

INDUSTRY INSIGHTS

# Staffing Industry M&A Landscape

Fall 2020

# Q Highlights

U.S. staffing industry M&A activity began to recover in the third quarter of 2020, as deal discussions have resumed. Many staffing deals that were previously placed on hold are coming back to market again and we will likely see an increase in the number of completed staffing M&A transactions both in Q4 2020 and as 2021 progresses.

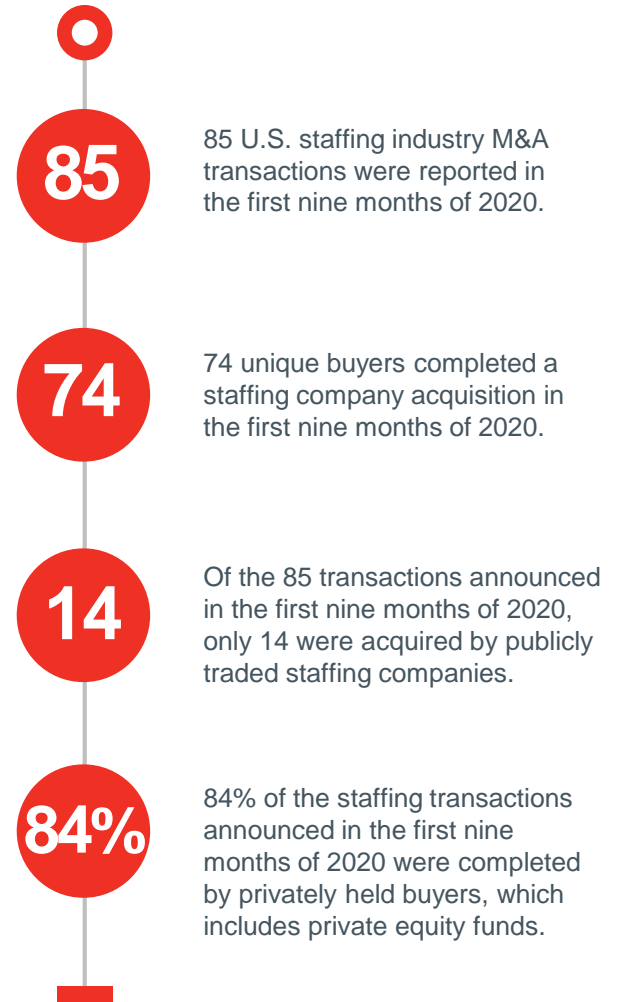
The staffing M&A market remains highly bifurcated, as buyer demand is strongest for companies that continue to perform well through the pandemic. These companies are most likely to be in the professional staffing sector, including high-growth segments such as IT, life sciences and healthcare.

Strategic buyers accounted for 85% of the staffing industry acquisitions in the first nine months of 2020, with private equity funds (financial buyers) investing in new platform acquisitions accounting for the other 15% of transactions.

Private equity acquired 13 new platform staffing investments in the first nine months of 2020. This follows the 65 new platform investments in the staffing industry made by private equity from 2017-2019.

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 and create value for subsequent exits.

## BY THE NUMBERS



# M&A Activity – Staffing Industry ●○○

The number of announced U.S. staffing industry M&A transactions began to recover in the third quarter of 2020, as deal discussions have resumed. 27 staffing industry transactions were reported in Q3 2020, an increase from the 20 announced transactions in the second quarter of 2020. 85 staffing industry transactions were reported in the first nine months of 2020, down 24% from the 112 transactions announced in the first nine months of 2020. Many staffing deals that were previously placed on hold are coming back to market again and we will likely see an increase in the number of completed staffing M&A transactions both in Q4 2020 and as 2021 progresses.

The staffing M&A market remains highly bifurcated, as buyer demand is strongest for companies who continue to perform well though the pandemic. These companies are most likely to be in the professional staffing sector, including high-growth segments such as IT, life sciences and healthcare staffing. Deal activity is substantially lower within commercial staffing segments such as light industrial and hospitality, as companies in these segments have suffered significant revenue declines in 2020. Potential sellers in these segments are more likely to hold off on transactions until growth and profitability improve.

On the professional staffing side, transaction multiples have remained steady, as there continues to be a growing number of well-capitalized buyers (many owned by private equity) who are seeking higher quality assets that strategically fit with their business. 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. With this imbalance between the higher number of active buyers and scarcer number of available sellers, this could be an especially good time to bring a professional staffing company to the market.

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 85 staffing transactions completed in the first nine months of 2020, 71 were completed by privately owned investors / buyers, with only 14 of these transactions completed by publicly traded companies.

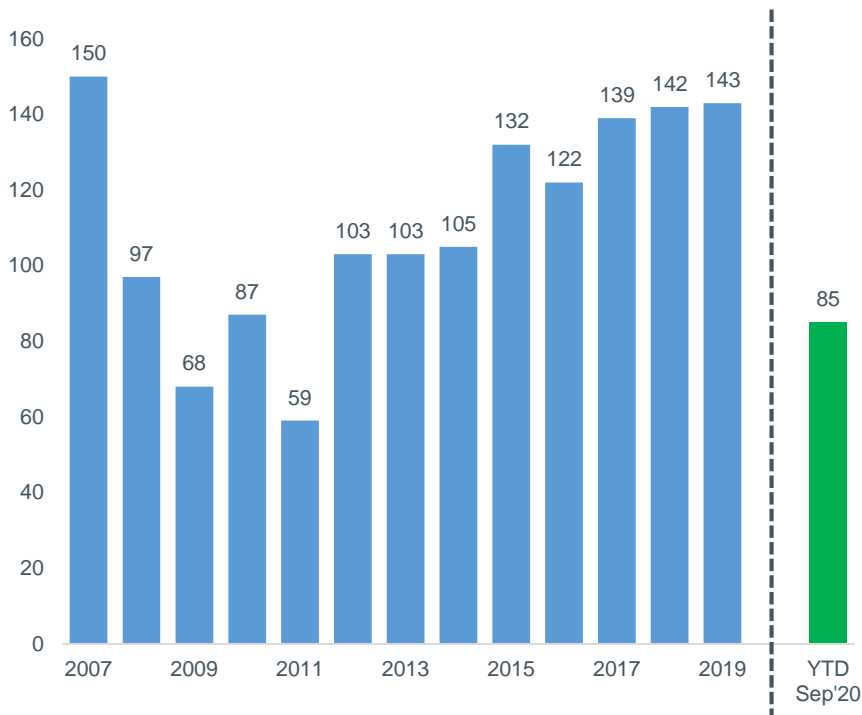
Strategic buyers (which include staffing businesses that are owned by private equity) completed 85% of the staffing acquisitions in the first nine months of 2020. However, private equity buyers continue to be an attractive option for the larger and faster-growing companies in the staffing sector, with 13 new platform investments made YTD September 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 management teams who want to continue participating in the growth of their businesses post-transaction can still be very attractive investment platforms.

IT staffing, especially businesses with more relationship-oriented sales model producing higher gross margin and double-digit EBITDA margin, remains the most attractive staffing segment for acquirers. Of the 85 transactions reported in the first nine months of 2020, 37 involved companies whose predominant service offering was IT staffing and/or IT consulting. Healthcare staffing is another historically attractive sector, with 12 transactions completed in the first nine months of 2020. Professional staffing segments (including IT, digital / creative, healthcare, finance / accounting and life sciences) continue to see the most buyer demand in the industry. The light industrial staffing segment was active prior to the pandemic, although typically at lower valuation multiples as compared to higher-margin professional staffing. As light industrial staffing is generally viewed as more cyclical than the staffing industry as a whole, buyers in this segment will likely be more opportunistic moving forward.

# M&A Activity – Staffing Industry ○○○

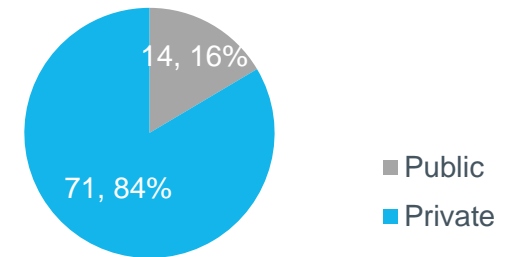
Yearly Staffing Transaction Volume – 2007 to YTD Sept. 30, 2020

## Number of Deals

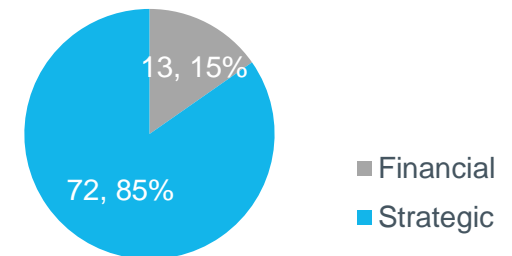


Staffing Industry Transaction Activity – YTD Sept. 30, 2020

## Public vs. Private Buyer



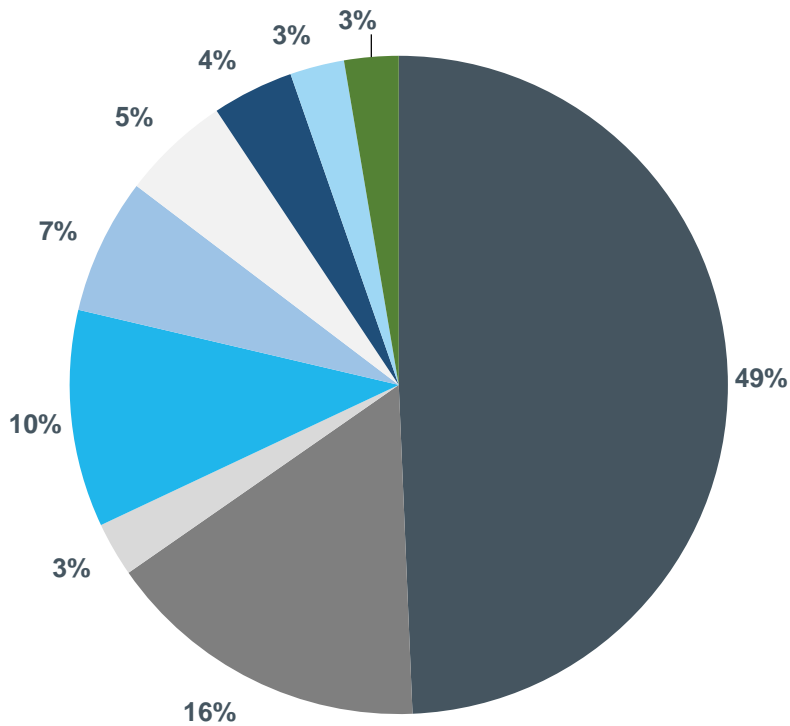
## Strategic vs. Financial Buyer





# M&A Activity – Staffing Industry ○○●

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



Industry Sector	No. of 2020 Transactions
IT Staffing	37
Light Industrial / Clerical	12
Healthcare	12
Other	8
Executive Search	5
Finance & Accounting	4
Technical	3
PEO	2
Legal	2

# Notable Staffing Transactions

Q3 2020



UK-headquartered staffing firm NES Global Talent will combine with the UK-engineering staffing firm Fircroft Group. NES Global Talent operates in the oil and gas, power, renewables, chemicals, life sciences and mining sectors. Fircroft operates in the oil and gas, chemicals, ICT (information and communications technology), energy, renewables, mining, automotive and construction sectors. The combined entity will be known as NES Fircroft and together will have operations in 45 countries offering clients a global solution for their engineering and technical resource requirements. NES Fircroft will be led by NES Global Talent CEO Tig Gilliam.



Joulé, a provider of life science staffing, announced it has acquired the healthcare contingent staffing business of Morrisville, North Carolina-based Syneos. The business line will operate in Joulé's clinical group with Mishka Symonette, senior VP at Joulé, continuing to lead the business. "Acquiring the Syneos Health team propels our business with additional clinical expertise and an enhanced geographical presence in North America," said Michael Sousa, Executive VP at Joulé. "Their specialization adds depth and scope to our clinical and scientific workforce solutions pillar."



Job.com, an online recruitment platform, announced the acquisition of a 100% stake in HireVergence, an IT staffing firm focused in cybersecurity. HireVergence is based in Tampa, Florida, and was founded by Mark Tuszynski, Dave Gilden and Julio Sanchez. All three will remain with the combined firm and lead the HireVergence operations. Job.com started as a job board. Now, the Austin, Texas-based company says it's using artificial intelligence and blockchain to create an automated recruitment platform which enables employers to post jobs, shortlist applicants, communicate with candidates, schedule interviews and extend job offers.



ASGN Inc. announced it is paying \$72.0 million to acquire LeapFrog Systems Inc., a Boston-based technology consultancy focused on digital transformation. The deal also calls for 14 LeapFrog employees to receive restricted stock unit awards in ASGN totaling approximately 42,000 shares. By buying LeapFrog, ASGN aims to bolster its digital transformation solutions offering in the financial services, insurance and healthcare industries. LeapFrog is joining ASGN's Apex Systems division. LeapFrog anticipates 2020 revenue of \$33.3 million and double-digit revenue growth in 2021.



Healthcare staffing firms Triage LLC and TaleMed LLC are merging in a deal that will create a travel nursing and allied healthcare staffing firm with more than \$200 million in revenue. The merger comes as Triage, based in Omaha, Nebraska, acquires TaleMed, based in Loveland, Ohio. However, the deal stems from a partnership built on a long-standing relationship between Triage CEO John Maaske and TaleMed CEO Ken Tracy. Triage began with a focus on radiology staffing before expanding into other areas and was founded by Maaske and Tyler Pieper. TaleMed was founded by Ken and Elizabeth Tracy and predominantly staffs nursing specialties, but also offers solutions in allied health.



Caymus Equity Partners announced the completion of its recapitalization of PlanIT Group. Headquartered in Atlanta, GA, PlanIT is a full-service management and technology consulting firm providing professional IT consulting and staffing services for the global healthcare, government, and commercial sectors with an operating footprint throughout North America and Western Europe. PlanIT provides a full suite of service offerings including business consulting & project management, business intelligence & analytics, data network architecture, software systems management, cybersecurity and healthcare IT. As part of this transaction, PlanIT has hired Mike Gallagher as its new CEO.



# Staffing M&A Transactions Q3 2020

Announced Date	Seller	Buyer	Business Description
7/7/2020	A Plus Health Care, Inc.	Addus HomeCare Corporation	Provides home care services, including personal care, private duty nursing, care management, and medical staffing services
7/7/2020	CareerArc Outplacement	GI Group	Provides outplacement via a digital solution and has more than 100 career consultants
7/15/2020	Lumen Legal	Lexitas Legal	Provides secondments, document review, commercial contract outsourcing and contract staffing of attorneys
7/16/2020	Syneos' Healthcare Contingent Staffing	Joulé	Specializes in clinical and life sciences workforce solutions
7/17/2020	XDuce Inc.	SANS Consulting	Provides software development, system integration and staffing services
7/28/2020	Townsend & Associates	SSi People	Provides IT and professional staffing services to life sciences market
8/11/2020	Navin, Haffy & Associates	Providence Services Group.	Provides consulting and staffing services to the medical technology market
8/13/2020	BlueAlly LLC	Source Capital	Provides IT consulting and staffing services with a focus on IT infrastructure rationalization and application development and management services.
8/14/2020	Pioneer Global Inc	Futuris Co.	Provides IT staffing
8/20/2020	Kelly Services' Brazilian Operation	GI Group	Focuses on retail, life science and technology staffing
8/26/2020	Tin Roof Software	Cognizant Technology	Provides IT solutions including software design, development, DevOps and delivery services
8/26/2020	Tradehelm, Inc.	The Acacia Group	Provides IT recruitment services in the areas of application development, web development, mobile development, cloud development, quality assurance, infrastructure management services, business intelligence, data warehousing, and big data solutions
8/27/2020	HireVergence	Job.com	Provides IT staffing services with a focus on cybersecurity
8/28/2020	Acorio LLC	NTT Data Services	Provides IT consulting services with a focus on ServiceNow software platform. With 250 employees. the company has nine regional hubs in the US and an international presence in Spain and Australia

# Staffing M&A Transactions Q3 2020

Announced Date	Seller	Buyer	Business Description
9/1/2020	TaleMed LLC	Triage LLC	Provides staffing for nurses and allied health
9/1/2020	LeapFrog Systems	ASGN Inc.	Provides technology consultancy services focused on digital transformation in the financial services, insurance and healthcare industries
9/2/2020	Geneva Consulting Group	TSR Inc.	Provides IT staffing services
9/2/2020	The Headhunters Recruitment Inc.	Hire Technologies Inc.	Provides multi-discipline staffing services for a wide variety of specialties, including clerical, light industrial, general management, professional among others
9/4/2020	Kaleidoscope Innovation Inc.	Infosys Ltd.	Provides staffing for medical product design and development
9/9/2020	Fourth Technologies Inc. (a/k/a Fortek)	Futuris Co.	Provides IT staffing services with a focus on cloud services, test and robotic process automation, cybersecurity, object-oriented programming and machine learning/AI
9/9/2020	Soft2001 Inc	Futuris Co.	Provides IT staffing services with a focus on financial and accounting software and systems
9/15/2020	PlanIT Group LLC	Caymus Equity Partners LLC	Provides a full suite of service offerings including business consulting & project management, business intelligence & analytics, data network architecture, software systems management, cybersecurity and healthcare IT
9/15/2020	Resourceful HR, LLC	OneDigital Health and Benefits, Inc.	Provides HR staffing, outsourced HR, and recruiting services to industries across the U.S.
9/22/2020	NES Global Talent	Fircroft Engineering	Provides recruitment services for technical industries that include oil and gas, power, infrastructure, life sciences, chemicals, and mining sectors
9/24/2020	True North Talent Group	The Alliance of Professionals & Consultants	Provides staffing in land and civil engineering along with having an RPO offering
9/28/2020	firstPRO 360	Management Led-Buyout	Provides staffing in IT, finance / accounting, supply chain, engineering and logistics sectors
9/30/2020	AmberLeaf Partners	Mastech Digital	Provides customer experience consulting



# Public Trading Data for Staffing Companies ●○○

(\$ in millions, except per share amounts)

Company Name	Ticker	Price as of 9/30/2020	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	\$53.07	\$33.25	\$69.01	76.9%	\$8,601.4	\$9,805.6	\$23,834.1	\$728.9	\$1,087.2	4.1%	13.5x	9.0x
Barrett Business Services, Inc.	BBSI	52.44	27.25	95.64	54.8	400.4	300.4	913.2	33.7	48.2	5.5	8.9	6.2
GEE Group, Inc.	JOB	1.00	0.17	2.49	40.2	17.7	75.3	137.7	NA	(0.8)	4.0	NA	NM
Kelly Services, Inc.	KELY.A	17.04	10.13	25.09	67.9	669.5	543.0	4,841.9	67.4	101.1	2.0	8.1	5.4
ManpowerGroup Inc.	MAN	73.33	49.57	100.99	72.6	4,258.3	4,313.2	18,806.8	332.9	549.9	3.0	13.0	7.8
Randstad N.V.	RAND	52.29	32.54	65.88	79.4	9,584.3	10,602.2	24,591.5	937.3	1,298.5	3.4	11.3	8.2
Staffing 360 Solutions, Inc.	STAF	0.61	0.28	1.40	43.3	5.6	68.0	233.2	5.0	9.7	NM	13.6	7.0
TrueBlue, Inc.	TBI	15.49	12.02	24.98	62.0	537.4	530.0	2,081.0	25.6	55.5	2.8	20.7	9.5
<b>Average<sup>(1)</sup></b>					62.9%	\$2,414.1	\$2,594.6	\$8,451.7	\$237.7	\$308.6	3.4%	12.0x	7.7x
<b>Median</b>					65.0%	\$603.4	\$536.5	\$3,461.5	\$67.4	\$78.3	3.4%	13.0x	7.8x

(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 September 30, 2020.

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			Low	High					2020E	2021E		2020E	2021E
<b>Professional Staffing</b>													
ASGN Incorporated	ASGN	\$63.56	\$29.04	\$74.85	84.9%	\$3,336.9	\$4,259.0	\$3,955.2	\$411.6	\$437.8	10.4%	10.3x	9.7x
BG Staffing, Inc.	BGSF	8.47	5.69	22.38	37.8	87.4	134.4	288.4	15.9	20.0	7.1	8.5	6.7
Hudson Global, Inc.	HSO	9.68	6.06	13.10	73.9	26.0	(1.9)	99.9	(0.2)	3.3	NM	10.1	NM
Kforce Inc.	KFRC	32.17	20.60	42.64	75.4	668.5	739.0	1,360.0	81.8	81.2	5.5	9.0	9.1
Mastech Digital, Inc.	MHH	18.01	5.50	29.98	60.1	204.9	218.8	197.9	NA	NA	8.1	NA	NA
RCM Technologies, Inc.	RCMT	1.41	1.02	3.20	44.1	16.2	39.7	166.5	NA	8.3	NM	NA	4.8
Resources Connection, Inc.	RGP	11.55	8.66	17.82	64.8	374.5	408.8	703.4	51.7	46.5	7.6	7.9	8.8
Robert Half International Inc.	RHI	52.94	32.38	63.84	82.9	5,974.0	5,753.2	5,704.5	435.9	507.3	10.0	13.2	11.3
TSR, Inc.	TSRI	5.19	2.64	8.88	58.5	10.2	8.0	59.1	NA	NA	NM	NA	NA
Volt Information Sciences, Inc.	VOLT	1.41	0.65	3.23	43.7	30.6	102.7	869.4	NA	NA	NM	NA	NA
<b>Average<sup>(1)</sup></b>					60.1%	\$201.2	\$235.9	\$526.5	\$49.8	\$39.0	7.6%	9.2x	8.2x
<b>Median</b>					60.1%	\$87.4	\$134.4	\$288.4	\$51.7	\$33.2	7.6%	9.0x	8.8x

(1) Excludes the highest and lowest values.

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**LTM:** publicly announced last 12 months

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Note: EBITDA does not reflect adjustments for extraordinary items.

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

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 9/30/2020	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>Healthcare Staffing</b>													
AMN Healthcare Services, Inc.	AMN	\$58.46	\$36.65	\$89.22	65.5%	\$2,746.9	\$3,768.7	\$2,365.3	\$287.2	\$287.0	11.1%	13.1x	13.1x
Cross Country Healthcare, Inc.	CCRN	6.49	4.50	13.42	48.4	243.8	313.6	851.1	26.5	29.0	2.8	11.8	10.8
<b>Average</b>					56.9%	\$1,495.3	\$2,041.2	\$1,608.2	\$156.8	\$158.0	6.9%	12.5x	12.0x
<b>Median</b>					56.9%	\$1,495.3	\$2,041.2	\$1,608.2	\$156.8	\$158.0	6.9%	12.5x	12.0x
<b>Executive and Retained Search</b>													
Heidrick & Struggles International, Inc.	HSII	\$19.65	\$17.99	\$33.21	59.2%	\$380.1	\$301.2	\$679.3	\$64.6	\$73.3	10.3%	4.7x	4.1x
Korn Ferry	KFY	29.00	21.45	43.99	65.9	1,588.7	1,638.1	1,792.3	138.0	175.8	10.7	11.9	9.3
<b>Average</b>					62.5%	\$984.4	\$969.7	\$1,235.8	\$101.3	\$124.6	10.5%	8.3x	6.7x
<b>Median</b>					62.5%	\$984.4	\$969.7	\$1,235.8	\$101.3	\$124.6	10.5%	8.3x	6.7x

## DEFINITIONS

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

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



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