

INDUSTRY INSIGHTS

Staffing Industry M&A Landscape

Fall 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.

Continuing to be absent from recent M&A activity are most U.S. public staffing companies, 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 the first nine months of 2019, with private equity funds (financial buyers) investing in a new platform acquisition, accounting for the other 6% of transactions.

– Private equity acquired seven new platform staffing investments in the first nine months of 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



112 U.S. staffing industry M&A transactions were reported in the first nine months of 2019.



92 unique buyers completed a staffing company acquisition in the first nine months of 2019.



Of the 112 transactions announced in the first nine months of 2019, only 15 were acquired by publicly traded staffing companies.



87% of the staffing transactions announced in the first nine months of 2019 were completed by privately held buyers, which includes private equity.

M&A Activity – Staffing Industry ●○○

The third quarter of 2019 saw 42 staffing industry M&A transactions completed by 39 different buyers, a continuance of the strong M&A activity seen over the past several years. For the first nine months of 2019, 112 staffing industry M&A transactions were completed by 92 unique buyers. Despite potential concerns of a slowing U.S. economy, the temporary staffing industry continues to benefit from a generally positive operating environment across most industry sectors. We are continuing to see staffing company owners race to capitalize on their 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 and into early 2020, 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 the current M&A market is still strong. This supports our observation that seller interest has noticeably risen as strong 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 in this cycle 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.

Continuing to be absent from recent M&A activity are most of the large public U.S. 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 capital). Of the 112 staffing transactions completed in the first nine months of 2019, 97 deals were completed by privately owned investors / buyers, and only 15 of these transactions were completed by a publicly traded staffing company.

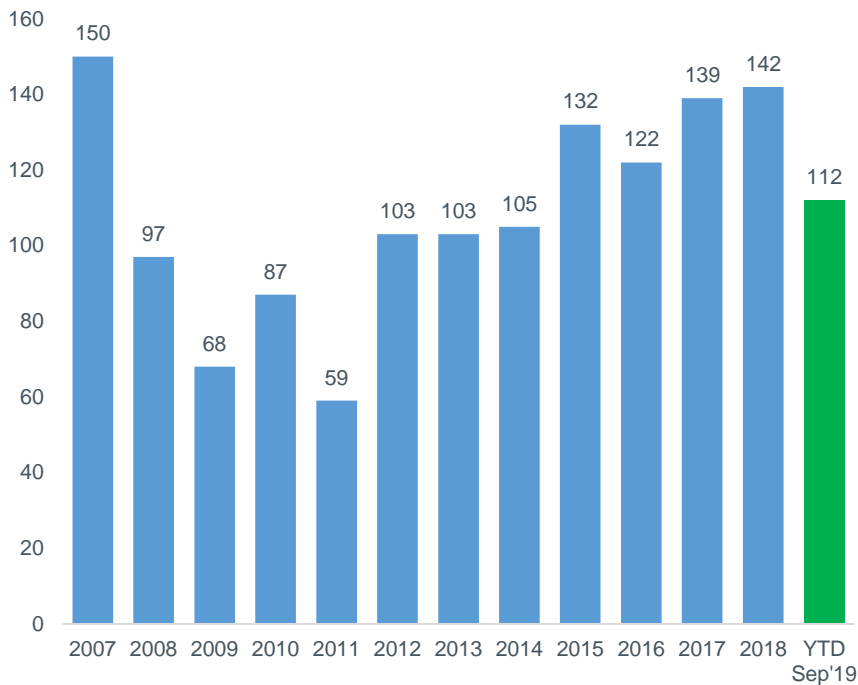
Strategic buyers (including those staffing businesses that are majority-owned by private equity) completed 94% of the staffing acquisitions in the first nine months of 2019. While private equity continues to be an attractive option for the largest- and fastest-growing staffing companies, with only seven new platform investments made in the first nine months of 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 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, but the significant 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 19 of the 112 transactions reported in the first nine months of 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 18 transactions completed in the first nine 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 ○○○

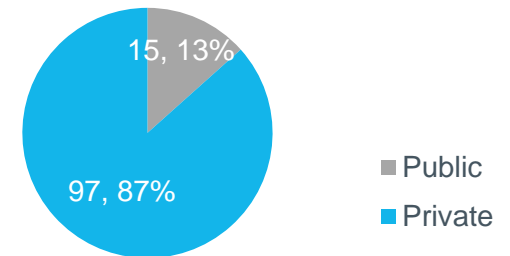
Yearly Staffing Transaction Volume – 2007 to YTD Sept. 30, 2019

Number of Deals

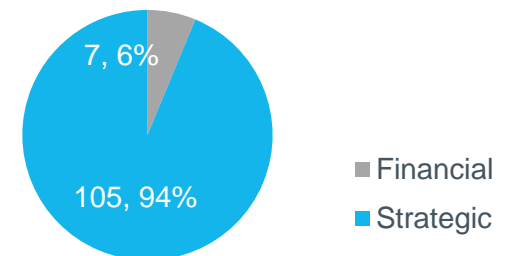


Staffing Industry Transaction Activity – YTD Sept. 30, 2019

Public vs. Private Buyer

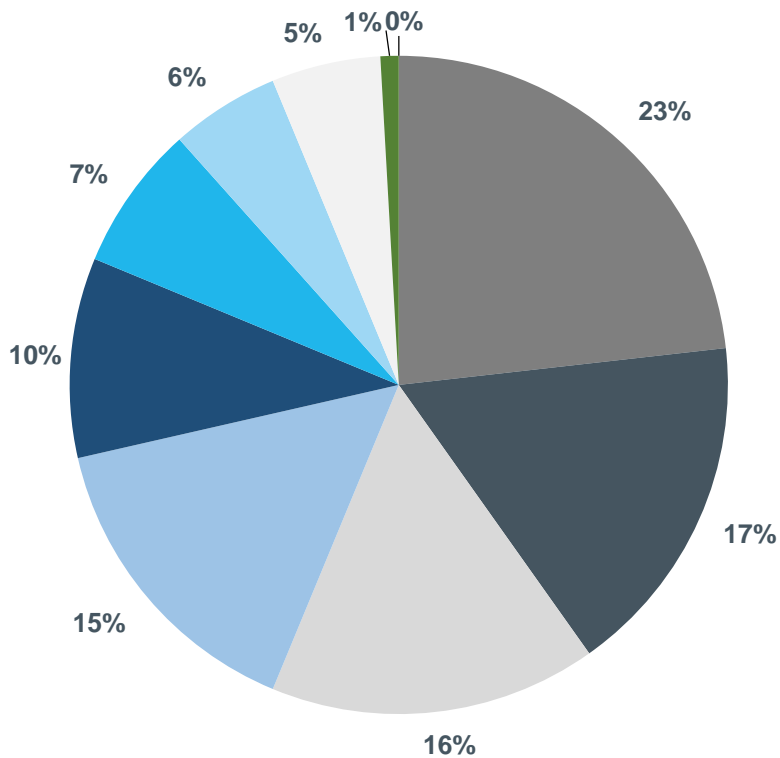


Strategic vs. Financial Buyer



M&A Activity – Staffing Industry ○○●

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



Industry Sector	No. of 2019 Transactions
Light Industrial / Clerical	26
IT Staffing	19
Healthcare	18
Executive Search	17
PEO	11
Other	8
Technical	6
F&A	6
Legal	1

Notable Staffing Transactions

Q3 2019



The Execu|Search Group acquired TechLink, an Upper Saddle River, New Jersey-based provider of technology temporary staffing solutions to a broad range of clients. TechLink specializes in high-end, technical skill sets and offers the full range of technology placement needs, from staff augmentation to end-to-end project management. The Execu|Search Group is a leading full-service recruitment firm that provides specialized staffing, permanent placement, and workforce solutions to a diverse client base in the tri-state area, New England, Florida, and Illinois.



Duff & Phelps served as the exclusive financial advisor to TechLink



System One acquired The Rowland Group, a staffing provider with offices in Tulsa, Oklahoma and Houston, Texas. The Rowland Group provides staffing in the energy, engineering, IT and finance / accounting segments. The business will continue to operate under the Rowland brand as a division of System One. System One, based in Pittsburgh, Pennsylvania, provides staffing in energy, engineering, IT, commercial, scientific and clinical, legal, marketing, and other segments.



Duff & Phelps served as the exclusive financial advisor to The Rowland Group



Private equity firm FFL Partners made a majority investment in ALKU, a staffing firm based in Andover, Massachusetts. Founded in 2008, ALKU focuses on providing staffing in the areas of ERP, healthcare IT, life sciences, and government programs and information security. The investment will enable ALKU to continue to expand and diversify its specialized service offerings in North America as well as provide resources to continue growth and make additional hires. ALKU's leadership team has invested alongside FFL to retain a significant minority ownership stake in the business.



Vaco acquired MorganFranklin Consulting, a finance and technology consulting firm headquartered in Washington, D.C. Plans call for MorganFranklin to continue with its brand. MorganFranklin CEO and Managing Partner Chris Mann will continue to serve in those roles while working closely with Vaco CEO Jerry Bostelman. Mann said the deal will allow for increased scale for MorganFranklin to better serve its clients. Vaco is a portfolio company of private equity firm Olympus Partners.



Medical Solutions acquired C&A Industries Inc., the parent company of Aureus Medical Group. The acquisition of C&A will further solidify Medical Solutions' delivery of MSP and workforce solutions capabilities, as well as expand its staffing specialties to include allied health, advanced practice, and interim health leader staffing. Both firms are based in Omaha, Nebraska, and plans call for C&A to continue operating out of its existing headquarters. Private equity firm TPG Growth, owner of Medical Solutions, will continue to be an active partner with the combined companies going forward. TPG acquired Medical Solutions in June 2017.



Paramount Staffing has acquired TalentForce, a provider of light industrial and clerical staffing based in Shelby, North Carolina. The deal will create a company with more than \$200 million in revenue and nearly 250 full-time employees serving more than 800 clients with 55 offices in 12 states. The deal gives Paramount 31 additional offices and expands its presence in the Southeastern U.S. TalentForce Chief Operating Officer Bobby Walker will continue running TalentForce and all current team members will remain in place. Paramount was acquired in June 2018 by France-based staffing firm Proman.



Staffing M&A Transactions Q3 2019 ●○○

Announced Date	Seller	Buyer	Business Description
7/2/2019	C&D Technical Services, Inc.	HW Staffing Solutions	Provides temporary staffing services to the manufacturing, construction, and distribution industries.
7/9/2019	Holker Watkin	ZRG Partners	A London-based search firm focused on placing strategy and transformation professionals in Europe and other markets.
7/9/2019	MERC Partners	Spencer Stuart, Inc.	Recruits executives and professionals in general management, engineering, production, materials, purchasing, finance, human resources, sales and marketing, legal, and information technology areas.
7/10/2019	Proximity Learning Inc.	Education Solutions Services LLC	Provides a range of short-and-long-term virtual substitute teachers to schools via web conferencing when teachers cannot be found locally.
7/10/2019	BC Management	Avalution Consulting	A recruitment and research company focused on the business continuity and disaster recovery industry.
7/12/2019	The Rowland Group	System One	Provides staffing in the energy, engineering, IT and finance / accounting segments, with offices in Tulsa and Houston.
7/16/2019	Aspen Medical Staffing LLC	Triage Medical Staffing	A physical therapist-owned firm that places rehabilitation therapy professionals in travel, contract and permanent positions.
7/22/2019	Enriched Schools	Education Solutions Services LLC	A New Orleans-based firm that provides substitute teacher staffing services to charter schools.
7/24/2019	Grant Cooper	Diversified Search	A St. Louis-based executive search firm for the healthcare industry.
7/24/2019	CoAdvantage	Aquiline Capital Partners	Provides outsourcing of human resources administration and risk management services.
7/26/2019	Peace at Home Caregivers	Diversified Medical Staffing LLC	Offers in-home care professional staffing services to individuals and families.
7/30/2019	ALKU	FFL Partners	Provides staffing services in the areas of ERP, healthcare IT, life sciences, and government programs and information security.
7/31/2019	Kahu Malama Nurses, Inc.	Staffing Solutions of Hawaii, Inc.	Operates as staffing agency for healthcare professionals, such as travel nurses, in-home care nurses, LPNs, and psychiatric technicians, in the state of Hawaii.
8/1/2019	Veracity Consulting Group LLC	Resources Connection Inc.	Provides specialized IT solutions services around brand experience design, service management, process improvement, advisory consulting, customer experience, custom application development and digital technology.

Staffing M&A Transactions Q3 2019

Announced Date	Seller	Buyer	Business Description
8/1/2019	ProfitStaff	BelFlex Staffing Network	Provides recruitment, payroll management, and human resources consulting services.
8/6/2019	Cohesion	System One	Provides IT consulting and staffing services, including agile transformation services, digital publishing and education services, and staffing services. It serves clients in insurance, finance, government, retail, publishing and education, communication, and healthcare industries.
8/6/2019	MorganFranklin Consulting	Vaco	Provides strategy and execution-focused business consulting and professional advisory / staffing services.
8/13/2019	C&A Industries Inc.	Medical Solutions	Provides workforce and managed solutions, as well as staffing specialties, including allied health, advanced practice, and interim health leader staffing.
8/14/2019	Stivers Staffing Services	TalentLaunch	Provides light industrial and commercial staffing services.
8/19/2019	Keen Technology Consulting	S.i. Systems	An IT staffing provider based in Toronto.
8/20/2019	RPO Division of Method3	PredictiveHR	Provides IT staffing and recruitment process outsourcing services.
8/21/2019	Resources Connection Inc. Nordic Operations	Capacent Holding AB	Provides accounting, finance, and business consulting services in the Nordic region.
8/26/2019	ABS Technology	ePlus	Provides IT solutions in managed services, networking, collaboration and security.
8/27/2019	Fairway Technologies, Inc.	Accenture plc	Offers technology consultancy, software development, technology integration, architecture designing, and IT staffing services.
8/28/2019	Versant Supply Chain	Exegistics	Provides general labor and skilled workers as well as office / clerical workers and management personnel.
9/5/2019	Best Practices Staffing	PeopleShare	Provides staffing services in the field of clerical, light industrial professional and non-clinical medical.
9/5/2019	Medical Staffing Solutions LLC	TotalMed	Staffs nurses, therapists, pharmacists, and other clinicians of all specialties nationwide.
9/6/2019	ALTEK Information Technology	Digital Intelligence Systems LLC	Provides health information technology for both the government and commercial sectors.

Staffing M&A Transactions Q3 2019 ○○●

Announced Date	Seller	Buyer	Business Description
9/11/2019	TechLink	The Execu Search Group	Provides IT staffing services in the New York tri-state area and nationwide.
9/11/2019	Staffing Services Inc.	QPS Employment Group	Provides industrial, skilled trades and clerical staffing services through four offices in Nebraska.
9/13/2019	PC/PCS Staffing	BelFlex Staffing Network	Provides light industrial and commercial staffing services.
9/16/2019	Riteq	Ceridian	Provides workforce management solutions in Australia.
9/17/2019	TalentForce	Paramount Staffing	Provides light industrial and commercial staffing services.
9/17/2019	Arth Systems	Xoriant Corporation	Offers services in the fields of software engineering, managed IT services, cloud services and IT staffing.
9/18/2019	The Sage Group	24 Seven LLC	Provides marketing staffing services.
9/18/2019	Allied Universal	Warburg Pincus LLC	Provides temporary and permanent staffing solutions for security and janitorial services in the U.S. It caters to colleges and universities, financial institutions, healthcare, and manufacturing and industrial industries.
9/19/2019	QUAD656	SolomonEdwardsGroup	Provides finance / accounting staffing across industries. It also focuses on the banking and financial services industries, providing a variety of positions such as lenders and underwriters.
9/23/2019	The Human Capital Group	Arthur J. Gallagher & Co.	A retained executive search and leadership consulting firm assisting clients domestically and internationally in the industrial, finance, healthcare, consumer, and education end markets.
9/24/2019	2GET	Heidrick & Struggles International Inc.	Provides executive search services in Brazil.
9/24/2019	SonoTemps	Loyal Source	A medical staffing firm that specializes in medical imaging services such as sonographers, vascular technologists, MRI techs and others.
9/30/2019	Anchor Staffing Inc.	Lyneer Staffing Solutions	Provides commercial and light industrial staffing services.
9/30/2019	PayPros	G&A Partners	Provides payroll and human resources outsourcing services to companies in Arizona, Nevada, and Colorado.

Public Trading Data for Staffing Companies ●○○

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

Company Name	Ticker	Price as of 9/30/2019	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													
The Adecco Group AG	ADEN	\$55.35	\$42.53	\$60.24	91.9%	\$8,988.3	\$11,109.4	\$26,958.4	\$1,249.7	\$1,340.3	4.8%	8.9x	8.3x
Barrett Business Services, Inc.	BBSI	88.82	53.10	91.92	96.6	663.5	592.0	934.3	50.3	53.5	5.7	11.8	11.1
GEE Group, Inc.	JOB	0.75	0.50	2.75	27.1	9.3	106.5	152.7	11.0	12.1	6.8	9.7	8.8
Kelly Services, Inc.	KELY.A	24.22	19.21	28.91	83.8	946.8	1,000.0	5,507.2	141.5	124.0	2.3	7.1	8.1
ManpowerGroup Inc.	MAN	84.24	61.57	97.96	86.0	5,040.9	5,866.9	21,229.9	795.5	833.3	4.0	7.4	7.0
Randstad N.V.	RAND	49.17	39.70	56.85	86.5	9,011.2	11,326.3	27,061.9	1,437.7	1,473.0	4.6	7.9	7.7
Staffing 360 Solutions, Inc.	STAF	1.10	1.04	3.45	31.9	9.5	67.1	292.7	9.8	12.1	2.3	6.9	5.5
TrueBlue, Inc.	TBI	21.10	18.62	26.47	79.7	817.7	859.7	2,471.5	112.3	109.1	4.9	7.7	7.9
Average⁽¹⁾					76.6%	\$2,744.5	\$3,255.8	\$9,565.7	\$393.4	\$412.1	4.4%	8.1x	8.0x
Median					84.9%	\$882.2	\$929.8	\$3,989.3	\$126.9	\$116.6	4.7%	7.8x	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

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 Sept. 30, 2019.

Represents publicly traded staffing companies tracked by Duff & Phelps.

Public Trading Data for Staffing Companies ○●○

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

Company Name	Ticker	Price as of 9/30/2019	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	\$62.86	\$50.33	\$79.51	79.1%	\$3,325.3	\$4,404.7	\$3,732.1	\$449.2	\$482.8	10.6%	9.8x	9.1x
BG Staffing, Inc.	BGSF	19.11	15.91	28.01	68.2	195.6	218.5	291.7	25.5	26.8	8.5	8.6	8.2
Hudson Global, Inc.	HSON	12.24	10.26	16.80	72.9	36.2	8.2	76.3	4.8	7.3	NM	1.7	1.1
Kforce Inc.	KFRC	37.84	27.95	39.14	96.7	871.4	889.2	1,437.0	86.1	92.7	6.2	10.3	9.6
Mastech Digital, Inc.	MHH	6.00	4.51	9.59	62.6	66.2	100.4	182.6	NA	NA	6.9	NA	NA
RCM Technologies, Inc.	RCMT	3.00	2.54	4.82	62.2	38.9	75.9	200.1	9.4	11.3	4.2	8.1	6.7
Resources Connection, Inc.	RECN	16.99	12.72	19.50	87.1	543.2	537.1	729.0	57.5	64.4	8.0	9.3	8.3
Robert Half International Inc.	RHI	55.66	51.90	71.28	78.1	6,429.3	6,430.4	5,932.8	689.2	714.4	11.4	9.3	9.0
TSR, Inc.	TSRI	4.75	3.20	7.41	64.1	9.3	5.1	63.3	NA	NA	NM	NA	NA
Volt Information Sciences, Inc.	VOLT	3.16	2.07	5.00	63.2	67.5	82.2	1,003.5	NA	NA	0.2	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

(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 Sept. 30, 2019.

Represents publicly traded staffing companies tracked by Duff & Phelps.

Public Trading Data for Staffing Companies

(\$ in millions, except per share amounts)

Company Name	Ticker	Price as of 9/30/2019	52 Week		% of 52 Week High	Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV/EBITDA	
			Low	High					2019E	2020E		2019E	2020E
Healthcare Staffing													
AMN Healthcare Services, Inc.	AMN	\$57.56	\$45.04	\$65.81	87.5%	\$2,685.9	\$3,441.7	\$2,123.1	\$266.7	\$301.9	11.2%	12.9x	11.4x
Cross Country Healthcare, Inc.	CCRN	10.30	6.75	11.06	93.1	380.0	453.1	799.6	23.2	33.6	2.3	19.6	13.5
Average					90.3%	\$1,532.9	\$1,947.4	\$1,461.3	\$144.9	\$167.7	6.7%	16.2x	12.5x
Median					90.3%	\$1,532.9	\$1,947.4	\$1,461.3	\$144.9	\$167.7	6.7%	16.2x	12.5x
Executive and Retained Search													
Heidrick & Struggles International, Inc.	HSII	\$27.30	\$25.27	\$44.66	61.1%	\$522.3	\$494.3	\$717.6	\$86.0	\$88.4	11.8%	5.7x	5.6x
Korn Ferry	KFY	38.64	34.35	49.93	77.4	2,162.9	2,223.6	1,945.0	308.1	309.9	14.4	7.2	7.2
Average					69.3%	\$1,342.6	\$1,359.0	\$1,331.3	\$197.1	\$199.1	13.1%	6.5x	6.4x
Median					69.3%	\$1,342.6	\$1,359.0	\$1,331.3	\$197.1	\$199.1	13.1%	6.5x	6.4x

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 Sept. 30, 2019.

Represents publicly traded staffing companies tracked by Duff & Phelps.

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



Contact Us

U.S. M&A Advisory Contacts

John Niehaus

Managing Director
Houston, Texas
+1 713 986 9307
john.niehaus@duffandphelps.com

Jim Rebello

Managing Director
Houston, Texas
+1 713 986 9318
james.rebello@duffandphelps.com

Steve Burt

Global Head of M&A Advisory
Chicago, Illinois
+1 312 697 4600
steve.burt@duffandphelps.com

Canadian M&A Advisory Contacts

Howard Johnson

Managing Director
Toronto, Ontario
+1 416 597 4500
howard.johnson@duffandphelps.com

About Duff & Phelps

Duff & Phelps is the global advisor that protects, restores and maximizes value for clients in the areas of valuation, corporate finance, investigations, disputes, cyber security, compliance and regulatory matters, and other governance-related issues. We work with clients across diverse sectors, mitigating risk to assets, operations and people. With Kroll, a division of Duff & Phelps since 2018, our firm has nearly 3,500 professionals in 28 countries around the world. For more information, visit www.duffandphelps.com.

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Duff & Phelps Securities, LLC. Member FINRA/SIPC. Pagemill Partners is a Division of Duff & Phelps Securities, LLC. M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Duff & Phelps Securities Ltd. (DPSL), which is authorized and regulated by the Financial Conduct Authority. M&A advisory and capital raising services in Germany are provided by Duff & Phelps GmbH, which is a Tied Agent of DPSL. Valuation Advisory Services in India are provided by Duff & Phelps India Private Limited under a category 1 merchant banker license issued by the Securities and Exchange Board of India.