

INDUSTRY INSIGHTS

Staffing Industry M&A Landscape

Summer 2019

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 company sale or recapitalization transaction.

Noticeably absent from recent M&A activity are most of the public staffing companies, as staffing industry acquisition activity remains primarily driven by lesser-known, privately-held buyers.

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

– Financial investors acquired four new platform staffing investments in the first half of 2019, following the 28 new investments 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



70

70 U.S. staffing industry M&A transactions were reported in the first half of 2019.



60

60 unique buyers completed a staffing company acquisition in the first half of 2019.



8

Of the 70 transactions announced in Q1 and Q2 of 2019, only eight were acquired by publicly traded staffing companies.



89%

89% of the 1H 2019 staffing transactions were completed by privately held buyers, which includes financial investors.

M&A Activity – Staffing Industry ●○○

The second quarter of 2019 saw 37 staffing industry M&A transactions completed by 33 different buyers, a continuance of the strong M&A activity seen over the past several years. For the first six months of 2019, 70 staffing industry M&A transactions were completed by 60 unique buyers. Despite potential concerns of a slowing U.S. economy, the temporary staffing industry continues to benefit from a positive operating environment across most industry sectors. We are continuing to see staffing company owners capitalize on their strong recent financial performance by realizing value through either a company sale or a recapitalization transaction.

We believe transaction activity will likely remain robust through the end of 2019, as we continue to field a steady stream of inquiries from both strategic buyers and financial investors, as well as sellers positioning to complete transactions while this current M&A market is still strong. This supports our observation that seller interest has noticeably risen as improving operating results make valuation targets more achievable. In addition, many veteran staffing industry owners are increasingly mentioning the potential risk of holding their businesses too long and missing the open M&A window that currently exists for completing a transaction at 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.

Noticeably absent from the surge in M&A activity are most of the large public staffing companies, as staffing industry acquisition activity remains primarily driven by lesser-known, privately held strategic buyers (many of whom are now backed by private equity funds). Of the 70 staffing transactions completed in the first six months of 2019, 62 deals were completed by privately owned investors / buyers, and only eight of these transactions were completed by a publicly traded staffing company.

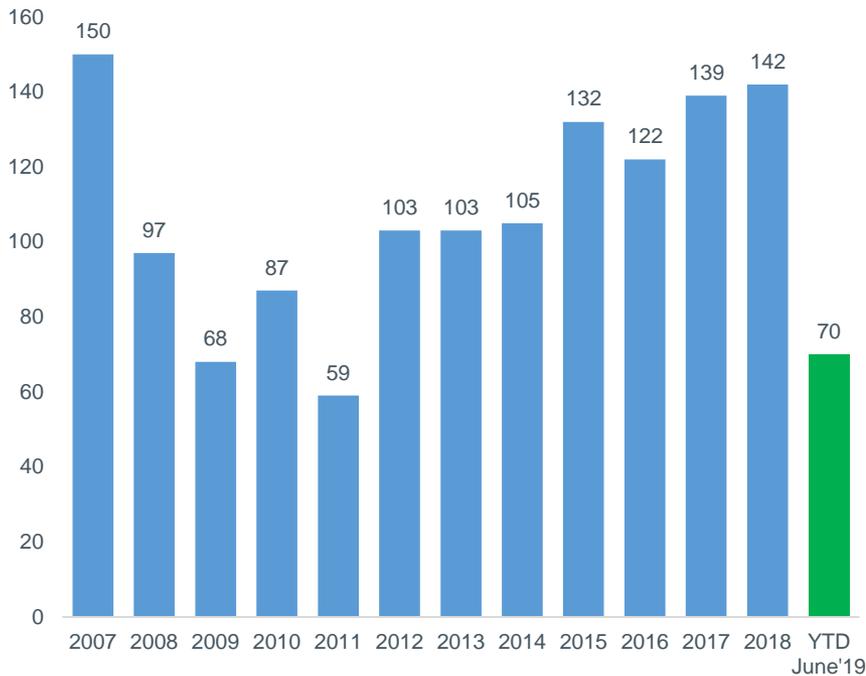
Strategic buyers (including those staffing businesses primarily owned by private equity funds) completed 94% of the staffing acquisitions in the first half of 2019. However, private equity continues to be an attractive option for the largest- and fastest-growing staffing companies, with four new platform investments made in the first six months of 2019. This follows the 28 new platform investments made by private equity in the staffing industry in both 2018 and 2017, as reported previously by Duff & Phelps. Staffing companies with scale, excellent historical and projected growth rates, and management teams seeking to continue the growth of their successful businesses while taking some money off the table are proving to be very attractive investment platforms for private equity investors interested in the business services sector.

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 nine of the 70 transactions reported in the first half of 2019 involved companies whose predominant service offering was IT staffing. Healthcare staffing companies are also seeing broad buyer interest and very attractive valuation multiples, with 12 transactions completed in the first six months of 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

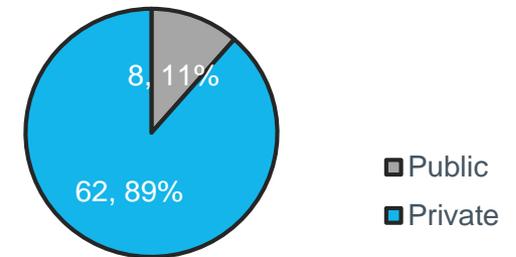
Yearly Staffing Transaction Volume – 2007 to YTD June 30, 2019

Number of Deals

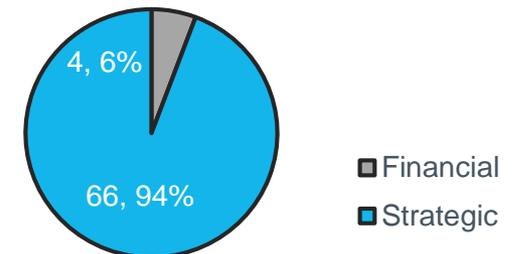


Staffing Industry Transaction Activity – YTD June 30, 2019

Public vs. Private Buyer

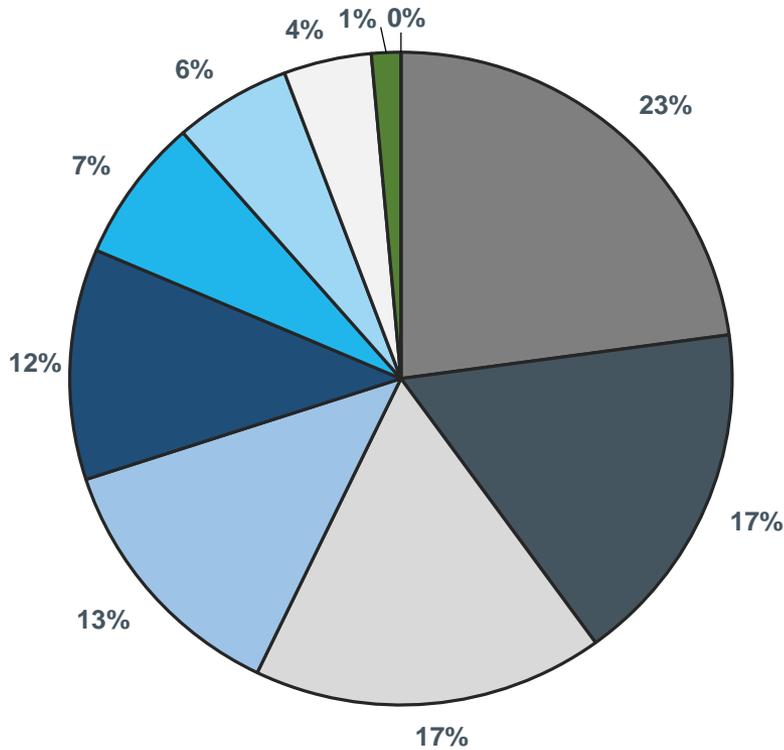


Strategic vs. Financial Buyer



M&A Activity – Staffing Industry ○○●

M&A Activity by Staffing Industry Sector – YTD June 30, 2019



Industry Sector	No. of 2019 Transactions
Light Industrial / Clerical	16
Healthcare	12
Executive Search	12
IT Staffing	9
PEO	8
Technical	5
Other	4
F&A	3
Legal	1
Place & Search	0

Notable Staffing Transactions

Q2 2019



Eliassen Group, an IT and life sciences staffing firm, acquired Project One Inc., a technology staffing firm within the media technology industry. Project One is headquartered in New York City, with an additional office in Denver. The company has clients nationwide in broadcast television, cable and communications, sports and news media, entertainment, publishing, and advertising technology. The acquisition expands the range of services both firms can provide. Eliassen Group also gains access to Project One's professional network of candidate talent and experience, while Project One will benefit from Eliassen Group's greater breadth of resources.



Emerald Health Services and Cirrus Medical Staffing Inc. have combined into a single company and will operate under the Emerald Health Services name. The combined company will provide nurse and allied healthcare staffing, and will be led by Mark Siegel, CEO of Emerald since 2013. Both companies are owned by private equity firm Webster Equity Partners, which acquired Charlotte, North Carolina-based Cirrus in a \$37 million deal in 2017 and Los Angeles-based Emerald Health Services in 2018.



Command Center Inc. (NASDAQ: CCNI), a Colorado-based industrial staffing firm, agreed to merge with Hire Quest Holdings LLC in an all-stock transaction. Hire Quest operates as Trojan Labor and Acrux Staffing and provides blue-collar, light industrial and administrative staffing. Hire Quest operates its business primarily on a franchise model, and Command Center expects to convert its branches to independent franchises post-transaction. As a result, Command Center expects its revenue to decrease but its operating margins and profitability to increase post-transaction.



PharmaLogics Recruiting, a provider of recruiting solutions for life sciences companies worldwide, acquired Orbis Clinical, a life science contract staffing and consulting firm. The acquisition enables PharmaLogics to provide all life science functions in both permanent and temporary placement. Founded in 2004 and based in Woburn, Massachusetts, Orbis Clinical was owned by Maxim Healthcare Services and provides onsite or remote teams for a range of services, including drug safety/pharmacovigilance, clinical operations, regulatory affairs, quality assurance, biometrics, medical affairs, and scientific / nonclinical services.



THMED, a New Capital Partners portfolio company, acquired CV Staff Solutions, a specialty inpatient locums and perfusion staffing company. Founded in 2014, CV Staff Solutions specializes in optimizing the inpatient cardiovascular service line efficiency through long-term coverage arrangements. CV Staff Solution's roster of highly qualified cardiovascular surgeons, cardiologists, perfusionists, and other cardiovascular specialists offers continuity of care and helps stabilize a financially critical service line to hospitals.



AMN Healthcare Services Inc. (NYSE: AHS) acquired Advanced Medical Personnel Services Inc. for a purchase price of \$200 million, with up to an additional \$20 million to be paid based on Advanced's 2019 financial performance. Advanced, launched in 1989, is headquartered in Port Orange, Florida, with an additional office in Denver. Advanced places therapists and nurses in contract positions across multiple settings, including hospitals, schools, clinics, skilled nursing facilities and home health. Advanced has a current annualized run rate of approximately \$140 million revenue and an adjusted EBITDA of \$20 million.



Staffing M&A Transactions Q2 2019 ●○○

Announced Date	Seller	Buyer	Business Description
4/2/2019	PR345, Inc.	Mineral Mountain Mining & Milling Company	Provides staffing and back-office services, including accounting, payroll, and a full complement of HR benefits.
4/4/2019	Project One Inc.	Eliassen Group	Headquartered in New York City with an additional office in Denver, the company provides IT staffing services to clients nationwide in broadcast television, cable and communications, sports and news media, entertainment, publishing, and advertising technology.
4/5/2019	Cirrus Medical Staffing	Emerald Health Services	Merging of the two companies to provide nursing and allied healthcare staffing services.
4/8/2019	Sullivan and Cogliano	CorTech LLC	Provides temporary and permanent IT staffing services.
4/9/2019	Command Center Inc.	Hire Quest Holdings LLC	Provides light industrial, auto and transportation, and event staffing services.
4/11/2019	Reliance Staffing	PeopleShare	Provides light industrial and clerical staffing services in Virginia.
4/18/2019	New York hospitality and national event staffing business of Shiftgig, Inc.	Headway Workforce Solutions, Inc.	Comprises hospitality and national event staffing business.
4/23/2019	Aon plc's Talent Business	Spencer Stuart	Provides leadership assessment and development services to executives.
4/23/2019	Search Wizards Inc.	Management-Led Buyout	Provides placement of recruiters for clients.
4/24/2019	Orbis Clinical	PharmaLogics Recruiting	Provides life science contract staffing and consulting services related to drug safety / pharmacovigilance, clinical operations, regulatory affairs, quality assurance, biometrics, medical affairs, and scientific / nonclinical services.
4/24/2019	CV Staff Solutions	THMed	Provides medical staffing for professions such as cardiovascular surgeons, cardiologists and nonphysician providers, including perfusionists, to inpatient care facilities.
5/1/2019	Nissen Staffing Continuum, Inc.	6th Avenue Group, LLC	Provides light industrial and clerical staffing services.

Staffing M&A Transactions Q2 2019

Announced Date	Seller	Buyer	Business Description
5/2/2019	Dowd Associates	ZRG Partners Inc.	An executive search firm that recruits senior-level financial professionals.
5/2/2019	Engage PEO	Lightyear Capital LLC	A professional employer organization providing HR outsourcing solutions to small and midsize businesses across the U.S.
5/2/2019	Credeire Group LLC	Eliassen Group	A professional services and management consulting firm providing in-transition management, process improvement, regulatory compliance and business process execution for targeted industries, including financial services, manufacturing, energy, and telecommunications.
5/8/2019	Staffing Resources Inc.	NSC Technologies	Provides light industrial staffing from a network of six branches in Indiana.
5/8/2019	ULG LLC	NSC Technologies	Provides industrial staffing from 14 offices across the U.S. to the maritime, industrial and logistics industries.
5/16/2019	InSite Search Services	BizTek People Inc.	Specializes in fintech placements of quantitative developers, data scientists and risk managers.
5/16/2019	BlackRock Professional Services LLC	BizTek People Inc.	Places software developers, quality assurance analysts, project managers and enterprise resource planning specialists.
5/21/2019	Accolo	Orion Novotus	Provides recruitment process outsourcing services to small and midsize businesses throughout the U.S.
5/22/2019	Flexwise Health Inc.	Concord Health Partners	An on-demand platform that places nurses in per diem and travel roles.
5/29/2019	MRINetwork	Individual Investor	A franchisor of permanent placement and retained search businesses.
5/30/2019	Raso Solutions	Spectra360	An offshore recruitment process outsourcing and technology firm based in Cebu, Philippines.
6/4/2019	the525group LLC	Stretto	Provides staffing for the bankruptcy and restructuring industry.
6/10/2019	Riviera Partners	Kayne Anderson Capital Advisors and ROCA Partners	Technology executive search firm with clients such as GitHub, DoorDash, Hulu, Pinterest and Uber.

Staffing M&A Transactions Q2 2019 ○○●

Announced Date	Seller	Buyer	Business Description
6/11/2019	Koya Leadership Partners	Diversified Search	A Boston-based executive search firm that operates in the nonprofit and higher education space.
6/12/2019	WorthyWorks	Riviera Partners	A New York-based search firm focused on providing talent with specialties in machine learning and blockchain.
6/17/2019	Progressive Nursing Staffers	FlexRN	Provides registered nurses and licensed practical nurses on a per diem, contractual or permanent placement basis on the East Coast - specifically the Washington, DC, Maryland, and Virginia areas.
6/17/2019	Advanced Medical Personnel Services Inc.	AMN Healthcare Services Inc.	Places occupational therapists, physical therapists, speech-language pathologists, and nurses in contract positions across multiple settings, including hospitals, schools, clinics, skilled nursing facilities, and home health.
6/17/2019	Jobletics Inc.	Compunnel Software Group Inc.	A Boston-based on-demand staffing technology company providing hourly shift staffing at food service, retail, and hospitality organizations.
6/18/2019	hrQ Inc.	LandrumHR	An executive search and professional services firm targeting the human resources profession.
6/18/2019	Rockstar Recruiting	The Stepping Stones Group, LLC	Provides staffing services to school districts and healthcare facilities for positions such as physical therapists / assistants, occupational therapists / assistants, speech-language pathologists / assistants, and psychologists.
6/20/2019	Touch Point Staffing	BelFlex Staffing Network	Targets the light industrial, skilled labor and administrative industries and provides temporary staffing and direct hire solutions.
6/25/2019	Altran Technologies	Capgemini	Provides consulting services in fundamental transformations, innovation and design, and disruptive technologies and solutions; and offers digital transformation services, such as digital experience, internet of things, analytics and artificial intelligence, and digital applications, as well as cybersecurity, infrastructure, and cloud services. It also provides product and systems engineering, industrial optimization and management, and engineering strategy and risk management services.
6/26/2019	Locum Connections	Aequor Healthcare Services	Provides hospitalist staffing as well as other physician specialties.
6/28/2019	Fiore Global Search	ZRG Partners	Provides placements for C-suite, Vice President, and medical director roles at Fortune 500 pharmaceutical and midsize global biotechnology companies.
6/28/2019	Hire Alternatives	The Reserves Network	Provides light industrial and clerical staffing services in North Carolina, South Carolina, Georgia and Virginia.

Public Trading Data for Staffing Companies ●○○

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

Company Name	Ticker	Price as of 6/28/2019	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	\$60.11	\$43.48	\$62.78	95.8%	\$9,832.6	\$11,594.6	\$26,734.0	\$1,334.1	\$1,439.2	4.8%	8.7x	8.1x
Barrett Business Services, Inc.	BBSI	82.60	53.10	98.76	83.6	612.1	602.7	934.9	52.4	59.0	5.3	11.5	10.2
GEE Group, Inc.	JOB	0.79	0.54	3.25	24.3	9.5	106.4	154.9	10.6	12.1	6.9	10.0	8.8
Kelly Services, Inc.	KELY.A	26.19	19.21	26.57	98.6	1,023.2	1,140.6	5,526.6	146.3	140.0	2.3	7.8	8.1
ManpowerGroup Inc.	MAN	96.60	61.57	97.26	99.3	5,778.7	6,662.1	21,513.7	839.0	873.0	4.1	7.9	7.6
Randstad N.V.	RAND	54.96	41.43	62.79	87.5	10,073.4	11,923.6	26,764.3	1,490.5	1,526.0	4.6	8.0	7.8
Staffing 360 Solutions, Inc.	STAF	1.56	1.25	5.65	27.6	12.9	68.3	279.0	11.5	13.6	2.2	5.9	5.0
TrueBlue, Inc.	TBI	22.06	20.56	29.85	73.9	777.6	834.8	2,497.2	122.2	127.6	4.9	6.8	6.5
Average⁽¹⁾					77.8%	\$3,006.2	\$3,490.2	\$9,580.9	\$417.6	\$442.1	4.3%	8.2x	7.8x
Median					85.6%	\$900.4	\$987.7	\$4,011.9	\$134.3	\$133.8	4.7%	8.0x	7.9x

(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 June 28, 2019.

Represents publicly traded staffing companies tracked by Duff & Phelps.

Public Trading Data for Staffing Companies ○●○

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Company Name	Ticker	Price as of 6/28/2019	52 Week		% of 52 Week High	Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV/EBITDA	
			Low	High					2019E	2020E		2019E	2020E
Professional Staffing													
ASGN Incorporated	ASGN	\$60.60	\$50.33	\$94.25	64.3%	\$3,199.7	\$4,368.7	\$3,638.3	\$454.2	\$488.3	10.7%	9.6x	8.9x
BG Staffing, Inc.	BGSF	18.88	15.91	29.59	63.8	193.1	216.3	288.8	24.4	29.6	8.7	8.9	7.3
Hudson Global, Inc.	HSON	12.45	12.00	18.40	67.7	36.6	7.0	66.9	NA	NA	NM	NA	NA
Kforce Inc.	KFRC	35.09	27.95	43.51	80.6	845.8	946.5	1,427.7	89.4	100.9	6.3	10.6	9.4
Mastech Digital, Inc.	MHH	4.75	4.51	11.49	41.3	52.3	94.2	179.0	NA	NA	7.2	NA	NA
RCM Technologies, Inc.	RCMT	4.00	2.54	5.07	78.9	51.0	90.5	201.1	9.9	11.1	4.2	9.1	8.2
Resources Connection, Inc.	RECN	16.01	12.72	19.50	82.1	512.6	522.7	730.6	57.5	63.1	9.3	9.1	8.3
Robert Half International Inc.	RHI	57.01	52.79	79.91	71.3	6,642.0	6,649.7	5,873.5	690.1	721.8	11.3	9.6	9.2
TSR, Inc.	TSRI	4.75	4.50	8.95	53.0	9.3	4.7	64.1	NA	NA	NM	NA	NA
Volt Information Sciences, Inc.	VISI	4.49	2.07	5.00	89.8	95.2	106.5	1,028.1	NA	NA	NM	NA	NA
Average⁽¹⁾					71.1%	\$255.2	\$283.4	\$560.3	\$57.1	\$64.5	7.9%	9.3x	8.5x
Median					71.3%	\$95.2	\$106.5	\$288.8	\$57.5	\$63.1	7.9%	9.1x	8.3x

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Public Trading Data for Staffing Companies

(\$ in millions, except per share amounts)

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			Low	High					2019E	2020E		2019E	2020E
Healthcare Staffing													
AMN Healthcare Services, Inc.	AMN	\$54.25	\$45.04	\$65.81	82.4%	\$2,529.1	\$3,093.1	\$2,146.0	\$267.1	\$302.1	11.5%	11.6x	10.2x
Cross Country Healthcare, Inc.	CCRN	9.38	6.75	12.75	73.6	345.4	430.8	801.4	22.1	33.5	2.6	19.5	12.8
Average					78.0%	\$1,437.3	\$1,762.0	\$1,473.7	\$144.6	\$167.8	7.1%	15.5x	11.5x
Median					78.0%	\$1,437.3	\$1,762.0	\$1,473.7	\$144.6	\$167.8	7.1%	15.5x	11.5x
Executive and Retained Search													
Heidrick & Struggles International, Inc.	HSII	\$29.97	\$28.25	\$45.29	66.2%	\$573.0	\$581.0	\$727.5	\$88.5	\$92.4	11.7%	NM	NM
Korn Ferry	KFY	40.07	37.08	68.98	58.1	2,261.4	1,860.0	1,926.0	310.8	317.2	14.2	6.0	5.9
Average					62.1%	\$1,417.2	\$1,220.5	\$1,326.8	\$199.6	\$204.8	13.0%	6.0x	5.9x
Median					62.1%	\$1,417.2	\$1,220.5	\$1,326.8	\$199.6	\$204.8	13.0%	6.0x	5.9x

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Source: S&P Global Market Intelligence as of June 28, 2019.

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Select Duff & Phelps Staffing Transactions

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



has been acquired by



Sell Side Advisor



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



has been acquired by



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