

# Investment Banking

## Industry Perspectives

Human Capital Solutions Quarterly | Q3 2019



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*Wealth Management*

## Overview

Our Team is pleased to present its 3Q19 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

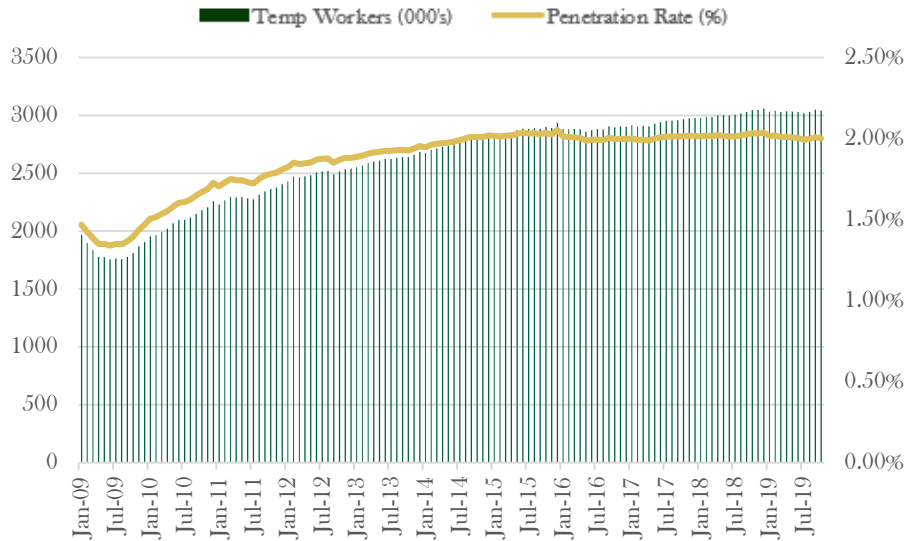
- The overall temporary staffing market continued to decelerate in the third quarter of 2019, which is not unusual this late in an economic expansion. Temporary wage growth accelerated in the October 2019 jobs report, an indication of a tight labor market.
- Economic indicators such as consumer spending, the yield curve, permanent job growth, interest rates, inflation and commodity prices point towards continued moderate growth but not a recession. Some of these indicators were flashing signs of a recession as of our last quarterly report.
- Although clearly slowing, any temporary job growth at this point in the cycle is considered unusual by historic standards.
- Travel nurse staffing is experiencing robust growth due to demographics and an increased shortage of nurses (see page 5).
- The \$31B IT staffing vertical has outperformed the overall industry but has been held back due to a labor shortage and H1B visa issues (see page 5).
- Despite a robust overall stock market, public company staffing stock valuations, outside of the healthcare segment, continued to be under pressure in 3Q19, an indication that the group is out of favor with investors (see pages 3, 6, 7 and 8).
- The M&A market was still very active during 3Q19 with many financing alternatives but acquisition multiples outside of the highest quality companies have moderated (see page 9).

## Upcoming Events

- December 10, 2019 - TechServe Alliance Quarterly “State of the Industry” Webinar hosted by Mark Roberts and Jim Janesky



## Temporary Employment Vs. Penetration Rate

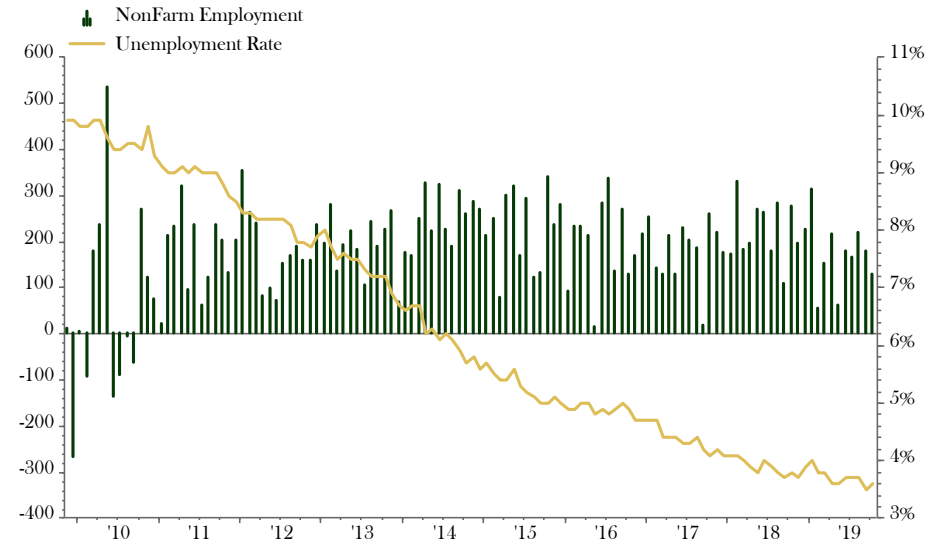


The temporary employment penetration rate came in at 2.001% in October '19, down slightly from 2.008% in the prior month. Temporary staffing volume growth came in at 0.1% Y/Y versus 0.7% in the prior month while sequential volume rose to 1.9% in October relative to its historical increase of 1.6% from September to October.

### Key Takeaway:

*Although temporary staffing stocks are out of favor with investors, any growth in the temporary staffing market this late in the cycle is somewhat remarkable by historic standards.*

## Y/Y Δ in NonFarm Employment Vs. Unemployment Rate



Despite the General Motors strike, the October 2019 report of 128,000 jobs added was well ahead of expectations. The unemployment rate of 3.6% was consistent with the the prior month while overall average hourly earnings increased 3.0% Y/Y and average hourly earnings for temporary employees accelerated to an increase of 8.5% Y/Y. The 3.0% figure was up slightly from 2.9% in the prior month while the 8.5% rate was dramatically up from the 7.2% rate the prior month.

### Key Takeaway:

*The overall job market has exhibited signs of resiliency, especially considering where we are in the economic cycle. Wage growth indicates a continued tight labor market.*

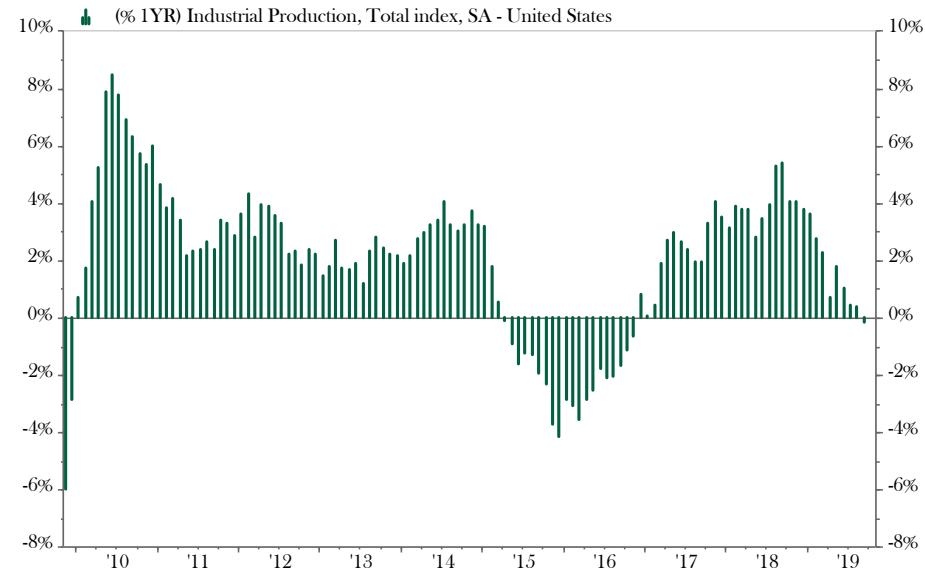


## US Real GDP



US Real GDP, a good proxy for the overall staffing market, grew 1.9% in 3Q19 versus 2.0% in 2Q19 but came in higher than consensus expectations. The Conference Board's Economic Forecast is for GDP to grow 2.3% in 2019 and further slow to 2.0% in 2020. US GDP growth came in at 2.9% for 2018. There are few signs of a looming recession, which points towards continued growth in the staffing industry, especially if the trade wars are settled.

## US Industrial Production Growth



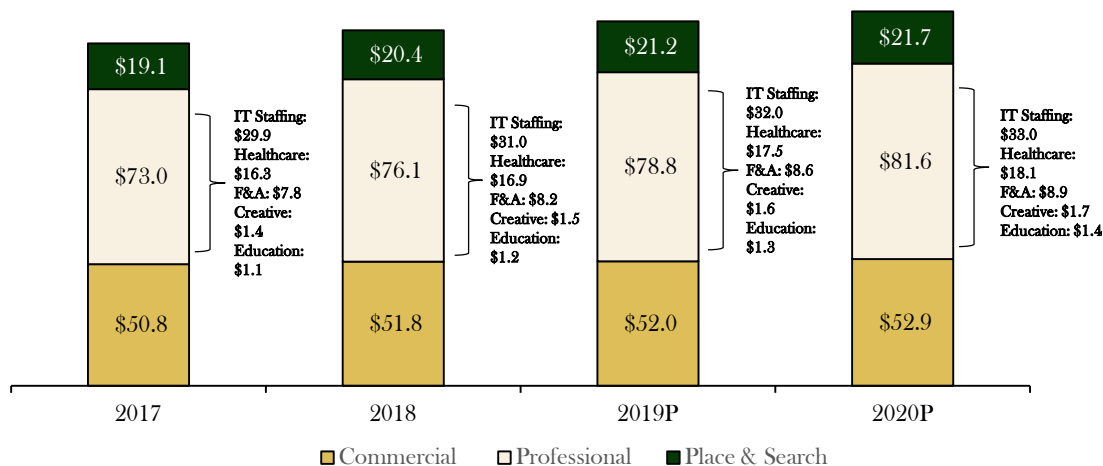
US Industrial Production, a good proxy for the \$36 billion light industrial staffing segment, continued to dramatically slow during 3Q19 as investment spending is weak, the manufacturing sector works down excess inventories and trade wars slow global growth. Many parts of the light industrial staffing market, such as manufacturing and construction, experienced declines during 3Q19 but could reverse course if trade wars are settled.



## Segment Growth & Other Industry Data

- An October 2019 Pulse Survey from Staffing Industry Analysts (SIA) indicated that median temporary staffing revenue growth further slowed to 7% in August 2019 versus 9% in June, 14% in April and 12% in February. This growth, however, is still quite exceptional at this point in the cycle but almost all staffing stocks, which are considered early cycle investments, continue to be out of favor with investors (see pages 6, 7 and 8).
- The same Pulse Survey reported that the nurse travel segment grew a median of 20% in August, accelerating from the 16% reported in June. Although a small sample size, healthcare stocks are very much in favor with investors (see page 8).
- Although there are headwinds of a severe talent shortage and H1B visa issues, the \$31B IT staffing segment has been quite resilient. According to the Pulse survey, median IT staffing revenue increased 8% in August versus 7% in June and versus 9% in April. The IT and healthcare verticals continue to outperform the overall staffing market by a significant margin.

## Staffing Industry Forecast



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

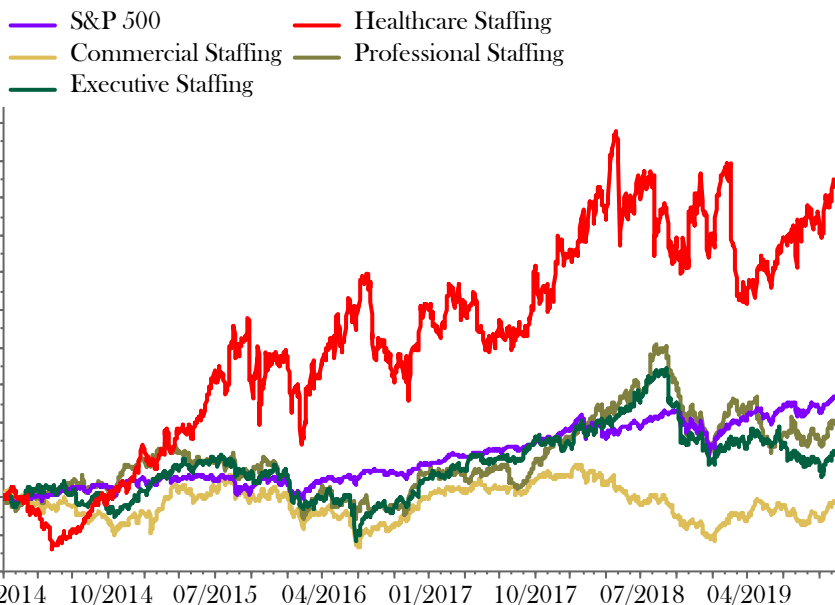


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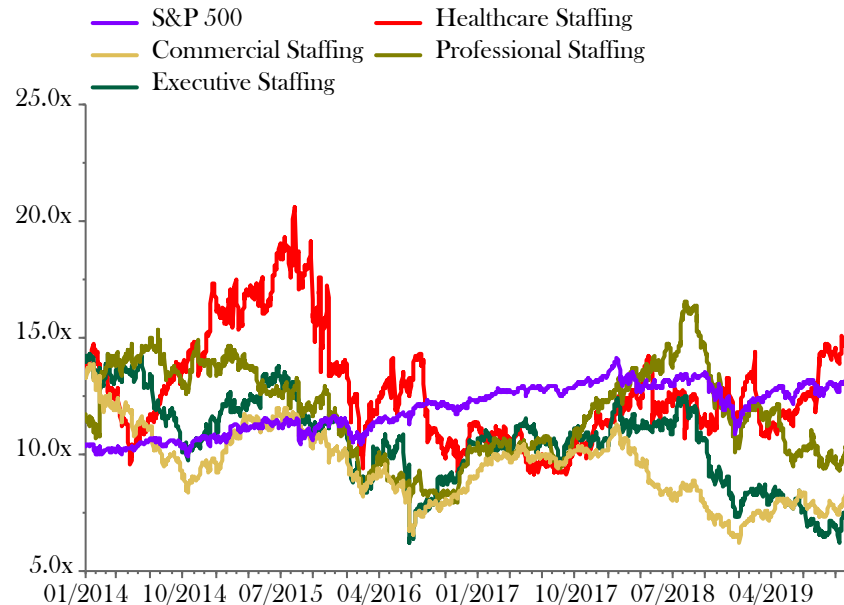
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## 5 Year Relative Stock Price Performance



## 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	7	3,558.1	18.6%	9.5%	-4.6%	25.5%	0.4x	8.1x
Professional Staffing	8	186.9	-4.6%	43.9%	-2.8%	24.7%	0.7x	9.9x
Executive & Retained Search	4	2,080.6	-9.4%	36.1%	32.6%	51.1%	0.8x	7.5x
Healthcare Staffing	2	1,981.7	20.8%	33.3%	215.9%	21.4%	1.1x	23.0x
<b>S&amp;P 500*</b>			<b>14.1%</b>	<b>42.8%</b>	<b>73.2%</b>			

\*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	\$11,804.5	\$26,615.6	\$4,958.9	18.6%	\$1,320.6	5.0%	0.4 x	8.9 x
Barrett Business Services, Inc.	BBSI	09/30/2019	\$465.9	\$935.0	\$212.6	22.7%	\$59.2	6.3%	0.5 x	7.9 x
Kelly Services, Inc. Class A	KELYA	09/29/2019	\$891.0	\$5,432.5	\$975.8	18.0%	\$142.1	2.6%	0.2 x	6.3 x
ManpowerGroup Inc.	MAN	09/30/2019	\$6,159.8	\$21,060.1	\$3,395.8	16.1%	\$825.4	3.9%	0.3 x	7.5 x
Randstad NV	RAND-NL	09/30/2019	\$12,204.6	\$26,821.1	\$5,102.1	19.0%	\$1,417.6	5.3%	0.5 x	8.6 x
TrueBlue, Inc.	TBI	09/29/2019	\$956.4	\$2,427.9	\$609.4	25.1%	\$114.0	4.7%	0.4 x	8.4 x
<b>Average</b>			<b>\$5,413.7</b>	<b>\$13,882.0</b>	<b>\$2,542.4</b>	<b>19.9%</b>	<b>\$646.5</b>	<b>4.6%</b>	<b>0.4 x</b>	<b>7.9 x</b>
<b>Median</b>			<b>\$3,558.1</b>	<b>\$13,246.3</b>	<b>\$2,185.8</b>	<b>18.8%</b>	<b>\$483.8</b>	<b>4.8%</b>	<b>0.4 x</b>	<b>8.1 x</b>

## 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	09/30/2019	\$4,541.6	\$3,828.3	\$1,027.6	26.8%	\$406.9	10.6%	1.2 x	11.2 x
BG Stalling, Inc.	BGSF	09/29/2019	\$242.9	\$294.0	\$75.3	25.6%	\$27.0	9.2%	0.8 x	9.0 x
GEE Group, Inc.	JOB	06/30/2019	\$103.4	\$152.7	\$47.6	31.2%	\$10.4	6.8%	0.7 x	9.9 x
Kforce Inc.	KFRC	09/30/2019	\$942.6	\$1,369.1	\$397.0	29.0%	\$84.7	6.2%	0.7 x	11.1 x
Mastech Digital, Inc.	MHH	09/30/2019	\$130.8	\$187.9	\$43.2	23.0%	\$13.1	7.0%	0.7 x	10.0 x
RCM Technologies, Inc.	RCMT	09/28/2019	\$76.5	\$197.8	\$48.5	24.5%	\$7.8	3.9%	0.4 x	9.9 x
Robert Half International Inc.	RHI	09/30/2019	\$6,800.3	\$6,018.7	\$2,494.3	41.4%	\$686.8	11.4%	1.1 x	9.9 x
Volt Information Sciences, Inc.	VOLT	07/28/2019	\$66.6	\$1,003.5	\$153.6	15.3%	\$2.0	0.2%	0.1 x	32.9 x
<b>Average</b>			<b>\$1,613.1</b>	<b>\$1,631.5</b>	<b>\$535.9</b>	<b>27.1%</b>	<b>\$154.8</b>	<b>6.9%</b>	<b>0.7 x</b>	<b>13.0 x</b>
<b>Median</b>			<b>\$186.9</b>	<b>\$648.7</b>	<b>\$114.4</b>	<b>26.2%</b>	<b>\$20.1</b>	<b>6.9%</b>	<b>0.7 x</b>	<b>9.9 x</b>



## 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	\$2,898.0	\$7,856.6	\$322.0	4.1%	\$341.7	4.3%	0.4 x	8.5 x
Heidrick & Struggles International, Inc.	HSII	09/30/2019	\$452.6	\$731.9	\$195.6	26.7%	\$81.3	11.1%	0.6 x	5.6 x
Korn Ferry	KFY	07/31/2019	\$2,200.7	\$1,991.7	\$505.4	25.4%	\$306.7	15.4%	1.1 x	7.2 x
PageGroup PLC	PAGE-GB	06/30/2019	\$1,960.4	\$2,095.2	\$1,077.9	51.4%	\$249.6	11.9%	0.9 x	7.9 x
<b>Average</b>			<b>\$1,877.9</b>	<b>\$3,168.8</b>	<b>\$525.2</b>	<b>26.9%</b>	<b>\$244.8</b>	<b>10.7%</b>	<b>0.8 x</b>	<b>7.3 x</b>
<b>Median</b>			<b>\$2,080.6</b>	<b>\$2,043.4</b>	<b>\$413.7</b>	<b>26.1%</b>	<b>\$278.1</b>	<b>11.5%</b>	<b>0.8 x</b>	<b>7.5 x</b>

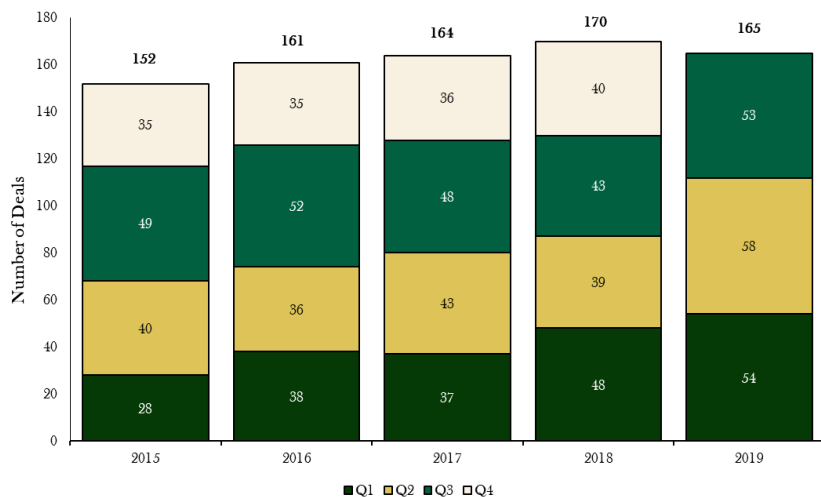
## Healthcare Staffing

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	09/30/2019	\$3,430.4	\$2,163.9	\$665.8	30.8%	\$224.2	10.4%	1.6 x	15.3 x
Cross Country Healthcare, Inc.	CCRN-US	09/30/2019	\$533.1	\$808.0	\$188.9	23.4%	\$17.4	2.2%	0.7 x	30.6 x
<b>Average</b>			<b>\$1,981.7</b>	<b>\$1,485.9</b>	<b>\$427.4</b>	<b>27.1%</b>	<b>\$120.8</b>	<b>6.3%</b>	<b>1.1 x</b>	<b>28.0 x</b>
<b>Median</b>			<b>\$1,981.7</b>	<b>\$1,485.9</b>	<b>\$427.4</b>	<b>27.1%</b>	<b>\$120.8</b>	<b>6.3%</b>	<b>1.1 x</b>	<b>28.0 x</b>

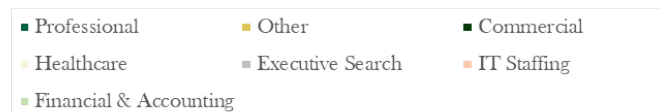
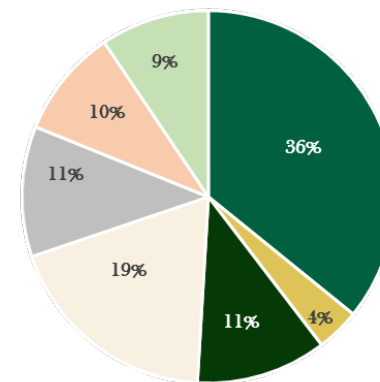




## No. of Deals Per Quarter



## Q3 Deals by Industry



## Notable Transactions

Completion Date	Target	Target Description	Buyer	Commentary
07/02/2019	C & D Technical Services, Inc.	Provides skilled labor staffing solutions for construction and manufacturing companies	HW Staffing, Inc.	HW Staffing expands its presence in NJ with the acquisition of C&D Technical Staffing. HW Staffing is leading temporary and permanent staffing firm focused on accounting & finance, clerical, and light industrial sectors with 20 offices across New England and Mid-Atlantic regions. C&D is a light industrial focused staffing firm based in NJ. C&D will provide HW a platform in the NJ region to expand its footprint.
07/08/2019	The Rowland Group, LLC	Staffing and recruiting for accounting, IT, and engineering	System One Holdings LLC	System One continues to grow through acquisitions with the acquisition of the Rowland Group. System One Holdings, is a professional staffing firm with expertise in energy, engineering, quality control, IT, and telecom staffing based in Pittsburgh, PA. The Rowland Group is a two office staffing firm with offices in Oklahoma and Texas that focuses on energy, engineering, and IT staffing. The acquisition will allow System One to expand into the Tulsa market and deepen its presence in Texas. System One is backed by Thomas H. Lee Partners, a \$16B private equity firm based in Boston, MA
07/09/2019	Flexy Corp. Ltd.	Retail and administrative staffing services	Impellam Group Plc	Impellam Group Plc augments their portfolio with the acquisition of Flexy Corp. Ltd. Impellam Group is a large staffing conglomerate with deep staffing experience and 17 individual brands that all operate in their own niche staffing segments. Flexy Corp. is a smaller sized, 'just-in-time' staffing firm headquartered in London. With this acquisition, Impellam Group is gaining valuable technology and digital capabilities to deepen their service offering to customers and clients.
09/03/2019	Best Practices Staffing, Inc.	Light industrial, clerical, and hospitality staffing	Trivest Partners LP; PeopleShare LLC	Acquisition by PeopleShare to provide geographic expansion into the mid-west. PeopleShare is based in Philadelphia, PA with offices in PA, MD, VA, and Southern NJ. Best Practices Staffing is based in Chicago, IL with four additional offices in the Chicago area. With this acquisition, it brings PeopleShare to 30 total office and marks the second acquisition of 2019. PeopleShare is backed by private equity firm Trivest Partners, which acquired the business in September 2015. Trivest Partners is a \$1.7B private equity firm based in Coral Gables, FL.
09/11/2019	TechLink, Inc.	IT staffing services	New Heritage Capital LLC; The Execu/Search Group	The Execu/Search Group expands its presence in the tri-state area with the add-on acquisition of TechLink, Inc., a NJ based technology staffing firm. The Execu/Search Group is backed by New Heritage Capital, LLC., a \$500mm private equity firm based in Boston, MA. New Heritage made their initial investment in Execu/Search in 2016. TechLink marks the second acquisition by Execu/Search in the past two years.
9/13/2019	PC/PCS Staffing	Light industrial and commercial staffing services	Bellflex Staffing	Bellflex Staffing, a flexible workforce solutions firm continues to grow through acquisitions with the acquisition of PC Staffing and their sister company PCS Staffing. This has been Bellflex's fourth acquisition this year, and largest in terms of revenue. PC and PCS Staffing are both located in Louisville, Kentucky, a growing hub for the manufacturing and logistics industries, allowing Bellflex to be strategically located for maximum growth.



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## About the Bank

Peapack-Gladstone Bank\* (NASDAQ: PGC) is a 98-year old boutique commercial bank with total assets of \$4.93 Bn and AUM of \$7.0 Bn as of 9/30/2019. Other business segments include Peapack Private (Wealth Management), Commercial Banking, Commercial Real Estate, Peapack Capital (Equipment Finance), Retail, Residential and Consumer Banking.

## Human Capital Investment Banking Coverage

### Professional

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

### Commercial

- Clerical
- Pick and Pack
- Distribution & Logistics

### Place & Search

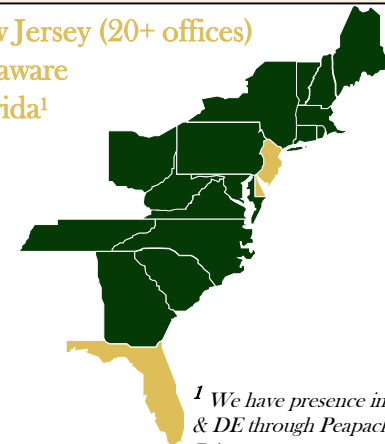
- Direct Hire
- Retained Search

### HR Technology

- VMS Platforms
- Block Chain Technology
- Recruitment Process Outsourcing

## Full-Service Bank, Boutique focus

- New Jersey (20+ offices)
- Delaware
- Florida<sup>1</sup>



<sup>1</sup> We have presence in FL & DE through Peapack Private

## Senior Banker Contacts

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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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