

Investment Banking

Industry Perspectives

Human Capital Solutions Quarterly | Q2 2021



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Investment Banking

Overview

Our Team is pleased to present its 2Q21 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.

Our Market Observations

- Although still healthy, the US economy and staffing market moderated in both 1Q21 and 2Q21 and economists have revised their forecasts down for GDP in 3Q21, 4Q21 and annual 2021. While we don't believe we are anywhere near the time to push the panic button, there are clear signs that the economy and parts of the staffing market could further moderate throughout 2021. Issues such as the Covid Delta variant, higher inflation, lower real disposable income, supply chain disruptions and lower consumer spending could continue to hit the US economy. The real question is the extent and duration of these issues.
- The 8/11/2021 Conference Board US GDP latest forecast, which reverted to a one case recovery scenario versus a three-case scenario since April 2020 (a "Base" case, an "Upside" case and a "Downside" case), predicts GDP to grow in 2021 by 6.0% versus its Base case scenario of 6.4% when we published our last Quarterly Update. Up until the summer of 2021, the Conference Board raised its economic forecast for 2021 every time it put out a new projection since April 2020. The Conference Board's current forecast was revised downward due to lower-than-expected growth in 2Q21 and concerns about the Delta variant's potential negative affect on consumer confidence and consumer spending. Our outlook for the US staffing industry is based on the August 2021 6.0% GDP increase for 2021 but note that future Conference Board updates could be subject to revisions, especially if inflation & taxes begin to rise and job growth continues to slow.
- The chart on page 3 provides The Conference Board's 8/11/2021 forecast for a 6.0% increase of US GDP in 2021 by quarter based on its underlying assumptions for Real Consumer Spending, Residential Investment, Real Capital Spending and Exports, in that order. The amount of further spend by consumers will be crucial to any continued rebound. Real Consumer Spending, which can quickly turn on or off, represents 60-65% of GDP and was also revised substantially downward since we published our last Quarterly Update.
- Public company staffing stocks continued to outperform the overall market in the first half of 2021, but that outperformance has also recently diminished and we expect it to reverse itself for parts of the staffing industry in the second half of 2021 or early 2022 as we anniversary the 2020 recession in 3Q21. Investors prefer staffing stocks as we exit a recession, which the US economy did in 3Q20 (see page 7).
- Despite predications for slower economic growth and its potential to temper parts of the staffing industry, the M&A market was robust in 2Q21 and our due diligence indicates that it will continue throughout 2021 and into 2022. There are more buyers than sellers with financing readily available (see page 10).



The 8/11/2021 Conference Board US GDP forecast predicts GDP to increase in 2021 by 6.0%

The Conference Board has consistently increased its forward-looking forecasts since April 2020 but reversed itself in the summer of 2021 due to lower Real Disposable Income and Real Consumer Spending as a result of a surge in the Delta Variant

Real Consumer Spending, which represents 60-65% of GDP, will be critical to an overall economic rebound and is dependent upon, among other trends, consumer confidence, the amount of job growth and inflation

Real Consumer Spending was a key reason GDP came in better than expected for 2020

Supply chain disruptions have significantly hit Inventory Change in 2Q21 and are expected to continue for the back half of 2021, which prompted The Conference Board to lower its forecast for Inventory Change from a POSITIVE 24.0 to a NEGATIVE 18.6 since we published our last Quarterly Update

Our outlook for the US staffing industry is based on the recent 6.0% GDP increase for 2021 and is less bullish than last quarter for parts of the staffing industry

Base Case Economic Outlook 2020-2021-2022-2023 (% change, seasonally adj annual rates)

	2020				2021				2020 2021 2022 2023			
	Q1*	Q2*	Q3*	Q4*	Q1*	Q2*	Q3	Q4	Annual			
Real GDP	-5.1	-31.2	33.8	4.5	6.3	6.5	7.0	2.9	-3.4	6.0	4.0	2.9
Real Disposable Income	3.1	48.5	-16.6	-8.3	57.6	-30.6	0.0	1.0	6.2	3.2		
Real Consumer Spending	-6.9	-33.4	41.4	3.4	11.4	11.8	4.0	3.9	-3.8	8.2		
Residential Investment	20.3	-30.8	60.0	34.4	13.3	-9.8	1.0	3.0	6.8	10.9		
Nonresidential Investment	-8.3	-30.3	18.7	12.5	12.9	8.0	5.4	6.9	-5.3	7.9		
Inventory Change (Bn chn '12\$)	-30.4	-252.8	25.3	88.8	5.0	-165.9	100.0	80.0	-42.3	-18.6		
Total Gov't Spending	3.7	3.9	-2.1	-0.5	4.2	-1.5	0.3	1.0	2.5	0.7		
Exports	-16.3	-59.9	54.5	22.5	-2.9	6.0	4.1	6.6	-13.6	4.5		
Imports	-13.1	-53.1	89.2	31.3	9.3	7.8	16.2	8.1	-8.9	15.0		
Unemployment Rate (%)	3.8	13.1	8.8	6.8	6.2	5.9	5.2	4.9	8.1	5.6	4.1	
PCE Inflation (%YoY)	1.7	0.6	1.2	1.2	1.8	3.8	4.1	4.3	1.2	3.6	2.8	2.0
Core PCE Inflation (%YoY)	1.8	1.0	1.5	1.4	1.7	3.4	3.6	3.9	1.4	3.3	2.4	1.8

* Actual Data

	Total Contraction & Growth			
	Annual 2020	Annual 2021	Annual 2022	Annual 2023
Base Forecast	-3.4%	6.0%	4.0%	2.9%

Source: The Conference Board "The Conference Board Economic Forecast for the US Economy", August 11, 2021



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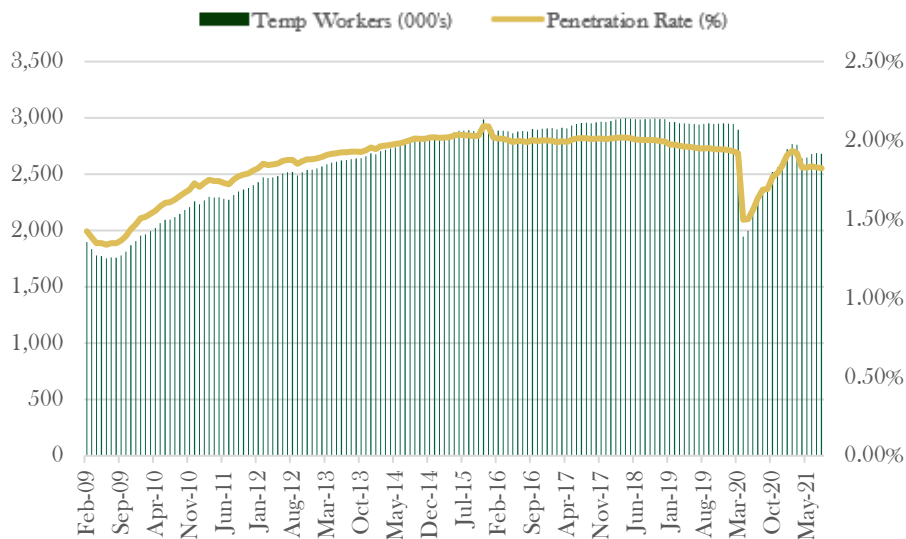
Investment Banking

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Temporary Employment Vs. Penetration Rate

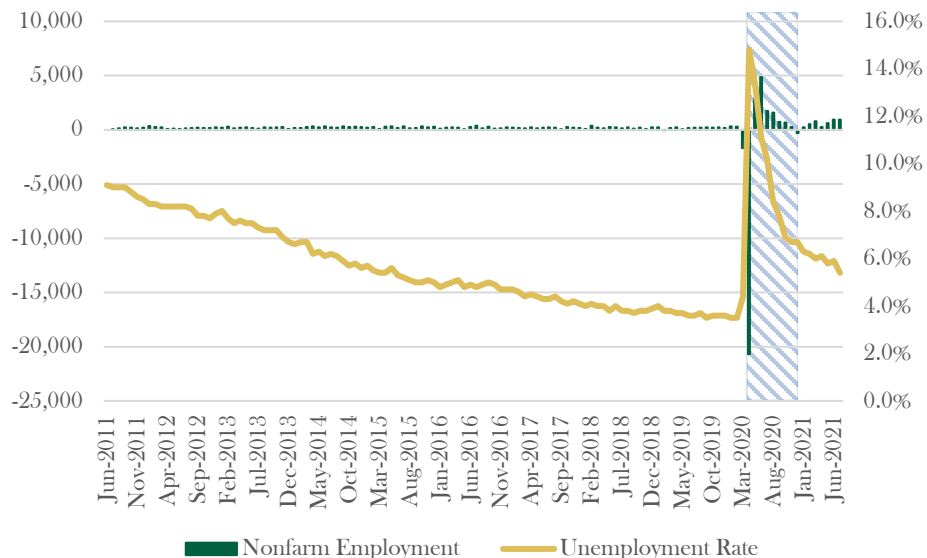


The temporary employment penetration rate came in at 1.82% in August 2021 compared to 1.84% the previous month. Temporary staffing volume growth increased 13.0% Y/Y versus 18% in 2020, while sequential volume was flat in August. Many areas of temp employment were somewhat weak in the last few months versus their peak in late 2020.

Key Takeaway:

The US temporary staffing industry has slowed but is still ahead of post-Covid figures. While this is not alarming, it follows the trend of slower economic expansion, which is expected. This slowing trend is especially apparent in the lower-wage end of the market, which is a considerable part of the overall staffing industry. We also believe that it was impacted by extended unemployment benefits. These benefits entirely ended on 9/6/21, which should draw more workers into the lower-wage end of the market. The professional and healthcare segments of staffing continue to experience robust growth.

Y/Y Δ in NonFarm Employment Vs. Unemployment Rate



Note: Blue shading indicates recession periods

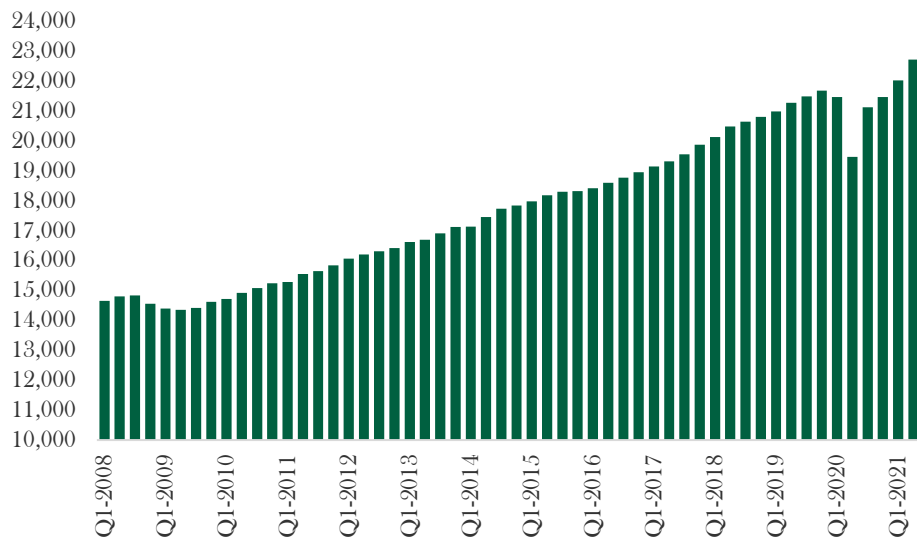
The August 2021 report of an increase of 225,000 jobs was well below the forecast of a 725,000 increase in jobs. The unemployment rate of 5.2% was lower than the 5.4% figure in July 2021 while average hourly earnings for temporary employees increased 8.7% Y/Y. The 8.7% figure was up from 5.1% in the prior month and continues to be distorted by lower versus higher skilled wage mix shift.

Key Takeaway:

Nonfarm employment and unemployment statistics always are restated twice and can be even more unpredictable during volatile economic times. Overall, however, these statistics have indicated that employers are cautious about hiring for the reasons we outlined in this report. We believe that the unemployment and permanent employment statistics, like the temporary employment statistics, have been skewed by extended unemployment benefits. Once these benefits expire, we project better employment gains and even lower unemployment unless the economy hits a roadblock.

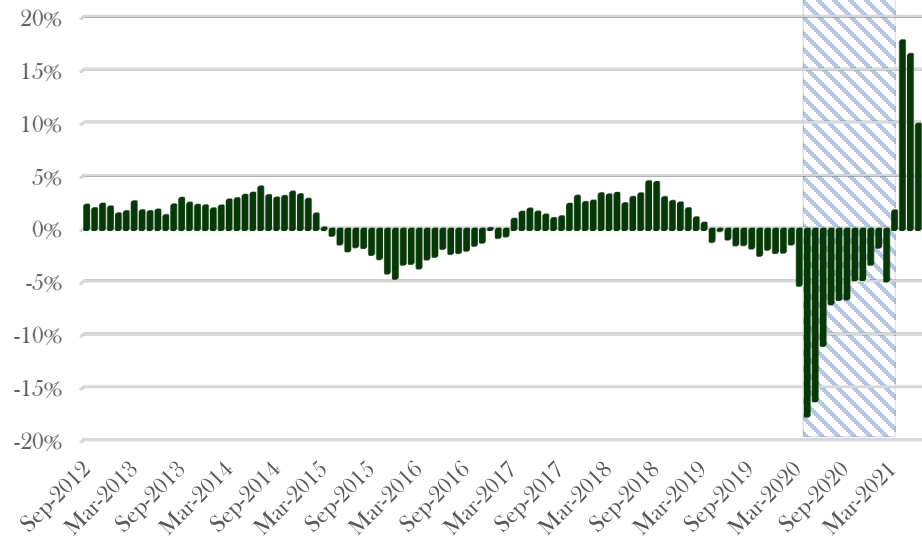


US Real GDP



According to The Conference Board (TCB), US Real GDP, a good proxy for the overall staffing market, grew 6.5% in 2Q21 versus a decrease of 31.2% in 2Q20. TCB also forecasted that GDP would increase 6.0% in 2021 and Real Consumer Spending will increase by 8.2%. Real Consumer Spending will considerably impact GDP and staffing revenues and we believe the industry could be impacted by slower consumer spending. As with past cycles, the staffing industry has displayed significant momentum exiting a short-lived recession in 3Q20. We note that risks to GDP growth currently include higher taxes, inflation, slower consumer spending and slower job growth.

US Industrial Production Growth (Y/Y)



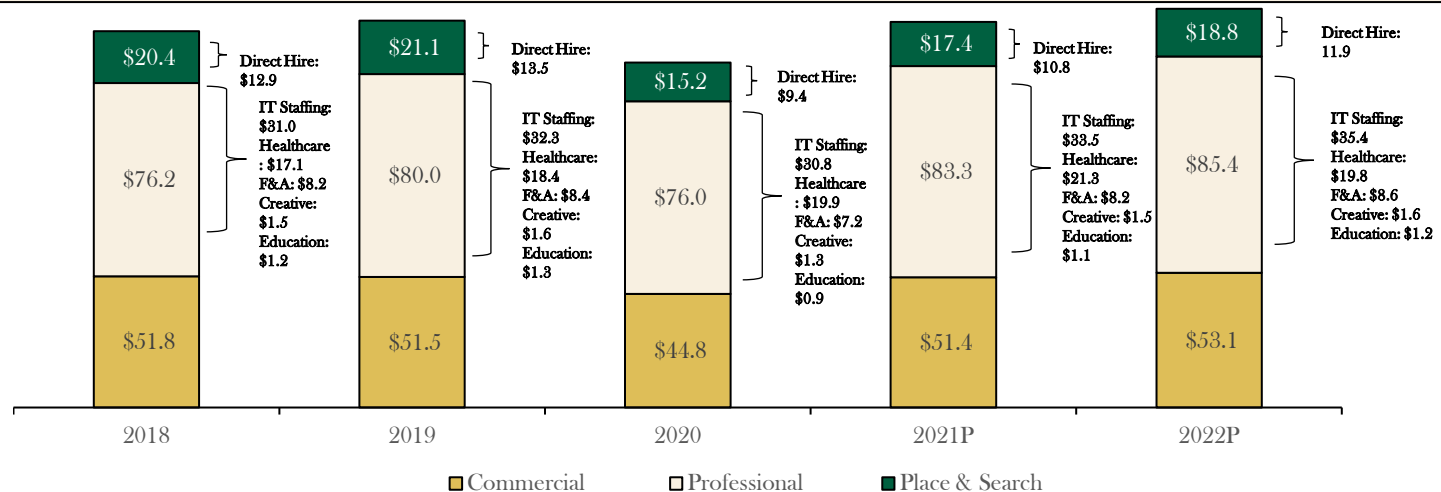
Note: Blue shading indicates recession periods

US Industrial Production, a good proxy for the \$35 billion industrial staffing segment, increased 6.6% in July 2021 versus a low of minus 16.3% in April 2020. The manufacturing sector, which accounts for 78% of industrial production, has come under pressure due to supply chain disruptions. We are concerned about certain parts of the industrial staffing industry such as chemicals, energy and mining due to possible increased regulations under the new Administration. Other risks to Industrial Production growth mirror those associated with GDP growth.

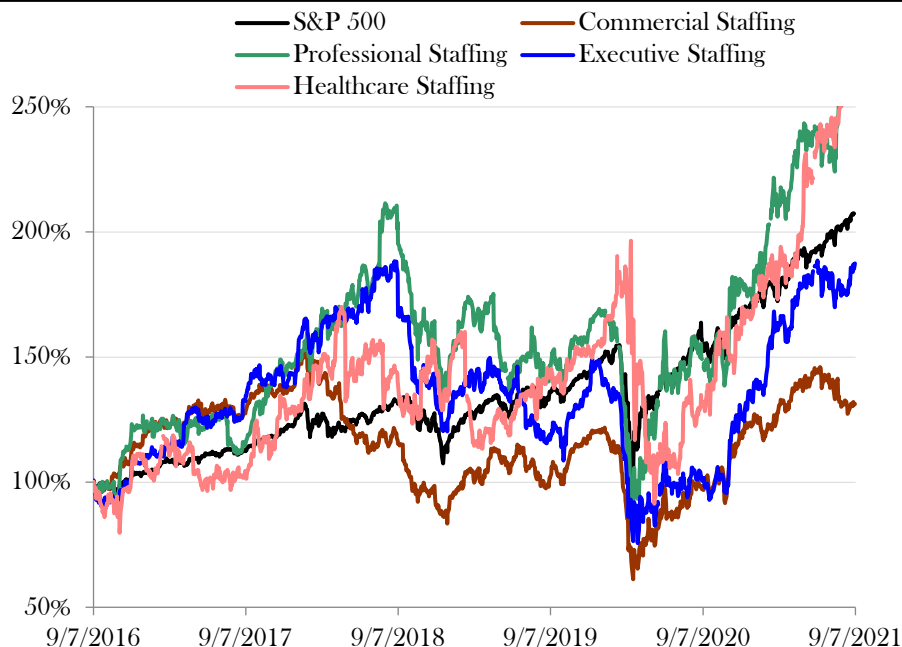
Segment Growth & Other Industry Data

- The latest US Staffing Industry Forecast from Staffing Industry Analysts (SIA) (April 2021) predicted that overall staffing revenues will increase 12% in 2021. The next SIA Forecast is expected to come out in 3Q21. Investors, which are 4-6 months forward-looking, have recently become relatively sour on staffing stocks, especially in the commercial end of the market. We expect that the stocks' outperformance since the end of the last recession could reverse in the second half of 2021 or early 2022 as we approach the anniversary of the end of the last recession.
- The same report by SIA forecasted that in 2021 by major verticals, Place & Search will increase 15%, Office/Clerical will increase 12%, Industrial will increase 16% and Professional/Specialty will increase 10%. Our outlook is that the Office/Clerical and Industrial segments could grow slower than expected if current economic trends continue into the back half of 2021.
- Within the Professional/Specialty segment, SIA forecasted that the \$30B+ IT staffing vertical will increase 9%, the \$7B+ Finance/Accounting (F&A) vertical will increase 14% and that the \$20+B Healthcare vertical will increase by 7%.
- Our view is that trends within the Professional segment will vary by verticals, but that companies in the IT and F&A verticals could experience increases ahead of forecasts, and the stocks reflect that trend. These segments were best prepared for remote work, have adapted to that development and face a considerable dearth of qualified workers. Nurse Travel significantly rebounded after being under pressure during the worst of Covid in 2020 and should continue to experience increased demand, especially due to the surge of the Delta variant.

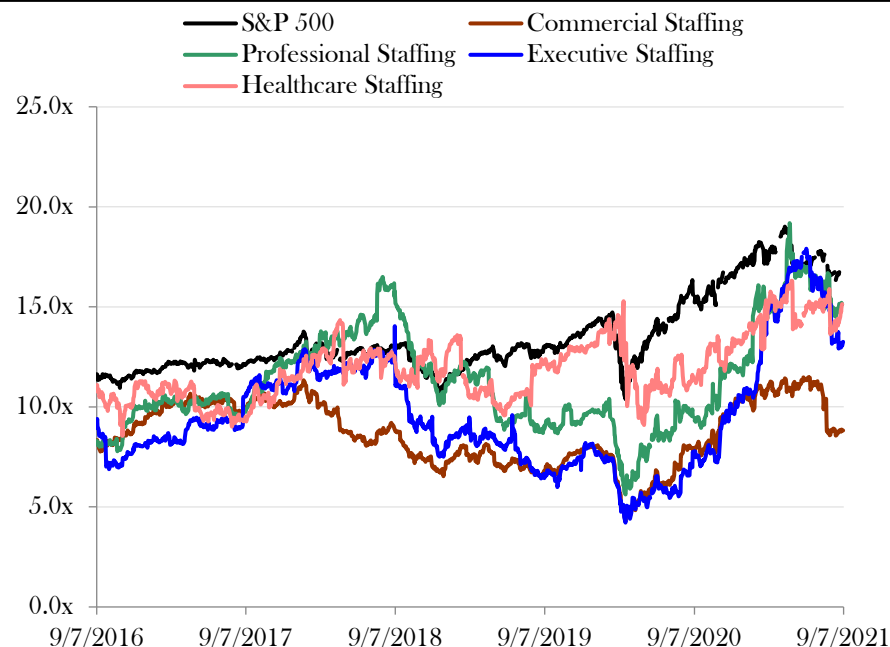
Staffing Industry Forecast



5 Year Relative Stock Price Performance



5 Year EV/LTM EBITDA Relative Performance



Sub-Sector	Number of Companies	Median Enterprise Value (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	3,795.7	37.7%	-1.7%	40.0%	0.4x	8.6x	
Professional Staffing	8	199.9	63.2%	20.4%	78.8%	0.7x	10.2x	
Executive & Retained Search	4	3,095.0	83.2%	9.4%	104.1%	1.1x	14.1x	
Healthcare Staffing	2	3,621.1	175.6%	106.0%	144.3%	1.5x	14.3x	
S&P 500*			29.2%	55.9%	107.8%			

Source(s): Capital IQ as of 9/7/2021.

Indices and charts are market cap weighted

*S&P data on a mean basis

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	SWX:ADEN	6/30/2021	\$10,232.3	\$24,276.7	\$4,818.6	19.8%	\$1,421.0	5.9%	0.4 x	7.2 x
Barrett Business Services, Inc.	NasdaqGS:BBSI	6/30/2021	\$501.8	\$912.3	\$638.7	70.0%	\$58.2	6.4%	0.5 x	8.6 x
Kelly Services, Inc.	NasdaqGS:KELY.A	7/4/2021	\$798.6	\$4,743.6	\$859.4	18.1%	\$109.7	2.3%	0.2 x	7.3 x
ManpowerGroup Inc.	NYSE:MAN	6/30/2021	\$6,652.2	\$19,841.2	\$3,152.2	15.9%	\$768.9	3.9%	0.3 x	8.7 x
Randstad N.V.	ENXTAM:RAND	6/30/2021	\$14,113.3	\$26,645.7	\$5,111.5	19.2%	\$1,286.5	4.8%	0.5 x	11.0 x
TrueBlue, Inc.	NYSE:TBI	6/27/2021	\$939.3	\$1,967.8	\$478.3	24.3%	\$96.1	4.9%	0.5 x	9.8 x
Average			\$5,589.6	\$18,064.6	\$2,509.8	27.9%	\$623.4	4.7%	0.4 x	8.8 x
Median			\$3,795.7	\$12,292.4	\$2,005.8	19.5%	\$439.3	4.9%	0.4 x	8.6 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 Incorporated	NYSE:ASGN	6/30/2021	\$6,704.7	\$4,135.2	\$1,139.2	27.5%	\$490.5	11.9%	1.6 x	13.7 x
BGSF, Inc.	NYSE:BGSF	6/27/2021	\$179.9	\$283.3	\$79.6	28.1%	\$17.9	6.3%	0.6 x	10.1 x
GEE Group, Inc.	NYSEAM:JOB	6/30/2021	\$75.2	\$138.4	\$47.8	34.6%	\$11.6	8.4%	0.5 x	6.5 x
Kforce Inc.	NasdaqGS:KFRC	6/30/2021	\$1,206.3	\$1,486.3	\$422.0	28.4%	\$116.3	7.8%	0.8 x	10.4 x
Mastech Digital, Inc.	NYSEAM:MHH	6/30/2021	\$220.0	\$199.5	\$53.3	26.7%	\$18.7	9.4%	1.1 x	11.8 x
RCM Technologies, Inc.	NasdaqGM:RCMT	7/3/2021	\$70.5	\$166.2	\$42.6	25.6%	\$7.2	4.3%	0.4 x	9.8 x
Robert Half International Inc.	NYSE:RHI	6/30/2021	\$11,161.9	\$5,472.9	\$2,208.3	40.3%	\$624.4	11.4%	2.0 x	17.9 x
Volt Information Sciences, Inc.	NYSEAM:VOLT	5/2/2021	\$140.8	\$837.1	\$133.3	15.9%	\$21.4	2.6%	0.2 x	6.6 x
Average			\$2,469.9	\$1,589.9	\$515.8	28.4%	\$163.5	7.8%	0.9 x	10.8 x
Median			\$199.9	\$560.2	\$106.5	27.8%	\$20.1	8.1%	0.7 x	10.2 x

Source(s): Capital IQ as of 9/7/2021

Executive & Retained Search

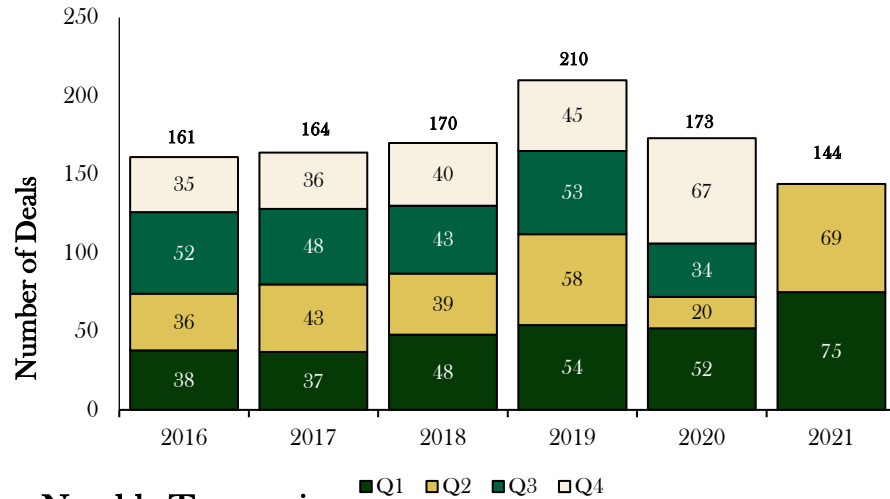
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
Hays plc	LSE:HAS	6/30/2021	\$3,585.0	\$7,801.1	\$403.7	5.2%	\$223.5	2.9%	0.5 x	16.0 x
Heidrick & Struggles International, Inc.	NasdaqGS:HSII	6/30/2021	\$705.3	\$758.2	\$191.9	25.3%	\$118.4	15.6%	0.9 x	6.0 x
Korn Ferry	NYSE:KFY	4/30/2021	\$3,676.8	\$1,810.0	\$433.7	24.0%	\$284.1	15.7%	2.0 x	12.9 x
PageGroup plc	LSE:PAGE	6/30/2021	\$2,605.0	\$1,956.0	\$985.7	50.4%	\$171.8	8.8%	1.3 x	15.2 x
Average			\$2,648.0	\$3,081.3	\$503.8	26.2%	\$199.4	10.7%	1.2 x	12.5 x
Median			\$3,095.0	\$1,883.0	\$418.7	24.6%	\$197.6	12.2%	1.1 x	14.1 x

Healthcare Staffing

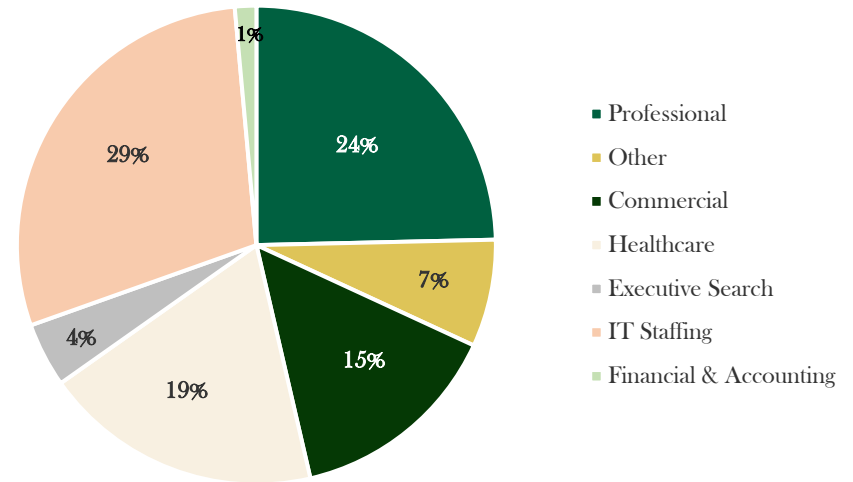
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
AMN Healthcare Services, Inc.	NYSE:AMN	6/30/2021	\$6,306.1	\$2,926.3	\$961.6	32.9%	\$407.4	13.9%	2.2 x	15.5 x
Cross Country Healthcare, Inc.	NasdaqGS:CCRN	6/30/2021	\$936.1	\$1,070.6	\$246.5	23.0%	\$70.8	6.6%	0.9 x	13.2 x
Average			\$3,621.1	\$1,998.5	\$604.0	27.9%	\$289.1	10.3%	1.5 x	14.3 x
Median			\$3,621.1	\$1,998.5	\$604.0	27.9%	\$289.1	10.3%	1.5 x	14.3 x

Source(s): Capital IQ as of 5/24/2021

No. of Deals Per Quarter



Q2 Deals by Industry



Notable Transactions

Transaction Announce Date	Target / Issuer	Target Description	Buyers / Investors	Commentary
6/30/2021	Oxford Global Resources, LLC	Oxford Global Resources, LLC provides information technology (IT), engineering, and regulatory and compliance consultants, project teams, and strategic outsourcing services in North America and Europe.	H.I.G. Capital, LLC; H.I.G. Middle Market LBO Fund III, L.P.	H.I.G. Capital, a Miami, FL based alternative investment firm with \$45Bn AUM has acquired Oxford Global Resources, LLC, a leading provider of specialty staffing and consulting services in the US and Europe. Oxford Global Resources, LLC was previously owned by ASGN, Inc., a professional and IT staffing company. H.I.G. Capital will enable Oxford to accelerate growth through investment in talent, capabilities, and overall service offerings. Oxford is known for offering on-demand, high-end consulting talent servicing over 2000 clients by providing hard-to-find, highly specialized technical talent in several niche areas.
6/8/2021	MAS Medical Staffing Corporation	MAS Medical Staffing Corporation is a medical staffing agency that provides medical and healthcare staffing solutions.	Periscope Equity, LLC; Periscope Equity II, L.P.	Periscope Equity, a Chicago, IL based private equity firm founded in 2013 has acquired MAS Medical Staffing, a tech-enabled medical staffing agency servicing primarily long term care facilities in the Northeast US. Through the partnership with Periscope, MAS Medical is now positioned to further develop its nurse-first approach by expanding its geographic reach, enhancing its tech-offering, developing go-to-market strategies, and executing strategic acquisitions. MAS Medical has a proprietary technology platform that optimized per diem shift fulfillment to provide the highest level of service for nurses and healthcare facilities and their patients.
6/3/2021	EmployBridge Holding Company	EmployBridge Holding Company provides staffing services in the United States.	Apollo Global Management, Inc.	Apollo Global Management (NYS: APO), a publicly traded alternative investment management firm based in New York, NY with \$470+ Bn AUM has acquired EmployBridge Holding Company, the largest industrial staffing firm in the US. The new strategic partnership will fuel growth and allow increased focus on delivering solutions to drive associate engagement and client success. Apollo is capitalizing on a tremendous opportunity to enhance and grow the platform through accelerated investments in technology, and increase service capabilities and product offerings.
4/20/2021	Lexolution LLC	Lexolution LLC offers contract staffing services to the legal sector.	Xcellence, Inc.	Xcellence, Inc., (d.b.a. Xact Data Discovery), a provider of data management and managed review services intended for law firms and corporations, has acquired Lexolution, LLC, a legal staffing and managed review services company, headquartered in New York, NY. Lexolution fulfills short to long-term tailored legal staffing needs from a proprietary database of tens of thousands of highly skilled attorneys across multiple fields of expertise. Lexolution is known for helping clients reduce legal spend while producing exemplary results for their clients. This furthers the continued M&A activity in the legal staffing services space as seen in the acquisitions of Alaris by Lexitas and Paralaw by Xcellence as well. Previously, Xcellence was owned by JLL Partners, and was recently acquired by Consilio via its financial sponsors Aquiline Capital Partners and Stone Point Capital. Xcellence has been very active in the M&A space, completing 17 acquisitions over the past decade.

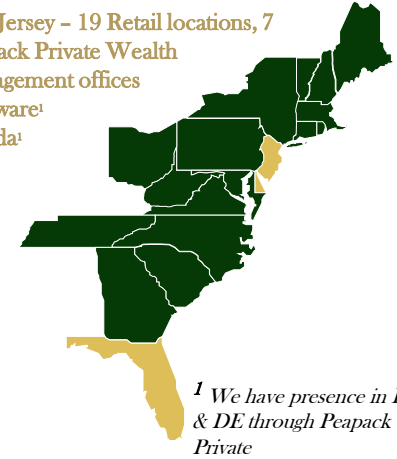


About the Bank

Peapack-Gladstone Bank* (NASDAQ: PGC) is a 100-year-old boutique commercial bank with total assets of \$5.8 Bn and AUM of \$9.8 Bn as of 6/30/2021. Other business segments include Peapack Private Wealth Management, Commercial Banking, Peapack Private Investment Banking, Commercial Real Estate, Peapack Capital (Equipment Finance), and Retail Banking.

Full-Service Bank, Boutique focus

- New Jersey – 19 Retail locations, 7 Peapack Private Wealth Management offices
- Delaware¹
- Florida¹



¹ We have presence in FL & DE through Peapack Private

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

Senior Banker Contacts



Kevin Bodnar
Senior Managing Director
Head of Corporate Advisory
E: kbodnar@pgbank.com
T: (908) 443-5385



Jim Janesky
Senior Advisor
Business Services
E: jjanesky@pgbank.com
T: (908) 524-8393

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

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