

INDUSTRY INSIGHTS

Staffing Industry M&A Landscape

Spring 2020

Q Highlights

U.S. staffing industry M&A activity continued to flourish until COVID-19 related business shutdowns ramped up in mid-March. The number of completed staffing M&A transactions in the near term will no doubt be impacted, as many deal processes have now paused.

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 84% of the staffing industry acquisitions in the first quarter of 2020, with private equity funds (financial buyers) investing in new platform acquisitions accounting for the other 16% of transactions.

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

Professional staffing companies (including IT, healthcare, finance/accounting and life sciences) typically see the most demand from buyers and private equity investors.

Most buyers 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

○

38

38 U.S. staffing industry M&A transactions were reported in the first quarter of 2020.

36

36 unique buyers completed a staffing company acquisition in the first quarter of 2020.

5

Of the 38 transactions announced in Q1 2020, only five were acquired by publicly traded staffing companies.

87%

87% of the Q1 2020 staffing transactions were completed by privately held buyers, which includes private equity funds.

M&A Activity – Staffing Industry ●○○

The first quarter of 2020 saw 38 U.S. staffing industry M&A transactions completed by 36 different buyers, as staffing M&A activity continued to flourish until COVID-19 related shutdowns ramped up in mid-March. The number of announced staffing M&A transactions moving forward will no doubt be impacted in the near term, as many deal processes have now paused. Transactions that are deep into the diligence and/or documentation phases may still close over the next several weeks. However, M&A discussions in the earlier stages of the process are more likely to be placed on hold until there is better visibility into the business performance impacts resulting from the pandemic.

We remain hopeful that after 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 industry. Capital costs for acquisitions remain low and private equity money is both plentiful and heavily invested in dozens of very healthy staffing industry platforms. These 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. From an M&A standpoint, it will be interesting to observe how valuations in the sector are impacted. Negotiations around COVID-19 business disruption addbacks and sellers' EBITDA forecasts for 2020 and 2021 will likely play a major role into whether buyers and sellers moving forward can reach agreement on purchase price valuations and terms.

In all phases of the economic cycle, buyers and investors in the staffing industry have historically had very specific criteria to evaluate acquisition targets. Higher margin professional staffing businesses, particularly those in the areas of IT, healthcare and life sciences, will likely generate the greatest buyer demand. Niche staffing businesses in areas such as skilled trades and hospitality staffing have also gained increased attention. Acquirers are typically 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 will remain highly sought after.

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 38 staffing transactions completed in the first quarter of 2020, 33 were completed by privately owned investors/buyers, with only five of these transactions completed by a publicly traded company.

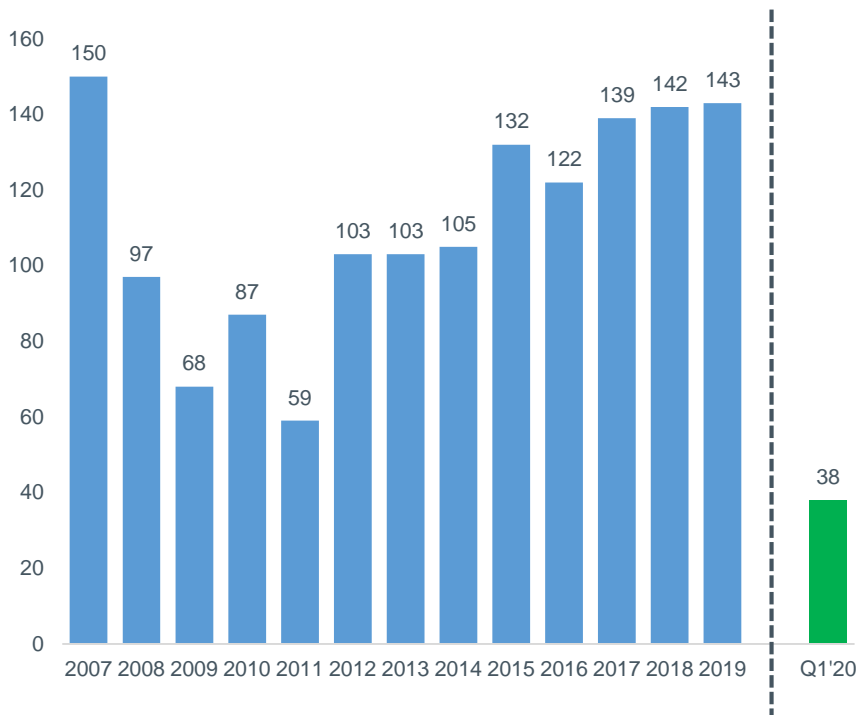
Strategic buyers (which includes staffing businesses that are owned by private equity) completed 84% of the staffing acquisitions in the first three months of 2020. However, financial buyers (private equity) continue to be an attractive option for the larger and faster growing staffing companies, with six new platform investments made in Q1 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, continues to be one of the most attractive staffing segments for acquirers, as 14 of the 38 transactions reported in the first quarter of 2020 involved companies whose predominant service offering was IT staffing and / or IT solutions. Healthcare staffing companies also saw broader buyer interest and very attractive valuation multiples, with four transactions completed in the first three months of 2020. The professional staffing segments (including IT, digital/creative, healthcare, finance/accounting and life sciences) all should see the most demand from buyers and, thus, the strongest valuations, once business returns to normal. 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 ○○○

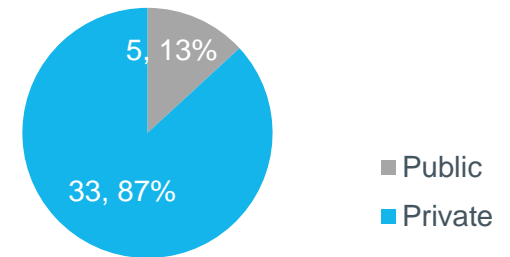
Yearly Staffing Transaction Volume – 2007 to YTD March 31, 2020

Number of Deals

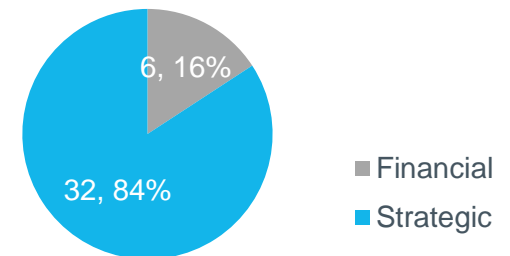


Staffing Industry Transaction Activity – YTD March 31, 2020

Public vs. Private Buyer

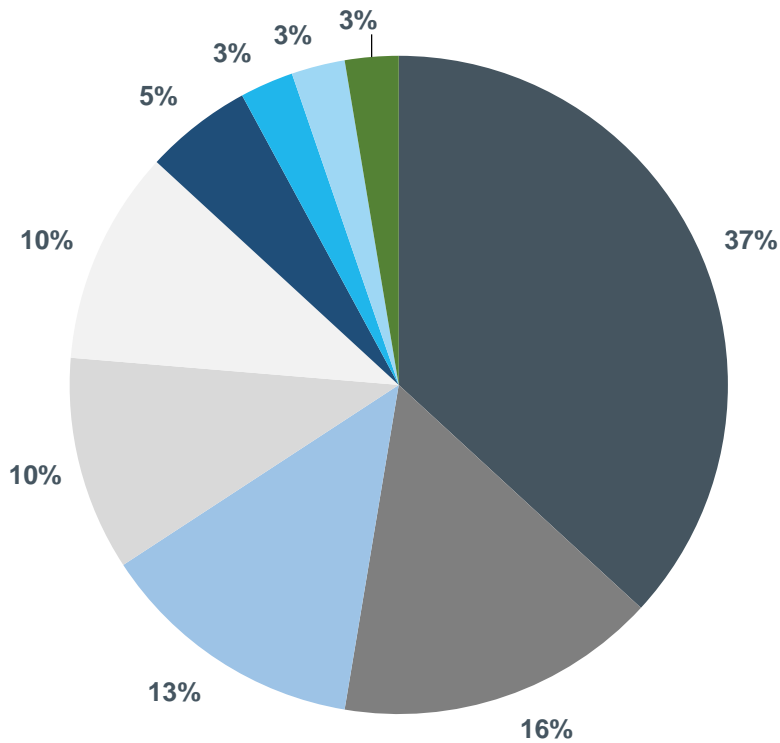


Strategic vs. Financial Buyer



M&A Activity – Staffing Industry

M&A Activity by Staffing Industry Sector – YTD March 31, 2020



Industry Sector	No. of 2020 Transactions
IT Staffing	14
Light Industrial / Clerical	6
Executive Search	5
Healthcare	4
Finance & Accounting	4
PEO	2
Other	1
Technical	1
Legal	1

Notable Staffing Transactions

Q1 2020



Boston-based private equity firm New Heritage Capital announced a new platform investment in Northern California-based staffing provider DeWinter Group. The amount of the investment was not announced; however, the deal was done using New Heritage's "private IPO solution" that keeps current shareholders in voting and operational control. Shane Oberg is Partner and CEO at DeWinter Group and Derek DeWinter is Founding Partner and President. The company has served the San Francisco Bay Area for 20 years.



BG Staffing Inc. acquired EdgeRock Technology Partners for \$21.6 million in cash. EdgeRock reported revenue of approximately \$41 million in its 2019 fiscal year. EdgeRock, founded in 2005, provides IT consultants in 40 states and has offices in Boston, Phoenix, and Tampa. EdgeRock will retain its trade name and continue to operate as a separate brand within the BG family of companies. EdgeRock is a "premier brand with an outstanding reputation," BG President and CEO Beth Garvey said.



KELLERMAYER BERGENSONS SERVICES

Hospitality Staffing Solutions LLC (HSS), an Atlanta-based national provider of hospitality staffing, was acquired by Kellermeyer Bergensons Services, a facilities management company based in Oceanside, California. HSS was founded in 1990 and provides outsourced housekeeping and related services to the hospitality sector in the U.S. Clients include hotels, casinos and resort operators. Roles filled by HSS include housekeeping, food service, laundry and groundskeeping. HSS operates in 38 states and Puerto Rico, and currently serves more than 1,000 properties in 75 markets.



Kelly Services Inc. acquired Insight, an education staffing company serving school districts in Illinois, Massachusetts, New Jersey and Pennsylvania. Insight is based in Cherry Hill, New Jersey. Terms of the transaction were not disclosed. Insight's current staff will merge with Kelly Education, which fills nearly 4 million pre-kindergarten through 12th grade classrooms each year. Kelly Education began in 1997 and posted \$433.0 million in education staffing revenue in 2018, ranking as the largest education staffing provider in the US.



Mountain Ltd., a division of System One, announced the acquisition of Level 5 Consulting Engineers, a wireless telecommunication architecture and engineering services provider. Chris Neumann and Tony Huebel will continue to lead the Level 5 business, which will rebrand as Mountain Ltd. Engineering. The combined telecom team-comprising Mountain Ltd., NTP Wireless and Mountain Ltd. Engineering (formerly Level 5)-will provide workforce solutions and integrated services to telecom clients across the US.



Private equity firm McNally Capital announced an investment in Re-Sourcing Holdings, a New York-based provider of staffing and consulting. A co-investor in the deal is Jeff Bowling, founder and former CEO of The Delta Companies, a Dallas-based healthcare staffing firm. Bowling also took part in the due diligence for the transaction along with McNally. Re-Sourcing Holdings operates six brands: JW Michaels & Co., Compliance Risk Concepts, ExecuSource, Perennial Resources International, Partnership Employment and Technology Navigators.



Staffing M&A Transactions Q1 2020 ●○○

Announced Date	Seller	Buyer	Business Description
1/6/2020	Apptius Computer Solutions	Solvera Solutions	Provider of IT specialists in Winnipeg, Canada.
1/7/2020	Everest Search Partners	Kingsley Gate Partners	Israel-based executive search firm with a focus on technology and life sciences.
1/7/2020	Acline HR	Lyons HR	Provides PEO, payroll, human resource, and workers compensation services.
1/7/2020	TriMech Solutions	The Halifax Group	Provides engineering solutions and staffing services.
1/8/2020	HCTec (HIT Division)	GHR Healthcare	Provides health information management staffing services including coding, clinical documentation improvement and case management.
1/8/2020	Stanton Chase International (Switzerland) Ltd.	H.I. Executive Consulting	Provides executive search consulting services in diverse sectors including consumer products and services, financial services, government, education, non-profit, life sciences and healthcare, industrial, logistics and transportation, natural resources and energy, professional services, and technology.
1/9/2020	ShiftPixy Inc. PEO Business	Vensure Employers Services Inc.	Provides professional employer organization (PEO) services.
1/9/2020	Angie's Staffing	Ascendo Resources	Provides temporary and direct placement of accounting and finance, IT and legal professionals in Jacksonville, Florida.
1/13/2020	Hospitality Staffing Solutions LLC	Kellermeier Bergensons Services	Provides outsourced housekeeping and related services to the hospitality sector in the US; clients include hotels, casinos and resort operators.
1/14/2020	iTech Solutions Inc.	Ampcus Inc	Provides IT staff augmentation services.
1/14/2020	Trust Healthcare Consulting Services LLC	Healthcare Joint Venture (Carlyle Group & Cannae Holdings)	Provides staffing and advisory services for coding, clinical documentation improvement, denial management and coding education solutions.
1/15/2020	Insight	Kelly Services	An education staffing company serving school districts in Illinois, Massachusetts, New Jersey and Pennsylvania.
1/16/2020	Re-Sourcing Holdings	McNally Capital	Provides staffing solutions in the areas of compliance, legal, information technology, finance & accounting, and HR under six different brands.

Staffing M&A Transactions Q1 2020

Announced Date	Seller	Buyer	Business Description
1/21/2020	DATalent	Staffing as a Mission LLC	Provides technology staffing services.
1/21/2020	Trillium Solutions Group	Element 78, LLC	Offers business and technology consulting, staffing, and strategic sourcing services.
1/27/2020	Federal Division of Blackstone Technology Group	ASGN Inc.	Provides IT consulting, web design, and IT asset management services.
1/29/2020	Midwest Financial Search	Versique	Provides executive search services specializing in the banking and financial services industries.
1/30/2020	Stratus Video	AMN Healthcare Services Inc.	Provides video remote, over-the-phone, and in-person medical interpretation for patients with limited English proficiency or hearing impairments.
1/30/2020	Level 5 Consulting Engineers	System One	Provides engineers and architects to the telecommunications, utility, and energy industries.
2/1/2020	Xclusive Staffing	Transition Capital Partners	Provider of outsourced staffing solutions for the hospitality industry, offering customers a full-service suite of personnel solutions including housekeeping, laundry, culinary, banquet service, guest services, dishwashing, maintenance, food & beverage and events.
2/4/2020	EdgeRock Technology Partners	BG Staffing Inc.	Provider of higher-end IT consultants in 40 states.
2/4/2020	Heartland Rehabilitation	Grant Avenue Capital, LLC	Provides patient care, rehabilitation, and therapist staffing services.
2/4/2020	Milestone Staffing Services Inc.	Grant Avenue Capital, LLC	Provides supplemental, per diem, travel, contract clinical, and permanent placement medical personnel to healthcare providers and facilities.
2/5/2020	Bliss Lawyers	Axiom	Provider of premier flexible legal talent.
2/6/2020	Storbeck Search & Associates	Diversified Search Group	Provides education executive search services to university clients such as Brown, Columbia and Princeton.
2/11/2020	Arbour Group LLC	The PharmaLex Group	Provides staff augmentation, compliance technology and services to the global life sciences industry.

Staffing M&A Transactions Q1 2020 ○○●

Announced Date	Seller	Buyer	Business Description
2/11/2020	Simplus	Infosys Ltd.	Provides IT staffing and consulting services specializing in Salesforce implementations.
2/13/2020	Vanderloo Financial Services, Inc.	Quattro Business Support Services Inc.	Provides outsourced accounting, interim staffing, and consulting services.
2/14/2020	Metro Staffing Service	CorTech LLC	Provides industrial and administrative staffing services from nine office locations in Ohio, Illinois, Kentucky, Minnesota and North Carolina.
2/25/2020	Frontline Recruitment Group	Express Employment Professionals	Provides direct-hire placements in retail, hospitality, health, education, IT, and construction.
2/27/2020	The Armada Group	Eliassen Group LLC	Provides IT staffing services in the San Francisco Bay area.
2/28/2020	Flex-Team, Inc.	Lingo Staffing, Inc.	Provides light industrial staffing services in northeast Ohio.
3/5/2020	AsiaNet China	Cielo	Provides executive search and recruitment process outsourcing services in Greater China.
3/9/2020	Nine California Offices of TPS	CorTech LLC	Provides light industrial and administrative staffing in California.
3/9/2020	DeWinter Group	New Heritage Capital	Provides finance/accounting and IT staffing services in the San Francisco Bay area.
3/10/2020	Capital TechSearch, Inc.	Alaant Workforce Solutions	Provides IT staffing and recruitment services in Richmond, Virginia and Washington, D.C.
3/16/2020	Foreman Therapy Services	The Delta Companies	Provides home health services, as well as physical, occupational, and speech therapists.
3/23/2020	Lev	Cognizant Technology Solutions Corp.	Provides IT and digital marketing consultancy specializing in Salesforce Marketing Cloud.

Public Trading Data for Staffing Companies ●○○

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

Company Name	Ticker	Price as of 3/31/2020	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	\$39.58	\$31.65	\$65.69	60.3%	\$6,415.7	\$7,421.2	\$26,290.0	\$1,088.0	\$1,187.5	4.8%	6.8x	6.2x
Barrett Business Services, Inc.	BBSI	39.64	27.25	95.64	41.4	298.4	199.8	942.3	41.7	46.7	5.8	4.8	4.3
GEE Group, Inc.	JOB	0.36	0.17	1.66	21.9	5.1	110.3	150.7	4.1	7.1	5.5	26.7	15.6
Kelly Services, Inc.	KELY.A	12.69	10.13	28.91	43.9	496.4	539.3	5,355.6	128.3	143.5	2.3	4.2	3.8
ManpowerGroup Inc.	MAN	52.99	49.57	100.99	52.5	3,109.4	3,634.3	20,863.5	559.0	688.8	3.8	6.5	5.3
Randstad N.V.	RAND	35.35	30.45	61.65	57.3	6,467.3	8,356.5	26,569.4	1,230.8	1,371.1	4.4	6.8	6.1
Staffing 360 Solutions, Inc.	STAF	0.35	0.28	2.28	15.4	3.0	63.2	288.7	11.5	0.0	2.2	5.5	NA
TrueBlue, Inc.	TBI	12.76	12.02	25.75	49.6	475.4	518.1	2,368.8	88.8	98.9	4.4	5.8	5.2
Average⁽¹⁾					44.4%	\$1,800.1	\$2,070.5	\$9,351.5	\$319.5	\$362.1	4.2%	6.0x	5.4x
Median					46.7%	\$485.9	\$528.7	\$3,862.2	\$108.5	\$121.2	4.4%	6.2x	5.3x

(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 March 31, 2020.

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 3/31/2020	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	\$35.32	\$29.04	\$72.66	48.6%	\$1,872.0	\$2,910.6	\$3,923.9	\$445.2	\$481.1	10.4%	6.5x	6.1x
BG Staffing, Inc.	BGSF	7.48	6.01	23.99	31.2	77.1	110.0	294.3	24.9	NA	8.4	4.4	NA
Hudson Global, Inc.	HSO	8.55	6.06	16.80	50.9	23.1	(7.7)	93.8	0.6	4.1	NM	NM	NM
Kforce Inc.	KFRC	25.57	20.60	42.64	60.0	550.6	617.8	1,347.4	82.4	88.5	6.1	7.5	7.0
Mastech Digital, Inc.	MHH	12.84	4.51	17.84	72.0	143.7	170.7	193.6	NA	NA	7.4	NA	NA
RCM Technologies, Inc.	RCMT	1.25	1.02	4.20	29.8	16.4	55.9	191.1	9.4	11.1	4.3	5.9	5.0
Resources Connection, Inc.	RGP	10.97	8.66	17.93	61.2	352.6	410.2	706.9	60.0	62.0	7.6	6.8	6.6
Robert Half International Inc.	RHI	37.75	32.38	69.08	54.6	4,278.2	4,281.5	6,074.4	639.2	682.4	11.3	6.7	6.3
TSR, Inc.	TSRI	4.75	2.64	8.88	53.5	9.3	6.9	60.5	NA	NA	NM	NA	NA
Volt Information Sciences, Inc.	VOLT	0.81	0.66	5.00	16.2	17.3	87.3	961.4	NA	NA	NM	NA	NA
Average⁽¹⁾					48.7%	\$168.7	\$208.4	\$541.2	\$44.2	\$53.9	7.3%	6.5x	6.4x
Median					53.5%	\$77.1	\$110.0	\$294.3	\$42.5	\$62.0	7.5%	6.7x	6.4x

(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 March 31, 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 3/31/2020	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	\$57.81	\$46.48	\$89.22	64.8%	\$2,708.7	\$3,348.0	\$2,222.1	\$315.9	\$336.4	10.9%	10.6x	10.0x
Cross Country Healthcare, Inc.	CCRN	6.74	5.88	13.42	50.2	248.4	343.2	822.2	31.6	39.0	2.4	10.9	8.8
Average					57.5%	\$1,478.5	\$1,845.6	\$1,522.2	\$173.7	\$187.7	6.7%	10.7x	9.4x
Median					57.5%	\$1,478.5	\$1,845.6	\$1,522.2	\$173.7	\$187.7	6.7%	10.7x	9.4x
Executive and Retained Search													
Heidrick & Struggles International, Inc.	HSII	\$22.50	\$17.99	\$42.30	53.2%	\$431.3	\$208.8	\$706.9	\$79.7	\$86.4	11.1%	2.6x	2.4x
Korn Ferry	KFY	24.32	21.45	48.81	49.8	1,338.7	1,422.8	1,983.0	207.9	311.0	13.6	6.8	4.6
Average					51.5%	\$885.0	\$815.8	\$1,345.0	\$143.8	\$198.7	12.4%	4.7x	3.5x
Median					51.5%	\$885.0	\$815.8	\$1,345.0	\$143.8	\$198.7	12.4%	4.7x	3.5x

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 March 31, 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



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, disputes and investigations, cyber security, claims administration and regulatory issues. We work with clients across diverse sectors on matters of good governance and transparency. With Kroll, the leading global provider of risk solutions, and Prime Clerk, the leader in complex business services and claims administration, our firm has nearly 4,000 professionals in 25 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. 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.

The material in this report is for information purposes only and is not intended to be relied upon as financial, accounting, tax, legal or other professional advice. This report does not constitute, and should not be construed as soliciting or offering any investment or other transaction, identifying securities for you to purchase or offer to purchase, or recommending the acquisition or disposition of any investment. Duff & Phelps does not guarantee the accuracy or reliability of any data provided from third party resources. Although we endeavor to provide accurate information from third party sources, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.