
Industry Insights

Staffing Industry M&A Landscape

January 2013

Summary

- 103 Staffing Industry M&A transactions were reported in 2012, a 75% increase over the 59 transactions announced in 2011.
 - > This was the highest amount of M&A activity in the staffing sector since 2007.
 - > 88 unique buyers completed staffing transactions in 2012.
- 25 Staffing Industry M&A transactions completed by 23 different buyers were announced in the fourth quarter of 2012.
- Privately held staffing buyers accounted for 83% of the acquisitions in 2012, while public buyers completed 17%.
- Strategic buyers accounted for 88% of the staffing acquisitions in 2012, with private equity (financial) buyers investing in a new platform acquisition accounting for 12% of the transactions.
- IT staffing and healthcare staffing companies are drawing the most buyer interest in the professional staffing sectors, while light industrial staffing is the most active in the commercial staffing sector.
- 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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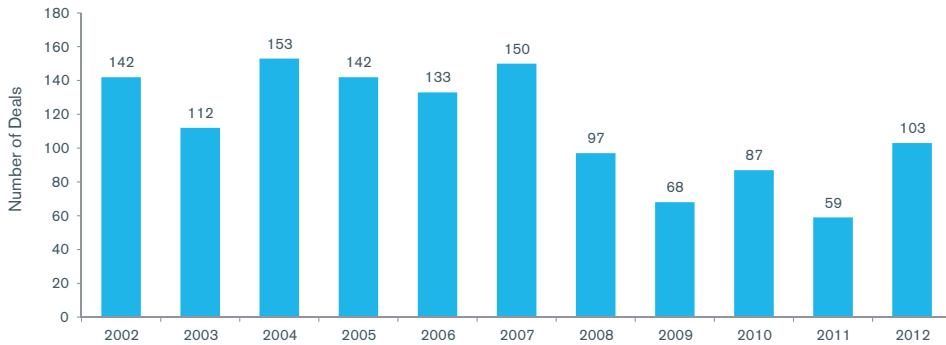
Selected Duff & Phelps
Staffing Transactions

M&A Activity – Staffing Industry

M&A Overview

The fourth quarter of 2012 saw 25 staffing industry M&A transactions completed by 23 different buyers. For all of 2012, 103 staffing transactions were reported, a 75% increase over the 59 transactions announced in 2011 and representing the highest amount of M&A activity in the staffing sector since 2007.

Exhibit 1: Yearly Staffing Transaction Volume – 2002 to 2012



Source: Capital IQ

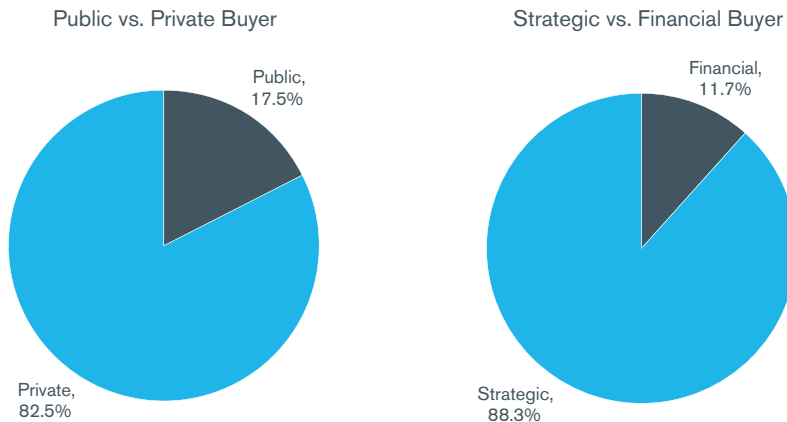
The increased transaction volume in 2012 was indicative of the strong operating environment for many contract staffing businesses, especially those providing professional staffing services. M&A activity was further driven by the desire for many sellers to complete their transactions before the end of 2012 to avoid potentially higher taxes in 2013 and beyond.

Acquisition activity remains driven by privately-held strategic buyers, as the larger public staffing companies account for only a handful of transactions each year. In 2012, 83% of the transactions were completed by privately owned buyers, with only 17% acquired by public companies.

Strategic buyers completed over 88% of the staffing acquisitions in 2012. Private equity (financial) buyers remain a viable option for the largest and best-performing staffing companies, with 12 new platform investments acquired in 2012.

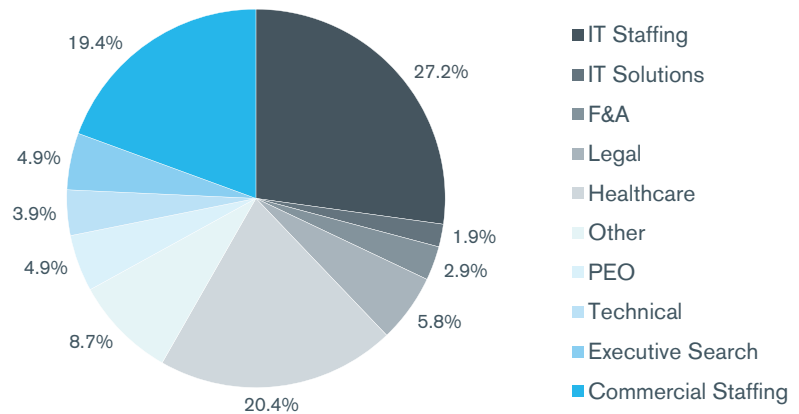
Information technology staffing companies continue to see widespread demand and strong valuations, with certain areas of healthcare staffing and light industrial staffing also seeing broader interest from buyers. While buyers of staffing businesses continue to be selective, those companies with a history 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 2: Staffing Industry Transaction Activity - 2012



Source: Capital IQ and publically available data

Exhibit 3: M&A Activity by Staffing Industry Sector - 2012



Source: Capital IQ

Notable Staffing Transactions – Q4 2012

creativecircle

Creative Circle

Creative Circle, a specialized staffing agency representing advertising, creative, marketing, visual communication and digital/interactive professionals on both a freelance and full-time basis, announced the sale of a majority equity interest in the company to Morgan Stanley Global Private Equity, a New York-based private equity firm. Morgan Stanley Global Private Equity partnered with the current management team, who will remain in place and retain a considerable equity stake. Riordan, Lewis & Haden Equity Partners was a minority shareholder in Creative Circle. Details of the transaction, which closed on September 28, 2012, were not disclosed.



Insight Global

Insight Global, one of the fastest-growing providers of information technology staffing solutions in North America and the leading pure-play IT temporary staffing firm, announced an investment by Ares Management LLC. No terms of the investment were disclosed, although Harvest Partners will continue to maintain an investment in Insight Global. Founded in 2001, all of Insight Global's growth has been organic. The company now has 28 offices across the U.S. and fills approximately 18,000 IT staffing placements each year for a diverse group of clients.



CHG Healthcare Services

CHG Healthcare Services

CHG Healthcare Services, a leading healthcare staffing firm based in Salt Lake City, announced that Leonard Green & Partners and Ares Management LLC have agreed to acquire the company with existing management retaining a significant equity interest. CHG was formerly majority-owned by funds affiliated with J.W. Childs Associates, L.P. CHG is one of the largest providers of healthcare staffing in the U.S., and is the largest locum tenens (temporary physician) staffing firm in the nation.



Nordic Consulting

Nordic Consulting announced a recent growth capital raise with SV Life Sciences, Health Enterprise Partners and HLM Venture Partners. According to the October 2012 press release, "This investment will enhance the company's ability to meet the growing demand within the rapidly expanding Epic EMR market." Nordic is a leading provider of healthcare IT consulting services, with an exclusive focus on the Epic software suite.



Martin, Fletcher

Highlander Partners, L.P., a Dallas-based private investment firm, announced that Martin, Fletcher, one of its portfolio companies, was acquired by Parallon Business Solutions, a subsidiary of HCA Holdings, Inc. Headquartered in Irving, TX, Martin, Fletcher is a leading provider of locum tenens and permanent placement healthcare staffing services, having served over 2,000 hospitals and clinics nationwide since its founding in 1999. Highlander made its investment in Martin, Fletcher in 2005, when the company was focused predominantly on permanent placements of physicians and nurses.

Staffing M&A Transactions – Q4 2012

Date	Seller	Buyer	EV (\$ in millions)	EV / Rev.	Business Description
10/2/12	Creative Circle	Morgan Stanley Global Private Equity	NA	NA	A specialized staffing agency representing advertising, creative, marketing, visual communication and digital/interactive professionals on both a freelance and full-time basis.
10/3/12	Hire Dynamics	EmployBridge	NA	NA	Offers staffing and professional recruitment services.
10/3/12	The Pruett Group Inc.	CBIZ Inc.	NA	NA	Provides employee benefits and consulting services.
10/5/12	NES Group Ltd.	AEA Investors LP	\$380	NA	Provides staffing and engineering services to oil and gas, construction, infrastructure, technical, engineering, rail, power generation, and information technology (IT) sectors in the United Kingdom and internationally.
10/10/12	Insight Global	Ares Management LLC	NA	NA	Provides information technology staffing.
10/10/12	Nordic Consulting	SV Life Sciences, Health Enterprise Partners and HLM Venture Partners	NA	NA	A leading provider of healthcare IT consulting services, with an exclusive focus on the Epic software suite.
10/15/12	Medrec Inc.	Accountable Healthcare Holdings Corp.	NA	NA	A healthcare staffing agency specializing in therapy skill sets.
10/17/12	Brigham Group, Inc.	SEEK Careers/Staffing, Inc.	NA	NA	Offers staffing solutions for light industrial, administrative, and professional positions.
10/17/12	Virtus Consulting	SolomonEdwardsGroup, LLC	NA	NA	A professional services firm headquartered in the Metro DC area, specializing in accounting, accounting systems, internal audit and risk management and business process reengineering solutions.
10/19/12	Talent Force of Memphis	Employment Control Inc.	NA	NA	Provides staffing services to manufacturing and distribution/logistics space.
10/22/12	CHG Healthcare Services	Leonard Green & Partners and Ares Management LLC	\$1,250	2.1x	Provides healthcare staffing services for hospitals and healthcare organizations in the United States.
11/9/12	Advantage Federal Resourcing, Inc.	STS Aviation Group	NA	NA	Provides mostly light industrial and commercial staffing among other industries in small increments.
11/9/12	Trade Management, Inc.	Peoplelink Staffing Solutions	NA	NA	Provides recruiting services for the construction industry.
11/14/12	Augustine RPO	Method3	NA	NA	Provides recruitment process outsourcing (RPO) and online research services for recruiters.
11/14/12	Integrated Staffing Solutions	Method3	NA	NA	An IT staffing firm but now provides technology-based consulting services to government and enterprise customers.
11/26/12	Aspen Resource Partners	Resourcing Edge	NA	NA	A professional employment organization serving clients including high-tech firms as well as grey-collar clients including golf courses and landscaping companies.
11/27/12	Virtual Solutions Inc.	Lionbridge Technologies Inc.	\$8	NA	A privately held provider of crowdsourcing solutions to state and local governments.
12/4/12	BCP Technical Services	Energy Services Group International	NA	NA	A staffing firm serving the U.S. energy industry with a focus on nuclear power.
12/6/12	Martin, Fletcher	Parallon Business Solutions	NA	NA	Provides locum tenens, allied healthcare, and nurse staffing.
12/10/12	American Partners Inc.	BG Staffing	NA	NA	Provides information technology staffing for BI Skill sets.
12/12/12	Paxus, subsidiary of Computer Sciences Corp.	Adcorp Holding	\$74	0.2x	Provides information technology staffing in Australia.
12/14/12	Contract human resources division of The Duffy Group	AZ Tech Finders	NA	NA	A retained/hourly search model for human resources recruiting.
12/17/12	Precision Systems Group	Diabsolut Inc.	NA	NA	Provides information technology staffing.
12/18/12	Visiont	Peoplelink Staffing Solutions	NA	NA	Specializes in temporary and permanent recruitment in the IT market.
12/20/12	SusQtech	Robert Half International	NA	NA	A provider of SharePoint solutions including implementation, design, integration, training and customer support services.

Source: Capital

Public Trading Data for Staffing Companies

(\$ in millions, except per share amounts)

Company Name	Ticker	Price 12/31/12	52-Week		Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV / EBITDA		% of 52 Week High
			Low	High				LTM	2012E		LTM	2012E	
Commercial Staffing													
Adecco S.A.	ADEN	\$49.57	\$39.00	\$53.45	\$9,361.1	\$10,779.0	\$26,588.3	\$1,173.8	\$1,219.9	4.4%	9.2x	8.8x	92.8%
Barrett Business Services Inc.	BBSI	34.25	15.68	34.67	240.2	202.4	373.7	9.2	NA	2.5	21.9	NA	98.8
CDI Corp.	CDI	16.09	12.53	18.61	311.2	299.9	1,102.4	42.0	46.2	3.8	7.1	6.5	86.5
Kelly Services, Inc.	KELY.A	13.71	11.26	18.09	508.4	521.7	5,471.4	97.3	112.7	1.8	5.4	4.6	75.8
Manpower Inc.	MAN	38.44	30.53	48.28	3,015.8	3,322.2	20,959.4	590.9	554.9	2.8	5.6	6.0	79.6
Randstad Holding NV	RAND	32.99	26.83	39.33	5,676.9	7,523.1	22,127.8	703.4	835.8	3.2	10.7	9.0	83.9
TrueBlue, Inc.	TBI	14.15	11.84	18.22	548.0	428.7	1,395.1	71.8	69.7	5.1	6.0	6.1	77.7
Average ⁽²⁾					\$2,012.1	\$2,419.13	\$10,211.2	\$301.1	\$393.3	3.3%	7.7x	6.9x	84.1%
Median					\$548.0	\$521.7	\$5,471.4	\$97.3	\$333.8	3.2%	7.1x	6.3x	83.9%
Professional Staffing													
Adecco S.A.	ADEN	\$49.57	\$39.00	\$53.45	\$9,361.1	\$10,779.0	\$26,588.3	\$1,173.8	\$1,219.9	4.4%	9.2x	8.8x	92.8%
Analysts International Corp.	ANLY	2.96	2.74	7.30	15.0	10.6	107.4	2.2	NA	2.0	4.8	NA	40.6
CIBER, Inc.	CBR	3.07	2.70	4.76	225.8	234.9	956.0	31.8	30.1	3.3	7.4	7.8	64.5
Hudson Global, Inc.	HSO	4.23	3.23	5.98	135.3	101.3	816.0	9.6	6.2	1.2	10.5	16.3	70.7
Kelly Services, Inc.	KELY.A	13.71	11.26	18.09	508.4	521.7	5,471.4	97.3	112.7	1.8	5.4	4.6	75.8
Kforce Inc.	KFRC	12.84	10.34	15.40	461.7	457.4	1,178.2	34.5	62.6	2.9	13.3	7.3	83.4
Manpower Inc.	MAN	38.44	30.53	48.28	3,015.8	3,322.2	20,959.4	590.9	554.9	2.8	5.6	6.0	79.6
On Assignment Inc.	ASGN	19.57	10.05	20.93	1,027.8	1,453.6	999.8	102.7	123.1	10.3	14.2	11.8	93.5
Randstad Holding NV	RAND	32.99	26.83	39.33	5,676.9	7,523.1	22,127.8	703.4	835.8	3.2	10.7	9.0	83.9
RCM Technologies Inc.	RCMT	6.34	4.89	6.60	76.2	46.0	143.8	7.3	NA	5.1	6.3	NA	96.0
Resources Connection Inc.	RECN	11.60	9.63	14.49	481.0	358.2	566.9	50.9	45.2	9.0	7.0	7.9	80.1
Robert Half International Inc.	RHI	28.33	25.10	32.32	3,987.1	3,699.3	4,050.5	386.2	406.9	9.5	9.6	9.1	87.7
TSR, Inc.	TSRI	3.45	3.09	5.69	6.8	(1.3)	45.1	(0.2)	NA	NM	6.3	NA	60.6
Average ⁽²⁾					\$1,419.2	\$1,611.7	\$5,216.1	\$183.3	\$271.4	4.4%	8.3x	8.5x	79.3%
Median					\$481.0	\$457.4	\$999.8	\$50.9	\$117.9	3.3%	7.4x	8.4x	80.1%

(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 6

Public Trading Data for Staffing Companies (Cont'd)

(\$ in millions, except per share amounts)

Company Name	Ticker	Price 12/31/12	52-Week		Market Cap	Enterprise Value	LTM Revenue	EBITDA		LTM EBITDA Margin	EV / EBITDA		% of 52 Week High
			Low	High				LTM	2012E		LTM	2012E	
Healthcare Staffing													
AMN Healthcare Services Inc.	AHS	\$11.34	\$3.86	\$11.66	\$503.3	\$695.7	\$928.2	\$63.8	\$66.1	6.9%	10.9x	10.5x	97.3%
Cross Country Healthcare, Inc.	CCRN	4.22	3.80	6.73	130.4	157.4	506.8	10.3	8.0	2.0	15.3	19.7	62.7
On Assignment Inc.	ASGN	19.57	10.05	20.93	1,027.8	1,453.6	999.8	102.7	123.1	10.3	14.2	11.8	93.5
Average ⁽²⁾					\$553.9	\$768.9	\$811.6	\$58.9	\$65.7	6.4%	13.5x	14.0x	84.5%
Median					\$503.3	\$695.7	\$928.2	\$63.8	\$66.1	6.9%	14.2x	11.8x	93.5%
Executive & Retained Search													
CTPartners Executive Search Inc.	CTP	\$4.56	\$3.32	\$7.10	\$31.8	\$524.3	\$125.3	(\$2.3)	\$3.8	NM	NM	NM	64.2%
Heidrick & Struggles International Inc.	HSII	15.26	11.12	23.95	274.2	1,268.7	467.1	43.9	38.2	9.4	28.9	33.3	63.7
Korn/Ferry International	KFY	15.86	12.10	18.75	770.8	1,414.9	767.0	84.8	99.4	11.1	16.7	14.2	84.6
Average ⁽²⁾					\$359.0	\$1,069.3	\$453.1	\$42.2	\$47.1	10.2%	22.8x	23.7x	70.8%
Median					\$274.2	\$1,268.7	\$467.1	\$43.9	\$38.2	10.2%	22.8x	23.7x	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>Sell Side Advisory</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>Sell Side Advisory</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>Sell Side Advisory</p> <hr/> <p>Extrinsic, LLC has been acquired by BG Staffing.</p>  <p>Exclusive advisor to Extrinsic, LLC</p>	<p>Sell Side Advisory</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, Inc. and Prescott Legal Professionals, LP</p>	<p>Sell Side Advisory</p> <hr/> <p>TSG IT Resources has been acquired by TEKsystems.</p>  <p>Exclusive advisor to TSG IT Resources</p>
<p>Sell Side Advisory</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>Buy Side Advisory</p> <hr/> <p>Staffing Now, Inc. has acquired Q & A Recruiting, LLP.</p>  <p>Exclusive advisor to Staffing Now, Inc.</p>	<p>Buy Side Advisory</p> <hr/> <p>LTN Staffing, LLC has acquired BG Personnel Services.</p>  <p>Initiated the transaction on behalf of LTN Staffing, LLC</p>	<p>Buy Side Advisory</p> <hr/> <p>Wicresoft Co., Ltd. has acquired TSRI, Inc.</p>  <p>Initiated the transaction on behalf of Wicresoft Co., Ltd.</p>	<p>Buy Side Advisory</p> <hr/> <p>BG Staffing has acquired JNA Staffing.</p>  <p>Initiated the transaction on behalf of BG Staffing</p>

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