

The background of the entire page is a blurred, high-angle view of a modern office building at night. The windows are illuminated from within, showing silhouettes of desks, chairs, and some people working. The lighting is a mix of warm yellow and cool blue tones, creating a professional and active atmosphere.

DUFF & PHELPS

Protect, Restore and Maximize Value

INDUSTRY INSIGHTS

# Staffing Industry M&A Landscape

Winter 2021

# Q Highlights

U.S. staffing industry M&A activity continued to be impacted by the COVID-19 pandemic, as 115 staffing industry M&A transactions were completed by 96 unique buyers in 2020. This was a 20% decrease from the 143 transactions completed in 2019. 2020 began with a continuance of the strong M&A activity seen over the past five years; however, many potential staffing transactions have now been delayed.

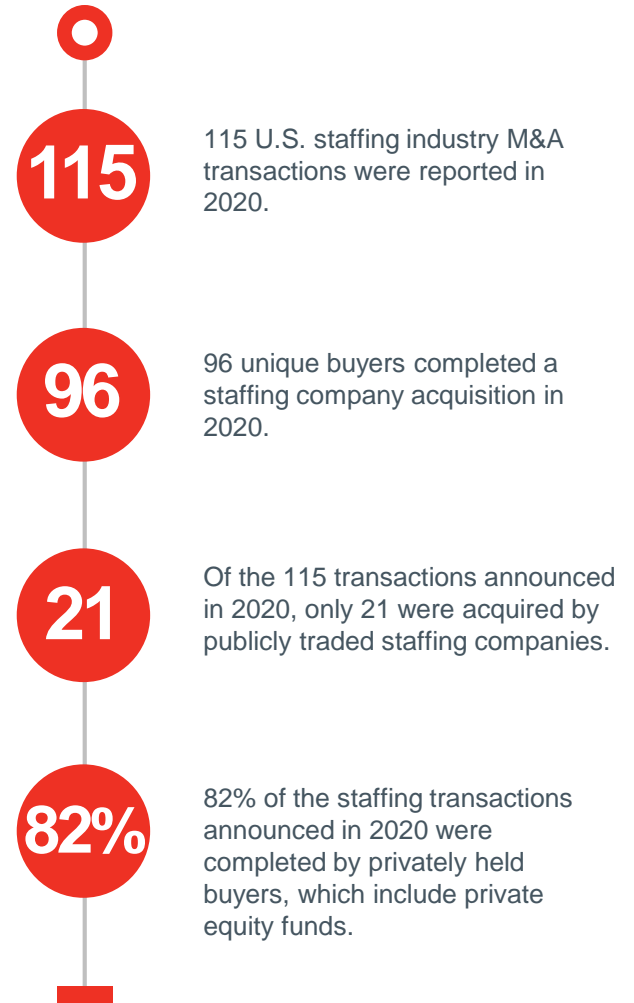
Diminished financial performance during the pandemic (not lower valuation multiples) has created an imbalanced staffing M&A market with more prospective buyers than active sellers in some professional staffing segments. On the buyer side, interest in the sector remains high with an ample number of well-financed acquirers. On the sell side, the reduced number of businesses actively seeking to sell is largely valuation related because earnings (EBITDA) for many are temporarily down.

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

Private equity acquired 17 new platform staffing investments in 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 future exits.

## BY THE NUMBERS



Sources: SEC filings, S&P Global Market Intelligence, Mergermarket, company press releases and various news sources (e.g. *Staffing Industry Analysts*, *American Staffing Association*, *The Deal*, *The Wall Street Journal*)

# M&A Activity – Staffing Industry ●○○

U.S. staffing industry M&A activity continued to be impacted by the COVID-19 pandemic in the fourth quarter of 2020, as 30 staffing industry transactions were completed by 28 different buyers. For all of 2020, 115 staffing industry M&A transactions were completed by 96 unique buyers, a 20% decrease from the 143 deals completed in 2019. 2020 began with a continuance of the strong M&A activity seen over the past five years, as the staffing industry continued to benefit from a positive operating environment across all industry sectors. However, deal closings plummeted and transaction processes halted in the second quarter of 2020 due to COVID-19-related lockdowns and overall economic uncertainty. Only a portion of those delayed transactions have since come back to the market or been completed, largely due to weaker than normal seller financial performance.

Diminished financial performance during the pandemic has created a staffing M&A market that is currently imbalanced with more prospective buyers than active sellers, especially in some professional staffing segments. On the buyer side, interest in the sector remains high, especially to acquire those staffing companies who continue to perform well through the pandemic. There is continued demand from an ample number of well-capitalized and experienced buyers (many owned by private equity) who wish to acquire high quality assets that strategically fit with their business. Private equity-backed companies especially continue to seek growth opportunities through inorganic means in order to build value for their own future exits, even if those exits have now been delayed by a few years.

As for sellers, the reduced number of businesses actively seeking to sell is largely valuation related, but not because valuation multiples are lower. Rather, because earnings (EBITDA) are temporarily down for many staffing businesses since the pandemic began. Even as revenue dropped, many staffing business owners made the strategic decision to not cut internal staff, either because of Paycheck Protection Program (PPP) loan requirements or because they wanted to be better positioned for growth post the pandemic. Thus, the resulting lower profitability has prompted many possible sellers to delay their sale plans until business improves and they can better achieve their valuation goals.

Many of the 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 PE funds). Of the 115 staffing transactions completed in 2020, 94 were completed by privately owned investors / buyers, with only 21 of these transactions completed by publicly traded companies.

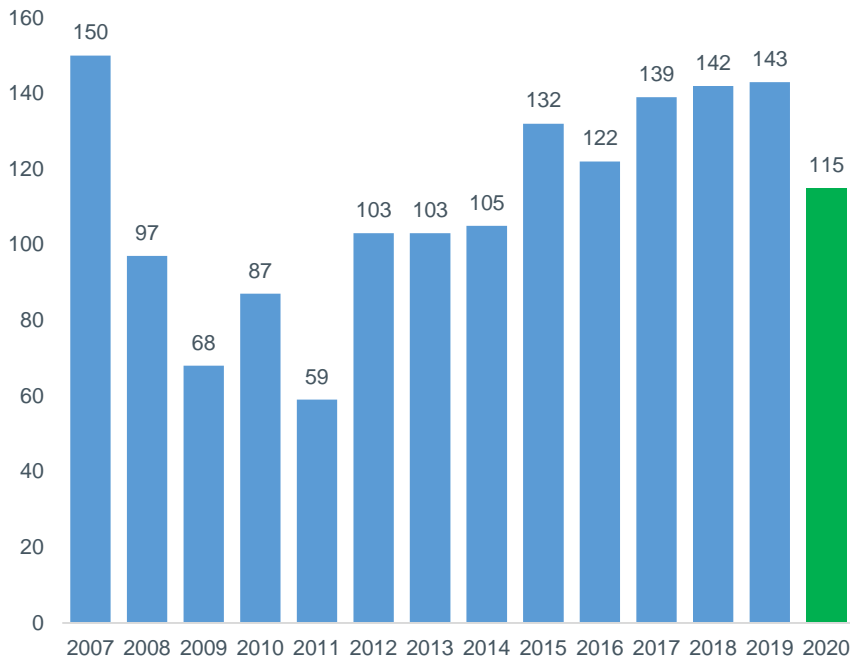
Strategic buyers (which include staffing businesses that are owned by private equity) completed 85% of the staffing acquisitions in 2020. However, private equity buyers continue to be an attractive option for the larger and faster-growing companies in the staffing sector, with 17 new platform investments made in 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. 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 models producing higher gross margin and double-digit EBITDA margin, remains the most attractive staffing segment for acquirers. Of the 115 transactions reported in the 2020, 44 involved companies whose predominant service offering was IT staffing and/or IT consulting. Healthcare staffing is another historically attractive sector, with 16 transactions completed in 2020. The professional staffing segments (including IT, digital / creative, healthcare and life sciences) continue to see the most buyer demand across the industry. The light industrial / administrative staffing segment continues to generate M&A activity, although typically at lower valuation multiples as compared to higher-margin professional staffing. As light industrial staffing is generally viewed as more cyclical and with lower margins than the staffing industry as a whole, buyers in this segment generally tend to be more conservative in their valuations.

# M&A Activity – Staffing Industry ○○●○

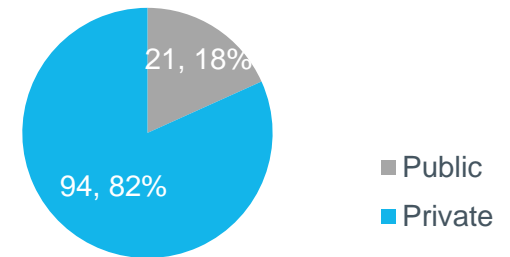
Yearly Staffing Transaction Volume – 2007 to 2020

## Number of Deals

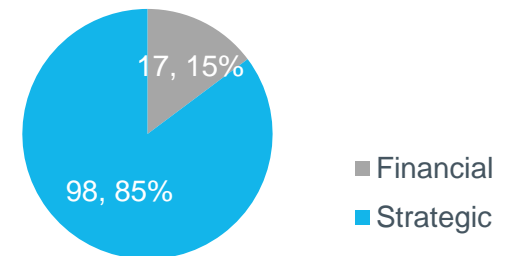


Staffing Industry Transaction Activity – 2020

## Public vs. Private Buyer

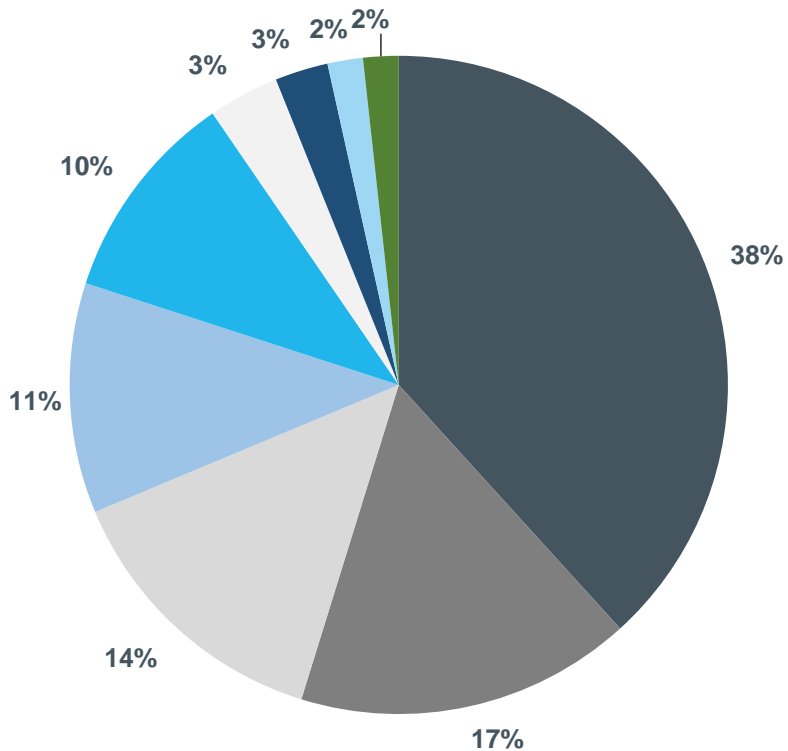


## Strategic vs. Financial Buyer



# M&A Activity – Staffing Industry

M&A Activity by Staffing Industry Sector – 2020



Industry Sector	No. of 2020 Transactions
IT Staffing	44
Light Industrial / Clerical	19
Healthcare	16
Executive Search	13
Other	12
Finance & Accounting	4
Technical	3
PEO	2
Legal	2

# Notable Staffing Transactions

Q4 2020



system|one

System One Holdings LLC announced it will receive a significant investment from funds managed by Los Angeles-based investment firm Oaktree Capital Management LP. Financial terms of the transaction were not disclosed except that the investment was significant. System One provides staffing in energy, engineering, IT, commercial, scientific and clinical, legal, marketing and other segments. Oaktree's investment will help support its continued growth, according to the company. The deal is expected to close in the first quarter of 2021 and is subject to regulatory approvals and other customary closing conditions.

Harvey Nash.

36 LATITUDE THIRTY SIX

Harvey Nash Group, a London-based global staffing firm, acquired U.S.-based IT staffing firm Latitude 36. Latitude 36 is based in Franklin, Tennessee, with a West Coast office in Fremont, California, and an Indian headquarters in Hyderabad. Latitude 36 began 20 years ago and Latitude 36's management will take leadership roles at Harvey Nash. President and COO Jason Pyle said joining Harvey Nash is the next step in the company's success. "Combining the businesses provides a platform to become one of the largest and fastest-growing staffing firms in the United States, creating more opportunities for our employees, clients and candidates," Pyle said.



KleinHersh  
Strategic Leadership Placement

Private equity firm New State Capital Partners acquired a majority stake in Klein Hersh, an executive search firm focused on the life sciences and healthcare industry. Klein Hersh was founded in 1998 and is based in Horsham, Pennsylvania. Klein Hersh's senior leadership team — Jason Hersh, Jesse Klein and Josh Albert — will remain and retain an ownership stake in the executive search firm; however, the terms of the transaction are not being announced. "It's no secret that life sciences and healthcare are booming fields with significant growth pathways for the foreseeable future," said Shaun Vasavada, VP at New State Capital.



Vaco acquired Prodigy Bank, a Toronto-based direct-hire firm that focuses on the e-commerce, software development and financial services industries. In addition to Toronto, Prodigy Bank has offices in New York and London. Prodigy Bank was founded in 2016 and its founder and president, Peter Rajabian, will join Vaco as a managing partner in Toronto. "We felt a kindred chemistry with the Prodigy Bank team from the first meeting, and our bond was quickly steered as we had to creatively find our way together through the tumultuousness of 2020," said Jerry Bostelman, Vaco co-founder and CEO.



SURESTAFF  
The Right People at the Right Time

Owner Resource Group, a private investment firm based in Austin, Texas, announced ORG Opportunity Fund III, LP has made an investment in SURESTAFF, LLC., a leading provider of temporary, temp-to-hire, direct hire and on-premise staffing solutions based in Itasca, Illinois. Founded in 1998, SURESTAFF provides a range of staffing solutions to customers in Illinois, Indiana and Wisconsin. SURESTAFF is primarily focused on serving the light industrial staffing segment and uses a localized recruitment model to deliver the right talent to customers within demanding timeframes.



NDAP

Staffing provider The Planet Group struck a deal to acquire NDA Partners, a global life sciences management consulting and contract development firm based in Washington. NDA Partners' CEO Earle Martin will continue to lead the company after the acquisition. "We've accomplished a tremendous amount during our 17-year history and the impact our consultants have had on our clients' growth is unparalleled," Martin said. "We're excited about our next chapter and continued success as part of The Planet Group."

# Staffing M&A Transactions Q4 2020 ●○○

<b>Announced Date</b>	<b>Seller</b>	<b>Buyer</b>	<b>Business Description</b>
10/2/2020	Skyris LLC	ASGN Inc.	Largest providers of remote sensing scientists and data scientists to the National Geospatial-Intelligence Agency
10/2/2020	CoitGroup	Hudson Global, Inc.	RPO provider procuring talent for high-growth technology companies, predominately in the San Francisco Bay Area
10/5/2020	Extreme Staffing LLC	Ascend Staffing	Provides light industrial, production and manufacturing staffing in Utah and Idaho
10/6/2020	Ferguson Consulting Inc.	Eliassen Group LLC	Provides IT contractors for staff augmentation positions of Fortune 500 companies in St. Louis
10/6/2020	VENIRé Inc.	Vaco LLC	A Toronto-based, direct-hire firm focuses on the e-commerce, software development and financial services industries
10/6/2020	Lean Staffing Solutions, Inc.	FTV Capital	Provides outsourced remote support to the transportation and logistics industry in Colombia. Examples of positions it fills include data entry, safety analyst and assistant dispatcher. Headquartered in Florida with four offices in Colombia
10/16/2020	Ardor Schools Solutions	The Stepping Stones Group LLC	Provides healthcare staffing services focused on serving schools
10/21/2020	Latitude 36, Inc.	Harvey Nash Group Limited	Provides IT staffing services to Fortune 1000 and 500 MM+ companies in various industries, including banking and financial services, healthcare, Internet, software, retail, hospitality, government agencies and more
10/21/2020	TalentBeacon International LLC	Futuris Technology Services, Inc.	Focused on talent acquisition consulting, international recruiting and IT staff leasing
11/3/2020	SURESTAFF Inc.	Owner Resource Group, LLC	Provides light industrial staffing services to food processing and packaging, fulfillment, distribution, logistics, and mechanical and electronic assembly industries

# Staffing M&A Transactions Q4 2020

Announced Date	Seller	Buyer	Business Description
11/4/2020	NDA Partners LLC	The Planet Group	A global life sciences management consulting and contract development firm
11/9/2020	Field Health Ltd. (a/k/a Adevia Health)	Premier Healthcare Professionals, Inc.	An international nurse recruiting firm based in London, UK. The company also has locations in South Africa, Nepal, Germany and Italy
11/11/2020	Staffing operation of Versant Supply Chain, Inc.	Exegistics, Inc.	Provides light industrial and clerical staffing to the supply chain industry
11/12/2020	Optimum Talent Inc.	Arthur J. Gallagher & Co.	Provides a range of services that include executive search, leadership assessment and development, and outplacement among other business offerings
11/13/2020	Search Partners Recruiting	Resolute Pros	Specializes in placing professional talent for the staffing industry
11/16/2020	Interactive Business Systems, Inc.	The Planet Group	Provides IT staffing and solutions such as Internet business, application development, application modernization, application maintenance, Microsoft SharePoint and mobile application development
11/17/2020	Klein Hersh Consulting, LLC	New State Capital Partners	Leading executive search firm focused on the life sciences and healthcare industry
11/18/2020	VendorPass Inc.	Icon Information Consultants LP	Provides employer of record and independent contractor compliance services
11/23/2020	Greenwood/Asher & Associates Inc.	Kelly Services Inc.	Specializes in executive search services focusing on higher education
12/2/2020	Integrated Solutions Management Inc.	ASGN Inc.	Provider of IT consulting in the government space



# Staffing M&A Transactions Q4 2020

Announced Date	Seller	Buyer	Business Description
12/3/2020	Centerline Partners LLC	ettain group Inc.	A management consulting firm focused on the life sciences industry
12/7/2020	Confidential Career Solutions	Resolute Administrative Services	A Texas-based staffing firm focused on the supply chain and logistics industries
12/7/2020	Nexus Partners	Sage Talent Inc.	Provides executive search services for technology industries in California and China
12/8/2020	System One Holdings LLC	Oaktree Capital Management LP	Provides staffing in energy, engineering, IT, commercial, scientific and clinical, legal, marketing and other segments
12/10/2020	Talent Function Group LLC	Cielo Inc.	Provides consulting on recruitment strategy, process and technology
12/15/2020	Saenger Associates	20-20 Foresight Executive Search LLC	Provides executive search services for manufacturing, distribution and supply chain in industrial products, aerospace and defense, and consumer products industries
12/16/2020	Power Labor LLC	Labor Source LLC	A staffing firm specializing in skilled commercial construction labor
12/30/2020	Staffing Solutions Inc.	Keystone Partnership	Staffing Solutions Inc. and Keystone Partnership will merge to form Keystone Staffing & Talent Solutions LLC. The combined company will have \$10 million of annual revenue and 17 employees in offices in Creve Coeur and Fairview Heights, MO
12/31/2020	IQTalent Partners LLC	The Caldwell Partners International Ltd	Provides executive search services in the technology, life sciences and healthcare, entertainment and digital media, automotive and industrial, and retail sectors
12/31/2020	Ridgeway Partners Ltd	Teneo Holdings LLC	Provides executive search services especially for executive committee roles in finance, IT, risk and HR across all sectors

# Public Trading Data for Staffing Companies ●○○

(\$ in millions, except per share amounts)

Company Name	Ticker	Price as of 12/31/2020	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	\$66.95	\$34.47	\$70.42	95.1%	\$10,851.4	\$11,923.5	\$23,621.4	\$856.9	\$1,155.3	3.5%	13.9x	10.3x
Barrett Business Services, Inc.	BBSI	68.21	27.25	93.03	73.3	521.6	402.1	892.8	39.3	48.4	5.0	10.2	8.3
GEE Group, Inc.	JOB	1.00	0.17	2.49	40.0	17.6	78.7	129.8	NA	3.8	3.5	NA	20.7
Kelly Services, Inc.	KELY.A	20.57	10.13	23.00	89.4	808.3	648.2	4,612.4	66.0	99.5	1.6	9.8	6.5
ManpowerGroup Inc.	MAN	90.18	49.57	100.99	89.3	5,188.3	5,139.0	18,142.7	380.2	570.4	2.7	13.5	9.0
Randstad N.V.	RAND	65.13	33.90	68.62	94.9	11,937.4	12,405.3	24,682.9	1,061.5	1,359.0	3.2	11.7	9.1
Staffing 360 Solutions, Inc.	STAF	0.67	0.28	3.34	20.1	11.5	79.0	214.5	4.5	8.9	NM	17.6	8.9
TrueBlue, Inc.	TBI	18.69	12.02	24.26	77.0	637.4	650.2	1,918.8	30.3	59.0	2.2	21.5	11.0
<b>Average<sup>(1)</sup></b>					77.3%	\$3,004.1	\$3,140.4	\$8,233.8	\$274.5	\$323.6	3.0%	13.4x	9.4x
<b>Median</b>					83.2%	\$722.8	\$649.2	\$3,265.6	\$66.0	\$79.2	3.2%	13.5x	9.1x

(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 December 31, 2020.

Represents publicly traded staffing companies tracked by Duff & Phelps

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			Low	High					2020E	2021E		2020E	2021E
<b>Professional Staffing</b>													
ASGN Incorporated	ASGN	\$83.53	\$29.04	\$87.48	95.5%	\$4,418.7	\$5,323.4	\$3,964.4	\$428.2	\$448.5	10.2%	12.4x	11.9x
BG Staffing, Inc.	BGSF	13.49	5.69	22.38	60.3	139.2	183.5	280.5	18.0	21.6	6.3	10.2	8.5
Hudson Global, Inc.	HSO	10.50	6.06	13.10	80.2	28.2	0.4	99.6	(0.8)	3.8	NM	NM	0.1
Kforce Inc.	KFRC	42.09	20.60	44.37	94.9	874.8	897.2	1,379.9	88.7	89.2	5.9	10.1	10.1
Mastech Digital, Inc.	MHH	15.90	7.25	29.98	53.0	180.9	189.1	195.8	NA	NA	8.8	NA	NA
RCM Technologies, Inc.	RCMT	2.07	1.02	3.17	65.3	23.7	41.6	157.8	1.1	5.8	NM	37.7	7.2
Resources Connection, Inc.	RGP	12.57	8.66	17.82	70.5	407.7	421.6	678.5	51.7	43.7	7.4	8.2	9.6
Robert Half International Inc.	RHI	62.48	32.38	67.23	92.9	7,009.6	6,722.6	5,342.3	459.6	526.6	9.5	14.6	12.8
TSR, Inc.	TSRI	7.00	2.70	8.88	78.8	13.7	10.0	58.7	NA	NA	0.1	NA	NA
Volt Information Sciences, Inc.	VOLT	1.77	0.65	3.23	54.8	38.4	110.5	869.4	NA	NA	NM	NA	NA
<b>Average<sup>(1)</sup></b>					71.8%	\$241.8	\$264.8	\$523.1	\$39.9	\$40.1	7.1%	11.7x	8.9x
<b>Median</b>					70.5%	\$139.2	\$183.5	\$280.5	\$34.8	\$32.7	6.8%	10.2x	9.1x

(1) Excludes the highest and lowest values.

## DEFINITIONS

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Source: S&P Global Market Intelligence as of December 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 12/31/2020	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	\$68.25	\$36.65	\$89.22	76.5%	\$3,209.9	\$4,152.4	\$2,349.3	\$310.7	\$313.9	11.4%	13.4x	13.2x
Cross Country Healthcare, Inc.	CCRN	8.87	4.50	13.42	66.1	333.2	411.7	835.9	32.1	33.4	2.9	12.8	12.3
<b>Average</b>					71.3%	\$1,771.5	\$2,282.0	\$1,592.6	\$171.4	\$173.7	7.2%	13.1x	12.8x
<b>Median</b>					71.3%	\$1,771.5	\$2,282.0	\$1,592.6	\$171.4	\$173.7	7.2%	13.1x	12.8x
<b>Executive and Retained Search</b>													
Heidrick & Struggles International, Inc.	HSII	\$29.38	\$17.99	\$33.21	88.5%	\$568.8	\$435.3	\$640.7	\$68.8	\$77.3	10.0%	6.3x	5.6x
Korn Ferry	KFY	43.50	21.45	45.86	94.9	2,355.7	2,380.1	1,735.3	207.2	250.4	10.6	11.5	9.5
<b>Average</b>					91.7%	\$1,462.2	\$1,407.7	\$1,188.0	\$138.0	\$163.8	10.3%	8.9x	7.6x
<b>Median</b>					91.7%	\$1,462.2	\$1,407.7	\$1,188.0	\$138.0	\$163.8	10.3%	8.9x	7.6x

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**Enterprise Value (EV):** market capitalization + total debt + preferred equity + minority interest – cash and short-term investments

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Source: S&P Global Market Intelligence as of December 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



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