

Industry Insights

Staffing Industry M&A Landscape

Q3 2012

During the third quarter of 2012, 33 staffing industry M&A transactions were completed by 30 different buyers, the most announced staffing M&A transactions since the fourth quarter of 2007. The 33 announced transactions this quarter are a 120% increase over the 15 transactions reported in the third quarter of 2011. For the first 9 months of 2012, 78 staffing transactions have been reported, a 77% increase over the 44 transactions announced in the first 9 months of 2011.

The increased transaction volume is indicative of a much improved environment for staffing mergers and acquisitions, the better valuations being received by high-performing staffing companies and the desire for many sellers to complete their transactions before the end of 2012, when tax rates may increase.

Information technology staffing companies continue to see widespread demand and strong valuations, with certain areas of healthcare staffing and light industrial staffing also seeing broader interest from buyers. While buyers of staffing businesses continue to be selective, those companies with a history of strong revenue growth, high profitability, diversified customer bases and outstanding management teams committed to staying with the business post-transaction continue to fare well in the staffing M&A marketplace.

Notable deals announced during the third quarter of 2012 include:

 **Providus**, a premier provider of attorneys, paralegals, and other legal professionals on a contract and direct-hire basis, was acquired by **DTI**, the nation's largest independent provider of e-discovery, managed document review, facilities management and knowledge processing outsourcing. *Duff & Phelps acted as the exclusive transaction advisor on behalf of Providus.*

 **Science Applications International Corporation (SAIC)** announced the acquisition of **maxIT Healthcare Holdings**, a leading healthcare IT consulting firm based in Westfield, IN. maxIT Healthcare is the largest private independent healthcare IT consulting company in North America and provides a comprehensive range of healthcare IT services and solutions primarily to commercial hospital groups and other medical delivery organizations.

 **Pinstripe**, a Brookville, WI based recruitment process outsourcing (RPO) firm, was acquired by **Accel-KKR**, a private equity firm that primarily focuses on technology. This investment will allow Pinstripe to proceed forward with its ambitious growth plan. Pinstripe's previous financial partners were Baird Venture Partners, CID Capital and the State of Wisconsin Investment Board.

 **American Cyber Systems (ACS)** announced the acquisition of **Comforce's** staffing business, expanding ACS' capabilities in the areas of contingent IT, Engineering, Healthcare and Government staffing. Comforce's staffing business had reported annual revenue of approximately \$175 million.

 IBM acquired **Kenexa Corporation**, a leading provider of recruiting and talent management solutions, for approximately \$1.3 billion. The acquisition bolsters IBM's leadership in helping clients embrace social business capabilities while gaining actionable insights from the enormous streams of information generated from social networks every day.

 **Digital Intelligence Systems, LLC (DISYS)**, a leading IT staffing and consulting firm based in McLean, VA, announced that it completed a successful \$20 million growth equity investment led by private equity firm Weston Presidio. The equity investment from Weston Presidio allows DISYS to target strategic acquisitions and other growth initiatives.

 **TriNet**, a cloud-based provider of on-demand HR services, has acquired **Strategic Outsourcing, Inc. (SOI)** from Clarion Capital Partners, LLC. TriNet's acquisition of SOI will enable TriNet to offer a multi-product professional employer organization (PEO) service delivery model that will better serve the needs of entrepreneurs and small businesses across America. Based in Charlotte, NC, SOI will operate as a business unit of TriNet, with its name and brand remaining intact. The SOI senior management team will remain in leadership positions post-transaction.

Summary

Of the 78 announced transactions in the staffing industry for YTD 2012, 81% (63 transactions) were made by privately-owned buyers and only 19% (15 transactions) were completed by a publicly traded entity.

Many of these very active acquirers are private-equity-backed staffing companies and they can often be aggressive suitors, as they see a short window to make acquisitions, integrate the acquired businesses and prepare for their own future liquidity

events. For this reason, it is imperative that staffing company owners contemplating the sale of their business engage an M&A advisor that specializes in the staffing industry, as today's "best buyers" are not as obvious as in prior years.

As you develop your sale or acquisition plans, the staffing deal team at Duff & Phelps would be happy to talk to you more in person about the opportunities that the staffing industry M&A environment might provide for your organization.

For more information please visit our website:
www.duffandphelps.com

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