CHARTER
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M&A Insights Q2 2021

HUMAN CAPITAL INDUSTRY UPDATE

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M&A TRENDS

Through the first half of 2021, the human capital industry has seen nearly as many deals completed as it did in all of 2020. Transaction activity has even picked up enough in the space that it is likely to return to the lofty levels set from 2017 through 2019. Deals in the HR outsourcing sector continue to be the driving factor in the space, as that sector was responsible for 14 deals in the second quarter alone.

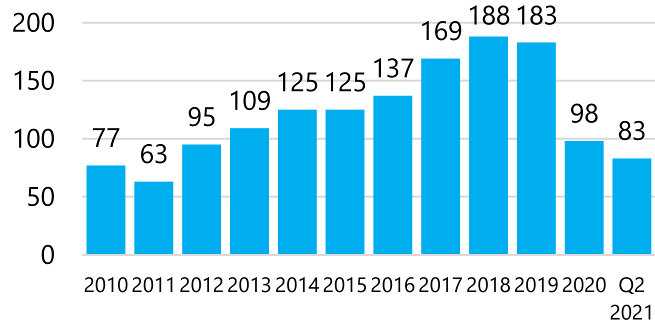
This drastic influx of activity in the space has been spurred on by a few key macroeconomic factors. The first factor is the potential change to the capital gains tax rate, which is expected to take effect in early 2022. The current capital gains tax rate sits at 20%, but an increase of up to 40% has been suggested as a possibility. However, recent indications from legislature states that a less drastic increase of 5% is now expected, which will push the total tax rate to 25%.

The other major macroeconomic trend that has played a part in the impressive transaction activity growth this year is the backlog of deals that did not transact last year due to the pandemic. Many business owners who had planned to sell in 2020 pushed the transaction off until this year as they waited for business performance to catch back up to pre-pandemic levels. This backlog of deals is expected to continue fueling transactions activity in the months to come.

The buyer base for these transactions features several private equity backed operating companies who are using inorganic growth through acquisition to improve profits and drive many of the closings in the space.

Businesses in the Healthcare and IT staffing space specifically have drawn extra attention over the past year following the growth experienced in those sectors as a result of the pandemic.

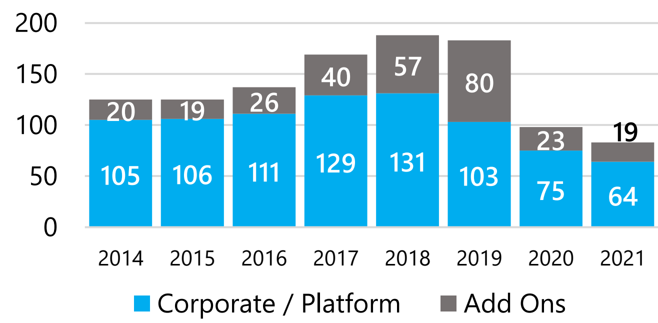
Human Capital Deal Count



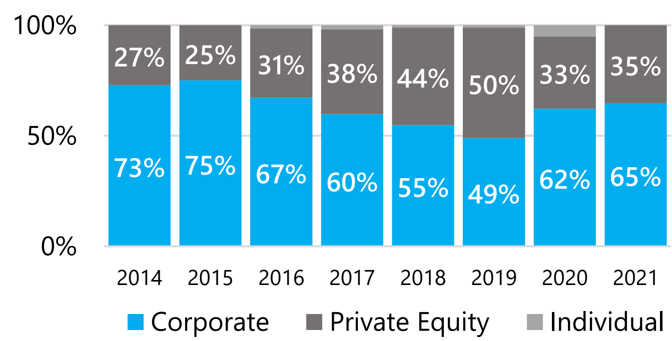
LTM Q2 2021 Deals by Sector

HR Outsourcing	28	Executive Search	7
Healthcare	19	Technical	5
IT Staffing	14	Education	2
HR Consulting	14	Finance/Accounting	2
Light Industrial	10	PEO	1
IT Services	10	Other	6

Transaction Type



Buyer Type



Source: Pew Research, Reuters

SELECTED TRANSACTIONS

Date	Company Name	Investors	Description
6/30/2021	Oxford Global Resources	H.I.G. Capital	Light Industrial
6/29/2021	OmniPoint Staffing	The Planet Group	Technical
6/28/2021	Focus Orange	PwC	HR Consulting
6/28/2021	PRO Unlimited	EQT (STO: EQT)	HR Outsourcing
6/25/2021	RM Nephew & Associates	CTR Group (Staffing Services)	Executive Search
6/22/2021	Christine Mathews Consulting	New Mountain Capital, OneDigital Health and Benefits, Onex (TSE: ONEX)	HR Consulting
6/22/2021	HireIQ	Verint Systems (NAS: VRNT)	Technical
6/16/2021	HireLifeScience	Aequor Technologies	HR Consulting
6/16/2021	Questionmark Computing	Battery Ventures, Learnosity	Technical
6/14/2021	Economic Modeling Specialists Intl.	Burning Glass Technologies, Kohlberg Kravis Roberts (NYS: KKR)	Technical
6/8/2021	WorkForce Solutions Group	Cross Country Healthcare (NAS: CCRN)	HR Outsourcing
6/1/2021	Summit HR Solutions	Swift Hr Solutions	Technical
5/30/2021	Solution Consultants	ENVISION, LLC	HR Outsourcing
5/27/2021	MAS Medical Staffing	Periscope Equity	Healthcare
5/18/2021	United Personnel	Masis Staffing Solutions, LLC	HR Outsourcing
5/14/2021	Supplemental Health Care	*Not Reported*	Healthcare
5/12/2021	Independence Medical Services	ICON Medical Network	Healthcare
5/11/2021	Dawson Healthcare	Aya Healthcare	Healthcare
5/10/2021	Mya Systems	StepStone	Technical
5/7/2021	Helpmates Staffing Services	TalentLaunch	Healthcare
5/6/2021	Koff & Associates	Arthur J. Gallagher & Company (NYS: AJG)	HR Outsourcing
5/6/2021	Melnic	DirectShifts	Healthcare
5/5/2021	Whitaker-Taylor	Andera Partners, Ardian, HR Path	HR Outsourcing
5/4/2021	Stanley Benefit Services	American Trust Retirement	HR Outsourcing
5/3/2021	OBEN Search	DHR International	Light Industrial
5/1/2021	Strategic HR	Clark Schaefer Hackett	HR Outsourcing
4/30/2021	SyncHR	Aquiline Capital Partners, PrimePay	Technical
4/27/2021	SatTel Broadband	AscendTek, Borgman Capital	HR Consulting
4/26/2021	NXTThing RPO	Catalyst Investors, Jobvite, K1 Investment Management	HR Outsourcing
4/23/2021	Therapia Staffing	Gifted Healthcare	Healthcare
4/19/2021	MedReps	BioSpace	HR Outsourcing
4/19/2021	Staff Today	Health Advocates Network	Healthcare
4/16/2021	WorkInSports	iHire	HR Outsourcing
4/15/2021	IBM (Talent Acquisition Suite)	Infinite Computer Solutions	Technical
4/7/2021	Capstone Human Resource Services	Hanna Resource Group	HR Outsourcing
4/7/2021	Signature Consultants	Disys, LNC Partners, Weston Presidio	HR Outsourcing
4/6/2021	Softworld	Kelly Services (NAS: KELYA)	HR Outsourcing
4/1/2021	I.T. Works Recruitment	MidOcean Partners, The Planet Group	IT Services
4/1/2021	iWorkGlobal	FFL Partners, Velocity Global	HR Consulting

Source: Pitchbook

PUBLIC TRADING DATA

Executive staffing and healthcare staffing are currently leading the industry in terms of profitability, while commercial and professional staffing continue a slow recovery from the pandemic.

Operating Statistics

($ in millions)

	LTM Revenues		LTM EBITDA			LTM EBIT		LTM Net Income		LTM Capex		Debt /		Net Debt /
	$(mm)	3 yr CAGR	$(mm)	Margin	3 yr CAGR	$(mm)	Margin	$(mm)	Margin	$(mm)	% Sales	EBITDA	Capital	EBITDA
Commercial Staffing														
ManpowerGroup	$19,841	(5.1%)	$603	3.0%	(14.2%)	$531	2.7%	$260	1.3%	$56	0.3%	1.9x	38.1%	0.0x
TrueBlue	1,968	(9.7%)	68	3.5%	(18.3%)	39	2.0%	40	2.0%	35	1.8%	0.7x	12.3%	(0.6x)
Kelly Services	4,744	(5.6%)	72	1.5%	(11.5%)	46	1.0%	89	1.9%	13	0.3%	0.8x	6.5%	0.3x
Randstad	22,473	(3.8%)	901	4.0%	(5.8%)	877	3.9%	633	2.8%	51	0.2%	0.7x	14.3%	0.5x
Adecco Group	20,475	(6.1%)	978	4.8%	(4.7%)	852	4.2%	498	2.4%	140	0.7%	1.9x	42.0%	1.0x
Mean		**(6.1%)**		**3.4%**	**(10.9%)**		**2.7%**		**2.1%**		**0.7%**	**1.2x**	**22.6%**	**0.3x**
Median		**(5.6%)**		**3.5%**	**(11.5%)**		**2.7%**		**2.0%**		**0.3%**	**0.8x**	**14.3%**	**0.3x**

	LTM Revenues		LTM EBITDA			LTM EBIT		LTM Net Income		LTM Capex		Debt /		Net Debt /
	$(mm)	3 yr CAGR	$(mm)	Margin	3 yr CAGR	$(mm)	Margin	$(mm)	Margin	$(mm)	% Sales	EBITDA	Capital	EBITDA
Professional Staffing														
Robert Half Intl.	$5,473	(1.0%)	$540	9.9%	(4.0%)	$479	8.8%	$430	7.9%	$27	0.5%	0.5x	18.3%	(0.5x)
Kforce Inc.	1,486	3.7%	106	7.2%	10.3%	103	6.9%	71	4.8%	6	0.4%	1.0x	39.4%	0.0x
PageGroup	1,416	(1.6%)	87	6.2%	(14.1%)	81	5.7%	34	2.4%	5	0.4%	0.7x	20.8%	(0.8x)
Hays	5,580	5.3%	78	1.4%	(31.7%)	58	1.0%	(7)	(0.1%)	7	0.1%	1.8x	21.7%	(2.2x)
Mean		**1.6%**		**6.1%**	**(9.9%)**		**5.6%**		**3.7%**		**0.3%**	**1.0x**	**25.0%**	**(0.9x)**
Median		**1.3%**		**6.7%**	**(9.0%)**		**6.3%**		**3.6%**		**0.4%**	**0.9x**	**21.3%**	**(0.7x)**

	LTM Revenues		LTM EBITDA			LTM EBIT		LTM Net Income		LTM Capex		Debt /		Net Debt /
	$(mm)	3 yr CAGR	$(mm)	Margin	3 yr CAGR	$(mm)	Margin	$(mm)	Margin	$(mm)	% Sales	EBITDA	Capital	EBITDA
IT Staffing														
ASGN Incorporated	$4,135	14.6%	$422	10.2%	9.5%	$332	8.0%	$218	5.3%	$28	0.7%	2.2x	39.0%	1.7x
Computer Task Group	379	6.7%	13	3.5%	27.7%	10	2.8%	8	2.1%	2	0.6%	1.1x	21.8%	(0.5x)
RCM Technologies	150	(7.0%)	(5)	(3.6%)	nmf	(4)	(2.7%)	0	0.2%	0	0.3%	nmf	53.6%	(4.8x)
Mean		**4.8%**		**3.4%**	**18.6%**		**2.7%**		**2.5%**		**0.5%**	**1.7x**	**38.1%**	**(1.2x)**
Median		**6.7%**		**3.5%**	**18.6%**		**2.8%**		**2.1%**		**0.6%**	**1.7x**	**39.0%**	**(0.5x)**

	LTM Revenues		LTM EBITDA			LTM EBIT		LTM Net Income		LTM Capex		Debt /		Net Debt /
	$(mm)	3 yr CAGR	$(mm)	Margin	3 yr CAGR	$(mm)	Margin	$(mm)	Margin	$(mm)	% Sales	EBITDA	Capital	EBITDA
Healthcare Staffing														
AMN Healthcare Services	$2,926	6.4%	$381	13.0%	15.2%	$281	9.6%	$173	5.9%	$41	1.4%	2.3x	49.0%	2.1x
Cross Country Healthcare	1,071	(1.1%)	62	5.7%	15.7%	53	4.9%	34	3.2%	5	0.5%	1.9x	41.2%	1.9x
Mean		**2.6%**		**9.4%**	**15.4%**		**7.3%**		**4.5%**		**0.9%**	**2.1x**	**45.1%**	**2.0x**
Median		**2.6%**		**9.4%**	**15.4%**		**7.3%**		**4.5%**		**0.9%**	**2.1x**	**45.1%**	**2.0x**

	LTM Revenues		LTM EBITDA			LTM EBIT		LTM Net Income		LTM Capex		Debt /		Net Debt /
	$(mm)	3 yr CAGR	$(mm)	Margin	3 yr CAGR	$(mm)	Margin	$(mm)	Margin	$(mm)	% Sales	EBITDA	Capital	EBITDA
Executive Staffing														
Heidrick & Struggles Intl.	$758	0.0%	$94	12.4%	10.8%	$78	10.3%	$15	2.0%	$5	0.7%	0.9x	25.7%	(1.4x)
Korn Ferry	1,810	0.8%	216	12.0%	(3.3%)	180	9.9%	112	6.2%	31	1.7%	2.1x	30.5%	(1.4x)
Mean		**0.4%**		**12.2%**	**3.7%**		**10.1%**		**4.1%**		**1.2%**	**1.5x**	**28.1%**	**(1.4x)**
Median		**0.4%**		**12.2%**	**3.7%**		**10.1%**		**4.1%**		**1.2%**	**1.5x**	**28.1%**	**(1.4x)**

Source: Bloomberg, Capital IQ and Company Filings

PUBLIC TRADING DATA

The second quarter of 2021 was another strong quarter for staffing companies in terms of trading multiples as market caps continue to significantly expand past where they stood even three months ago.

Trading Multiples

($ in millions, except per share amounts)

	Price	% 52-Wk	Market	Net	Tot. Ent.	Total Enterprise Value / Revenues		EBITDA		EBIT		P / E		Price /
	06/30/21	High	Cap	Debt	Value	LTM	NFY	LTM	NFY	LTM	NFY	LTM	NFY	Book
Commercial Staffing														
ManpowerGroup	$118.91	95%	$6,484	$24	$6,508	0.3x	0.5x	10.8x	4.4x	12.3x	5.3x	26.0x	71.8x	2.8x
TrueBlue	28.11	94%	917	(40)	877	0.4x	0.5x	12.9x	7.6x	22.8x	10.3x	24.6x	36.8x	2.0x
Kelly Services	23.97	89%	944	22	966	0.2x	0.5x	13.4x	9.1x	21.1x	11.0x	10.6x	32.3x	0.7x
Randstad	64.50	98%	11,865	445	12,310	0.5x	na	13.7x	na	14.0x	na	18.8x	na	2.6x
Adecco Group	62.86	94%	10,130	999	11,129	0.5x	na	11.4x	na	13.1x	na	20.4x	na	2.5x
Mean		**94%**				**0.4x**	**0.5x**	**12.4x**	**7.1x**	**16.7x**	**8.9x**	**20.1x**	**47.0x**	**2.1x**
Median		**94%**				**0.4x**	**0.5x**	**12.9x**	**7.6x**	**14.0x**	**10.3x**	**20.4x**	**36.8x**	**2.5x**

	Price	% 52-Wk	Market	Net	Tot. Ent.	Total Enterprise Value / Revenues		EBITDA		EBIT		P / E		Price /
	06/30/21	High	Cap	Debt	Value	LTM	NFY	LTM	NFY	LTM	NFY	LTM	NFY	Book
Professional Staffing														
Robert Half Intl.	$88.97	96%	$9,869	($262)	$9,607	1.8x	4.0x	17.8x	41.4x	20.0x	na	23.3x	115.8x	9.1x
Kforce Inc.	62.93	98%	1,307	4	1,311	0.9x	0.2x	12.3x	7.3x	12.7x	8.2x	18.8x	22.1x	6.7x
PageGroup	5.59	90%	1,766	(73)	1,693	1.2x	1.5x	19.4x	12.5x	20.9x	na	51.9x	5.9x	5.4x
Hays	1.59	88%	2,659	(169)	2,490	0.4x	2.4x	32.1x	31.5x	42.9x	39.5x	nmf	1.9x	3.1x
Mean		**93%**				**1.1x**	**2.0x**	**20.4x**	**23.2x**	**24.1x**	**23.9x**	**31.3x**	**36.4x**	**6.1x**
Median		**93%**				**1.0x**	**1.9x**	**18.6x**	**22.0x**	**20.5x**	**23.9x**	**23.3x**	**14.0x**	**6.0x**

	Price	% 52-Wk	Market	Net	Tot. Ent.	Total Enterprise Value / Revenues		EBITDA		EBIT		P / E		Price /
	06/30/21	High	Cap	Debt	Value	LTM	NFY	LTM	NFY	LTM	NFY	LTM	NFY	Book
IT Staffing														
ASGN Incorporated	$96.93	88%	$5,156	$725	$5,881	1.4x	0.4x	13.9x	8.5x	17.7x	9.5x	23.9x	24.4x	3.3x
Computer Task Group	9.67	83%	149	(6)	143	0.4x	0.0x	10.7x	0.3x	13.6x	0.3x	17.7x	4.4x	1.6x
RCM Technologies	4.12	33%	46	26	71	0.5x	0.0x	nmf	0.3x	nmf	0.5x	nmf	4.8x	2.1x
Mean		**68%**				**0.8x**	**0.1x**	**12.3x**	**3.0x**	**15.7x**	**3.4x**	**20.8x**	**11.2x**	**2.3x**
Median		**83%**				**0.5x**	**0.0x**	**12.3x**	**0.3x**	**15.7x**	**0.5x**	**20.8x**	**4.8x**	**2.1x**

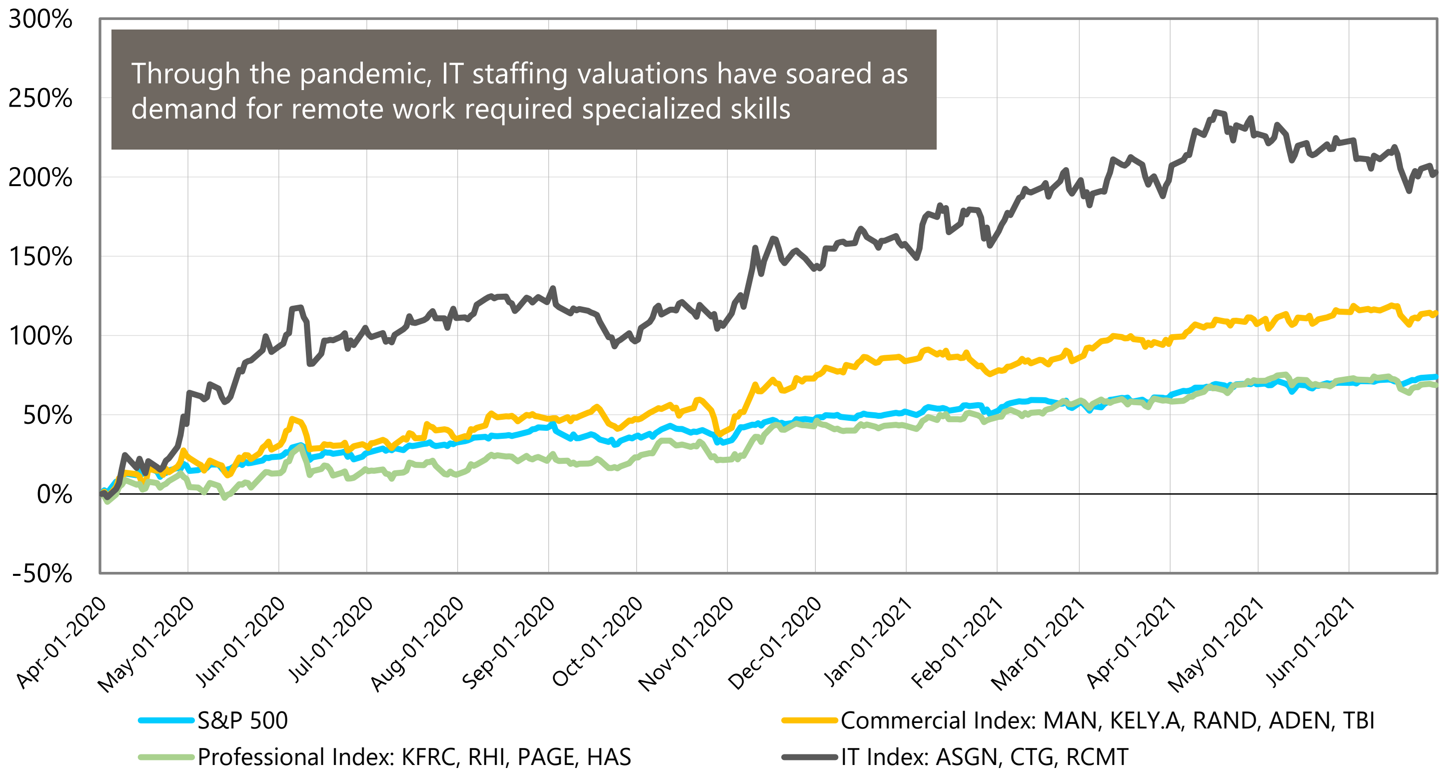
	Price	% 52-Wk	Market	Net	Tot. Ent.	Total Enterprise Value / Revenues		EBITDA		EBIT		P / E		Price /
	06/30/21	High	Cap	Debt	Value	LTM	NFY	LTM	NFY	LTM	NFY	LTM	NFY	Book
Healthcare Staffing														
AMN Healthcare Services	$96.98	100%	$4,583	$789	$5,372	1.8x	0.5x	14.1x	11.0x	19.1x	13.7x	26.9x	70.2x	5.2x
Cross Country Healthcare	16.51	87%	622	117	739	0.7x	0.1x	12.0x	1.0x	14.0x	0.9x	17.6x	14.3x	3.6x
Mean		**94%**				**1.3x**	**0.3x**	**13.1x**	**6.0x**	**16.6x**	**7.3x**	**22.2x**	**42.2x**	**4.4x**
Median		**94%**				**1.3x**	**0.3x**	**13.1x**	**6.0x**	**16.6x**	**7.3x**	**22.2x**	**42.2x**	**4.4x**

	Price	% 52-Wk	Market	Net	Tot. Ent.	Total Enterprise Value / Revenues		EBITDA		EBIT		P / E		Price /
	06/30/21	High	Cap	Debt	Value	LTM	NFY	LTM	NFY	LTM	NFY	LTM	NFY	Book
Executive Staffing														
Heidrick & Struggles Intl.	$44.55	95%	$869	($134)	$734	1.0x	0.1x	7.8x	1.5x	9.4x	1.9x	58.6x	32.3x	2.7x
Korn Ferry	72.55	97%	3,918	(302)	3,617	2.0x	0.3x	16.7x	4.7x	20.1x	4.5x	34.7x	62.7x	2.7x
Mean		**96%**				**1.5x**	**0.2x**	**12.2x**	**3.1x**	**14.7x**	**3.2x**	**46.6x**	**47.5x**	**2.7x**
Median		**96%**				**1.5x**	**0.2x**	**12.2x**	**3.1x**	**14.7x**	**3.2x**	**46.6x**	**47.5x**	**2.7x**

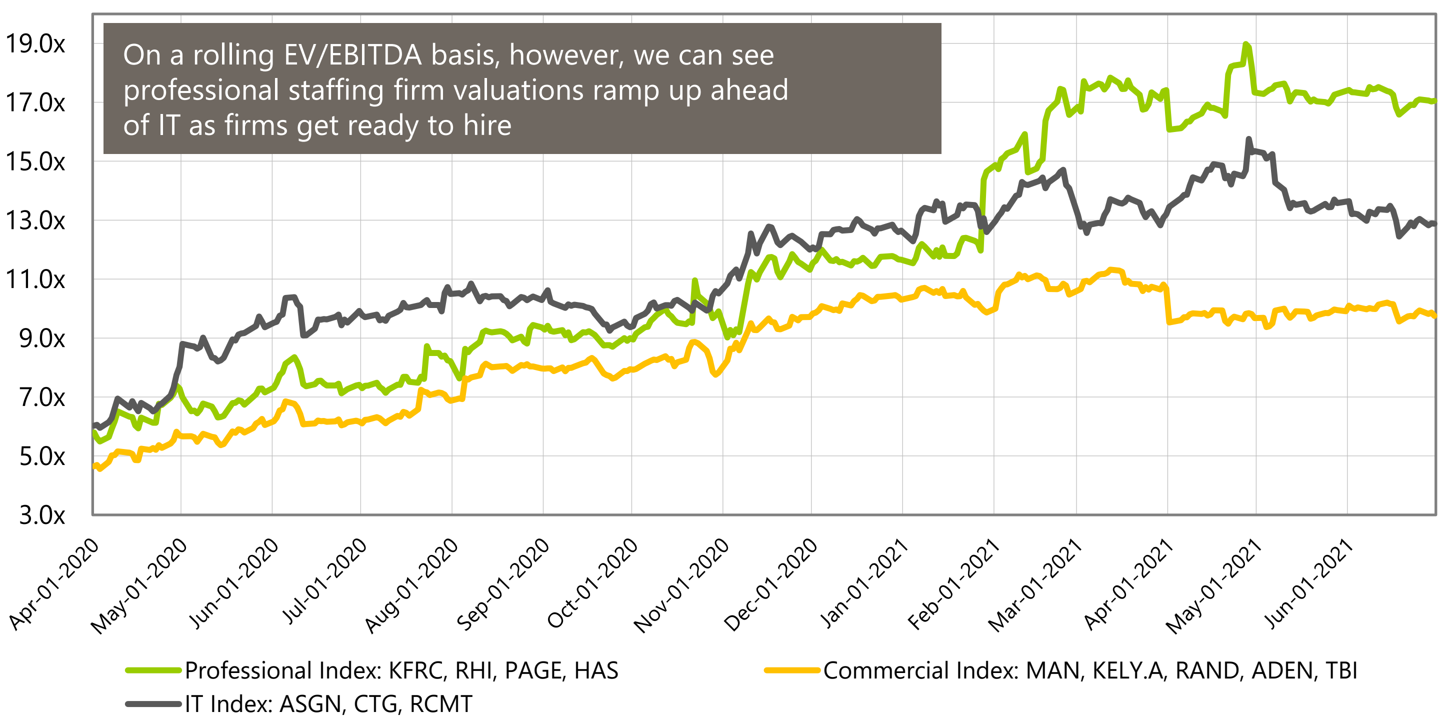
Source: Bloomberg, Capital IQ and Company Filings

PUBLIC VALUATION TRENDS

Share Price Performance by Segment



Rolling EV/EBITDA



Source: S&P Capital IQ

CHARTER
Capital Partners

About Charter

Founded in 1989, Charter Capital Partners is a premier investment banking firm headquartered in Grand Rapids, Michigan. Charter offers a comprehensive range of investment banking and private capital investing advisory services, including buy-side and sell-side M&A, succession planning, business valuation and capital raise.

Charter was named one of the top 100 most referred middle-market advisory firms in the US, according to a survey of 1,000 private equity firms, strategic acquirers, and family offices compiled by Axial, a network of middle market investors, advisors, and CEOs. Our mission is to deliver superior professional guidance to both business owners and investors throughout the complete business lifecycle.

Human Capital Industry Expertise

Our human capital industry practice team provides targeted merger and acquisition advisory and capital raising expertise to the industry. By maintaining a strong focus on staffing companies, our industry bankers have a deep understanding of trends and value drivers across the sector and maintain ongoing dialogue with the acquirer and investor universe. Our human capital industry practice has a growing track record of helping clients sell to strategic acquirers and value-added private equity groups across the industry landscape.

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