

Investment Banking

Industry Perspectives

Human Capital Solutions Quarterly | Q4 2019



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Wealth Management

Overview

Our Team is pleased to present its 4Q19 quarterly human capital solutions industry update from our Senior Advisor, Jim Janesky, who oversees client coverage and leads the vertical.

Through this industry update, we will share with you our impressions on the market, track the leading macroeconomic indicators, report relevant transactions, public market valuations and highlight current trends. We also encourage you to set up a meet and greet with Jim Janesky and obtain a complimentary evaluation of your business.

Our Market Observations

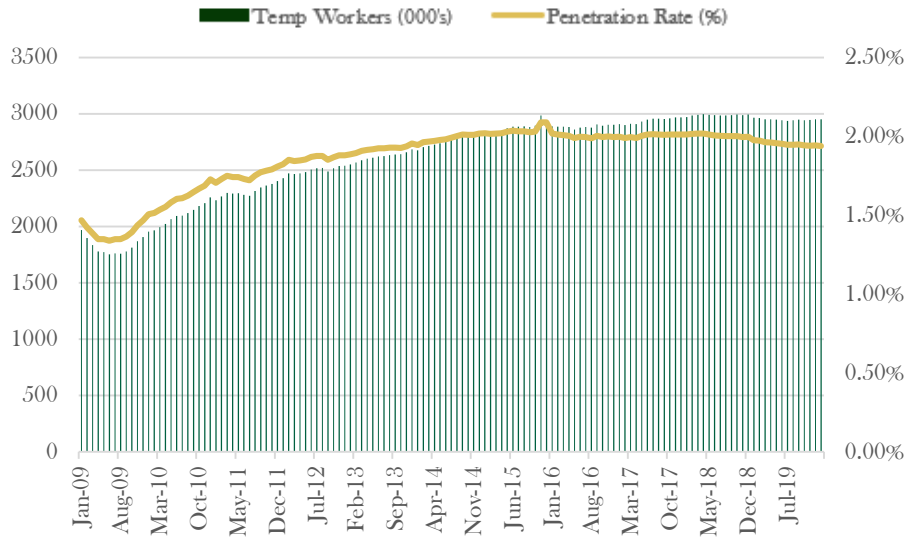
- Despite continued deceleration in the fourth quarter, which is not unusual this late in an economic expansion, many temporary staffing providers expect that revenue growth will accelerate and margins will improve in 2020. This is most likely based on the continued strength of the US economy and job market.
- There are few to no economic indicators such as consumer spending, the yield curve, permanent job growth, interest rates, inflation and commodity prices that point toward a recession. That said, the coronavirus' impact on China and multi-national companies, the tariff wars and the upcoming Presidential election are uncertainties that could lead to an economic contraction.
- Even after a year (including 4Q19) of very good growth in 2019, travel nurse staffing should continue to outperform the overall staffing market in 2020 due to demographics and an increased shortage of nurses (see page 5).
- The \$31B IT staffing vertical continues to face a market with solid demand but a supply of talent imbalance (see page 5).
- Although the overall stock market continues to set new highs, which has significantly propped up public company staffing stock valuations, investors do not expect outperformance for staffing stocks in 2020, especially after these companies reported 4Q19 earnings and gave an outlook for 1Q20.
- The M&A market was still very active during 4Q19 while the 210 transactions for all of 2019 set a record. M&A activity in 2020 is not expected to slow and access to capital will continue to be readily available. (see page 9).

Upcoming Events

- March 4, 2020 - New Jersey Staffing Alliance webinar hosted by Jim Janesky



Temporary Employment Vs. Penetration Rate

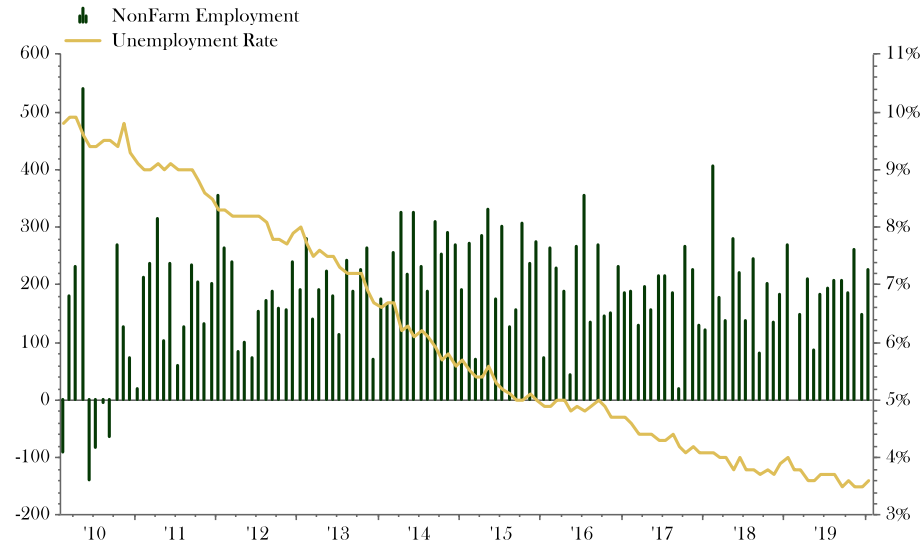


The temporary employment penetration rate came in at 1.938% in January 2020, down slightly from 1.942% in the prior month. Temporary staffing volume growth **declined** 0.5% Y/Y versus a decrease of 1.4% in the prior month while sequential volume fell to 0.1% in January relative to its historical increase of 0.1% from December to January.

Key Takeaway:

While temporary staffing stocks are expected to underperform in 2020, the overall temp staffing industry shows little signs of any significant declines in 2020 due to a good economic backdrop and tight labor market.

Y/Y Δ in NonFarm Employment Vs. Unemployment Rate



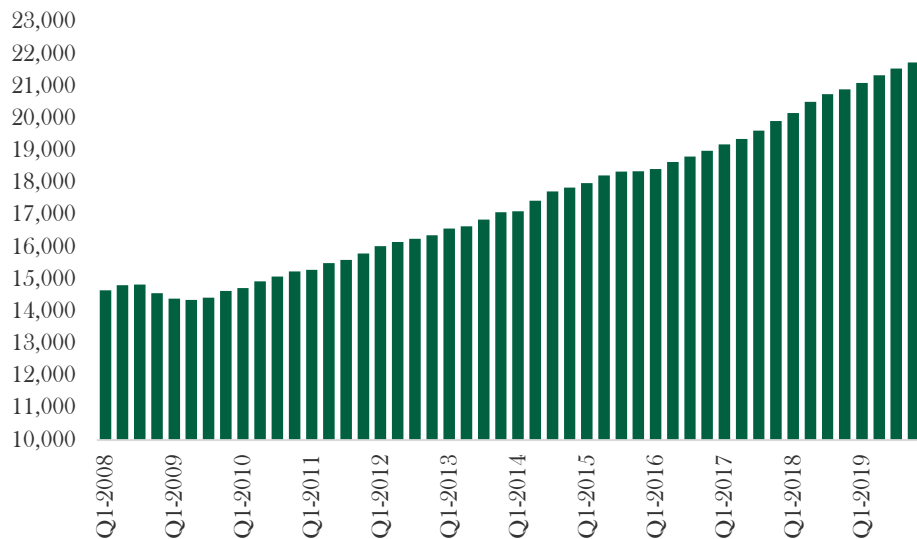
The January 2020 report of 225,000 jobs added was well ahead of expectations. The unemployment rate of 3.6% ticked up slightly from the prior month while overall average hourly earnings increased 3.1% Y/Y and average hourly earnings for temporary employees increased 6.2% Y/Y. The 3.1% figure was up slightly from 2.9% in the prior month while the 6.2% rate was down from the 7.9% rate the prior month.

Key Takeaway:

The overall job market has been robust, especially considering where we are in the economic cycle. Although wage growth decelerated, there are virtually no signs that the tight labor market will loosen in 2020.

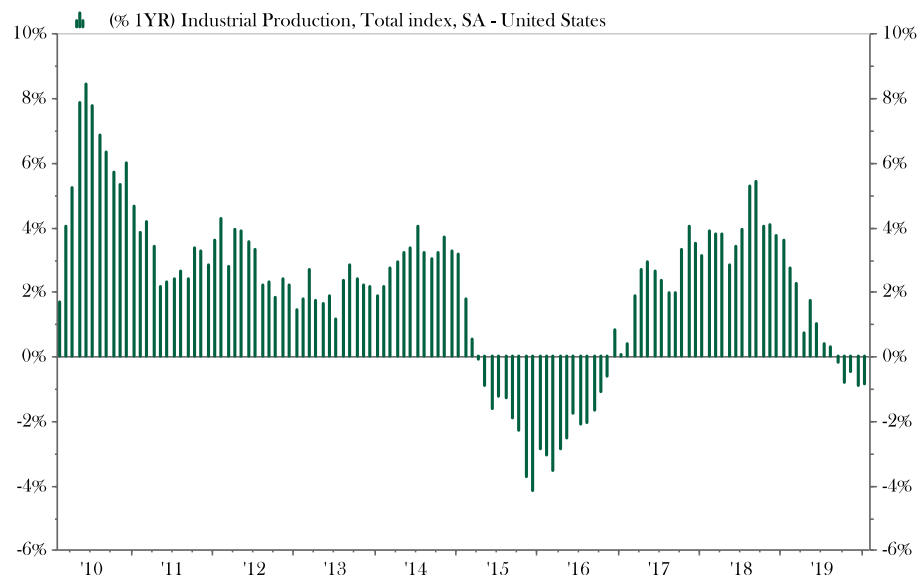


US Real GDP



US Real GDP, a good proxy for the overall staffing market, grew 2.1% in 4Q19 inline with the 2.1% in 3Q19 and inline with consensus expectations. The Federal Reserve Bank of Philadelphia recently forecasted that GDP will grow 2.0% in both 2020 and 2021. The Bank also projected that monthly payrolls will grow an average of 168,000 in 2020. Most staffing providers expect revenue growth to accelerate and margins to improve in 2020, which we believe is significantly due to the economic backdrop and forecasts.

US Industrial Production Growth



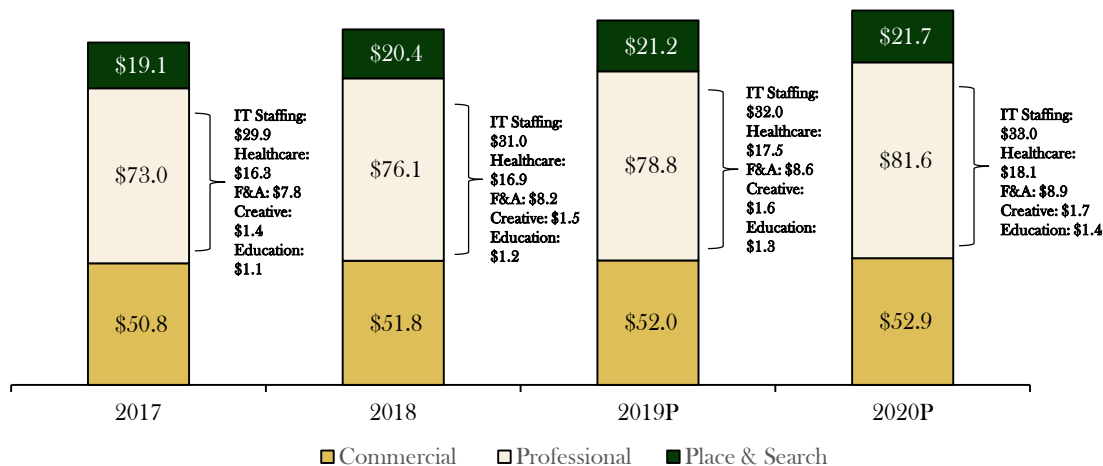
US Industrial Production, a good proxy for the \$36 billion light industrial staffing segment, continued to decline during 4Q19. The manufacturing sector, which accounts for 78% of industrial production, is leading the decline as the sector works down excess inventories and tariff wars slow global trade. Many parts of the light industrial staffing market, such as manufacturing and construction, continued to slow during 4Q19 and show limited signs of any near term recovery.



Segment Growth & Other Industry Data

- A December 2019 Pulse Survey from Staffing Industry Analysts (SIA) indicated that median temporary staffing revenue growth continued to decelerate to 5% in October 2019 versus 7% in August 2019, 9% in June, 14% in April, and 12% in February. While any growth at this point in the cycle is considered unusual by historic standards, almost all staffing stocks, which are considered early cycle investments, are expected to underperform the overall market in 2020 (see pages 6, 7 and 8).
- The same Pulse Survey reported that the nurse travel segment grew a median of 8% in October 2019, a significant decline from 20% in August, and the 16% reported in June. Despite this report, AMN Healthcare (NYSE:AMN), a leading provider of healthcare staffing and other talent solutions, recently reported 4Q19 earnings and gave an outlook for 1Q20 that impressed investors. (see page 8).
- Although a severe talent shortage and H1B visa issues continue to hold back the overall market, the \$31B IT staffing segment has continued to outperform the overall market. According to the Pulse survey, median IT staffing revenue increased 8% in October versus 8% in August, 7% in June, and 9% in April. The IT vertical is expected to extend this outperformance into 2020.

Staffing Industry Forecast



Source: Staffing Industry Analysts "US Staffing Industry Forecast: September 2019 Update", September 17, 2019

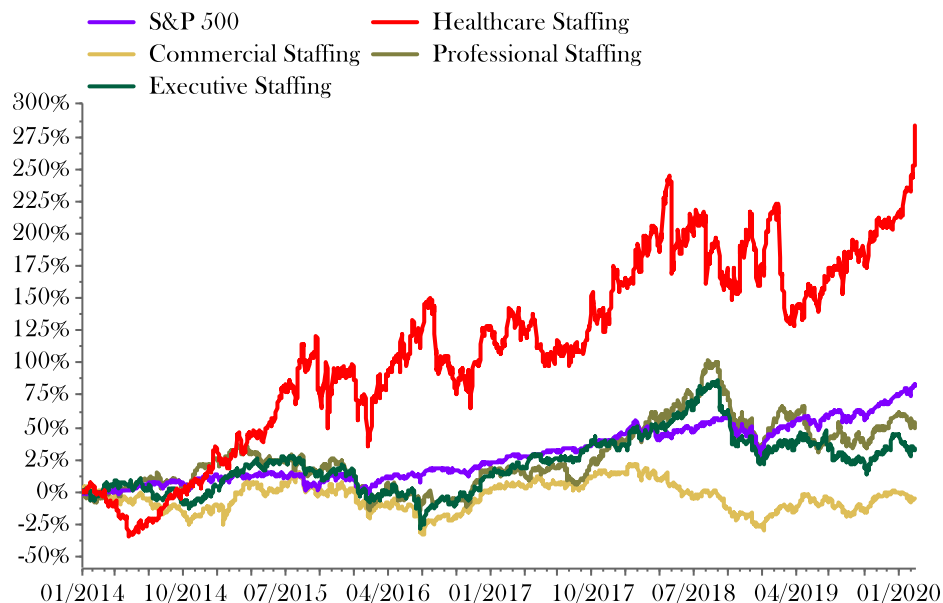


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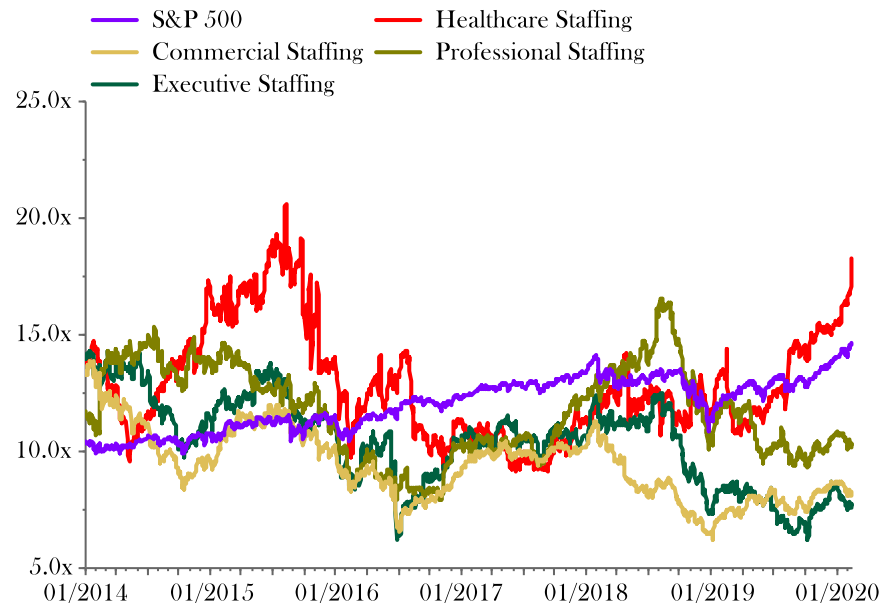
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5 Year Relative Stock Price Performance



5 Year EV/LTM EBITDA Relative Performance



Sub-Sector	Number of Companies	Median Enterprise (In \$ 000's)	Median Change in Stock Price			Median Gross Profit Conversion	Median TEV / LTM Multiples	
			1 Year	3 Years	5 Years		Revenue	EBITDA
Commercial Staffing	6	3,419.1	10.5%	-11.1%	-18.2%	25.0%	0.4x	7.3x
Professional Staffing	8	216.0	-21.4%	23.4%	44.8%	24.3%	0.7x	10.3x
Executive & Retained Search	4	2,175.4	-6.2%	21.9%	27.6%	48.3%	0.8x	8.0x
Healthcare Staffing	2	2,327.0	24.2%	25.2%	220.1%	21.8%	1.2x	22.1x
S&P 500*			21.9%	44.1%	85.2%			

*S&P data on a mean basis



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Commercial Staffing

Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
Adecco Group AG	ADEN-CH	09/30/2019	\$11,336.6	\$26,615.6	\$4,958.9	18.6%	\$1,320.6	5.0%	0.4 x	8.6 x
Barrett Business Services, Inc.	BBSI	09/30/2019	\$410.5	\$935.0	\$212.6	22.7%	\$59.2	6.3%	0.4 x	6.9 x
Kelly Services, Inc. Class A	KELYA	12/29/2019	\$813.6	\$5,355.6	\$963.0	18.0%	\$143.8	2.7%	0.2 x	5.7 x
ManpowerGroup Inc.	MAN	12/31/2019	\$6,048.4	\$20,863.5	\$3,375.1	16.2%	\$786.1	3.8%	0.3 x	7.7 x
Randstad NV	RAND-NL	12/31/2019	\$12,573.8	\$26,499.3	\$4,846.3	18.3%	\$1,430.4	5.4%	0.5 x	8.8 x
TrueBlue, Inc.	TBI	12/29/2019	\$701.7	\$2,368.8	\$588.6	24.8%	\$103.7	4.4%	0.3 x	6.8 x
Average			\$5,314.1	\$13,773.0	\$2,490.8	19.8%	\$640.6	4.6%	0.3 x	7.4 x
Median			\$3,431.0	\$13,109.6	\$2,169.1	18.5%	\$465.0	4.7%	0.4 x	7.3 x

Professional Staffing

Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
ASGN Inc	ASGN	12/31/2019	\$4,233.3	\$3,923.9	\$1,078.9	27.5%	\$406.4	10.4%	1.1 x	10.4 x
BG Staffing, Inc.	BGSF	09/29/2019	\$219.7	\$294.0	\$75.3	25.6%	\$27.0	9.2%	0.7 x	8.2 x
GEE Group, Inc.	JOB	12/31/2019	\$110.7	\$150.7	\$45.9	30.5%	\$9.0	6.0%	0.7 x	12.3 x
Kforce Inc.	KFRC	12/31/2019	\$807.7	\$1,347.4	\$389.0	28.9%	\$80.9	6.0%	0.6 x	10.0 x
Mastech Digital, Inc.	MHHI	9/30/2019	\$212.3	\$187.9	\$43.2	23.0%	\$13.1	7.0%	1.1 x	16.2 x
RCM Technologies, Inc.	RCMT	09/28/2019	\$74.0	\$197.8	\$48.5	24.5%	\$7.8	3.9%	0.4 x	9.5 x
Robert Half International Inc.	RHI	12/31/2019	\$6,944.1	\$6,074.4	\$2,464.9	40.6%	\$686.0	11.3%	1.1 x	10.1 x
Volt Information Sciences, Inc.	VOLT	11/03/2019	\$56.5	\$997.1	\$152.6	15.3%	\$2.5	0.2%	0.1 x	22.9 x
Average			\$1,582.3	\$1,646.6	\$537.3	27.0%	\$154.1	6.7%	0.7 x	12.4 x
Median			\$216.0	\$645.5	\$113.9	26.6%	\$20.1	6.5%	0.7 x	10.3 x



Executive & Retained Search

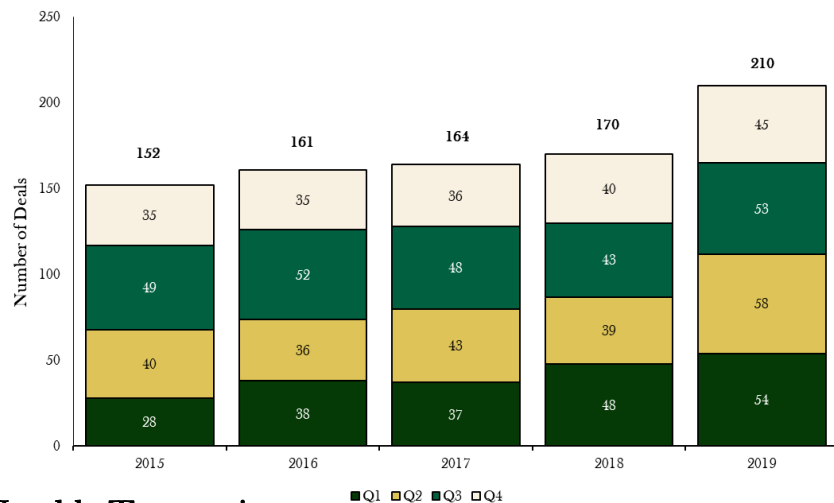
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
Hays plc	HAS-GB	06/30/2019	\$2,928.0	\$7,856.6	\$322.0	4.1%	\$341.7	4.3%	0.4 x	8.6 x
Heidrick & Struggles International, Inc.	HSII	09/30/2019	\$428.4	\$731.9	\$218.3	29.8%	\$81.8	11.2%	0.6 x	5.2 x
Korn Ferry	KFY	10/31/2019	\$2,347.9	\$1,989.1	\$500.5	25.2%	\$295.7	14.9%	1.2 x	7.9 x
PageGroup PLC	PAGE-GB	06/30/2019	\$1,969.4	\$2,095.2	\$1,077.9	51.4%	\$249.6	11.9%	0.9 x	7.9 x
Average			\$1,918.4	\$3,168.2	\$529.7	27.6%	\$242.2	10.6%	0.8 x	7.4 x
Median			\$2,158.7	\$2,042.1	\$411.3	27.5%	\$272.6	11.5%	0.8 x	7.9 x

Healthcare Staffing

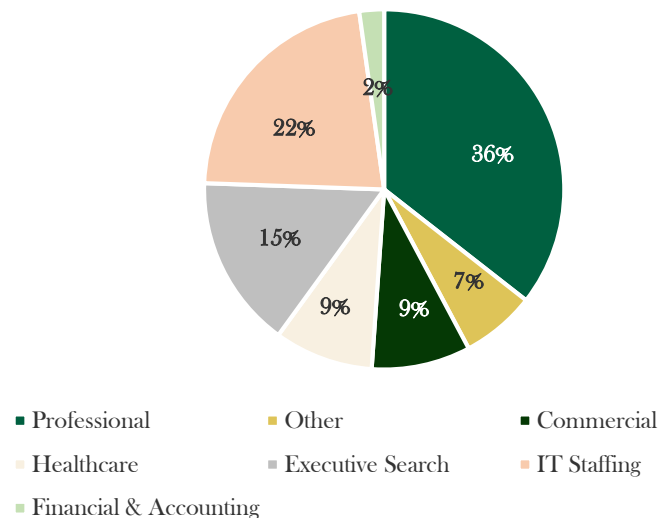
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
AMN Healthcare Services, Inc.	AMN-US	12/31/2019	\$4,141.8	\$2,222.1	\$684.9	30.8%	\$235.4	10.6%	1.9 x	17.6 x
Cross Country Healthcare, Inc.	CCRN-US	09/30/2019	\$448.7	\$808.0	\$188.9	23.4%	\$17.4	2.2%	0.6 x	25.8 x
Average			\$2,295.2	\$1,515.1	\$436.9	27.1%	\$126.4	6.4%	1.2 x	21.7 x
Median			\$2,295.2	\$1,515.1	\$436.9	27.1%	\$126.4	6.4%	1.2 x	21.7 x



No. of Deals Per Quarter



Q4 Deals by Industry



Notable Transactions

Completion Date	Target	Target Description	Buyer	Commentary
10/17/2019	InterSys Consulting, Inc.	Big Data and Data Management, Business Intelligence and Analytics and Application Development.	ASGN, Inc.	InterSys Consulting, is a consulting firm focused on providing cloud based data analytics and digital product development capabilities. ASGN is using the acquisition to bolster its Apex division and its growing number of consulting assignments. ASGN paid \$67mm in cash. InterSys reported revenues of \$31mm for 2019, resulting in a EV/Revenue multiple of 2.2x.
10/22/2019	ettain group, Inc.	Provides professional talent and project leadership solutions.	Alvarez & Marsal, Inc.	Ettain group is a leading provider of IT recruitment for healthcare, digital / creative, and other industries. The Company was originally acquired by New Mainstream Capital, a private equity firm, in 2014. New Mainstream recently exited the investment, selling Ettain group to Alvarez & Marsal Capital ("A&M Capital"), a \$3.0B private equity firm based in Greenwich, CT. A&M will provide Ettain group additional capital for strategic acquisitions.
10/22/2019	Global Employment Solutions, Inc.; Leidos Health, LLC	Global Employment Solutions, is a professional staffing services provider; Leidos Health, is a healthcare IT staffing firm	ettain group, Inc.	Concurrent with the sale of Ettain group to A&M Capital, the Company made two strategic acquisitions. Ettain group acquired Global Employment Solutions ("GES"), an IT and professional staffing firm focused on commercial and government markets. GES operates under the Fahrenheit IT, ITEC and Global Employment Solutions brands. GES was previously owned by TZP Group, a \$1.4B private equity firm based in New York, NY. Ettain group also acquired Leidos Health, the healthcare IT services division of Leidos, Inc. as it continues to build out niche IT staffing solutions. The business will be rebranded Ettain Health.
11/07/2019	Maxim Healthcare Services, Inc. /Managed Services Provider/	Provides management services	Allegis Global Solutions	Allegis Global Solutions announced that it has acquired the managed service division of Maxim Healthcare. This acquisition will help expand Allegis' client base in the healthcare services, specifically in the acute and patient care sectors.



Notable Transactions (cont.)

Completion Date	Target	Target Description	Buyer	Commentary
11/12/2019	Webster Consulting Group LLC	Provides data and analytics solutions	Eliassen Group LLC; Stone Point Capital, LLC	Eliassen Group announced the acquisition of Webster Consulting Group, an IT staffing firm with a focus on project management, business analysis, software QA, and architecture and development. The transaction is viewed as positive for both companies as it broadens Eliassen's client base and provides Webster's clients with additional resources. Eliassen Group is backed by Stone Point Capital, a \$21.0B private equity firm based in Greenwich, CT. Stone Point acquired Eliassen in 2018 from Riverside Partners
12/16/2019	L.J. Kushner & Associates LLC	Provides executive search and professional recruitment services	BG Staffing	BG Staffing announced the acquisition of L.J. Kushner & Associates, a IT focused permanent placement search firm. The acquisition will broaden BG Staffing's offerings in IT and cyber-security retained search. L.J. Kushner & Associates provides IT staffing services for C-Suite and below including CIO, CCO, and technical leadership positions.
01/03/2020	Soliant Health, Inc.	Provides healthcare staffing services	Olympus Partners	Olympus Partners announced the acquisition of Soliant Health. Soliant Health is a provider of education and healthcare staffing including speech pathologists, psychologists, occupational therapists and nurses- to K-12 schools. The Company was previously owned by Adecco Group. Olympus Partners is a \$3.1B private equity firm based in Stamford, CT.



About the Bank

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Human Capital Investment Banking Coverage

Professional

- IT Staffing & Consulting
- Finance & Accounting
- Healthcare
- Engineering

Commercial

- Clerical
- Pick and Pack
- Distribution & Logistics

Place & Search

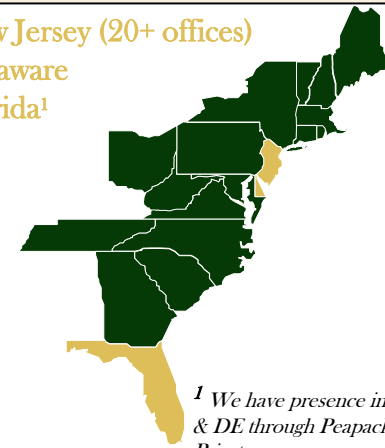
- Direct Hire
- Retained Search

HR Technology

- VMS Platforms
- Block Chain Technology
- Recruitment Process Outsourcing

Full-Service Bank, Boutique focus

- New Jersey (20+ offices)
- Delaware
- Florida¹



¹ We have presence in FL & DE through Peapack Private

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Our Capabilities

- Mergers and Acquisitions
- Capital Formation
- Corporate Finance Advisory
- Structured Finance Solutions

Business Services Transactional Experience



- Our senior bankers have participated and evaluated over 125 transactions in both public and private markets within the Business Services sector
- +75 of the transactions were in the human capital vertical

Dedicated Sector Focus

- ✓ Business Services
- ✓ Utilities and Telecom
- ✓ Information Technology
- ✓ Industrials
- ✓ Financials
- ✓ Healthcare
- ✓ Consumer Staples
- ✓ Consumer Discretionary
- ✓ Materials & Energy
- ✓ Communication Services & Real Estate

Investment Banking has access to a team of 10 equity research analysts through Peapack Private covering 13 industry verticals to meet the corporate finance needs of middle market business owners and investors



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