. 31, 2019. Represents publicly traded staffing companies tracked by Duff & Phelps.

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			Low	High					2019E	2020E		2019E	2020E
Professional Staffing													
ASGN Incorporated	ASGN	\$70.97	\$50.33	\$72.66	97.7%	\$3,747.2	\$4,756.5	\$3,828.4	\$449.3	\$480.2	10.6%	10.6x	9.9x
BG Staffing, Inc.	BGSF	21.89	15.91	28.01	78.2	224.2	249.5	294.0	26.5	28.0	8.6	9.4	8.9
Hudson Global, Inc.	HSO	11.95	10.26	16.80	71.1	35.1	7.2	84.9	0.4	2.5	0.4	17.5	2.9
Kforce Inc.	KFRC	39.70	29.36	42.64	93.1	855.0	900.9	1,456.0	84.3	92.4	6.2	10.7	9.8
Mastech Digital, Inc.	MHH	11.07	4.51	11.48	96.4	122.1	152.4	187.9	NA	NA	6.9	NA	NA
RCM Technologies, Inc.	RCMT	3.00	2.68	4.82	62.2	38.9	77.2	197.8	9.1	10.8	4.0	8.5	7.1
Resources Connection, Inc.	RECN	16.33	13.36	17.93	91.1	523.0	597.3	718.4	57.5	63.9	8.1	10.4	9.3
Robert Half International Inc.	RHI	63.15	51.90	69.08	91.4	7,202.0	7,161.4	6,018.7	691.2	714.8	11.4	10.4	10.0
TSR, Inc.	TSRI	4.75	2.64	6.96	68.2	9.3	6.9	61.7	NA	NA	NM	NA	NA
Volt Information Sciences, Inc.	VOLT	2.48	2.14	5.00	49.6	53.0	67.7	1,003.5	NA	NA	0.2	NA	NA
Average⁽¹⁾					79.3%	\$264.5	\$293.2	\$563.2	\$44.4	\$48.8	5.7%	10.2x	8.8x
Median					78.2%	\$122.1	\$152.4	\$294.0	\$42.0	\$46.0	6.6%	10.4x	9.1x

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Public Trading Data for Staffing Companies

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			Low	High					2019E	2020E		2019E	2020E
Healthcare Staffing													
AMN Healthcare Services, Inc.	AMN	\$62.31	\$45.04	\$65.81	94.7%	\$2,910.6	\$3,593.0	\$2,163.9	\$269.2	\$294.3	10.8%	13.3x	12.2x
Cross Country Healthcare, Inc.	CCRN	11.62	6.75	12.99	89.5	428.5	515.4	808.0	24.4	33.6	2.2	21.1	15.3
Average					92.1%	\$1,669.5	\$2,054.2	\$1,485.9	\$146.8	\$164.0	6.5%	17.2x	13.8x
Median					92.1%	\$1,669.5	\$2,054.2	\$1,485.9	\$146.8	\$164.0	6.5%	17.2x	13.8x
Executive and Retained Search													
Heidrick & Struggles International, Inc.	HSII	\$32.50	\$23.55	\$44.66	72.8%	\$623.0	\$511.6	\$712.2	\$81.8	\$86.1	11.5%	6.3x	5.9x
Korn Ferry	KFY	42.40	34.35	49.54	85.6	2,341.8	2,404.2	1,942.2	309.1	329.1	14.2	7.8	7.3
Average					79.2%	\$1,482.4	\$1,457.9	\$1,327.2	\$195.4	\$207.6	12.8%	7.0x	6.6x
Median					79.2%	\$1,482.4	\$1,457.9	\$1,327.2	\$195.4	\$207.6	12.8%	7.0x	6.6x

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Select Duff & Phelps Staffing Transactions

Sell Side Advisor



has been acquired by



Sell Side Advisor



has been acquired by



Sell Side Advisor



BRILLIANT.

has completed a majority
recapitalization with



SILVER OAK
SERVICES PARTNERS

Sell Side Advisor



has been acquired by



A DAY & ZIMMERMANN COMPANY

Sell Side Advisor



vision technology
SERVICES

has been acquired by



Sell Side Advisor



has been acquired by



Sell Side Advisor



has been acquired by



Sell Side Advisor



a portfolio company of North
Texas Opportunity Fund LP,
has been acquired by



Sell Side Advisor



has been acquired by



a portfolio company of



Sell Side Advisor



Addison Group

has been acquired by



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