

Industry Insights

Staffing Industry M&A Landscape

April 2013

Summary

- 27 Staffing Industry M&A transactions were reported in the first three months of 2013, a 13% increase over the 24 transactions announced in the first quarter of 2012.
 - > 23 unique buyers completed staffing transactions in the first quarter of 2013.
- Privately held staffing buyers accounted for 74% of the acquisitions in the first quarter of 2013, while public buyers completed 26%.
- Strategic buyers accounted for 89% of the staffing acquisitions in the first quarter of 2013, with private equity (financial) buyers investing in a new platform acquisition accounting for 11% of the transactions.
- Light industrial staffing was the most active staffing sector in Q1 2013, with 8 transactions reported.
- IT staffing and healthcare staffing companies are drawing the most buyer interest in the professional staffing sectors.
- While buyers of staffing businesses continue to be selective, 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.

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#1 Investment Bank for Number of
Global Bankruptcy Cases

#1 Global Fairness Opinion Provider

#3 U.S. Middle-Market M&A Advisor

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Source: Global bankruptcy case ranking provided by The Deal Q4 2012 league table.
Fairness opinion and M&A rankings calculated by number of deals from Thomson Financial Securities full year 2012 data.
Middle-market M&A deals < \$250 million.

M&A Activity – Staffing Industry

M&A Overview

The first quarter of 2013 saw 27 staffing industry M&A transactions completed by 23 different buyers. These 27 announced transactions represent a 13% increase over the first quarter of 2012. The increasing transaction activity which began in 2012 is carrying over into 2013 and is indicative of the strong operating environment for many contract staffing businesses, especially those providing professional staffing services. However, many buyers are now reporting a shortage of new staffing acquisition opportunities, therefore the number of announced staffing transactions may decline as the year progresses.

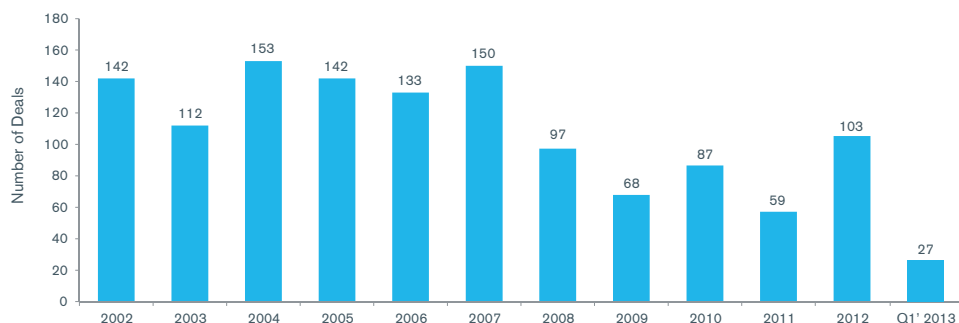
Acquisition activity remains primarily driven by privately-held strategic buyers, as the larger public staffing companies account for only a handful of transactions each year. In the first quarter of 2013, 74% of the transactions were completed by privately owned buyers, with only 26% acquired by public companies.

Strategic buyers completed over 89% of the staffing acquisitions in the first quarter of 2013. Private equity (financial) buyers remain a viable option for the largest and best performing staffing companies, with 3 new platform investments acquired in the first quarter of 2013.

Commercial staffing, including light industrial staffing, was the most active staffing sector in Q1 2013, with 8 transactions reported. Information technology staffing companies continue to see widespread demand and strong valuations, with certain areas of healthcare staffing also seeing broader interest from buyers.

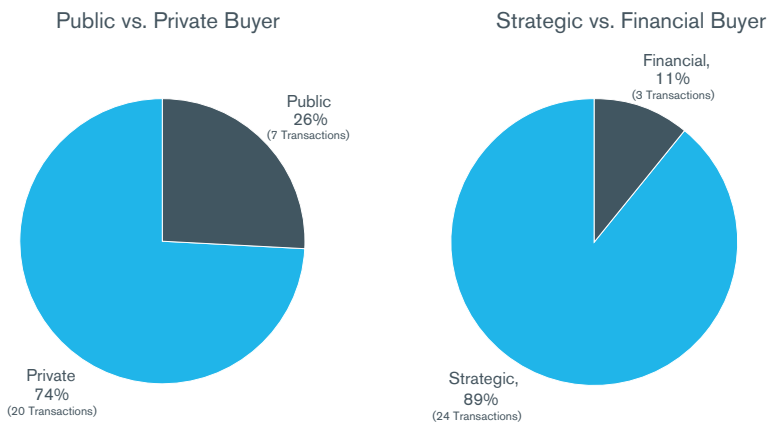
While buyers of staffing businesses continue to be selective, those companies with a history of strong revenue growth, high profitability, diversified customer bases and outstanding management teams committed to staying with the business post-transaction continue to fare well in the staffing M&A marketplace.

Exhibit 1: Annual # of Transactions - 2002-Q1 2013



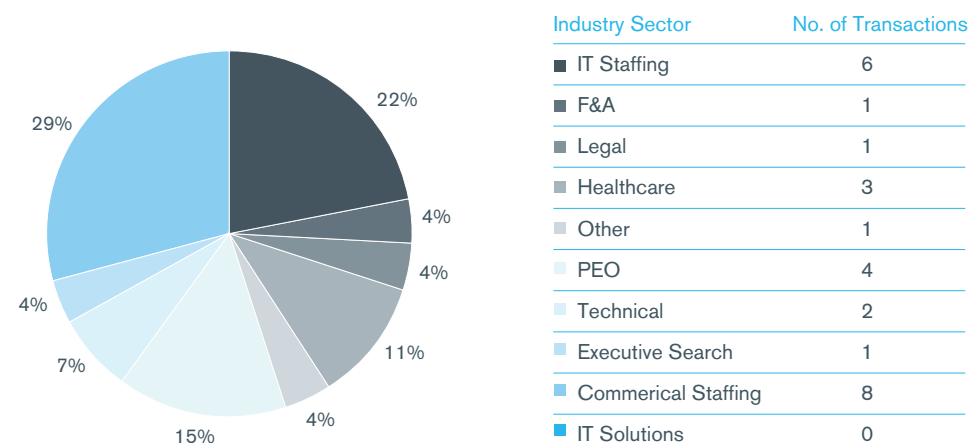
Source: Capital IQ

Exhibit 2: Staffing Industry Transaction Activity - Q1 2013



Source: Capital IQ and publically available data

Exhibit 3: Activity by Primary Service Offering - Q1 2013



Source: Capital IQ

Notable Staffing Transactions – Q1 2013

system|one

System One Holdings

Private equity firm MidOcean Partners made an equity investment in System One, one of the largest U.S. providers of engineering staffing, with revenue in excess of \$300 million. System One management team remains a significant owner of the business. System One, based in Pittsburgh, provides technical outsourcing solutions to the energy, engineering, information technology, commercial and scientific sectors. Over the last three years, it has added complementary services including a proprietary vendor management system, legal staffing business and utility services business.



MDT Personnel

MDT Personnel was bought by TrueBlue Inc. for a base purchase price of \$48 million, consisting of \$12 million cash and \$36 million in assumed debt. MDT, with 2012 revenue of approximately \$200 million, is headquartered in Clearwater, Florida and supplies blue-collar labor to the construction, event staffing, disaster recovery, hospitality and manufacturing industries. It is the third largest general labor staffing firm in the United States, with 105 branches and 15 on-site locations in 25 states.



SOS Staffing Services

SOS Staffing Services, operating as SOS Employment Group, was acquired by Indiana-based Elwood Staffing Services, creating a company with combined revenue in excess of \$750 million. SOS, based in Salt Lake City, Utah, was ranked as the 13th largest staffing company in the U.S. The combined company will operate more than 170 offices and more than 50 on-site client locations in 33 states and in Canada.



Cross Country Clinical Trials

Cross Country Healthcare announced the sale of its clinical trial services business to ICON plc. for \$52 million plus an earn-out of up to \$3.75 million. Cross Country's clinical trial services division provides contract staffing, permanent placement and other services. Its operations include ClinForce, with its headquarters in Durham, N.C., and Assent, with offices in Cupertino, CA, and Solana Beach, CA. The division also includes AKOS, a provider of drug safety services based in England. The division posted revenue of \$64.6 million in 2011, the most recent full year available. Cross Country ranked as the seventh-largest provider of clinical/scientific staffing in the U.S.



OA Nurse Travel

On Assignment Inc. announced that it sold its nurse travel division for \$31.0 million to Medical Solutions, Inc. The division had revenue of \$62.2 million in 2012 and had just rebranded as OA Nurse Travel earlier this year. On Assignment is based in Calabasas, CA and provides information technology, physician, allied healthcare and life sciences staffing. This is Medical Solutions' first acquisition since it received a private equity investment from Tenex Capital Management in June 2012.



TeamOne Logistics

Private equity firm Georgia Oak Partners announced an investment in TeamOne Logistics, a Georgia-based contract staffing and logistics provider to the transportation and warehousing industries. TeamOne founder and President Jerry Gray will remain as president and is retaining a substantial stake in the company. TeamOne reports approximately \$50 million in revenue and counts about 750 employees across 26 states.

Staffing M&A Transactions – Q1 2013

Date	Seller	Buyer	EV (\$ in millions)	EV / Rev.	Business Description
1/2/13	Nicolet Staffing	Staffworks Group	NA	NA	An temporary, seasonal and "temp-to-hire" employment services, specializing in industrial, manufacturing, clerical and the home care industries
1/2/13	EDP Inc. (Pennsylvania)	Saksoft Inc.	NA	NA	Provides IT and technology staffing services
1/9/13	Bennett Hall Co.	Source2	NA	NA	A Charlotte, N.C.-based staffing firm specializing in the cable and wiring industry and sheet metal fabrication industry
1/7/13	TeamOne Logistics	Georgia Oak Partners	NA	NA	A Georgia-based contract staffing and logistics provider to the transportation and warehousing industries
1/9/13	Salient Federal Solutions Inc.	Kavaliro Staffing Services	NA	NA	A contracting company focused on technology and engineering services, picked up the Fannie Mae business when it acquired ATS Corp. in early 2012
1/8/13	STAFFpartners	Employment Control Inc. (Harbert Mezzanine Partners and Claritas Capital)	NA	NA	A Nashville, Tenn.-based provider of light industrial and office/clerical staffing
1/10/13	Personally Yours Staffing Inc.	Corporate Resource Services Inc.	NA	NA	Established in 1986 and provides a variety of staffing, including accounting, IT, human resources, administrative/clerical, customer service and call center personnel
1/11/13	The OCJ Group	Willis Group	NA	NA	An information technology staffing firm based in Woodland Hills, California
1/14/13	CoAdvantage Corporation	CIP Capital	NA	NA	Provides human resources outsourcing and benefit administration solutions for small and medium-sized businesses
1/16/13	Employer Administrative Services Inc.	Landrum Professional Employer Services Inc.	NA	NA	Provides PEO services such as insurance benefits, human resources, workmen's' compensation and etc.
1/16/13	Synergetic Inc.	Landrum Professional Employer Services Inc.	NA	NA	Provides PEO services such as insurance benefits, human resources, workmen's' compensation and etc.
1/18/13	ProSource Management Solutions	G&A Partners	NA	NA	Provides payroll processing, payroll tax return filing, human resource outsourcing, benefits administration, risk management, Web based access, and unemployment claims management services for larger companies and smaller businesses
1/21/13	Management Recruiters of Myrtle Beach Inc.	PrincetonOne	NA	NA	Specializes in executive search and interim staffing in logistics and supply chain, manufacturing, and technology
1/21/13	BMT Staffing Solutions	Convention Models & Talent Inc.	NA	NA	Provides staffing for events in the US and Canada
2/4/13	Cross Country's clinical trial services division	ICON plc	\$56	0.9x	Provides contract staffing, permanent placement and other services for clinical trials
2/5/13	Perioperative Nurses Inc.	Alliant Staffing	NA	NA	Provides operating room, post-anesthesia care unit, endoscopy and pain management staffing in the Dallas-Forth Worth area
2/6/13	MDT Personnel	TrueBlue Inc.	\$48	NA	Offers general labor, skilled labor, and event staffing personnel; and carpenters, drywall, electrician, mechanical, and masons skilled labor
2/6/13	Energy Resources Management Ltd.	Belcan	NA	NA	Provider of high voltage electrical engineering personnel in the U.K.
2/14/13	IDC Technologies Inc.	Staffing 360 Solutions Inc.	\$13	0.3x	Primarily places IT personnel and has operations in the U.S. and Canada and related party operations in India
2/15/13	OA Nurse Travel, LLC	Medical Solutions L.L.C.	\$31	0.5x	Operates as a travel nursing company. It engages in placing healthcare professionals in short-term, long-term, and contract-to-hire job assignments
2/15/13	SOS Staffing Services Inc.	Elwood Staffing	NA	NA	Provides heavy industrial skilled labor staffing in the U.S.
2/25/13	Workshop Holding AS	Manpower	NA	NA	Norway's largest recruitment specialist in the construction sector
3/1/13	IS&T Staffing Group	Willis Group	NA	NA	Specializes in retained search and contingent staffing for the IT sector and its clients include brands in the energy trading, telecom, financial services, legal, retail and healthcare industries
3/8/13	Temploy Inc.	Corporate Resource Services Inc.	NA	NA	A Tustin, Calif.-based provider of commercial staffing
3/14/13	Tactical Workforce Solutions	STS Holdings	NA	NA	Provides engineering staffing, skilled labor, engineering services, workforce management (such as RPO and project management) and other services — including security-cleared personnel
3/27/13	The Revolution Group Ltd.	Staffing 360 Solutions Inc.	NA	NA	Specializes in staffing for the cybersecurity industry with a focus on cyber terrorism
3/27/13	Update Inc.	Subsidiary of Conversion Capital	NA	NA	Specializes in legal staffing services

Source: Capital IQ

Public Trading Data for Staffing Companies

(\$ in millions, except per share amounts)

Company Name	Ticker	Price 3/29/13	52-Week		Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV / EBITDA		% of 52 Week High
			Low	High				LTM	2013E		LTM	2013E	
Commercial Staffing													
Adecco S.A.	ADEN	\$54.84	\$39.46	\$54.20	\$10,355.2	\$11,773.0	\$27,076.3	\$1,207.7	\$1,203.9	4.5%	9.7x	9.8x	101.2%
Barrett Business Services Inc.	BBSI	38.09	15.68	39.49	267.1	229.3	402.7	20.3	26.6	5.0	11.3	8.6	96.5
CDI Corp.	CDI	17.13	13.36	18.61	331.3	320.1	1,105.0	42.4	46.0	3.8	7.5	7.0	92.0
Kelly Services, Inc.	KELY.A	15.74	11.26	18.09	583.7	597.0	5,450.5	96.8	113.0	1.8	6.2	5.3	87.0
ManpowerGroup Inc.	MAN	42.44	30.53	48.28	3,329.7	3,636.1	20,678.0	571.0	573.9	2.8	6.4	6.3	87.9
Randstad Holding NV	RAND	36.66	27.06	39.67	6,308.2	8,154.4	22,528.6	677.4	835.0	3.0	12.0	9.8	92.4
TrueBlue, Inc.	TBI	15.75	11.84	18.22	610.0	490.6	1,389.5	71.9	77.0	5.2	6.8	6.4	86.4
Average⁽²⁾					\$2,232.6	\$2,639.6	\$10,230.3	\$291.9	\$329.0	3.8%	8.4x	7.6x	91.2%
Median					\$610.0	\$597.0	\$5,450.5	\$96.8	\$113.0	3.8%	7.5x	7.0x	92.0%
Professional Staffing													
Adecco S.A.	ADEN	\$54.84	\$39.46	\$54.20	\$10,355.2	\$11,773.0	\$27,076.3	\$1,207.7	\$1,203.9	4.5%	9.7x	9.8x	101.2%
Analysts International Corp.	ANLY	3.17	2.74	7.30	16.1	11.7	105.8	1.2	NA	1.1	10.1	NA	43.5
CIBER, Inc.	CBR	3.34	2.70	4.76	245.6	254.7	884.4	30.5	38.5	3.4	8.4	6.6	70.2
Hudson Global, Inc.	HSON	4.48	3.23	5.98	143.2	109.3	777.6	7.6	1.2	1.0	14.4	NA	74.9
Kelly Services, Inc.	KELY.A	15.74	11.26	18.09	583.7	597.0	5,450.5	96.8	113.0	1.8	6.2	5.3	87.0
Kforce Inc.	KFRC	14.34	10.34	15.40	515.6	511.4	1,082.5	25.6	70.5	2.4	20.0	7.3	93.1
ManpowerGroup Inc.	MAN	42.44	30.53	48.28	3,329.7	3,636.1	20,678.0	571.0	573.9	2.8	6.4	6.3	87.9
On Assignment Inc.	ASGN	20.28	10.65	20.93	1,065.1	1,490.8	1,239.7	128.1	154.9	10.3	11.6	9.6	96.9
Randstad Holding NV	RAND	36.66	27.06	39.67	6,308.2	8,154.4	22,528.6	677.4	835.0	3.0	12.0	9.8	92.4
RCM Technologies Inc.	RCMT	5.15	4.89	6.72	62.0	31.7	145.8	6.5	NA	4.5	4.8	NA	76.6
Resources Connection Inc.	RECN	11.93	9.63	14.49	489.2	366.3	566.9	50.9	50.5	9.0	7.2	7.3	82.3
Robert Half International Inc.	RHI	31.82	25.10	32.32	4,478.3	4,190.5	4,111.2	410.8	458.2	10.0	10.2	9.1	98.5
TSR, Inc.	TSRI	3.02	2.77	5.69	6.0	(2.2)	44.6	(0.5)	NA	NA	4.0	NA	53.1
Average⁽²⁾					\$1,567.0	\$1,759.4	\$5,233.7	\$182.4	\$286.8	4.2%	9.2x	8.0x	83.0%
Median					\$515.6	\$511.4	\$1,082.5	\$50.9	\$133.9	3.2%	9.7x	7.3x	87.0%

(1) \$ Millions, except for per share data

(2) Excludes the highest and lowest values

(3) EBITDA does not reflect adjustments for extraordinary items

Source: Capital IQ; for definitions refer to page 6

Public Trading Data for Staffing Companies (Cont'd)

(\$ in millions, except per share amounts)

Company Name	Ticker	Price 3/29/13	52-Week		Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV / EBITDA		% of 52 Week High
			Low	High				LTM	2013E		LTM	2013E	
Healthcare Staffing													
AMN Healthcare Services Inc.	AHS	\$11.55	\$3.86	\$12.17	\$512.7	\$705.0	\$954.0	\$67.5	\$76.8	7.1%	10.4x	9.2x	94.9%
Cross Country Healthcare, Inc.	CCRN	4.80	3.80	6.73	148.3	175.3	442.6	3.2	12.1	0.7	NA	14.5	71.3
On Assignment Inc.	ASGN	20.28	10.65	20.93	1,065.1	1,490.8	1,239.7	128.1	154.9	10.3	11.6	9.6	96.9
Average ⁽²⁾					\$575.4	\$790.4	\$878.8	\$66.2	\$81.3	6.0%	11.0x	11.1x	87.7%
Median					\$512.7	\$705.0	\$954.0	\$67.5	\$76.8	7.1%	11.0x	9.6x	94.9%
Executive & Retained Search													
CTPartners Executive Search Inc.	CTP	\$4.56	\$3.32	\$7.10	\$31.8	\$524.3	\$128.4	\$3.5	\$2.5	2.7%	NA	NA	64.2%
Heidrick & Struggles International Inc.	HSII	15.26	11.12	23.95	274.2	1,268.7	443.8	33.0	34.4	7.4	38.5	36.8	63.7
Korn/Ferry International	KFY	15.86	12.10	18.75	770.8	1,414.9	783.0	80.6	89.0	10.3	17.6	15.9	84.6
Average ⁽²⁾					\$359.0	\$1,069.3	\$451.7	\$39.0	\$42.0	6.8%	28.0x	26.4x	70.8%
Median					\$274.2	\$1,268.7	\$443.8	\$33.0	\$34.4	7.4%	28.0x	26.4x	64.2%

Definitions

PEG Ratio: Price earnings to growth

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

EPS: Earnings Per Share

Enterprise Value: Market Capitalization + Total Debt + Preferred Equity + Minority Interest – Cash and Short Term Investments

LTM: Last Twelve Months











(1) \$ Millions, except for per share data

(2) Excludes the highest and lowest values

(3) EBITDA does not reflect adjustments for extraordinary items

Source: Capital IQ

Selected Duff & Phelps Staffing Transactions

<p>Sell Side Advisory</p> <hr/> <p>Providus Holdings, Ltd. has been acquired by DTI, a portfolio company of Harvest Partners</p>  <p>Exclusive advisor to Providus Holdings Ltd.</p>	<p>Sell Side Advisory</p> <hr/> <p>Addison Group has been acquired by Addison Search, a portfolio company of Lake Capital</p>  <p>Exclusive advisor to Addison Group</p>	<p>Sell Side Advisory</p> <hr/> <p>Extrinsic, LLC has been acquired by BG Staffing</p>  <p>Exclusive advisor to Extrinsic, LLC</p>	<p>Sell Side Advisory</p> <hr/> <p>Prescott Legal Search, Inc. and Prescott Legal Professionals, LP have been acquired by Special Counsel, a division of MPS Group, Inc.</p>  <p>Exclusive advisor to Prescott Legal Search, Inc. and Prescott Legal Professionals, LP</p>	<p>Sell Side Advisory</p> <hr/> <p>TSG IT Resources has been acquired by TEKsystems</p>  <p>Exclusive advisor to TSG IT Resources</p>
<p>Sell Side Advisory</p> <hr/> <p>National Technical Systems, Inc. has sold its IT staffing business to Strategic Staffing Solutions</p>  <p>Exclusive advisor to National Technical Systems, Inc.</p>	<p>Buy Side Advisory</p> <hr/> <p>Staffing Now, Inc. has acquired Q & A Recruiting, LLP</p>  <p>Exclusive advisor to Staffing Now, Inc.</p>	<p>Buy Side Advisory</p> <hr/> <p>LTN Staffing, LLC has acquired BG Personnel Services</p>  <p>Initiated the transaction on behalf of LTN Staffing, LLC</p>	<p>Buy Side Advisory</p> <hr/> <p>Wicresoft Co., Ltd. has acquired TSRI, Inc.</p>  <p>Initiated the transaction on behalf of Wicresoft Co., Ltd.</p>	<p>Buy Side Advisory</p> <hr/> <p>BG Staffing has acquired JNA Staffing</p>  <p>Initiated the transaction on behalf of BG Staffing</p>

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