

# Investment Banking

## Industry Perspectives

Human Capital Solutions Quarterly | Q2 2019



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*Wealth Management*

## Overview

Our Team is pleased to present its 2Q19 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

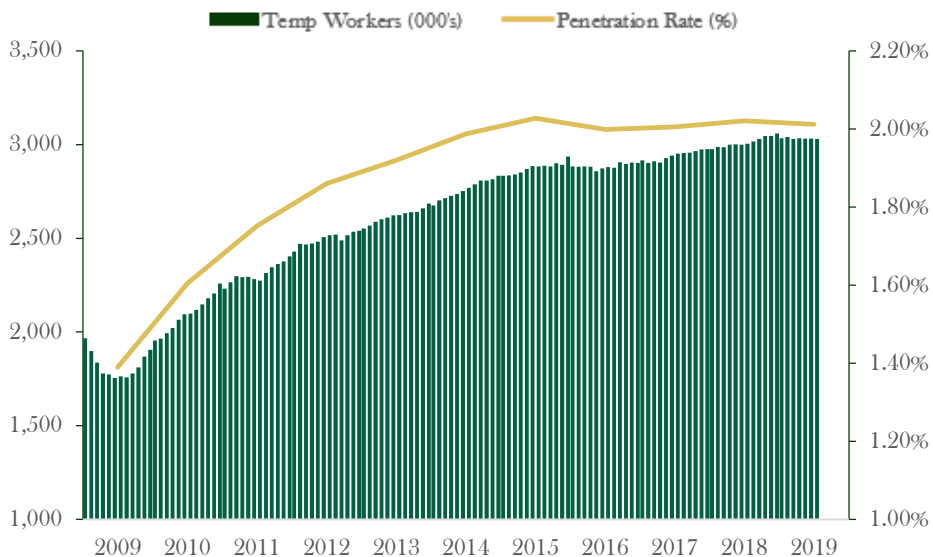
- There are clear signs that many staffing market verticals are moderating.
- Staffing Industry Analysts' (SIA) most recent "Pulse" report supports this growth slowdown thesis. (see page 5).
- Some industry verticals including the largest segments, light industrial and clerical experienced revenue declines during 2Q19.
- Other segments such as healthcare and marketing creative are industry bright spots but only represent about 15% of the \$153B staffing market.
- The \$33B IT staffing vertical has outperformed the overall industry but also exhibit signs of moderation.
- Public company staffing stocks continue to be out of favor with investors. Staffing stocks generally outperform the market when there is improving industrial production and accelerating economic growth. (see pages 3,4 and 6).
- The M&A market was still very active during 2Q19 with readily available financing alternatives but appears to have shifted from a "sellers" to a "buyers" market for the first time in years.

## Upcoming Events

- November, 2019 - TechServe Alliance Quarterly "State of the Industry" Webinar hosted by Mark Roberts and Jim Janesky



## Temporary Employment Vs. Penetration Rate

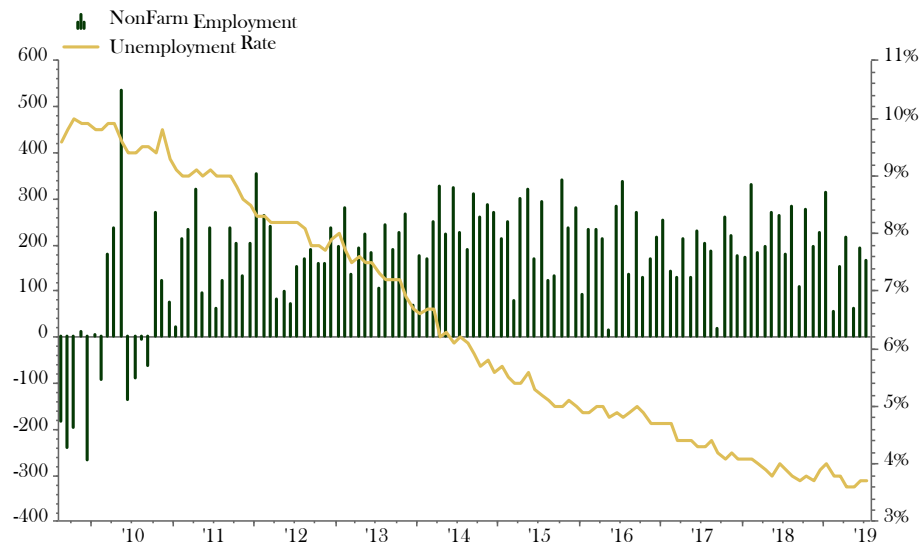


The temporary employment penetration rate remained historically high at 2.003% in July '19. Temporary staffing volume growth also hovered around the 1% rate Y/Y but sequential volume fell 1.4% in July relative to its historical decrease of 0.6% from June to July.

### Key Takeaway:

Temporary staffing continues to grow but there are increasing signs of a slowdown.

## YoY Δ in NonFarm Employment Vs. Unemployment Rate



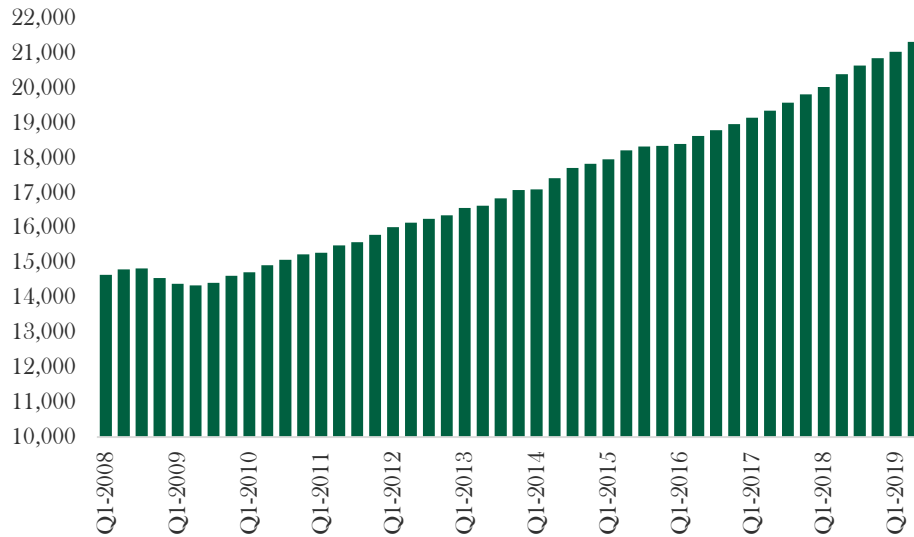
The July 2019 report of 164,000 jobs added was roughly in line with expectations. The unemployment rate of 3.7% was consistent with the the prior month while overall average hourly earnings increased 3.2% Y/Y and average hourly earnings for temporary employees increased 7.3% Y/Y. The 3.2% figure was up from 3.1% the prior month but the 7.3% rate accelerated from the 5.3% rate the prior month.

### Key Takeaway:

The overall job market continues to show signs of strength but is a lagging economic indicator. Both overall employment and temp staffing growth could slow as the US economy moderates through 2019.

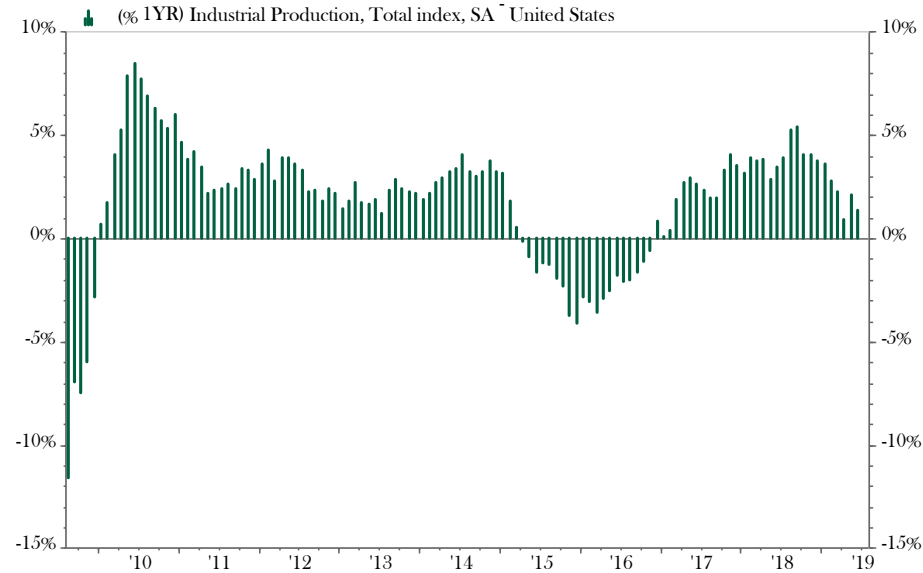


## US Real GDP



US Real GDP, a good proxy for the overall staffing market, grew 2.1% in 2Q19 versus 3.1% in 1Q19 as the economic impact of tax cuts wind down. 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. While there are a few signs of a looming recession, this slowdown could continue to have a negative impact on the overall staffing industry.

## US Industrial Production Growth



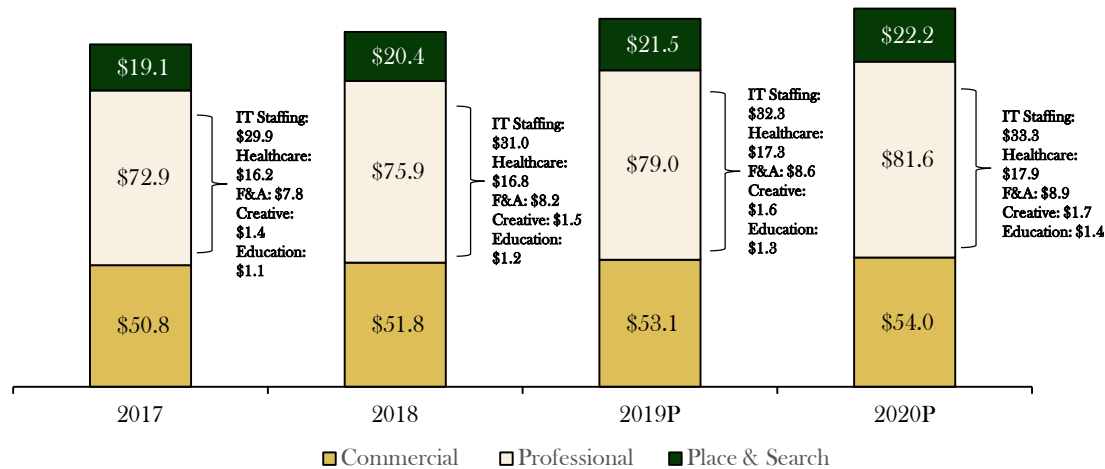
US Industrial Production, a good proxy for the \$36 billion light industrial staffing segment, continued to dramatically slow during 2Q19 as global growth moderates and trade wars continue. Many parts of the light industrial staffing market, such as manufacturing and construction, experienced declines during 2Q19 that are expected to continue through the remainder of the year.



## Segment Growth & Other Industry Data

- An August 2019 Pulse Survey from Staffing Industry Analysts (SIA) indicated that median temporary staffing revenue growth slowed to 9% in June 2019 versus 14% in April and 12% in February. As mentioned earlier, many parts of the \$17B office/clerical and parts of the \$36B light industrial segment experienced revenue declines during 2Q19. This slowing environment creates a headwind for investments in staffing stocks.
- The same Pulse Survey reported that the marketing/creative segment grew a median of 27% in June versus 17% in April. Other industry bright spots included life sciences and travel nursing, which grew a median of 17% and 16%, respectively. Although a small sample size, healthcare stocks have fared much better than the other verticals (see page 6).
- The once hot \$31B IT staffing segment has moderated as well due to a talent shortage, growth slowdown and H1B visa issues. According to the Pulse survey, median IT staffing revenue increased 7% in June versus 9% in April.

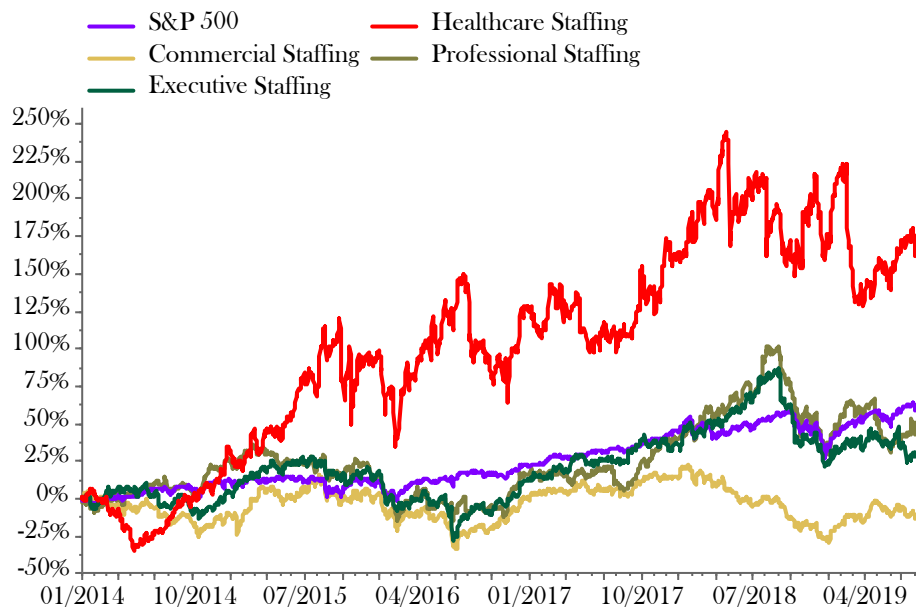
## Staffing Industry Forecast



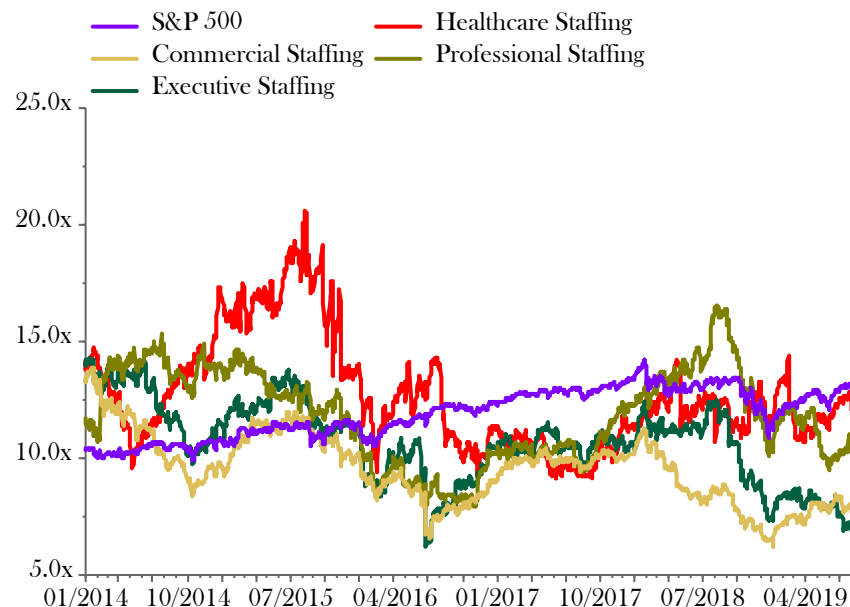
Source: Staffing Industry Analysts "US Staffing Industry Forecast: April 2019 Update", April 19, 2019



## 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	1,049.2	-13.0%	-1.7%	-5.8%	24.9%	0.4x	7.5x
Professional Staffing	8	153.8	-32.3%	21.2%	31.8%	29.1%	0.6x	9.4x
Executive & Retained Search	4	1,732.8	-38.2%	22.4%	37.5%	41.7%	0.7x	6.4x
Healthcare Staffing	2	1,914.7	0.0%	20.8%	185.8%	22.0%	1.1x	19.7x
<b>S&amp;P 500*</b>			<b>0.1%</b>	<b>32.7%</b>	<b>73.7%</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	03/31/2019	\$10,160.8	\$27,573.4	\$5,039.6	18.3%	\$1,370.7	5.0%	0.4 x	7.4 x
Barrett Business Services, Inc.	BBSI	06/30/2019	\$463.7	\$934.3	\$201.5	21.6%	\$52.8	5.7%	0.5 x	8.8 x
Kelly Services, Inc. Class A	KELYA	06/30/2019	\$1,034.5	\$5,507.2	\$987.3	17.9%	\$140.0	2.5%	0.2 x	7.4 x
ManpowerGroup Inc.	MAN	06/30/2019	\$5,573.1	\$21,229.9	\$3,446.1	16.2%	\$858.2	4.0%	0.3 x	6.5 x
Randstad NV	RAND-NL	06/30/2019	\$10,821.6	\$27,129.5	\$5,151.7	19.0%	\$1,378.0	5.1%	0.4 x	7.9 x
TrueBlue, Inc.	TBI	06/30/2019	\$792.5	\$2,471.5	\$622.8	25.2%	\$115.8	4.7%	0.3 x	6.8 x
<b>Average</b>			<b>\$4,807.7</b>	<b>\$14,141.0</b>	<b>\$2,574.8</b>	<b>19.7%</b>	<b>\$652.6</b>	<b>4.5%</b>	<b>0.3 x</b>	<b>7.5 x</b>
<b>Median</b>			<b>\$3,303.8</b>	<b>\$13,368.5</b>	<b>\$2,216.7</b>	<b>18.6%</b>	<b>\$499.1</b>	<b>4.8%</b>	<b>0.3 x</b>	<b>7.4 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	06/30/2019	\$4,261.3	\$3,732.1	\$1,000.3	26.8%	\$397.4	10.6%	1.1 x	10.7 x
BG Staffing, Inc.	BGSF	06/30/2019	\$202.6	\$291.7	\$74.5	25.5%	\$27.6	9.5%	0.7 x	7.3 x
GEE Group, Inc.	JOB	06/30/2019	\$104.4	\$152.7	\$47.6	31.2%	\$10.4	6.8%	0.7 x	10.0 x
Kforce Inc.	KFRC	06/30/2019	\$794.1	\$1,379.0	\$398.1	28.9%	\$85.9	6.2%	0.6 x	9.2 x
Mastech Digital, Inc.	MHH	06/30/2019	\$99.6	\$182.6	\$41.6	22.8%	\$12.5	6.9%	0.5 x	7.9 x
RCM Technologies, Inc.	RCMT	06/29/2019	\$79.1	\$200.1	\$48.9	24.4%	\$6.8	3.4%	0.4 x	11.6 x
Robert Half International Inc.	RHI	06/30/2019	\$6,186.0	\$5,932.8	\$2,410.6	40.6%	\$674.3	11.4%	1.0 x	9.2 x
Volt Information Sciences, Inc.	VISI	04/28/2019	\$78.8	\$1,028.1	\$154.3	15.0%	(\$1.1)	-0.1%	0.1 x	NM
<b>Average</b>			<b>\$1,475.8</b>	<b>\$1,612.4</b>	<b>\$522.0</b>	<b>26.9%</b>	<b>\$151.7</b>	<b>6.8%</b>	<b>0.6 x</b>	<b>9.4 x</b>
<b>Median</b>			<b>\$153.5</b>	<b>\$659.9</b>	<b>\$114.4</b>	<b>26.2%</b>	<b>\$20.1</b>	<b>6.8%</b>	<b>0.6 x</b>	<b>9.2 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	12/31/2018	\$2,526.1	\$7,946.8	NA	NA	\$355.2	4.5%	0.3 x	7.1 x
Heidrick & Struggles International, Inc.	HSII	06/30/2019	\$461.4	\$737.8	\$202.9	27.5%	\$84.5	11.5%	0.6 x	5.5 x
Korn Ferry	KFY	04/30/2019	\$1,738.5	\$1,973.9	\$492.8	25.0%	\$294.4	14.9%	0.9 x	5.9 x
PageGroup PLC	PAGE-GB	06/30/2019	\$1,727.1	\$2,095.2	\$1,077.9	51.4%	\$249.6	11.9%	0.8 x	6.9 x
<b>Average</b>			<b>\$1,613.3</b>	<b>\$3,188.4</b>	<b>\$591.2</b>	<b>34.6%</b>	<b>\$245.9</b>	<b>10.7%</b>	<b>0.7 x</b>	<b>6.3 x</b>
<b>Median</b>			<b>\$1,732.8</b>	<b>\$2,034.5</b>	<b>\$492.8</b>	<b>27.5%</b>	<b>\$272.0</b>	<b>11.7%</b>	<b>0.7 x</b>	<b>6.4 x</b>

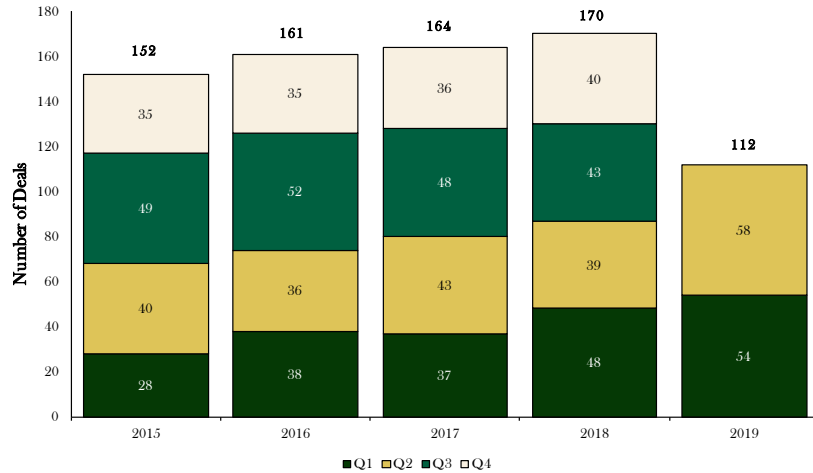
## Healthcare Staffing

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	06/30/2019	\$3,380.7	\$2,123.1	\$656.7	30.9%	\$225.6	10.6%	1.6 x	15.0 x
Cross Country Healthcare, Inc.	CCRN-US	06/30/2019	\$448.6	\$799.6	\$189.5	23.7%	\$18.4	2.3%	0.6 x	24.4 x
<b>Average</b>			<b>\$1,914.7</b>	<b>\$1,461.3</b>	<b>\$423.1</b>	<b>27.3%</b>	<b>\$122.0</b>	<b>6.5%</b>	<b>1.1 x</b>	<b>19.7 x</b>
<b>Median</b>			<b>\$1,914.7</b>	<b>\$1,461.3</b>	<b>\$423.1</b>	<b>27.3%</b>	<b>\$122.0</b>	<b>6.5%</b>	<b>1.1 x</b>	<b>19.7 x</b>

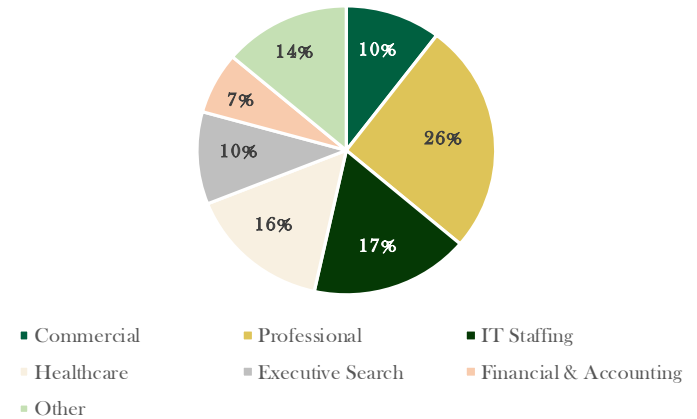




## No. of Deals Per Quarter



## Q2 Deals by Industry



## Notable Transactions

Completion Date	Target	Target Description	Buyer	Commentary
04/03/2019	Project One, Inc.	Provides technology consulting and staffing services	Eliassen Group LLC; Stone Point Capital LLC	Eliassen Group expands its technology staffing offering with the acquisition of Project One. Project One offers media technology staffing services and is headquartered in New York, NY. Eliassen Group has made two acquisitions since being bought out by private equity group, Stone Point Capital in November 2018. Stone Point Capital is a \$14B private equity fund based in New York, NY. Eliassen Group was previously owned by Riverside Partners.
04/09/2019	Reliance Staffing & Recruiting	Provides employment staffing and recruiting services	PeopleShare LLC; Trivest Partners, LP	Acquisition by PeopleShare to provide geographic expansion on the east coast. PeopleShare is based in Philadelphia, PA with offices in PA, MD, and Southern NJ. Reliance Staffing is based in Virginia Beach, VA with four additional offices in Virginia. 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.
05/01/2019	Dowd Associates, Inc.	Provides executive search services	ZRG Partners LLC; RFE Partners	ZRG Partners, an executive search firm acquired Dowd Associates, a leader in the financial officer executive search to bolster its offerings. ZRG partners has made four acquisitions since 2018. ZRG Partners is based in Rochelle Park, NJ and is backed by private equity firm RFE Partners. RFE partner is \$660mm private equity fund based in New Canaan, CT
05/31/2019	hrQ, Inc.	Provides staffing and employee placement services	LandrumHR Sjr, Inc.	Landrum HR, a full service PEO and workforce solution company acquired hrQ, an HR staffing and recruitment agency to expand its offerings in the HR sector. hrQ is based in Denver, CO with offices nationwide
06/07/2019	Touch Point Staffing, Inc.	Operates as an employment agency	Bellflex Staffing Network LLC	Light industrial staffing firm Bellflex acquired Touchpoint Staffing as the company continues to build out its North Carolina presence. Bellflex is a family owned business based in Cincinnati, OH.
6/10/2019	Riviera Partners	Technology executive search firm	Kayne Anderson Capital Advisors; ROCA Partners	Riviera Partners, a technology executive search firm received an investment from Kayne Anderson and ROCA Partners to accelerate growth. Kayne Anderson is a \$30.0B private equity firm based in Los Angeles, CA. ROCA Partners is a private equity firm based in Los Angeles, CA. Since the investment by the private equity firms, Riviera has made one acquisition in WorthyWorks, a NY based search firm focused on machine learning and blockchain
06/17/2019	Advanced Medical Personnel Services, Inc.	Operates as a therapy staffing agency	AMN Healthcare Services, Inc.	AMN acquired Advanced Medical Personnel Services, a staffing firm that specializes in the placement of therapists and nurses. AMN paid \$200mm (or 10x EBITDA) with an additional contingent payment of \$20mm based on Advanced's financial performance in 2019. This is AMN's fourth transaction since 2018.



## About the Bank

Peapack-Gladstone Bank\* (NASDAQ: PGC) is a 98-year old boutique commercial bank with total assets of \$4.87 Bn and AUM of \$6.6 Bn as of 6/30/2019. 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

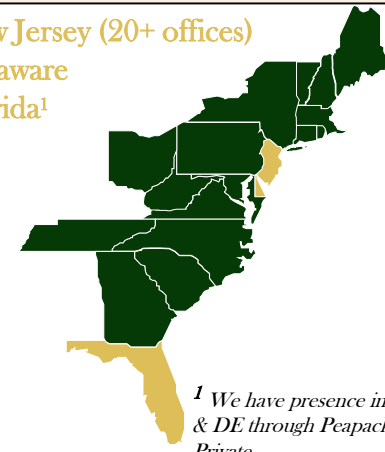
- Direct Hire
- Retained Search

### 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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