

Industry Insights

# Staffing Industry M&A Landscape

July 2013

## Summary

- 49 Staffing Industry M&A transactions were reported in the first six months of 2013, a 9% increase over the 45 transactions announced in the first six months of 2012.
  - > 43 unique buyers completed staffing transactions in the first six months of 2013.
- 22 Staffing Industry M&A transactions completed by 22 different buyers were reported in the second quarter of 2013.
- Privately held staffing buyers accounted for 73% of the acquisitions in the first six months of 2013, while public buyers completed 27%.
- Strategic buyers accounted for 94% of the staffing acquisitions in the first six months of 2013, with private equity (financial) buyers investing in a new platform acquisition accounting for 6% of the transactions.
- IT staffing and light industrial staffing were tied as the most active staffing M&A sectors in the first six months of 2013, each with 14 transactions reported.
- IT staffing and healthcare staffing companies are drawing the most buyer interest in the professional staffing sectors.
- While buyers of staffing businesses continue to be selective, companies with a history of strong revenue growth, high profitability, diversified customer bases and outstanding management teams committed to staying with the business post-transaction continue to fare well in the staffing M&A marketplace.

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#1 Investment Bank for Number of  
Global Bankruptcy Cases

#1 Global Fairness Opinion Provider

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

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**DUFF & PHELPS**

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

## M&A Activity – Staffing Industry

### M&A Overview

The second quarter of 2013 saw 22 staffing industry M&A transactions completed by 22 different buyers. For the first six months of 2013, 49 staffing industry M&A transactions were completed by 43 unique buyers. These 49 announced transactions YTD represent a 9% increase over the first six months of 2012 and continue the strong pace of staffing transactions completed over the past 18 months.

The increasing transaction activity which began in 2012 and is carrying over into 2013 is indicative of the strong operating environment for many contract staffing businesses, especially those providing professional staffing services. As valuations remain high and operating earnings are strong, many staffing business owners are taking advantage of this window of opportunity to sell their businesses to other strategic buyers seeking to grow their businesses faster over the next several years.

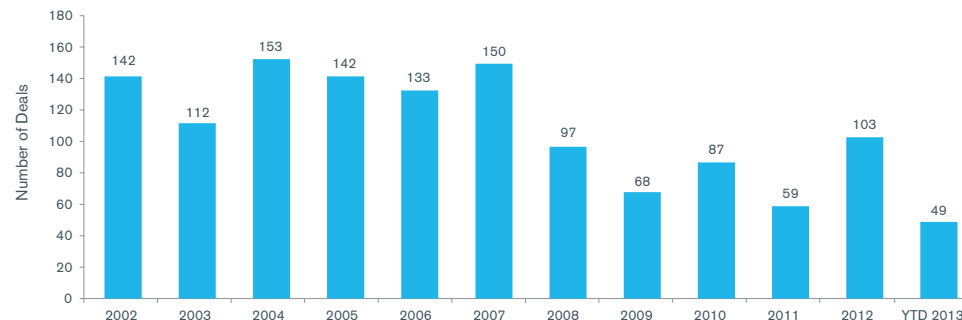
Acquisition activity remains primarily driven by privately-held strategic buyers (many backed by private equity), as the larger public staffing companies account for only a handful of transactions each year. In the first six months of 2013, 73% of the transactions were completed by privately owned buyers, with only 27% acquired by publicly traded companies.

Strategic buyers completed over 94% of the staffing acquisitions in the first six months of 2013 and all of the transactions in the second quarter. Private equity (financial) buyers remain a viable option for the largest and best performing staffing companies, with 3 new platform investments acquired in the first six months of 2013 (all in the first quarter of 2013).

IT staffing was the most active staffing sector in Q2 2013, with 8 transactions reported. IT staffing and commercial staffing were tied as the most active sectors in the first six months of 2013, each with 14 announced transactions. Information technology staffing companies continue to see widespread demand and strong valuations, while commercial staffing M&A activity is driven mostly by light industrial staffing buyers seeking to expand their geographic market coverage.

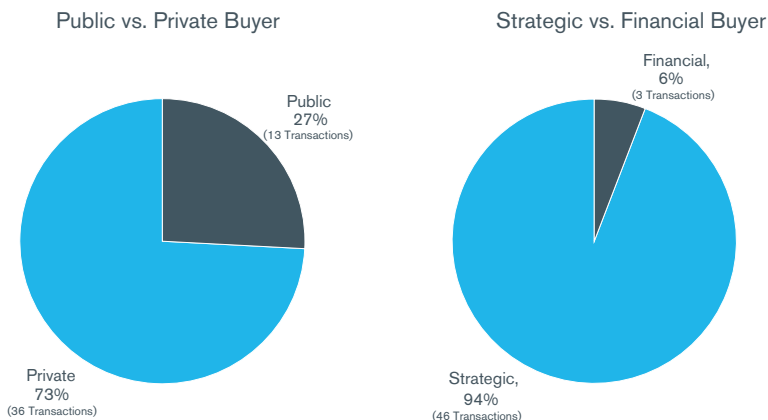
While buyers of staffing businesses continue to be selective, those companies with a history of strong revenue growth, high profitability, diversified customer bases and outstanding management teams committed to staying with the business post-transaction continue to fare well in the staffing M&A marketplace.

Exhibit 1: Yearly Staffing Transaction Volume – 2002 to June 30, 2013



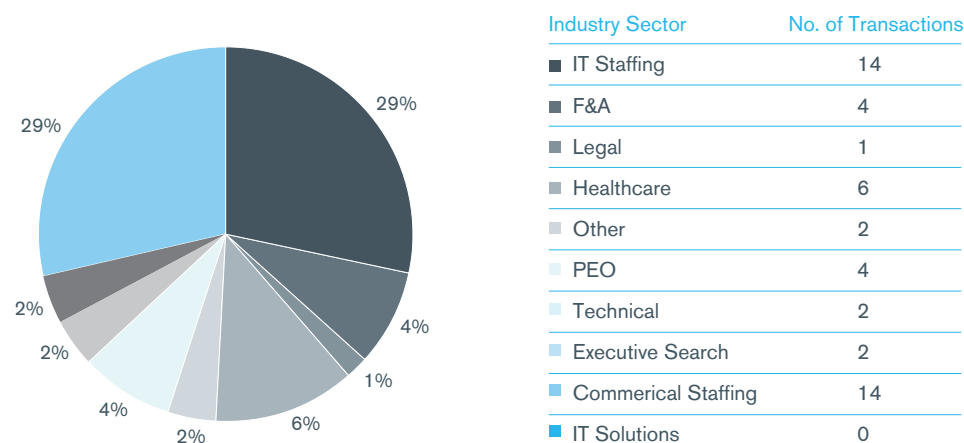
Source: Duff & Phelps Securities, Staffing Industry Analysts, Capital IQ

Exhibit 2: Staffing Industry Transaction Activity - YTD June 30, 2013



Source: Duff & Phelps Securities, Staffing Industry Analysts, Capital IQ

Exhibit 3: Activity by Primary Service Offering - YTD June 30, 2013



Source: Duff & Phelps Securities, Staffing Industry Analysts, Capital IQ

## Notable Staffing Transactions – Q2 2013

### **INSTAFF**

#### **InStaff Holding Corporation**

InStaff Holding Corporation, a portfolio company of North Texas Opportunity Fund LP, has been acquired by BG Staffing. InStaff is a leading regional provider of light industrial staffing services serving clients in Texas, Mississippi, Tennessee and New Mexico. Founded in 1984 with one office in Corsicana, TX, InStaff is now headquartered in Plano, TX and has grown to 11 branch offices with 12 on-site locations. InStaff specializes in providing temporary staffing, direct hire, and managed on-site services to primarily light industrial clients performing tasks in the areas of logistics, distribution, warehouse, manufacturing, printing and mail services.

### **M Squared Consulting**

#### **M Squared Consulting**

M Squared Consulting, a San Francisco-based staffing firm, was sold to SolomonEdwards LLC for \$11 million. M Squared was sold by Kelly Group, a South African-based staffing provider that is not part of U.S.-based staffing firm Kelly Services Inc. Kelly Group has had an ownership interest in M Squared since 1998. M Squared provides staffing, and its Collabrus subsidiary provides independent contractor compliance services.

### **locumleaders** Physician and CRNA Staffing Solutions

#### **Locum Leaders**

Locum Leaders, an Alpharetta, Georgia based locum tenens provider, was acquired by holding company OGH LLC, whose principal shareholder is New York-based private equity firm Welsh, Carson, Anderson and Stowe. Locum Leaders will keep its brand. The company's senior management team will remain intact and lead OGH's locum tenens effort. In addition to Locum Leaders, Wilton, Connecticut-based OGH's staffing businesses include Onward Healthcare, Onward MD, Onward Search and Onward ITG.

### **Indecon SOLUTIONS**

#### **Indecon Solutions**

Indecon Solutions was acquired by Fahrenheit IT Staffing and Consulting, a division of Global Employment Solutions. Indecon Solutions counts a network of more than 50,000 IT consultants covering all aspects of IT staffing including project management, business analysis, application development, help desk and tech support, web, network architecture and quality assurance. It operates branches in Chicago; Cincinnati; Indianapolis; Columbus, Ohio; and Richmond, VA.

Global Employment Solutions acquired Fahrenheit Technology IT last year and rebranded it to serve as Global Employment's IT-specific brand with offices in Atlanta, Chicago, Dallas, Denver, Washington D.C., New York, Philadelphia and Richmond, VA.

### **STAFFLOGIX** THE POWER OF A FLEXIBLE WORKFORCE

#### **Stafflogix Corp.**

CorTech, a global staffing provider based in Atlanta, acquired Stafflogix Corp., a full service staffing firm based in Naperville, IL. that has multiple offices across the country. Stafflogix provides accounting, finance, light industrial, clerical, engineering, payroll and other staffing services. This acquisition provides CorTech with an expanded footprint and the opportunity to grow the reach and scale of their service offerings.

### **CTS** **STAFFING**

#### **Crowley Transportation Services**

TrueBlue Inc., which provides blue-collar staffing, has acquired the assets of Crowley Transportation Services (CTS), a leading temporary driver staffing company serving New England. CTS, with headquarters in Ludlow, Mass., is a complete logistics supporting company, providing professional driver leasing on an as-needed basis, day-to-day, weekly, monthly or complete outsourcing. The company can provide a driver, tractor and trailer to run freight throughout the Northeast and Mid-Atlantic region. CTS joins TrueBlue's Centerline brand, which provides commercial drivers to the transportation industry.

## Staffing M&A Transactions – Q2 2013

Date	Seller	Buyer	EV (\$ in millions)	EV / Rev.	Business Description
4/4/13	A portion of the staffing operations of USG People	Randstad Holding NV	\$26	0.05x	Provides general staffing solutions in Spain, Italy, Poland, Switzerland, Luxembourg and Austria.
4/22/13	M Squared Consulting	SolomonEdwards LLC	\$11	NA	Provides project leaders, senior-level consultants, and subject matter experts for managing and implementing business-critical initiatives.
4/30/13	Technology Staffing Solutions	Solu Technology Partners	NA	NA	Provides IT staffing and recruiting services in Phoenix market.
5/3/13	Augmentum Consulting Ltd.	CTPartners Executive Search Inc.	NA	NA	Augmentum Consulting has 13 consultants and works across most industry verticals, specializing in professional service and outsourcing; technology, media and telecommunications; industrial; automotive; consumer; retail; sport and leisure; and financial services industries. Augmentum also has a non-executive directorship practice which offers training and recruitment services.
5/6/13	Owik Staffing Solutions Inc.	Labor SMART Inc.	\$0.2	NA	Specializes in on-demand labor for the construction and industrial sectors and operates branches in Jacksonville, Orlando and Tampa, Florida.
5/15/13	Summit Advisory Group, LLC	Patina Solutions Group, Inc.	NA	NA	Offers permanent placement, contract-to-hire and staffing services in the areas of accounting and finance.
5/9/13	National ProSource and Technical ProSource	Atterro Human Capital Group	\$10	NA	Provides IT staffing services in Texas.
5/9/13	Locum Leaders	OGH LLC (Welsh, Carson, Anderson and Stowe)	NA	NA	Provides locum tenens services in Georgia market.
5/14/13	The Coding Center	HIM Connections Inc.	NA	NA	Provides remote coding personnel services to the healthcare information management sector.
5/21/13	Indecon Solutions	Fahrenheit IT Staffing and Consulting, a division of Global Employment Solutions	NA	NA	Provides a network of more than 50,000 IT consultants covering all aspects of IT staffing including project management, business analysis, application development, help desk and tech support, web, network architecture and quality assurance. It operates branches in Chicago; Cincinnati; Indianapolis; Columbus, Ohio; and Richmond, Va.
5/23/13	MedTel Solutions	Net Medical Xpress Solutions, Inc.	NA	NA	A physician staffing agency specializing in recruitment of telemedicine physicians based in Huntsville, Ala.
5/28/13	Tringali Staffing, LLC	Taylor White Specialized Staffing, Inc.	NA	NA	Focuses on the placement of degreed accounting and finance professionals from staff thru executive levels.
5/30/13	Stafflogix Corp.	Cortech, LLC	NA	NA	Staffing company providing accounting, finance, light industrial, clerical, engineering, payroll, and other staffing services.
5/30/13	HR Initiatives Inc.	Global Dynamic Consulting	NA	NA	Offers human resource consulting and training services to technology, software development, and engineering companies.
6/4/13	InStaff Holding Corp.	BG Staffing	\$10	0.2x	Specializes in providing temporary staffing, direct hire, and managed on-site services to primarily light industrial clients performing tasks in the areas of logistics, distribution, warehouse, manufacturing, printing and mail services.
6/4/13	Chase Consultancy Limited	Oxford Consulting Group	NA	NA	An IT consulting services firm and IBM Premier Business Partner targeting electronic data Interchange and business-to-business integration based in England, UK.
6/5/13	Jonathan Roberts Associates	Howard-Sloan Professional Search	NA	NA	Specializes in recruiting and staffing technical professionals. It focuses on the areas of networking and infrastructure, applications/system development and database, and project management. The company offers direct hire recruiting, payroll and evaluation, temporary staffing, and temporary-to-hire services.
6/13/13	Crowley Transportation Services	TrueBlue Inc.	NA	NA	A temporary driver staffing company serving New England area.
6/19/13	BPS Becker Professional Search Inc	Bridge Technical Talent	NA	NA	Provides contract IT staffing services in Rhode Island area.
6/19/13	Personnel Solutions	Corporate Resource Services Inc.	NA	NA	Provides job placement for temporary, temp-2-hire, permanent, part-time, and full-time opportunities in light industrial and clerical markets.
6/19/13	Computer Professionals Inc.	Zycron Inc.	NA	NA	Provides IT staffing services in Nashville TN.
6/28/13	ETS Staffing	Nesco Resource	NA	NA	Specializes in industrial and administrative staffing.

## Public Trading Data for Staffing Companies

(\$ in millions, except per share amounts)

Company Name	Ticker	Price 6/28/13	52-Week		Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV / EBITDA		% of 52 Week High
			Low	High				LTM	2013E		LTM	2013E	
<b>Commercial Staffing</b>													
Adecco S.A.	ADEN	\$54.84	\$39.46	\$54.20	\$10,355.2	\$11,773.0	\$25,699.3	\$1,100.6	\$1,204.6	4.3%	10.7x	9.8x	101.2%
Barrett Business Services Inc.	BBSI	38.09	15.68	39.49	267.1	229.3	431.8	20.0	26.7	4.6	11.5	8.6	96.5
CDI Corp.	CDI	17.13	13.36	18.61	331.3	320.1	1,093.8	40.0	38.0	3.7	8.0	8.4	92.0
Kelly Services, Inc.	KELY.A	15.74	11.26	18.09	583.7	597.0	5,410.5	88.8	96.9	1.6	6.7	6.2	87.0
ManpowerGroup Inc.	MAN	42.44	30.53	48.28	3,329.7	3,636.1	20,350.5	566.2	591.9	2.8	6.4	6.1	87.9
Randstad Holding NV	RAND	36.66	27.06	39.67	6,308.2	8,154.4	21,483.0	636.8	863.5	3.0	12.8	9.4	92.4
TrueBlue, Inc.	TBI	15.75	11.84	18.22	610.0	490.6	1,424.8	67.2	80.8	4.7	7.3	6.1	86.4
<b>Average<sup>(2)</sup></b>					<b>\$2,232.6</b>	<b>\$2,639.63</b>	<b>\$9,952.5</b>	<b>\$279.8</b>	<b>\$334.2</b>	<b>3.7%</b>	<b>8.8x</b>	<b>7.8x</b>	<b>91.2%</b>
<b>Median</b>					<b>\$610.0</b>	<b>\$597.0</b>	<b>\$5,410.5</b>	<b>\$88.8</b>	<b>\$96.9</b>	<b>3.7%</b>	<b>8.0x</b>	<b>8.4x</b>	<b>92.0%</b>
<b>Professional Staffing</b>													
Adecco S.A.	ADEN	\$54.84	\$39.46	\$54.20	\$10,355.2	\$11,773.0	\$25,699.3	\$1,100.6	\$1,204.6	4.3%	10.7x	9.8x	101.2%
Analysts International Corp.	ANLY	3.17	2.74	7.30	16.1	11.7	103.6	1.2	0.0	1.2	9.5	NA	43.5
CIBER, Inc.	CBR	3.34	2.70	4.76	245.6	254.7	886.3	28.1	50.9	3.2	9.1	5.0	70.2
Hudson Global, Inc	HSO	4.48	3.23	5.98	143.2	109.3	742.7	3.9	(4.0)	0.5	27.8	NM	74.9
Kelly Services, Inc.	KELY.A	15.74	11.26	18.09	583.7	597.0	5,410.5	88.8	96.9	1.6	6.7	6.2	87.0
Kforce Inc.	KFRC	14.34	10.34	15.40	515.6	511.4	1,079.8	60.5	59.7	5.6	8.5	8.6	93.1
ManpowerGroup Inc.	MAN	42.44	30.53	48.28	3,329.7	3,636.1	20,350.5	566.2	591.9	2.8	6.4	6.1	87.9
On Assignment Inc.	ASGN	20.28	10.65	20.93	1,065.1	1,490.8	1,472.1	147.6	161.1	10.0	10.1	9.3	96.9
Randstad Holding NV	RAND	36.66	27.06	39.67	6,308.2	8,154.4	21,483.0	636.8	863.5	3.0	12.8	9.4	92.4
RCM Technologies Inc.	RCMT	5.15	4.89	6.72	62.0	31.7	148.8	6.3	7.4	4.2	5.1	4.3	76.6
Resources Connection Inc.	RECN	11.93	9.63	14.49	489.2	366.3	561.7	49.7	46.2	8.9	7.4	7.9	82.3
Robert Half International Inc.	RHI	31.82	25.10	32.32	4,478.3	4,190.5	4,119.5	419.7	441.4	10.2	10.0	9.5	98.5
TSR, Inc.	TSRI	3.02	2.77	5.69	6.0	(2.2)	44.0	(0.8)	0.0	NM	2.8	NA	53.1
<b>Average<sup>(2)</sup></b>					<b>\$1,567.0</b>	<b>\$1,759.4</b>	<b>\$5,123.5</b>	<b>\$182.6</b>	<b>\$210.8</b>	<b>4.5%</b>	<b>8.7x</b>	<b>7.7x</b>	<b>83.0%</b>
<b>Median</b>					<b>\$515.6</b>	<b>\$511.4</b>	<b>\$1,079.8</b>	<b>\$60.5</b>	<b>\$59.7</b>	<b>3.7%</b>	<b>9.1x</b>	<b>8.2x</b>	<b>87.0%</b>

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

(2) Excludes the highest and lowest values

(3) EBITDA does not reflect adjustments for extraordinary items

Source: Capital IQ; for definitions refer to page 7

## Public Trading Data for Staffing Companies

Company Name	Ticker	Price 6/28/13	52-Week		Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV / EBITDA		% of 52 Week High
			Low	High				LTM	2013E		LTM	2013E	
<b>Healthcare Staffing</b>													
AMN Healthcare Services Inc.	AHS	\$11.55	\$3.86	\$12.17	\$512.7	\$705.0	\$979.7	\$70.9	\$76.8	7.2%	9.9x	9.2x	94.9%
Cross Country Healthcare, Inc.	CCRN	4.80	3.80	6.73	148.3	175.3	443.2	3.5	9.2	0.8	NM	19.1	71.3
On Assignment Inc.	ASGN	20.28	10.65	20.93	1,065.1	1,490.8	1,472.1	147.6	161.1	10.0	10.1	9.3	96.9
Average <sup>(2)</sup>					\$575.4	\$790.4	\$965.0	\$74.0	\$82.4	6.0%	10.0x	12.5x	87.7%
Median					\$512.7	\$705.0	\$979.7	\$70.9	\$76.8	7.2%	10.0x	9.3x	94.9%
<b>Executive and Retained Search</b>													
CTPartners Executive Search Inc.	CTP	\$4.56	\$3.32	\$7.10	\$31.8	\$524.3	\$125.2	\$3.4	\$3.4	2.7%	NM	NM	64.2%
Heidrick & Struggles International Inc.	HSII	15.26	11.12	23.95	274.2	1,268.7	440.2	31.5	38.2	7.1	40.3	33.2	63.7
Korn/Ferry International	KFY	15.86	12.10	18.75	770.8	1,414.9	812.8	85.4	89.7	10.5	16.6	15.8	84.6
Average <sup>(2)</sup>					\$359.0	\$1,069.3	\$459.4	\$40.1	\$43.8	6.8%	28.5x	24.5x	70.8%
Median					\$274.2	\$1,268.7	\$440.2	\$31.5	\$38.2	7.1%	28.5x	24.5x	64.2%

### Definitions

**PEG Ratio:** Price earnings to growth

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

**EPS:** Earnings Per Share

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

**LTM:** Last Twelve Months











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

(2) Excludes the highest and lowest values

(3) EBITDA does not reflect adjustments for extraordinary items

Source: Capital IQ

## Selected Duff & Phelps Staffing Transactions

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



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