



CHARTER
Capital Partners

M&A Insights Q4 2020

**HUMAN CAPITAL
INDUSTRY UPDATE**

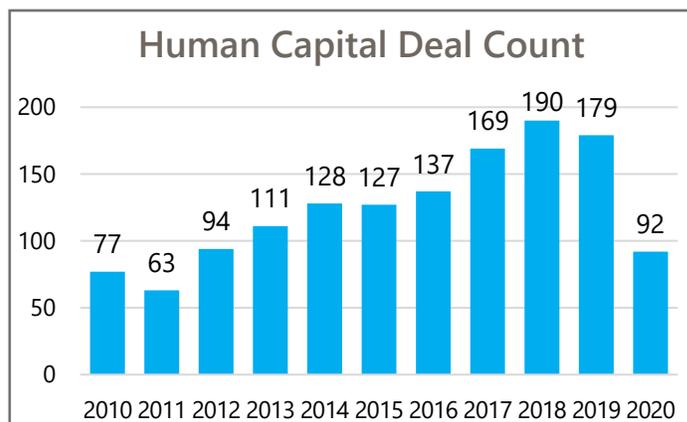
HUMAN CAPITAL INDUSTRY UPDATE

M&A TRENDS

The COVID pandemic drastically altered the performance of companies in the human capital industry in 2020. Pandemic driven shutdowns, supply chain slowdowns, and weakened demand reduced the need for staffing labor. Labor supply imbalances resulted from unemployment stimulus, absenteeism, and sudden changes to school/childcare. Overarching all these dynamics, of course, is the risk brought on by the pandemic that just “going to work” can lead to infection, sickness, and isolation, among other issues.

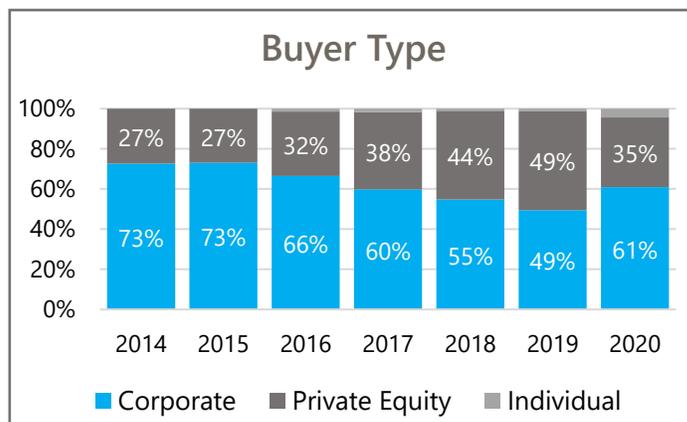
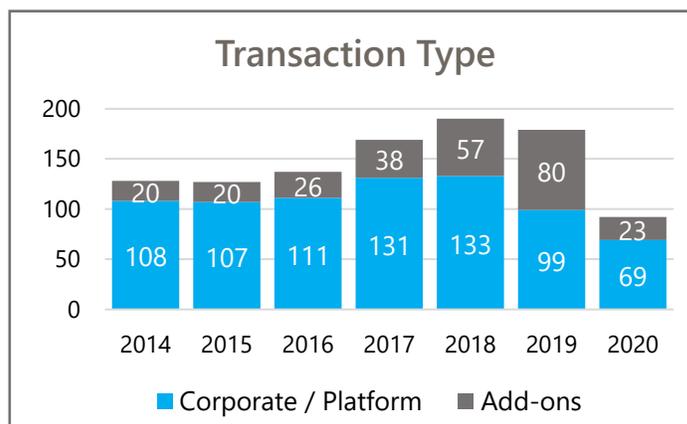
In response, the M&A market for human capital companies remained muted, by our count, posting a record low number of transactions. This is a result of firms being focused on surviving the pandemic as well as companies delaying sell-side processes due to less than encouraging financial results. **We anticipate a rebound of companies entering the market due to pent up demand, led by firms in more technical sectors** including IT, Healthcare, and Engineering with commercial sector human capital companies following more slowly as the vaccine is disseminated and, hopefully, the pandemic fully subsides.

Due to the lighter industry performance than expected in 2020 we expect there will remain more interested buyers than sellers as sellers wait for their financial picture to return before pursuing transactions. Prior to 2020, the industry had seen **a drastic increase in the amount of private equity interest in the space as the percentage of deals done by private equity companies increased from 27% to 49% between 2015 and 2019.** We anticipate that trend to pick up where it left off in 2019 as many private equity firms did not deploy as much capital as they had anticipated in 2020 and now have excessive capital that needs to be invested. We also expect that private equity buyers that already have a human capital company will be willing to pay a premium valuation as they can obtain additional synergies from an add-on investment.



2020 Deals by Sector

HR Outsourcing	15	Executive Search	6
Light Industrial	14	Education	3
IT Staffing	13	Technical	3
HR Consulting	12	Finance/Accounting	3
Healthcare	8	PEO	1
IT Services	8	Other	6



Source: Bloomberg, S&P Global Market Intelligence, Pitchbook, SEC Filings

HUMAN CAPITAL INDUSTRY UPDATE

SELECTED TRANSACTIONS

Date	Company Name	Investors	Description
12/31/2020	IQTalent Partners	Caldwell Partners (TSE: CWL)	Staffing across several industries
12/31/2020	Xmi Holdings	G&A Partners	Human resources outsourcing
12/29/2020	Staffing Solutions	Keystone Partnership	General staffing
12/16/2020	Best Employment Solutions Team	Tandem HR	Human resources outsourcing
12/15/2020	The Management Advantage	Directemployers Association, Inc.	Human resources consulting
12/14/2020	Altru Labs	iCIMS	Platform operator assisting with hiring
12/14/2020	Saenger Associates	20/20 Foresight Executive Search	Light Industrial staffing
12/8/2020	System One Holdings	GFI Energy Group	Technical staffing
12/4/2020	Rapid Learning Deployment	TiER1 Performance Solutions	Talent management consulting services
12/3/2020	Talent Function	Cielo	Talent acquisition consulting
12/2/2020	The Up Group	Alexander Mann Solutions	Executive staffing
11/30/2020	Warner Benefits	Arthur J. Gallagher & Company	Employee benefits outsourcing
11/23/2020	Hired	Vettery	Recruitment portal operator
11/23/2020	Power Labor	Berks Group	Commercial construction staffing
11/18/2020	Greenwood/Asher & Assoc.	Kelly Services (NAS: KELYA)	Executive staffing in the education space
11/16/2020	Interactive Business Systems	Cleo Capital	IT staffing
11/16/2020	OneDigital Health and Benefits	Onex (TSE: ONEX)	Human resources outsourcing
11/11/2020	Versant Supply Chain	Exegistics	Light Industrial staffing
11/2/2020	Findley	Caisse de dépôt et placement	Human resources consulting
10/27/2020	Leading Women	Leading NOW	Diversity and inclusion consulting
10/26/2020	FurstPerson	OutMatch	Web-based hiring staffing
10/22/2020	Declare (Human Capital Services)	Luminary	Career advancement platform for women
10/22/2020	Latitude 36	Harvey Nash Group	IT staffing
10/21/2020	Ona Group	Arthur Grand Technologies	IT staffing and recruitment
10/20/2020	TalentBeacon International	Mission Mining (PINX: FTRS)	IT Talent acquisition consulting
10/15/2020	Ardor School Solutions	Five Arrows Capital Partners	Healthcare staffing
10/6/2020	Tricore HCM	Payday Payroll Services	Human resources consulting
10/1/2020	Coit Group	Hudson Global (NAS: HSON)	Human resource and recruitment services
10/1/2020	Insurance Solutions	The Carlyle Group (NAS: CG)	Employee benefits services
10/1/2020	Prodigy Bank	Olympus Partners	IT and financial services staffing

Source: Bloomberg, S&P Global Market Intelligence, Pitchbook, SEC Filings

HUMAN CAPITAL INDUSTRY UPDATE

PUBLIC TRADING DATA

Technical and professional staffing saw growth in the fourth quarter while, commercial staffing's financial performance continued to lag.

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	\$18,143	(5.1%)	\$491	2.7%	(17.8%)	\$254	1.4%	\$24	0.1%	\$51	0.3%	2.3x	36.9%	(0.1x)
TrueBlue	1,919	(9.7%)	41	2.2%	(32.8%)	0	0.0%	(142)	(7.4%)	27	1.4%	0.6x	8.8%	0.3x
Kelly Services	4,612	0.5%	76	1.6%	(8.6%)	50	1.1%	(79)	(1.7%)	19	0.4%	0.8x	7.0%	(2.1x)
Randstad	20,718	(3.8%)	632	3.1%	(15.3%)	470	2.3%	296	1.4%	48	0.2%	0.9x	13.5%	0.9x
Adecco Group	20,116	1.0%	704	3.5%	(16.8%)	547	2.7%	9	0.0%	153	0.8%	2.6x	43.5%	1.3x
Mean		(3.4%)		2.6%	(18.2%)		1.5%		(1.5%)		0.6%	1.4x	21.9%	0.1x
Median		(3.8%)		2.7%	(16.8%)		1.4%		0.0%		0.4%	0.9x	13.5%	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.	\$5,109	(1.0%)	\$409	8.0%	(11.1%)	\$345	6.8%	\$306	6.0%	\$33	0.7%	0.6x	20.1%	(0.7x)
Kforce Inc.	1,380	3.7%	81	5.9%	3.5%	80	5.8%	56	4.1%	0	0.0%	1.4x	42.1%	0.3x
PageGroup	1,488	11.4%	82	5.5%	(11.8%)	71	4.8%	48	3.2%	7	0.5%	1.0x	26.5%	(0.5x)
Hays	5,930	5.3%	150	2.5%	(13.3%)	133	2.2%	48	0.8%	9	0.2%	1.2x	21.1%	(1.7x)
Mean		4.8%		5.5%	(8.2%)		4.9%		3.5%		0.3%	1.0x	27.4%	(0.6x)
Median		4.5%		5.7%	(11.4%)		5.3%		3.6%		0.3%	1.1x	23.8%	(0.6x)

	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	\$3,964	14.6%	\$404	10.2%	13.8%	\$310	7.8%	\$200	5.1%	\$0	0.0%	2.7x	42.7%	2.2x
Computer Task Group	364	6.7%	12	3.2%	28.8%	9	2.4%	7	2.0%	2	0.5%	1.5x	26.0%	(0.6x)
RCM Technologies	158	2.7%	(5)	(3.1%)	nmf	(6)	(4.0%)	(6)	(3.9%)	0	0.3%	nmf	44.0%	(3.7x)
Mean		8.0%		3.4%	21.3%		2.1%		1.1%		0.3%	2.1x	37.6%	(0.7x)
Median		6.7%		3.2%	21.3%		2.4%		2.0%		0.3%	2.1x	42.7%	(0.6x)

	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	\$2,349	5.3%	\$268	11.4%	3.7%	\$181	7.7%	\$89	3.8%	\$38	1.6%	3.2x	55.4%	3.5x
Cross Country Healthcare	836	(0.5%)	24	2.9%	(15.0%)	15	1.8%	(19)	(2.2%)	5	0.5%	2.2x	35.4%	3.3x
Mean		2.4%		7.2%	(5.6%)		4.8%		0.8%		1.1%	2.7x	45.4%	3.4x
Median		2.4%		7.2%	(5.6%)		4.8%		0.8%		1.1%	2.7x	45.4%	3.4x

	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.	\$641	6.7%	\$64	10.0%	3.9%	\$51	8.0%	(\$33)	(5.1%)	\$8	1.2%	1.1x	28.5%	(2.1x)
Korn Ferry	1,735	7.3%	184	10.6%	(3.1%)	142	8.2%	16	0.9%	33	1.9%	2.4x	33.5%	0.1x
Mean		7.0%		10.3%	0.4%		8.1%		(2.1%)		1.6%	1.7x	31.0%	(1.0x)
Median		7.0%		10.3%	0.4%		8.1%		(2.1%)		1.6%	1.7x	31.0%	(1.0x)

Source: Bloomberg, S&P Global Market Intelligence, Pitchbook, SEC Filings

HUMAN CAPITAL INDUSTRY UPDATE

PUBLIC TRADING DATA

Depressed financial results in 2020 led to inflated trading multiples across the industry.

Trading Multiples

(\$ in millions, except per share amounts)

	Price 12/31/20	% 52-Wk High	Market Cap	Net Debt	Tot. Ent. Value	Total Enterprise Value /						P / E	Price / Book	
						Revenues		EBITDA		EBIT				
						LTM	NFY	LTM	NFY	LTM	NFY			LTM
Commercial Staffing														
ManpowerGroup	\$90.18	89%	\$5,188	(\$49)	\$5,139	0.3x	0.4x	10.5x	3.5x	20.2x	4.2x	61.7x	54.5x	2.2x
TrueBlue	18.69	77%	663	13	676	0.4x	0.4x	16.3x	5.9x	nmf	8.0x	nmf	24.5x	1.5x
Kelly Services	20.57	89%	808	(160)	648	0.1x	0.4x	8.6x	6.1x	13.0x	7.4x	nmf	27.8x	0.7x
Randstad	53.24	95%	9,759	562	10,320	0.5x	na	16.3x	na	22.0x	na	33.1x	na	2.3x
Adecco Group	59.16	95%	9,589	913	10,502	0.5x	na	14.9x	na	19.2x	na	nmf	na	2.8x
Mean		89%				0.4x	0.4x	13.3x	5.2x	18.6x	6.5x	47.4x	35.6x	1.9x
Median		89%				0.4x	0.4x	14.9x	5.9x	19.7x	7.4x	47.4x	27.8x	2.2x

	Price 12/31/20	% 52-Wk High	Market Cap	Net Debt	Tot. Ent. Value	Total Enterprise Value /						P / E	Price / Book	
						Revenues		EBITDA		EBIT				
						LTM	NFY	LTM	NFY	LTM	NFY			LTM
Professional Staffing														
Robert Half Intl.	\$62.48	93%	\$7,010	(\$272)	\$6,738	1.3x	2.8x	16.5x	29.0x	19.5x	na	23.1x	81.4x	6.8x
Kforce Inc.	42.09	95%	875	22	897	0.7x	0.2x	11.1x	5.0x	11.2x	5.6x	17.4x	14.8x	5.5x
PageGroup	4.47	84%	1,426	(41)	1,386	0.9x	1.2x	16.9x	10.3x	19.4x	na	30.1x	4.7x	4.7x
Hays	1.43	78%	2,397	(256)	2,141	0.4x	2.0x	14.2x	27.1x	16.1x	34.0x	46.1x	1.7x	3.1x
Mean		87%				0.8x	1.6x	14.7x	17.9x	16.6x	19.8x	29.2x	25.6x	5.0x
Median		89%				0.8x	1.6x	15.4x	18.7x	17.8x	19.8x	26.6x	9.7x	5.1x

	Price 12/31/20	% 52-Wk High	Market Cap	Net Debt	Tot. Ent. Value	Total Enterprise Value /						P / E	Price / Book	
						Revenues		EBITDA		EBIT				
						LTM	NFY	LTM	NFY	LTM	NFY			LTM
IT Staffing														
ASGN Incorporated	\$83.53	95%	\$4,419	\$905	\$5,323	1.3x	0.3x	13.2x	7.7x	17.2x	8.6x	24.1x	21.0x	3.1x
Computer Task Group	6.12	84%	93	(7)	86	0.2x	0.0x	7.3x	0.2x	9.8x	0.2x	12.0x	2.8x	1.4x
RCM Technologies	2.07	65%	24	18	42	0.3x	0.0x	nmf	0.2x	nmf	0.3x	nmf	2.4x	2.9x
Mean		82%				0.6x	0.1x	10.2x	2.7x	13.5x	3.0x	18.1x	8.7x	2.5x
Median		84%				0.3x	0.0x	10.2x	0.2x	13.5x	0.3x	18.1x	2.8x	2.9x

	Price 12/31/20	% 52-Wk High	Market Cap	Net Debt	Tot. Ent. Value	Total Enterprise Value /						P / E	Price / Book	
						Revenues		EBITDA		EBIT				
						LTM	NFY	LTM	NFY	LTM	NFY			LTM
Healthcare Staffing														
AMN Healthcare Services	\$68.25	76%	\$3,210	\$943	\$4,152	1.8x	0.4x	15.5x	8.5x	22.9x	10.6x	36.5x	49.4x	4.5x
Cross Country Healthcare	8.87	66%	333	78	412	0.5x	0.0x	17.1x	0.5x	27.4x	0.5x	nmf	7.7x	2.3x
Mean		71%				1.1x	0.2x	16.3x	4.5x	25.2x	5.6x	36.5x	28.5x	3.4x
Median		71%				1.1x	0.2x	16.3x	4.5x	25.2x	5.6x	36.5x	28.5x	3.4x

	Price 12/31/20	% 52-Wk High	Market Cap	Net Debt	Tot. Ent. Value	Total Enterprise Value /						P / E	Price / Book	
						Revenues		EBITDA		EBIT				
						LTM	NFY	LTM	NFY	LTM	NFY			LTM
Executive Staffing														
Heidrick & Struggles Intl.	\$29.38	88%	\$569	(\$133)	\$435	0.7x	0.0x	6.8x	0.9x	8.5x	1.1x	nmf	21.3x	2.5x
Korn Ferry	43.50	95%	2,356	24	2,380	1.4x	0.2x	13.0x	3.1x	16.7x	2.9x	nmf	37.6x	2.5x
Mean		92%				1.0x	0.1x	9.9x	2.0x	12.6x	2.0x	n/a	29.4x	2.5x
Median		92%				1.0x	0.1x	9.9x	2.0x	12.6x	2.0x	n/a	29.4x	2.5x

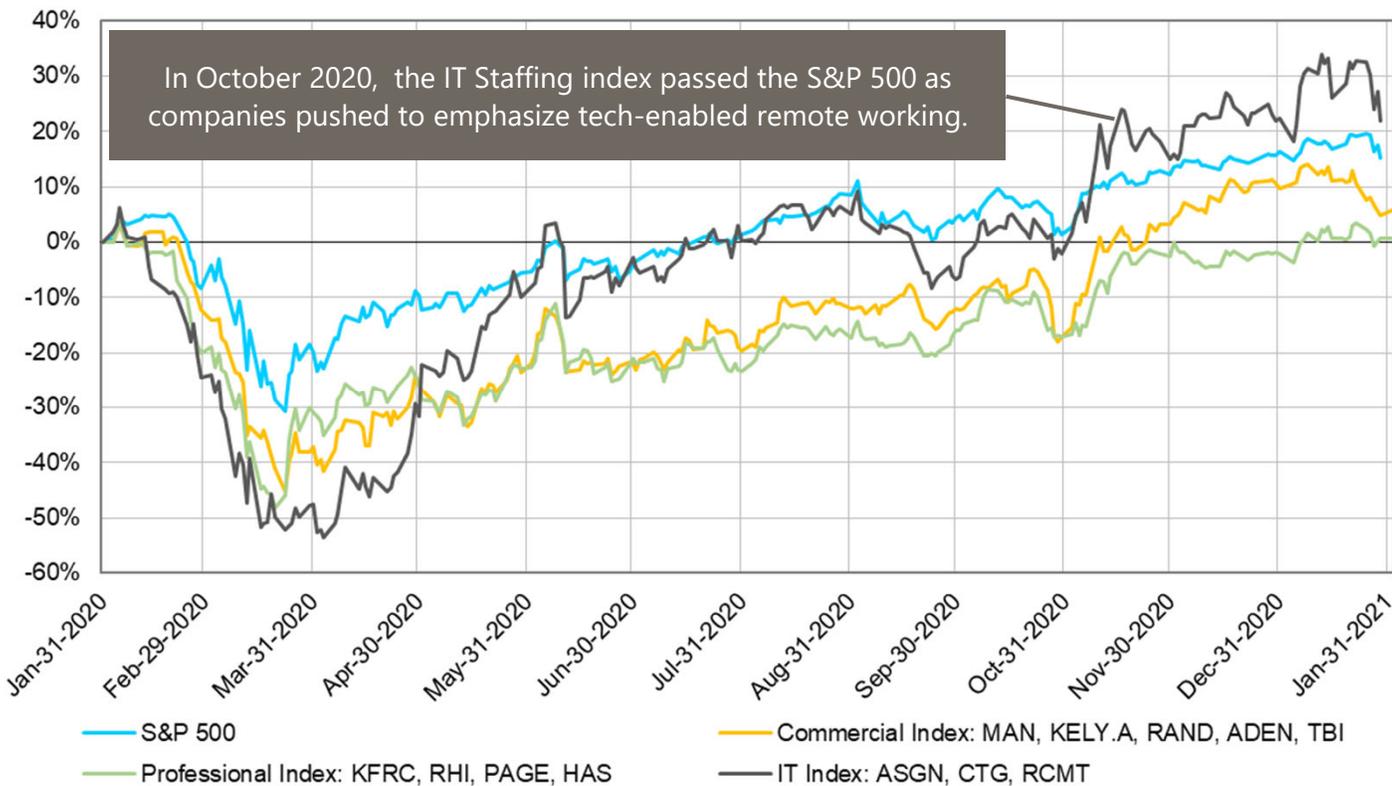
Source: Bloomberg, S&P Global Market Intelligence, Pitchbook, SEC Filings

HUMAN CAPITAL INDUSTRY UPDATE

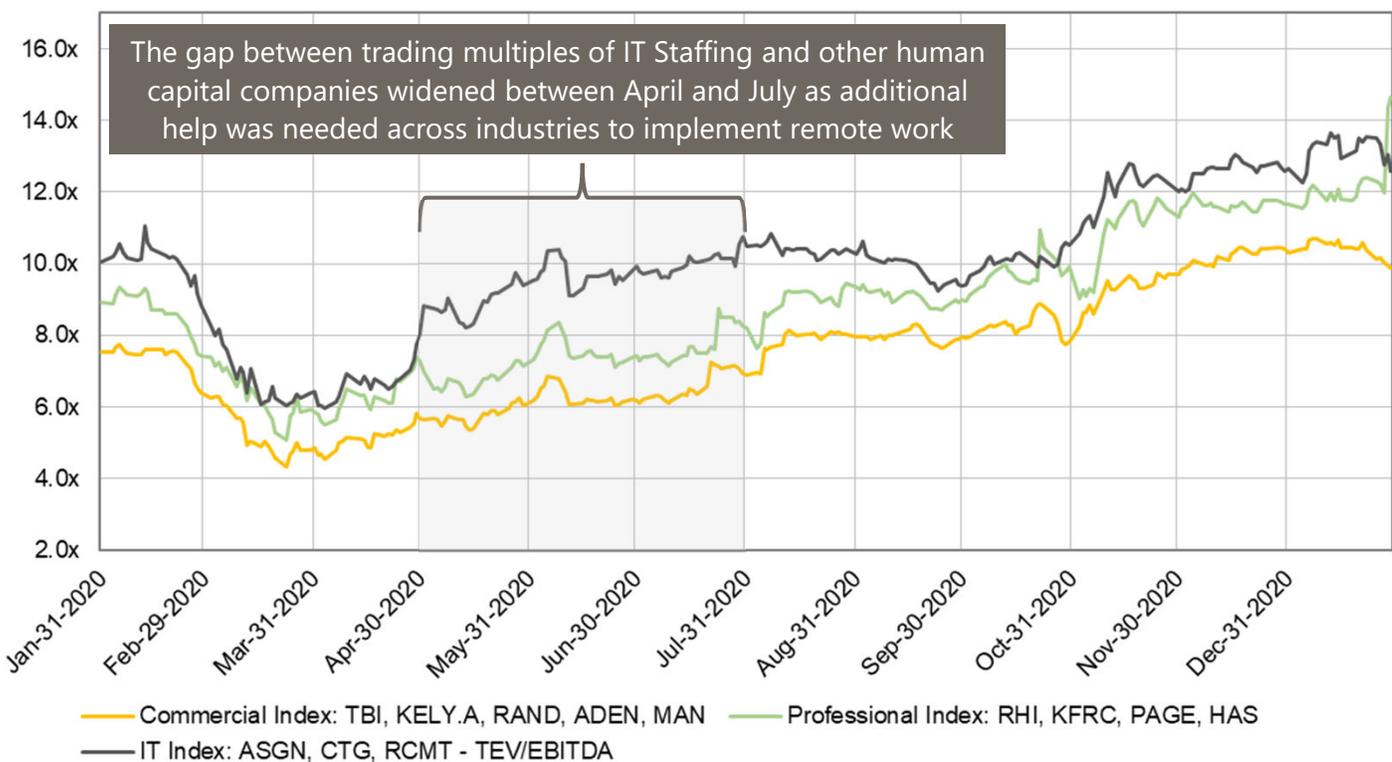
PUBLIC VALUATION TRENDS



Share Price Performance Compared to the S&P 500



Rolling EBITDA Multiple Trend



Source: Bloomberg, S&P Global Market Intelligence, Pitchbook, SEC Filings



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.

Broker dealer services offered through M&A Securities Group, Inc., Member FINRA/SIPC, a separate entity from Charter Capital Partners.

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