

Staffing Industry M&A Landscape



October 2014

Summary –

- 78 Staffing Industry M&A transactions were reported in the first nine months of 2014, a 5% increase over the 74 transactions announced in the first nine months of 2013.
 - 66 unique buyers completed staffing transactions in the first nine months of 2014.
- 22 Staffing Industry M&A transactions completed by 21 different buyers were reported in the third quarter of 2014.
- Privately held staffing buyers accounted for 77% of the acquisitions in the first nine months of 2014, while public buyers completed 23%.
- Strategic buyers accounted for 95% of the staffing acquisitions in the first nine months of 2014, with private equity (financial) buyers investing in a new platform acquisition accounting for the other 5% of the transactions.
 - 4 new platform staffing investments have been acquired by private equity groups in the first nine months of 2014, 9 were acquired in 2013 and 25 total since the beginning of 2012.
- IT staffing continues to be the most active staffing M&A sector, with 23 transactions reported in the first nine months of 2014.
- IT staffing and healthcare staffing companies are drawing the most buyer interest in the professional staffing sectors.
- Strategic buyers in the staffing industry are active as they are flush with cash, their stock prices are high and they have specific growth objectives that need to be achieved. Whether it's to expand geographically, add customers, acquire new service offerings or access additional management talent, staffing industry buyers may continue to see this as a good time to make strategic acquisitions.

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Source: Fairness opinion rankings as published in Thomson Reuters' "Full Year 2013 Mergers and Acquisitions Review."
M&A rankings calculated by number of deals from Thomson Financial Securities full year 2013 data. Middle-market M&A deals < \$250 million. Bankruptcy case ranking provided by The Deal Q4 2013 league table.

M&A Activity - Staffing Industry

M&A Overview:

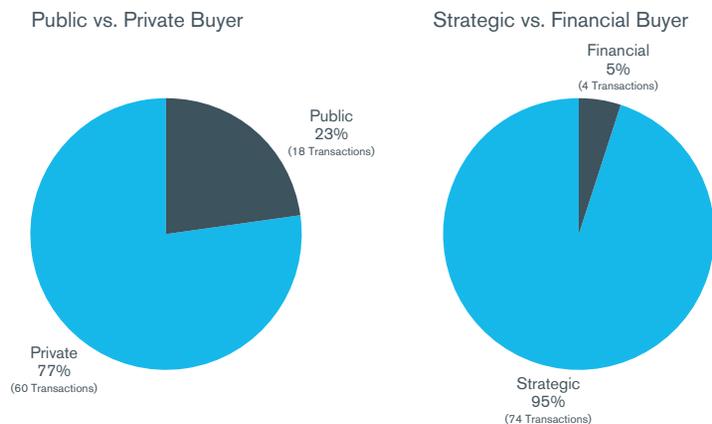
The third quarter of 2014 saw 22 staffing industry M&A transactions completed by 21 different buyers. For the first nine months of 2014, 78 staffing industry M&A transactions have been completed by 66 unique buyers. These 78 announced transactions YTD represent a 5% increase over the first nine months of 2013 and continue the strong pace of staffing transactions completed over the past couple of years, as the announced number of completed staffing industry transactions is forecasted to again exceed 100+ transactions for the third consecutive year.

The increasing transaction activity that began in 2012 and is continuing in 2014 is indicative of the continuing strong operating environment for many temporary staffing businesses, especially those providing higher-end IT staffing services. Strategic buyers in the staffing industry are active as they are flush with cash, their stock prices are high and they have specific growth objectives that need to be achieved. Whether it's to expand geographically, add customers, acquire new service offerings or access additional management talent, staffing industry buyers may continue to see this as a very good time to make strategic acquisitions.

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 nine months of 2014, nearly 77% of the transactions were completed by privately owned buyers, with only 23% acquired by publicly traded companies.

Strategic buyers (including those staffing companies owned by private equity) completed 91% of the staffing acquisitions in 2013 and 95% of the 78 announced transactions in the first nine months of 2014. Private equity (financial) buyers remain a viable option for the largest and fastest growing staffing companies, with 4 new platform investments made in the first nine months of 2014. This follows the 9 new staffing platform investments acquired by private equity groups in 2013 and 25 total since the beginning of this acquisition cycle in 2012.

Exhibit 2: Staffing Industry Transaction Activity – YTD September 30, 2014

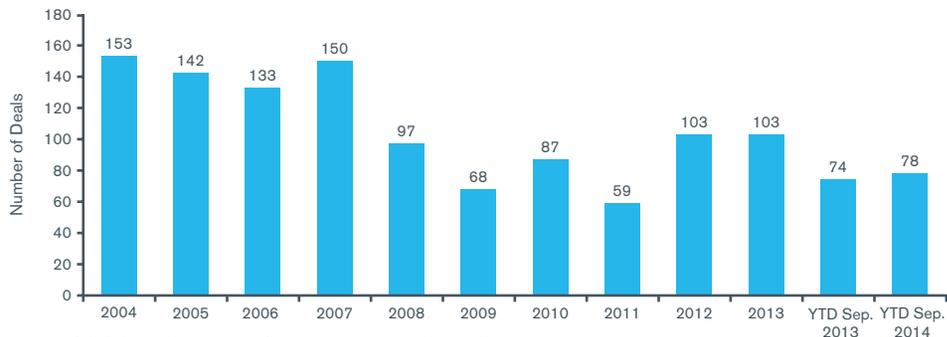


Source: Duff & Phelps Securities, Staffing Industry Analysts, Capital IQ

IT staffing continues to be the single most attractive temporary staffing segment for acquirers, as 23 transactions were reported in the first nine months of 2014. IT staffing was also the most active sector for in the third quarter of 2014, with 7 of the 22 announced transactions being IT staffing businesses. Information technology staffing companies continue to see the most widespread demand from buyers and typically generate very strong valuations, while commercial staffing M&A activity is driven mostly by light industrial staffing buyers seeking to expand their geographic market coverage or gain access to new customers.

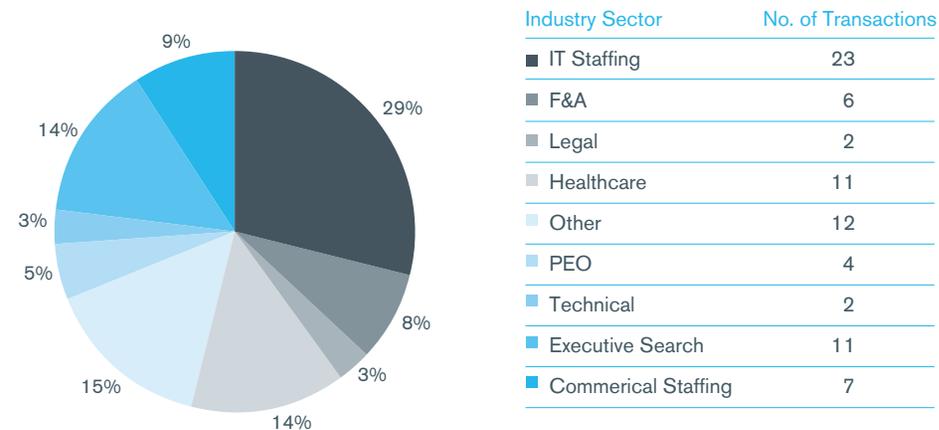
While buyers of staffing businesses continue to be selective, preferring companies with strong gross margins, those companies with a history of robust revenue growth, high profitability, diversified customer bases and outstanding management teams committed to staying with the business post-transaction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

Exhibit 1: Yearly Staffing Transaction Volume – 2004 to September 30, 2014



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

Exhibit 3: M&A Activity by Staffing Industry Sector – YTD September 30, 2014



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

Notable Staffing Transactions Q3 2014



Kforce Healthcare, Inc.

Kforce Inc. (NASDAQ: KFRC) entered into a stock purchase agreement to sell all of the issued and outstanding shares of capital stock of Kforce Healthcare Inc. to RCM Acquisition Inc., an affiliate of Beecken Petty O'Keefe & Company, a Chicago-based private equity management firm focused on the healthcare industry. The aggregate purchase price is \$119.0 million in cash. Kforce Healthcare Inc. will be rebranded himagine solutions inc.

"As we assessed our investment strategy to simplify our business model and narrow our focus on our core businesses, we have decided to deepen our focus on our core technology and finance & accounting businesses, both in the commercial space and through Kforce Government Solutions, our unique government vertical," said Kforce Chairman and CEO David L. Dunkel.

Kforce expects to use the proceeds from the transaction to repurchase shares and pay down debt, as well as potential acquisitions, Dunkel said.



Encore Staffing Services

Elwood Staffing purchased the assets of Encore Staffing Services, the commercial staffing division of Spencer Reed Group LLC. Terms were not disclosed. The acquisition includes 12 Encore branch offices in metropolitan locations across the Midwest, West Coast and Northeast, and expands Elwood's service footprint into Missouri and Kansas. It also broadens Elwood's presence in California, Colorado, Texas, Arizona and Pennsylvania. Spencer Reed Group retains three offices following the acquisition and will focus on executive search and professional staffing.

Elwood plans to rebrand all Encore offices to Elwood Staffing within 90 days. Encore's 12 offices have roughly 35 internal employees — including branch managers, area managers, recruiting specialists and sales people — all of whom will join Elwood. This marks the second acquisition for Elwood in the past 18 months. In February 2013, Elwood acquired SOS Employment Group, a transaction that doubled its staff count and service footprint.

Elwood Staffing ranked No. 11 on Staffing Industry Analysts' 2014 list of largest industrial staffing firms in the U.S., with 2013 U.S. industrial staffing revenue of \$719 million. The company is on pace to do about \$900 million in staffing revenue this year, excluding Encore, according to Elwood. Encore counted \$35 million in revenue in 2013.



CVPartners

Chicago-based professional staffing firm Addison Group acquired CVPartners Inc., a staffing firm with offices in the San Francisco and Seattle markets. The transaction closed Aug. 15; terms were not disclosed. CVPartners will maintain its offices in San Francisco; Mountain View, Calif.; Seattle; and Bellevue, Wash. Founder Nancy Baltzer will remain with the firm as president and partner; Scott Hopkins, Ann King, Ian Casey and Patricia McNamara also remain as partners.

Addison Group is a leading provider of professional staffing and search services. Bringing the best to the best, Addison combines a national network and localized service for broad reach with a personal touch. Specialized practices deliver the right candidate at the right time in Information Technology, Finance & Accounting, Healthcare and Administration. Addison's strengths are its strong management and executive teams, a relationship-focused selling strategy, a history with long-standing clients, and a loyal candidate base.



Synergy Seven

Xtreme Consulting Group Inc., a Kirkland, Wash.-based provider of business consulting, information technology consulting and staffing services, signed a definitive agreement to acquire Synergy Seven, a staffing firm located in Phoenix. The transaction closed Sept 26; terms were not disclosed. Synergy will transition to the Xtreme brand, and active executive, sales and recruiting team members will remain with the firm. Titles will change and will be announced when the transaction closes. The CEO/majority owner will not join Xtreme.

Founded in 2002, Synergy Seven targets human resources, information technology staffing and direct hire services. Its workforce of approximately 120 is spread out throughout Arizona, California and Oregon. Synergy Seven operated two offices — Phoenix and Portland, Ore. — but the Portland office has been closed and its team will move to Xtreme's office in Portland.

ACTIUM CONSULTING

Actium Consulting

French recruitment firm Groupe Crit (CEN: FP) announced the acquisition of California-based specialist IT and project management staffing company, Actium Consulting. The acquisition was made via Groupe Crit's US subsidiary PeopleLink. Actium Consulting achieved revenue of USD 20 million in 2013. No financial details of the acquisition were released.

According to Groupe Crit the acquisition will enable the Group to strengthen its IT Professional Staffing division and enter new states, including Northern California, which is home to the IT industry. Groupe Crit also advised that it will also be able to extend its expertise in the management of public and private IT projects, and benefit from a pre-existing portfolio of contracts in the medium to long-term. The Sacramento-based company has a presence in several U.S. states; namely California, Michigan, Massachusetts, South Carolina, Iowa, Idaho, Kansas, and Texas.



Beacon Resources

Los Angeles-based DLC Inc. acquired Beacon Resources LLC, a finance and accounting staffing and executive search firm. Beacon, founded in 2010, is headquartered in Newport Beach, Calif. The transaction closed in late August 2014; terms were not disclosed. Both firms will retain their individual brand identities under the banner of DLC Group and have offices in Orange County, Calif.; San Diego; Los Angeles; San Francisco; and Chicago.

DLC began as an executive recruiting firm in 1993, but now provides finance and accounting services to businesses. It is a portfolio company of Gryphon Investors, a San Francisco-based private equity firm. Beacon's CEO Mike Kelly and his management team will continue to lead Beacon. The combined company will now have more 250 consultants.

Staffing M&A Transactions Q3 2014

Date	Seller	Buyer	EV (\$ in millions)	EV / Rev.	Business Description
7/1/14	Sullivan Healthcare Consulting	Jackson Healthcare	NA	NA	Provides interim staffing as well as management and consulting services to hospitals and ambulatory surgical centers in the U.S. and Canada.
7/1/14	Park Brown Business Wire	CTPartners Executive Search Inc.	NA	NA	Executive search firm focusing on the energy, natural resources, and infrastructure sectors.
7/1/14	Retail Search Group	PrincetonOne	NA	NA	Provides recruiting services for the retail landscape, including fashion, home, luxury, and e-commerce.
7/2/14	Quion Partners	Full Moon Talent	NA	NA	Management consulting and talent sourcing firm targeting enterprise risk management.
7/3/14	bkoAustin	HireBetter	NA	NA	Provides chief financial officers and chief information officers on an interim or project basis.
7/7/14	J.M. Waller Associates Inc.	Versar Inc.	\$13	NA	Provides environmental, facilities, professional staffing and logistics consulting services.
7/8/14	Actium Consulting	Peoplelink Staffing Solutions	NA	NA	Provides project-driven IT staffing and consulting services.
7/8/14	MedAscend	Accountable Healthcare Staffing Inc.	NA	NA	Provides physicians, advanced practice and allied health staffing solutions throughout the United States.
7/19/14	Encore Staffing Services	Elwood Staffing Services, Inc.	NA	NA	Provides temporary commercial staffing services.
7/21/14	Top Hire in Mexico City	Alder Koten	NA	NA	Offers recruitment and selection services for middle to top management executives; and assessment and strategic human resource consulting services.
8/1/14	MindTrust Consulting Services Inc.	Compunnel Software Group Inc.	NA	NA	Provides IT staffing solutions.
8/4/14	Kforce Healthcare Inc.	RCM Acquisition Inc. (PEG Backed)	\$119	NA	Provides professional staffing and consultative services to support health information management (HIM), revenue cycle, and health information technology initiatives for healthcare providers.
8/7/14	HLP Solutions Inc.	Mitchell Martin Inc.	NA	NA	Staffing and permanent placement firm targeting human resource, administrative and information technology professionals.
8/19/14	The Caldwell Partners	The Caldwell Partners	NA	NA	A London-based executive search firm targeting the insurance industry.
8/28/14	Beacon Resources LLC	DLC, Inc. (PEG Backed)	NA	NA	A finance and accounting staffing and executive search firm.
9/2/14	CVPartners Inc.	Addison Group (PEG Backed)	NA	NA	Provides senior level staffing services in the IT, accounting and finance market.
9/12/14	Sound Advice's life sciences staff augmentation practice	Aequor Technologies	NA	NA	Offer staff augmentation services to the life sciences sector.
9/15/14	PARX Group's healthcare division	Accountable Healthcare Staffing Inc.	NA	NA	Offers allied healthcare staffing services.
9/16/14	BlueGlue	Seven Step RPO	NA	NA	A U.K.-based recruitment process outsourcing provider.
9/19/14	Synergy Seven	Xtreme Consulting Group Inc.	NA	NA	Provides human resources, information technology staffing and direct hire services.
9/25/14	Just Better Care	Interim Healthcare Inc.	NA	NA	Franchises in-home, non-medical and medical care services in Australia.
9/29/14	Kwik Jobs Inc.	Labor Smart Inc.	NA	NA	Offers staffing solutions for construction and industrial projects in Jacksonville, Orlando, and Tampa, Florida.

Public Trading Data for Staffing Companies

(\$ in millions, except per share amounts)

Company Name	Ticker	Price 09/30/2014	52-Week		Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV / EBITDA		% of 52 Week High
			Low	High				LTM	2014E		LTM	2014E	
Commercial Staffing													
Adecco S.A.	ADEN	\$67.81	\$65.25	\$83.45	\$12,805.7	\$14,223.5	\$26,913.5	\$1,329.3	\$1,380.6	4.9%	10.7x	10.3x	81.3%
Barrett Business Services Inc.	BBSI	39.49	39.47	102.20	276.9	239.1	578.7	27.6	37.1	4.8	8.7	6.4	38.6
CDI Corp.	CDI	14.52	12.91	19.19	280.8	269.6	1,115.6	34.4	38.9	3.1	7.8	6.9	75.7
Kelly Services, Inc.	KELY.A	15.67	14.86	26.17	581.1	594.4	5,472.7	68.3	69.7	1.2	8.7	8.5	59.9
ManpowerGroup Inc.	MAN	70.10	69.94	87.16	5,499.8	5,806.2	20,666.6	791.2	826.5	3.8	7.3	7.0	80.4
Randstad Holding NV	RAND	46.52	42.30	62.91	8,004.8	9,850.9	23,106.9	872.7	978.4	3.8	11.3	10.1	73.9
TrueBlue, Inc.	TBI	25.26	22.50	31.30	978.3	859.0	1,749.4	93.5	118.7	5.3	9.2	7.2	80.7
Average⁽²⁾					\$3,069.0	\$3,476.01	\$10,422.2	\$372.0	\$406.4	4.1%	9.0x	8.0x	74.1%
Median					\$978.3	\$859.0	\$5,472.7	\$93.5	\$118.7	3.8%	8.7x	7.2x	75.7%
Professional Staffing													
Adecco S.A.	ADEN	\$67.81	\$65.25	\$83.45	\$12,805.7	\$14,223.5	\$26,913.5	\$1,329.3	\$1,380.6	4.9%	10.7x	10.3x	81.3%
Ciber, Inc.	CBR	3.43	3.08	5.09	252.2	261.3	870.0	20.7	32.2	2.4	12.6	8.1	67.4
Hudson Global, Inc	HSO	3.78	3.06	4.33	125.5	91.5	652.3	(7.7)	(2.1)	NM	NM	NM	87.3
Kelly Services, Inc.	KELY.A	15.67	14.86	26.17	581.1	594.4	5,472.7	68.3	69.7	1.2	8.7	8.5	59.9
Kforce Inc.	KFRC	19.57	16.83	23.80	703.4	699.2	1,235.3	64.7	68.9	5.2	10.8	10.1	82.2
ManpowerGroup Inc.	MAN	70.10	69.94	87.16	5,499.8	5,806.2	20,666.6	791.2	826.5	3.8	7.3	7.0	80.4
On Assignment Inc.	ASGN	26.85	26.23	39.86	1,410.2	1,835.9	1,753.0	170.1	203.6	9.7	10.8	9.0	67.4
Randstad Holding NV	RAND	46.52	42.30	62.91	8,004.8	9,850.9	23,106.9	872.7	978.4	3.8	11.3	10.1	73.9
RCM Technologies Inc.	RCMT	7.57	5.75	7.82	91.1	60.9	185.2	10.3	NA	5.6	5.9	NA	96.8
Resources Connection Inc.	RECN	13.94	11.64	15.98	571.6	448.7	567.2	43.3	47.0	7.6	10.4	9.5	87.2
Robert Half International Inc.	RHI	49.00	37.16	53.08	6,899.4	6,611.6	4,408.2	481.5	533.9	10.9	13.7	12.4	92.3
TSR, Inc.	TSRI	3.18	2.90	3.88	6.3	(1.9)	49.5	0.0	NA	0.1	NM	NA	82.0
Average⁽²⁾					\$2,413.9	\$2,626.1	\$5,891.7	\$252.3	\$345.0	4.9%	10.3x	9.4x	80.1%
Median					\$642.3	\$646.8	\$1,494.1	\$66.5	\$136.6	4.9%	10.7x	9.5x	81.6%

(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

(\$ in millions, except per share amounts)

Company Name	Ticker	Price 09/30/2014	52-Week		Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV / EBITDA		% of 52 Week High
			Low	High				LTM	2014E		LTM	2014E	
Healthcare Staffing													
AMN Healthcare Services Inc.	AHS	\$15.70	\$10.35	\$16.31	\$696.9	\$889.2	\$997.5	\$84.1	\$84.2	8.4%	10.6x	10.6x	96.3%
Cross Country Healthcare, Inc.	CCRN	9.29	5.26	11.54	287.1	314.1	458.0	7.6	14.8	1.7	NM	21.3	80.5
On Assignment Inc.	ASGN	26.85	26.23	39.86	1,410.2	1,835.9	1,753.0	170.1	203.6	9.7	10.8	9.0	67.4
Average					\$798.0	\$1,013.1	\$1,069.5	\$87.2	\$100.9	6.6%	10.7x	13.6x	81.4%
Median					\$696.9	\$889.2	\$997.5	\$84.1	\$84.2	8.4%	10.7x	10.6x	80.5%
Executive and Retained Search													
CTPartners Executive Search Inc.	CTP	\$15.59	\$4.57	\$20.35	\$108.9	\$601.4	\$151.9	\$13.6	\$13.8	8.9%	FALSE	NM	76.6%
Heidrick & Struggles International Inc.	HSII	20.54	15.52	23.88	369.1	1,363.6	484.2	42.5	53.3	8.8	NM	NM	86.0
Korn/Ferry International	KFY	24.90	21.05	32.78	1,210.1	1,854.2	983.1	126.4	136.6	12.9	14.7	13.6	76.0
Average					\$562.7	\$1,273.1	\$539.7	\$60.9	\$67.9	10.2%	14.7x	13.6x	79.5%
Median					\$369.1	\$1,363.6	\$484.2	\$42.5	\$53.3	8.9%	14.7x	13.6x	76.6%

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>Sell Side Advisory</p> <hr/> <p>INSTAFF</p> <p>a portfolio company of North Texas Opportunity Fund LP, has been acquired by</p> 	<p>Sell Side Advisory</p> <hr/> <p> PROVIDUS</p> <p>has been acquired by</p>  DTI <p>a portfolio company of</p>  HARVEST PARTNERS	<p>Sell Side Advisory</p> <hr/> <p>Addison Group </p> <p>has been acquired by</p>  addisonsearch <p>a portfolio company of</p>  LAKE CAPITAL	<p>Sell Side Advisory</p> <hr/> <p> EXTRINSIC LLC EXCEPTIONAL IT SOLUTIONS</p> <p>has been acquired by</p>  BG Staffing <p>a portfolio company of</p>  TAGLICH PRIVATE EQUITY LLC	<p>Sell Side Advisory</p> <hr/> <p>PRESCOTT LEGAL SEARCH</p> <p>and Prescott Legal Professionals, LP have been acquired by</p>  SPECIAL COUNSEL® <p>a division of MPS Group, Inc.</p>
<p>Sell Side Advisory</p> <hr/> <p> TSG The technology solutions team.</p> <p>has been acquired by</p>  TEK systems.	<p>Sell Side Advisory</p> <hr/> <p> NTS® NATIONAL TECHNICAL SYSTEMS</p> <p>has sold its IT staffing business to</p>  Strategic Staffing Solutions	<p>Buy Side Advisory</p> <hr/> <p>Addison Group </p> <p>a portfolio company of</p>  TRILANTIC CAPITAL PARTNERS <p>has acquired</p>  hirestrategy®	<p>Buy Side Advisory</p> <hr/> <p>STAFFING NOW, INC.®</p> <p>has acquired</p>  QA & A	<p>Buy Side Advisory</p> <hr/> <p> LTN STAFFING</p> <p>has acquired</p>  BG Personnel Services

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