

INDUSTRY INSIGHTS

# Staffing Industry M&A Landscape

Summer 2020

# Q Highlights

U.S. staffing industry M&A activity declined significantly in the second quarter of 2020, as COVID-19 related shutdowns greatly impacted the staffing ecosystem. The number of completed staffing M&A transactions in the near term will continue to be adversely impacted, as many deal processes have been delayed.

Even before the pandemic, many of the U.S. public staffing companies were absent from notable M&A activity, as staffing industry acquisition activity remains primarily driven by private equity-owned strategic buyers seeking to scale their existing platforms to create value for subsequent exits.

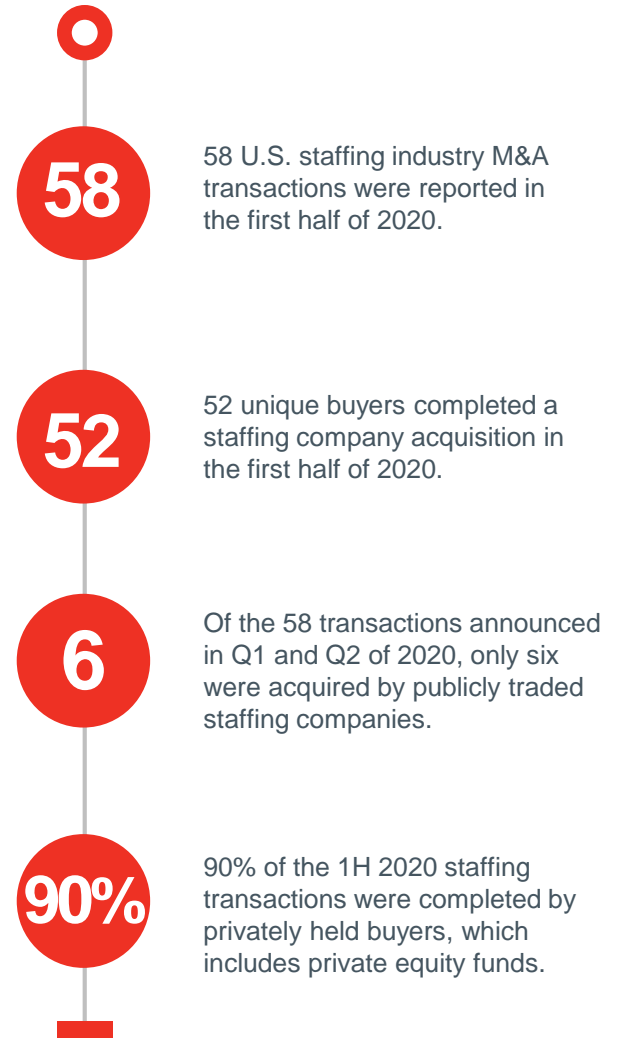
Strategic buyers accounted for 83% of the staffing industry acquisitions in the first half of 2020, with private equity funds (financial buyers) investing in new platform acquisitions accounting for the other 17% of transactions.

– Private equity acquired 10 new platform staffing investments in the first half of 2020. This follows the 65 new platform investments in the staffing industry made by private equity from 2017-2019.

Companies in the professional staffing sector appear to be performing the best through the COVID-19 pandemic, while industrial staffing providers appear to be experiencing the sharpest revenue declines.

Our conversations with potential buyers and sellers suggest that after the worst of the COVID-19 crisis passes, staffing M&A activity may recover fairly quickly, as there is no shortage of active buyers in many segments of the staffing industry.

## BY THE NUMBERS



# M&A Activity – Staffing Industry ●○○

The number of announced U.S. staffing industry M&A transactions declined significantly in the second quarter of 2020, as COVID-19 related shutdowns greatly impacted the staffing ecosystem. 20 staffing industry transactions were reported in Q2 2020, down sharply from the 38 announced transactions in the first quarter of 2020. The 58 staffing industry transactions reported in the first half of 2020 is down 17% from the 70 transactions announced in the first six months of 2019. Many acquisitions that were deep into the diligence and/or documentation phase when the U.S. economy shut down late in Q1 2020 were still able to be completed. However, the majority of potential new staffing industry transactions have now been delayed as sellers adjust their plans and focus on the internal operations of their businesses.

Our conversations with potential buyers and sellers suggest that after the worst of the COVID-19 crisis passes, staffing M&A activity may recover fairly quickly, as there is no shortage of active buyers in many segments of the staffing industry. While some of these potential acquirers are more “opportunistic” in nature and are seeking distressed assets, there remains a healthy number of well-capitalized buyers (many owned by private equity) who are seeking higher quality assets that are a strategic fit with their business. The private equity-backed companies will continue to seek growth opportunities through both organic and inorganic means in order to build value for their own future exits, even if those exits have now been delayed by a few years.

While we hear from industry participants that the average temporary staffing company’s Q2 2020 revenue is tracking approximately 20%-25% less than Q2 2019, this includes a wide variance in performance, with many companies reporting improving conditions in June vs. earlier in Q2 2020. Companies in the professional staffing sector appear to be performing the best, with businesses we’re speaking with indicating revenue declines of only 0%-10% in Q2 2020 vs. Q2 2019. Ongoing contract placements, especially at the higher-end of the staffing bill rate spectrum, are holding up the best, while new starts appear to be the most adversely impacted. We are observing that industrial staffing appears to be experiencing the largest revenue declines, as some companies in this sector are indicating that revenue is down 20%-30% in Q2 2020 vs. the same period in 2019.

Most U.S. public staffing companies continue to be absent from recent M&A activity, as staffing industry acquisition activity remains primarily driven by privately held strategic buyers (many of whom are now majority owned by private equity funds). Of the 58 staffing transactions completed in the first half of 2020, 52 were completed by privately owned investors/buyers, with only six of these transactions completed by a publicly traded company.

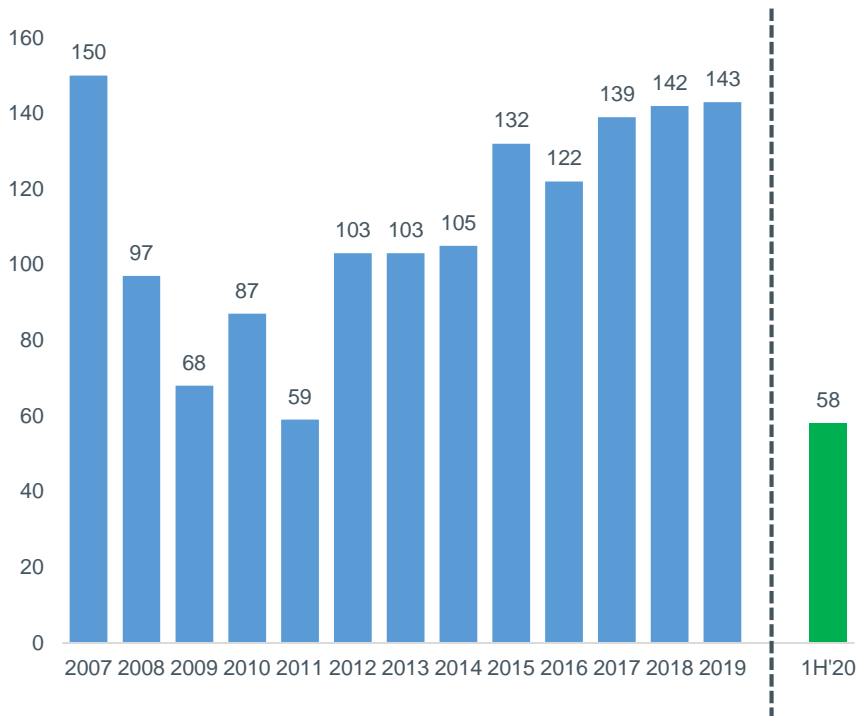
Strategic buyers (which include staffing businesses that are owned by private equity) completed 83% of the staffing acquisitions in the first six months of 2020. However, financial buyers (private equity) continue to be an attractive option for the larger and faster-growing companies in the staffing sector, with 10 new platform investments made in 1H 2020. This follows the 65 new platform investments made by private equity in the staffing industry from 2017-2019, as previously reported by Duff & Phelps. Contract staffing companies with scale and excellent historical and projected growth rates, and with management teams seeking to continue participating in the growth of their businesses post-transaction, can still be very attractive investment platforms.

IT staffing, especially those businesses with a more relationship-oriented sales model producing a higher gross margin and double-digit EBITDA margin, remains the most attractive staffing segment for acquirers, as 22 of the 58 transactions reported in the first half of 2020 involved companies whose predominant service offering was IT staffing and / or IT solutions. Healthcare staffing is another historically attractive sector, with seven transactions completed in the first six months of 2020. The professional staffing segments (including IT, digital / creative, healthcare, finance / accounting and life sciences) will likely see the most buyer demand whenever growth eventually returns to the industry. The light industrial staffing segment has also been active over the past few years, although typically at lower valuation multiples as compared to higher-margin professional staffing. As light industrial staffing is generally viewed as being more cyclical than the staffing industry as a whole, buyers in this segment may likely be more “opportunistic” in nature moving forward.

# M&A Activity – Staffing Industry ○○○

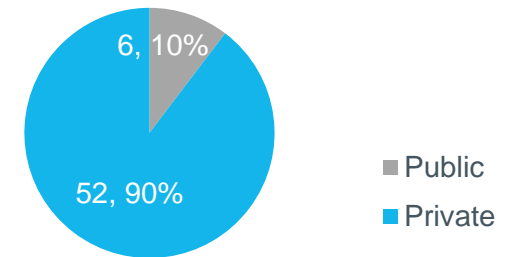
Yearly Staffing Transaction Volume – 2007 to YTD June 30, 2020

## Number of Deals

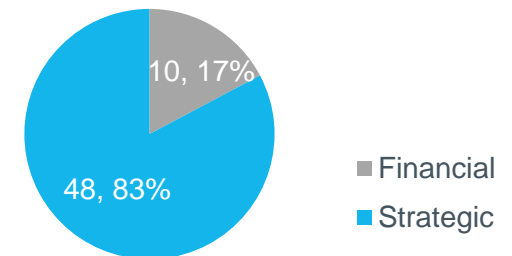


Staffing Industry Transaction Activity – YTD June 30, 2020

## Public vs. Private Buyer



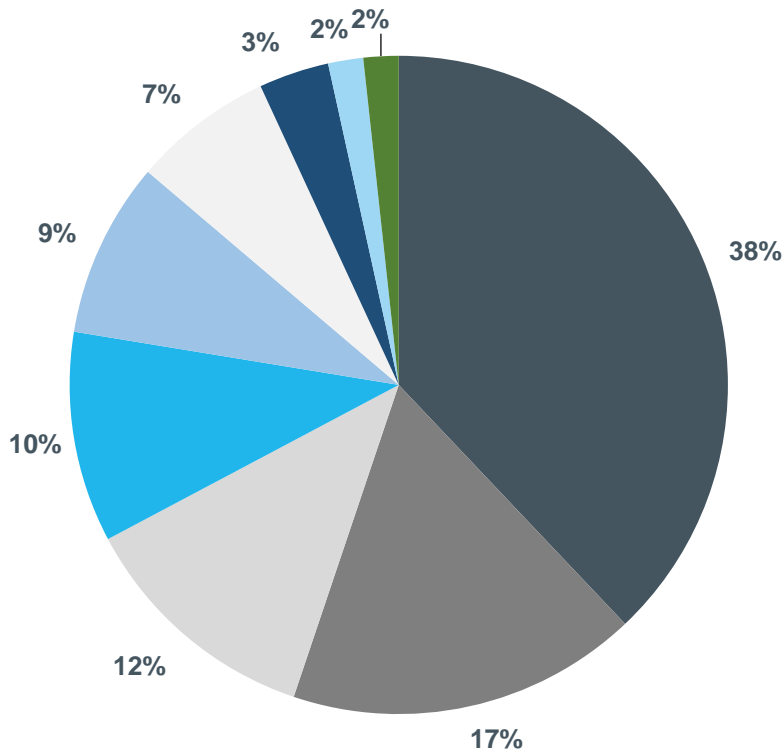
## Strategic vs. Financial Buyer





# M&A Activity – Staffing Industry ○○●

M&A Activity by Staffing Industry Sector – YTD June 30, 2020



Industry Sector	No. of 2020 Transactions
IT Staffing	22
Light Industrial / Clerical	10
Healthcare	7
Other	6
Executive Search	5
Finance & Accounting	4
PEO	2
Technical	1
Legal	1

# Notable Staffing Transactions

Q2 2020



Orion Innovation, LLC, a global business and technology services firm that provides digital transformation and product development services, announced the acquisition of Tekmark Global Solutions LLC, a New Jersey-headquartered global technology services firm specializing in software engineering, quality engineering, telecom engineering, managed services, cyber security and data analytics. The acquisition of Tekmark brings 40 years of client relationships across a broad spectrum of industries with a heavy concentration in financial services and telecommunications. Tekmark adds over 850 experienced technology engineers deployed to Orion's U.S.-based delivery team, bringing Orion's global strength to over 4,000 associates.



Doximity, Inc., the professional medical network, has acquired THMED LLC, a leading healthcare staffing solutions company. THMED's division names—Medestar, Fidelis, THMED Executive Search and CF Staff Solutions—are changing to the Curative brand. Doximity's platform enables physicians to collaborate with other physicians, see career opportunities and get the latest medical news. Curative notes that 70% of all doctors and 45% of all nurse practitioners and physicians are part of Doximity's network. Jeff Bowling will lead the company as Curative's CEO going forward.



Cognizant Technology Solutions Corporation announced to acquire Collaborative Solutions, LLC, a consulting firm specialized in Workday enterprise cloud applications for finance and human cloud resources. The deal is set to close this summer and is subject to closing conditions and regulatory clearance. Collaborative Solutions is headquartered in Reston, Virginia, and has more than 1,000 employees worldwide. In addition to the U.S., the company has operations in Australia, Canada and the UK. Cognizant reported the acquisition of Collaborative Solutions will add finance and HR advisory and implementation services to its cloud offerings.



Private equity firm Tenex Capital Management, L.P. completed the acquisition of G2 Secure Staff, L.L.C., which provides reliable, professional aviation service solutions, including ground handling, cabin cleaning, passenger assistance, cargo, maintenance, and security solutions for airline customers. The company utilizes technology such as tablet devices to enable workforce productivity and ensure a timely and smooth experience for their portfolio of airline customers. Headquartered in Irving, Texas, G2 Secure Staff employs over 6,000 aviation service professionals at 54 top travelled airports throughout the U.S.



Enhanced Healthcare Partners, Inc., a New York-based private equity firm specializing in middle-market healthcare businesses, announced its joint investment in the business merger of Synergy Surgicalists, one of the nation's top providers of surgicalist staffing in the acute care setting, and EA Health, a leading provider of specialty physician on-call compensation solutions and physician staffing services. The company will offer integrated, high performance clinical staffing and management services for emergency medicine, orthopedic and general surgery staffing and specialty on-call services. Industry veteran Bill Sanger, chairman of EA Health and former chairman and chief executive officer of Envision Healthcare, has led numerous physician-focused platforms in a distinguished career.



# Staffing M&A Transactions Q2 2020

Announced Date	Seller	Buyer	Business Description
4/1/2020	WePayPeople	People 2.0	Provides payrolling and payroll administration services
4/1/2020	TCP Solutions	People 2.0	A global payroll and compliance specialist
4/1/2020	Entity Solutions	People 2.0	Provides contractor management services and outsourced payroll solutions
4/28/2020	Tekmark Global Solutions	Orion Innovation	A technology and telecommunication solutions provider that offers technology staffing, cyber security, managed information technology, software and infrastructure, and telecommunication services worldwide
4/30/2020	Allied Universal	Warburg Pincus (Minority Investor)	Provides security and janitorial solutions and staffing services for airports, education, campuses, manufacturing facilities, retail centers, etc.
5/1/2020	IT Connect	Avrem Technologies	Provides IT contract, contract-to-hire, and direct hire placement services
5/5/2020	Collaborative Solutions	Cognizant	Consulting firm specialized in Workday enterprise cloud applications for finance and human cloud resources
5/12/2020	RMS Global Solutions	Atlantic Partners Corporation	Provider of business consulting and management solutions
5/14/2020	People Prime Worldwide	The Boston Group Private Ltd	Provides IT staffing as well as non-IT staffing in the banking sector
5/22/2020	SalesWorks	Blarney Ventures	Provides sales training and sales & marketing consulting services

# Staffing M&A Transactions Q2 2020

Announced Date	Seller	Buyer	Business Description
5/23/2020	G2 Secure Staff	Tenex Capital	Provides staffing and security services to the aviation industry in the U.S.
6/2/2020	TechSmarte	TechAffinity, Inc.	Provides IT recruitment solutions for startups, small and mid-sized businesses, and large corporations across various industries
6/10/2020	Skyline Ultd. Inc.	Central Research Inc.	Provides staffing and information technology services to government agencies
6/16/2020	THMED	Doximity	Provides locum tenens staffing services
6/18/2020	Onebridge	ESOP	Offers consulting in the areas of data analytics, application development and maintenance, and quality and compliance. It also provides workforce solutions in the areas of direct hire, managed talent, and contingent talent
6/22/2020	Anistar Technologies Inc.	NSC Technologies	Focuses on providing skilled labor for low-voltage infrastructure, networking, structured cabling, audio/visual, security, and electrical subcontracting services as well as federal defense contractors. It provides consulting contract placement, direct permanent placement and / or contract to permanent placement assignments
6/23/2020	1-Call Staffing	Ascend Staffing	Serves the administrative, light industrial and skilled manufacturing segments. It primarily serves businesses and non-profits
6/24/2020	St. Louis Staffing	Advanced Resources Group	Offers office and industrial placement services. It provides office and industrial contingent staffing, permanent placement staffing, pass through and payroll staffing, and bulk staffing
6/4/2020	Synergy Surgicalists	Enhanced Healthcare Partners	Market leader in the surgicalist staffing market
6/30/2020	Association Purchasing Services - Staffing Operation	Aya Healthcare	Provides clinical and non-clinical staffing, such as nurses, allied health, and mid-level practitioners, to Kansas Hospital Association and Missouri Hospital Association



# Public Trading Data for Staffing Companies ●○○

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

Company Name	Ticker	Price as of 6/30/2020	52 Week		% of 52 Week High	Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV/EBITDA	
			Low	High					2020E	2021E		2020E	2021E
<b>Commercial Staffing</b>													
Adecco Group AG	ADEN	\$46.95	\$32.20	\$66.84	70.2%	\$7,609.0	\$8,564.0	\$25,187.9	\$668.3	\$1,062.4	4.6%	12.8x	8.1x
Barrett Business Services, Inc.	BBSI	53.13	27.25	95.64	55.6	400.4	337.2	943.2	27.8	43.7	5.6	12.1	7.7
GEE Group, Inc.	JOB	0.55	0.17	0.86	63.6	8.7	114.9	149.2	NA	1.6	5.2	NA	69.8
Kelly Services, Inc.	KELY.A	15.82	10.13	28.91	54.7	620.9	666.2	5,234.1	67.6	143.5	2.1	9.8	4.6
ManpowerGroup Inc.	MAN	68.75	49.57	100.99	68.1	3,990.9	4,383.9	20,437.7	372.3	555.7	3.6	11.8	7.9
Randstad N.V.	RAND	44.63	31.18	63.13	70.7	8,180.1	9,768.5	25,683.5	934.0	1,283.0	4.1	10.5	7.6
Staffing 360 Solutions, Inc.	STAF	0.79	0.28	1.83	43.2	7.4	68.0	263.3	7.1	8.1	0.8	9.6	8.4
TrueBlue, Inc.	TBI	15.27	12.02	24.98	61.1	530.7	600.3	2,310.7	32.2	72.3	4.1	18.6	8.3
<b>Average<sup>(1)</sup></b>					62.2%	\$2,193.4	\$2,444.4	\$9,062.8	\$233.7	\$314.3	4.0%	11.4x	8.0x
<b>Median</b>					62.4%	\$575.8	\$633.2	\$3,772.4	\$67.6	\$107.9	4.1%	11.8x	8.0x

(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

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Note: EBITDA does not reflect adjustments for extraordinary items.

Source: S&P Global Market Intelligence as of June 30, 2020.

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<b>Professional Staffing</b>													
ASGN Incorporated	ASGN	\$66.68	\$29.04	\$72.66	91.8%	\$3,500.7	\$4,604.3	\$3,990.7	\$377.6	\$412.5	10.4%	12.2x	11.2x
BG Staffing, Inc.	BGSF	11.32	5.69	22.38	50.6	116.7	170.1	299.6	14.8	22.5	8.1	11.5	7.6
Hudson Global, Inc.	HSO	8.80	6.06	13.10	67.2	23.6	(2.1)	101.8	0.7	3.0	0.4	NM	NM
Kforce Inc.	KFRC	29.25	20.60	42.64	68.6	607.1	696.4	1,355.9	60.8	71.7	6.1	11.4	9.7
Mastech Digital, Inc.	MHH	25.93	4.78	29.98	86.5	290.6	314.3	198.8	NA	NA	7.5	NA	NA
RCM Technologies, Inc.	RCMT	1.34	1.02	3.61	37.1	15.1	53.5	184.5	NA	8.5	NM	NA	6.3
Resources Connection, Inc.	RGP	11.97	8.66	17.93	66.8	384.8	442.6	706.9	51.7	52.0	7.6	8.6	8.5
Robert Half International Inc.	RHI	52.83	32.38	63.97	82.6	5,959.8	5,986.2	6,112.6	434.5	510.7	11.0	13.8	11.7
TSR, Inc.	TSRI	4.75	2.64	8.88	53.5	9.3	7.2	59.9	NA	NA	NM	NA	NA
Volt Information Sciences, Inc.	VOLT	1.29	0.65	4.65	27.7	27.6	105.9	916.6	NA	NA	NM	NA	NA
<b>Average<sup>(1)</sup></b>					60.9%	\$209.4	\$255.7	\$537.7	\$42.5	\$38.7	7.3%	11.5x	8.6x
<b>Median</b>					66.8%	\$116.7	\$170.1	\$299.6	\$51.7	\$37.3	7.5%	11.5x	8.5x

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			Low	High					2020E	2021E		2020E	2021E
<b>Healthcare Staffing</b>													
AMN Healthcare Services, Inc.	AMN	\$45.24	\$36.65	\$89.22	50.7%	\$2,125.2	\$3,220.6	\$2,292.1	\$261.7	\$281.3	10.6%	12.3x	11.4x
Cross Country Healthcare, Inc.	CCRN	6.16	4.50	13.42	45.9	230.8	316.7	837.1	20.5	30.5	2.5	15.5	10.4
<b>Average</b>					48.3%	\$1,178.0	\$1,768.6	\$1,564.6	\$141.1	\$155.9	6.6%	13.9x	10.9x
<b>Median</b>					48.3%	\$1,178.0	\$1,768.6	\$1,564.6	\$141.1	\$155.9	6.6%	13.9x	10.9x
<b>Executive and Retained Search</b>													
Heidrick & Struggles International, Inc.	HSII	\$21.62	\$17.99	\$33.21	65.1%	\$416.7	\$373.1	\$706.8	\$63.9	\$69.5	11.3%	5.8x	5.4x
Korn Ferry	KFY	30.73	21.45	43.99	69.9	1,691.5	1,775.7	1,983.0	169.1	253.0	13.6	10.5	7.0
<b>Average</b>					67.5%	\$1,054.1	\$1,074.4	\$1,344.9	\$116.5	\$161.3	12.5%	8.2x	6.2x
<b>Median</b>					67.5%	\$1,054.1	\$1,074.4	\$1,344.9	\$116.5	\$161.3	12.5%	8.2x	6.2x

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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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