

# Investment Banking

## Industry Perspectives

Human Capital Solutions Quarterly | Q1 2019



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*Wealth Management*

## Overview

Our Team is pleased to present its first quarterly human capital solutions industry update. We are excited to announce that Jim Janesky has joined the group as a senior advisor to help oversee the client coverage and lead this 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

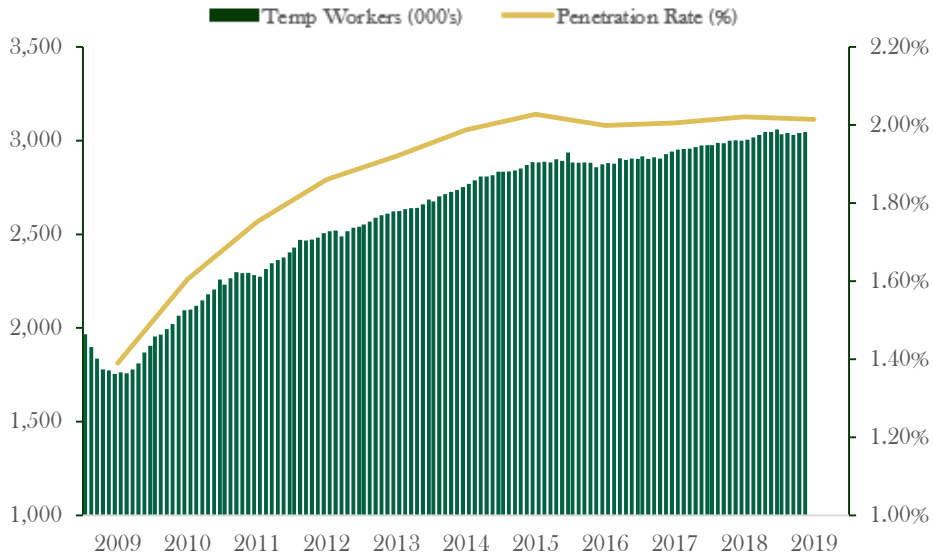
- While industry growth is still positive, the overall staffing market continued to moderate during 1Q19.
- According to Staffing Industry Analysts (SIA), US staffing industry revenues will increase 4% in 2019 but will slow to 3% in 2020 (see page 5).
- Some industry verticals have recently shown signs of increased moderation, including the largest segments, light industrial and clerical.
- Other segments such as travel nursing and locum tenens (physicians) have rebounded in 2019 after experiencing significant deceleration in 2018.
- IT staffing, allied healthcare, life sciences and marketing/creative are industry bright spots.
- Public companies have significantly underperformed the market over the last year due to investors rotating out of early cycle stocks. Investors favor staffing stocks as we exit a recession, not when we are towards the end of an economic cycle (see page 6).
- The M&A market was still very active during 1Q19 with readily available financing alternatives.

## Recent Events

- June 20, 2019 - TechServe Alliance Quarterly “State of the Industry” Webinar hosted by Mark Roberts and Jim Janesky



## Temporary Employment Vs. Penetration Rate

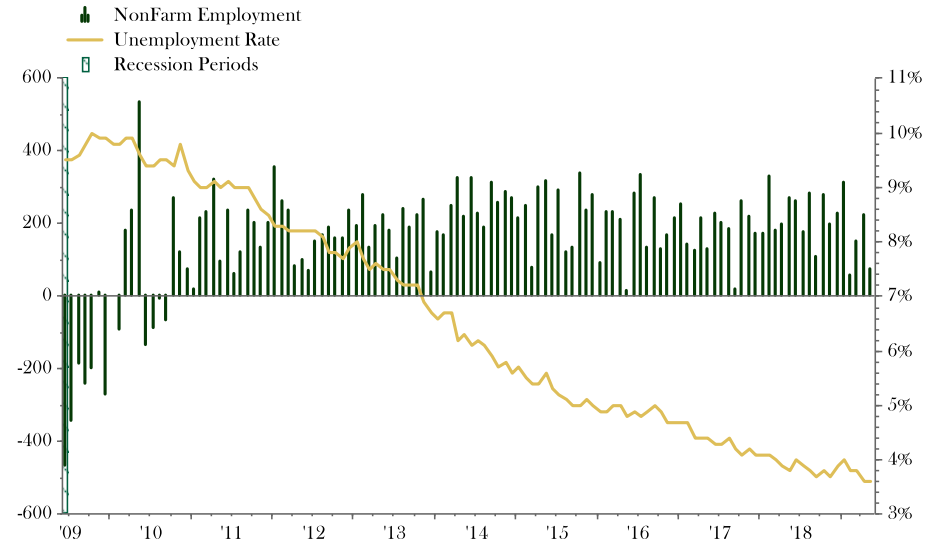


Since the recovery from the financial crisis, the staffing industry penetration rate has dramatically increased from a low of 1.39% in June '09 to 2.02% in June 2019.

### Key Takeaway:

The penetration rate remains high primarily because of a good economy and the expansion of the contingent workforce.

## YoY Δ in NonFarm Employment Vs. Unemployment Rate



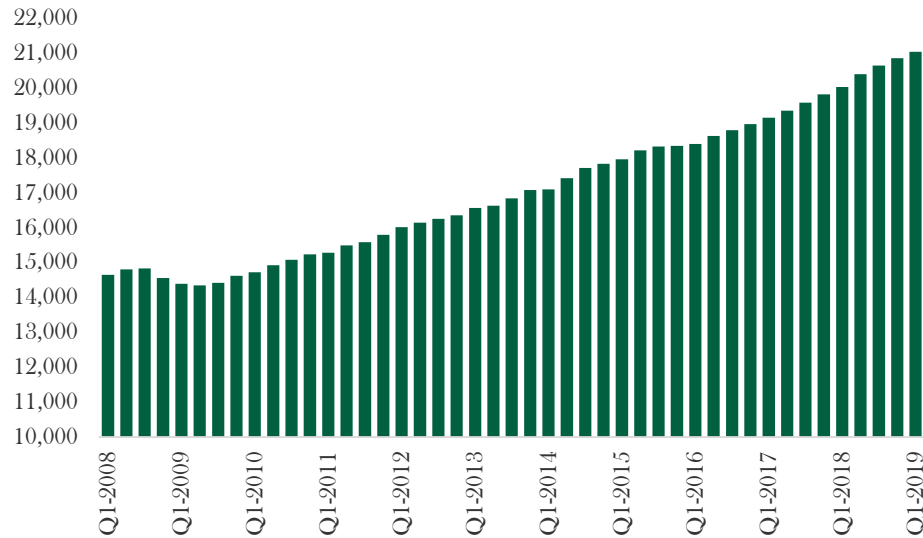
Although the May 2019 report was lower than expected, nonfarm employment continues to grow while the unemployment rate has declined. The BLS reported that 75,000 jobs were added in May 2019 and the unemployment remained at a low of 3.6%, far below the 5% rate that is considered “full employment”.

### Key Takeaway:

A combination of solid job growth and a tight labor market leads employers to have an increased reliance on staffing firms to fill open positions.

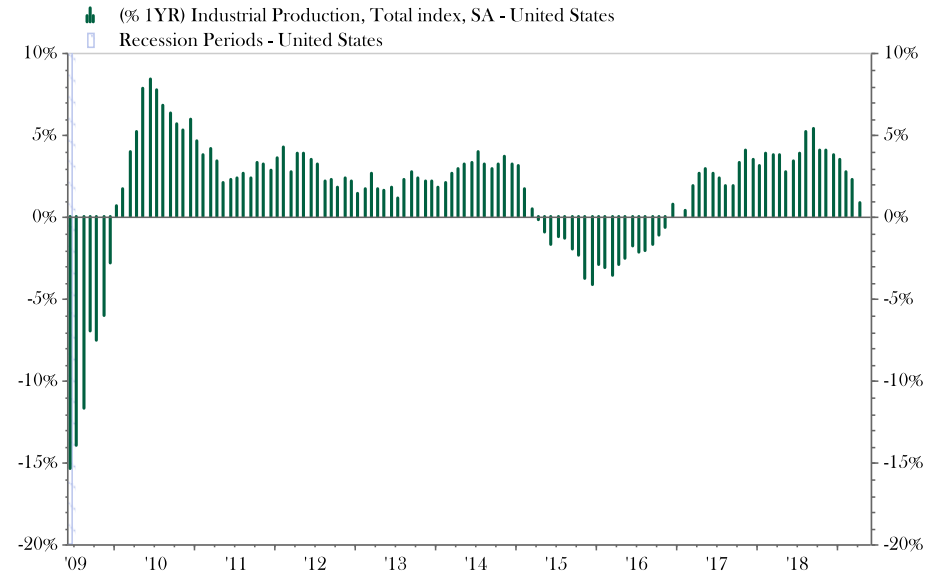


## US Real GDP



US Real GDP, a good proxy for the overall staffing market, has experienced significant growth since the end of the Financial Crisis. The Conference Board's Economic Forecast is for GDP to grow 2.7% in 2019 but will slow to 2.1% in 2020. US GDP growth came in at 2.9% for 2018. If US GDP continues to grow in the June quarter, which almost all economists predict, it will mark the longest economic expansion in the history of the country.

## US Industrial Production Growth



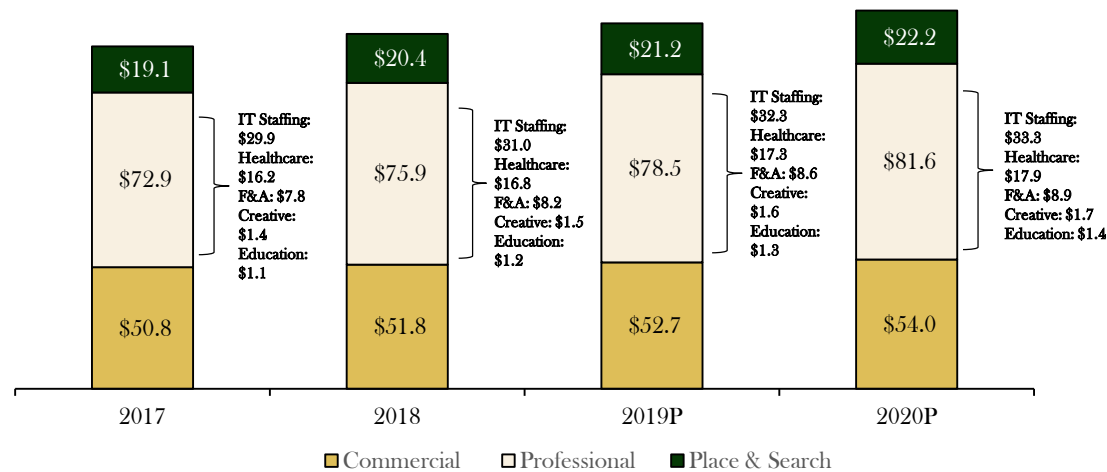
US Industrial Production, a good proxy for the \$36 billion light industrial staffing segment, has dramatically slowed down since 2018. Trade wars would also have a significant impact on parts of this sector. Parts of the light industrial staffing market, such as manufacturing and construction, continued to decelerate while the warehousing/logistics segment have shown double-digit growth due to secular growth of the e-commerce industry.



## Segment Growth & Other Industry Data

- Although there are signs of moderation, especially within the \$17B office/clerical and parts of the \$36B light industrial segment, Staffing Industry Analysts (SIA), continues to predict staffing industry growth of 4% in 2019 and 3% in 2020. These increases are due to a combination of good economic growth, a tight labor market and both employee and employers' acceptance of contingent work almost as a career choice.
- The segments that are expected to outperform the overall staffing industry are: marketing/creative (7% growth), education (7% growth), place & search (5% growth) and life sciences (5% growth). These three segments combined, however, only generate about \$6B in annual revenues.
- Even the IT staffing segment, which at \$33B has become almost as large as the light industrial segment, is forecasted to grow at 4%, despite the headwinds of an unprecedented shortage of talent.

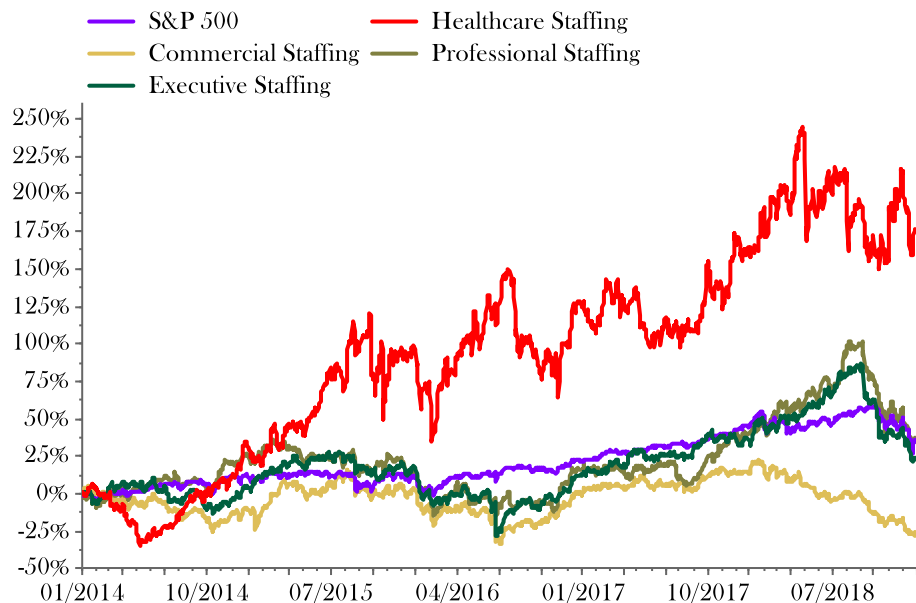
## Staffing Industry Forecast



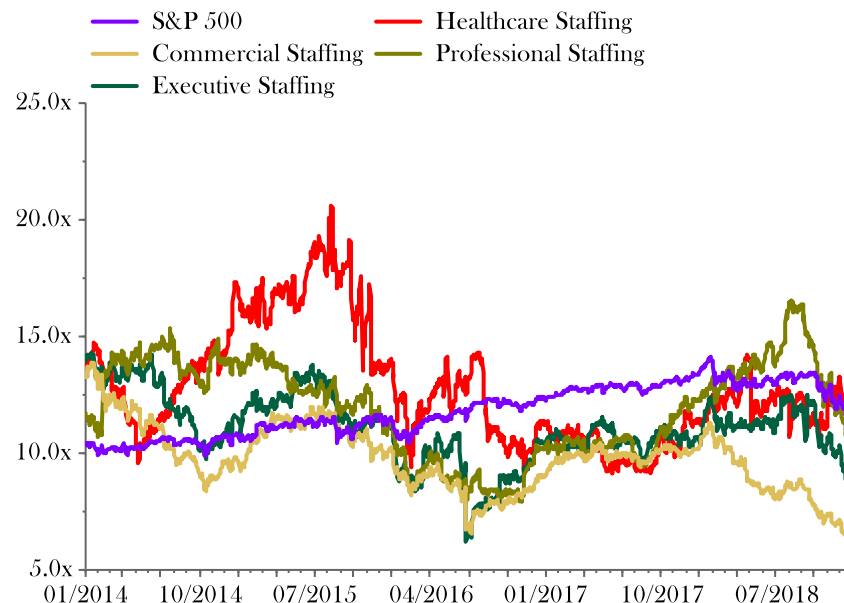
Source: Staffing Industry Analysts "US Staffing Industry Forecast: April 2019 Update", April 19, 2019



## 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	996.2	-12.6%	10.0%	25.8%	25.4%	0.4x	7.9x
Professional Staffing	8	145.4	-20.6%	23.0%	65.5%	30.1%	0.6x	9.8x
Executive & Retained Search	4	2,100.8	-20.3%	33.2%	62.6%	42.7%	0.8x	7.7x
Healthcare Staffing	2	1,581.5	-25.9%	-7.3%	158.5%	23.3%	0.9x	13.9x
<b>S&amp;P 500*</b>			<b>2.8%</b>	<b>34.6%</b>	<b>75.7%</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	\$10,880.3	\$27,573.4	\$5,039.6	18.3%	\$1,370.7	5.0%	0.4 x	7.9 x
Barrett Business Services, Inc.	BBSI	03/31/2019	\$410.3	\$934.9	\$194.6	20.8%	\$49.6	5.3%	0.4 x	8.3 x
GEE Group, Inc.	JOB	03/31/2019	\$109.9	\$154.9	\$48.0	31.0%	\$10.8	6.9%	0.7 x	10.2 x
Kelly Services, Inc. Class A	KELYA	03/31/2019	\$996.2	\$5,526.6	\$983.8	17.8%	\$125.6	2.3%	0.2 x	7.9 x
ManpowerGroup Inc.	MAN	03/31/2019	\$5,941.2	\$21,513.7	\$3,498.4	16.3%	\$887.0	4.1%	0.3 x	6.7 x
Randstad NV	RAND-NL	03/31/2019	\$11,548.3	\$27,600.5	\$5,225.7	18.9%	\$1,358.8	4.9%	0.4 x	8.5 x
TrueBlue, Inc.	TBI	03/31/2019	\$888.8	\$2,497.2	\$629.8	25.2%	\$117.1	4.7%	0.4 x	7.6 x
<b>Average</b>			<b>\$4,396.4</b>	<b>\$12,257.3</b>	<b>\$2,231.4</b>	<b>21.2%</b>	<b>\$559.9</b>	<b>4.7%</b>	<b>0.4 x</b>	<b>8.2 x</b>
<b>Median</b>			<b>\$996.2</b>	<b>\$5,526.6</b>	<b>\$983.8</b>	<b>18.9%</b>	<b>\$125.6</b>	<b>4.9%</b>	<b>0.4 x</b>	<b>7.9 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	03/31/2019	\$3,995.6	\$3,638.3	\$973.5	26.8%	\$389.4	10.7%	1.1 x	10.3 x
BG Staffing, Inc.	BGSF	03/31/2019	\$188.6	\$288.8	\$72.7	25.2%	\$28.8	10.0%	0.7 x	6.6 x
Hudson Global, Inc.	HSO	03/31/2019	\$8.4	\$66.9	\$41.3	61.8%	(\$4.5)	-6.7%	0.1 x	NM
Kforce Inc.	KFRC	03/31/2019	\$985.5	\$1,398.8	\$404.1	28.9%	\$87.7	6.3%	0.7 x	11.2 x
Mastech Digital, Inc.	MHH	03/31/2019	\$92.2	\$179.0	\$40.4	22.6%	\$13.0	7.3%	0.5 x	7.1 x
RCM Technologies, Inc.	RCMT	03/30/2019	\$74.6	\$201.1	\$48.8	24.3%	\$6.9	3.4%	0.4 x	10.8 x
Robert Half International Inc.	RHI	03/31/2019	\$6,261.3	\$5,873.5	\$2,380.0	40.5%	\$664.4	11.3%	1.1 x	9.4 x
Volt Information Sciences, Inc.	VISI	01/27/2019	\$102.1	\$1,039.3	\$155.4	14.9%	(\$3.9)	-0.4%	0.1 x	NM
<b>Average</b>			<b>\$1,463.5</b>	<b>\$1,585.7</b>	<b>\$514.5</b>	<b>30.6%</b>	<b>\$147.7</b>	<b>5.2%</b>	<b>0.6 x</b>	<b>9.2 x</b>
<b>Median</b>			<b>\$145.4</b>	<b>\$664.0</b>	<b>\$114.1</b>	<b>26.0%</b>	<b>\$20.9</b>	<b>6.8%</b>	<b>0.6 x</b>	<b>9.8 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	\$2,748.7	\$7,946.8	NA	NA	\$355.2	4.5%	0.3 x	7.7 x
Heidrick & Struggles International, Inc.	HSII	03/31/2019	\$490.9	\$747.3	\$199.7	26.7%	\$85.3	11.4%	0.7 x	5.8 x
Korn Ferry	KFY	01/31/2019	\$2,260.5	\$1,959.7	\$491.5	25.1%	\$294.7	15.0%	1.2 x	7.7 x
PageGroup PLC	PAGE-GB	12/31/2018	\$1,941.1	\$2,066.7	\$1,086.6	52.6%	\$218.7	10.6%	0.9 x	8.9 x
<b>Average</b>			<b>\$1,860.3</b>	<b>\$3,180.1</b>	<b>\$592.6</b>	<b>34.8%</b>	<b>\$238.5</b>	<b>10.4%</b>	<b>0.8 x</b>	<b>7.5 x</b>
<b>Median</b>			<b>\$2,100.8</b>	<b>\$2,013.2</b>	<b>\$491.5</b>	<b>26.7%</b>	<b>\$256.7</b>	<b>11.0%</b>	<b>0.8 x</b>	<b>7.7 x</b>

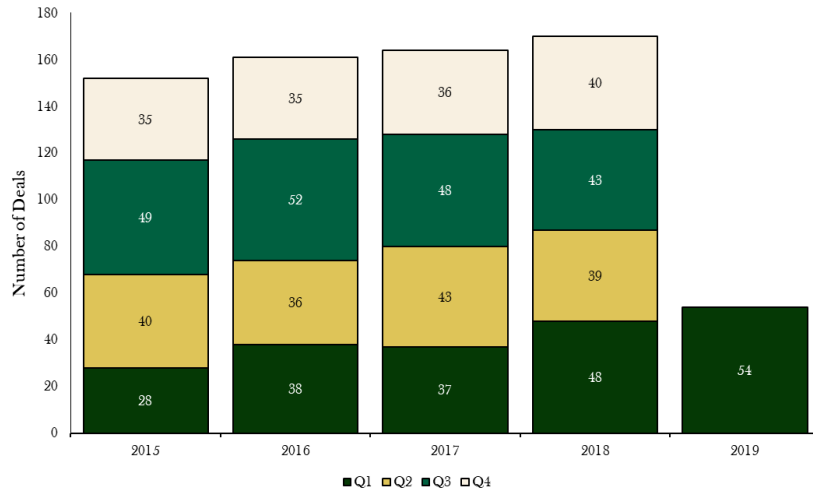
## Healthcare Staffing

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	03/31/2019	\$2,831.4	\$2,146.0	\$660.3	30.8%	\$234.6	10.9%	1.3 x	12.1 x
Cross Country Healthcare, Inc.	CCRN-US	03/31/2019	\$331.5	\$801.4	\$192.2	24.0%	\$21.2	2.6%	0.4 x	15.7 x
<b>Average</b>			<b>\$1,581.5</b>	<b>\$1,473.7</b>	<b>\$426.2</b>	<b>27.4%</b>	<b>\$127.9</b>	<b>6.8%</b>	<b>0.9 x</b>	<b>13.9 x</b>
<b>Median</b>			<b>\$1,581.5</b>	<b>\$1,473.7</b>	<b>\$426.2</b>	<b>27.4%</b>	<b>\$127.9</b>	<b>6.8%</b>	<b>0.9 x</b>	<b>13.9 x</b>

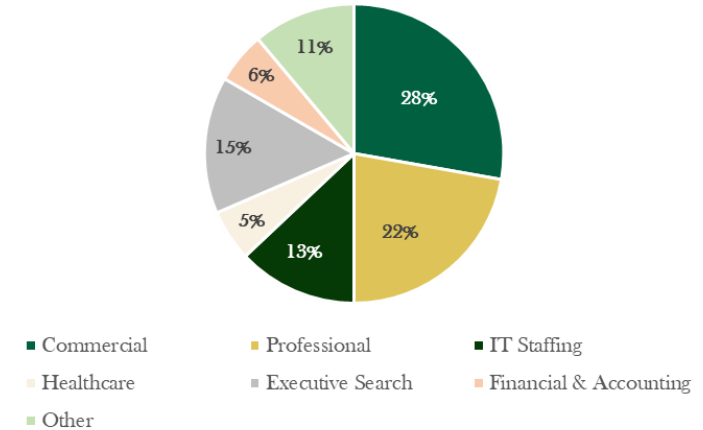




## No. of Deals Per Quarter



## Q1 Deals by Industry



## Notable Transactions

Completion Date	Target	Target Description	Buyer	Commentary
01/08/2019	NextGen Global Resources LLC / Global Technology Associates, LLC	Provides engineering, technology, telecom staffing and recruiting services	Kelly Services, Inc.	Kelly expands its engineering and telcom staffing segment through the acquisition of NextGen and Global Technology Associates. This positions Kelly to be one of the largest engineering staffing companies in the US. These acquisitions also allow Kelly to be positioned to serve the growing demand for professionals in the 5G telecom space.
01/14/2019	Kelly Legal Managed Services	Provides legal staffing and legal management services	TrustPoint International LLC	Acquisition by TrustPoint, a provider of legal services including eDiscovery, managed review, depositions and translations. This comes as Kelly publicly announced that it will be exiting the legal staffing market
01/30/2019	DLC, Inc. (California)	Provides business management consulting services	Addison Professional Financial Search LLC / Odyssey Investment Partners	DLC, Inc., a leading finance and accounting staffing firm has a new owner. The previously PE back firm was acquired by Addison Group. Addison Group is backed by Odyssey Group, a \$3.5B private equity firm, that acquired the company in December 2016. DLC, Inc. was previously backed by Gryphon Investors, a \$4.5B private equity firm, that acquired the business in December of 2006. Under Gryphon's ownership DLC acquired Beacon Resources.
02/25/2019	USA Drivers, Inc.	Provides truck driver staffing and placement services	TransForce, Inc. (United States)	Transforce, one of the leaders in commercial truck driver staffing continues to grow with the acquisition of USA Drivers. This marks the fifth acquisition for the company over the last twelve months, signaling rapid consolidation in the industry. Transforce is backed by Palladium Equity, a 3.0B private equity firm, that acquired the company in July 2015.
03/13/2019	LTI Services LLC	Provides staffing solutions	Onin Staffing LLC	Onin continues to grow with the acquisition of LTI Services. LTI Services will allow Onin to expand its geographic footprint to the Midwest and add 13 locations in Wisconsin, Indiana, and Illinois. This is the largest acquisition by Onin which is expected to generate \$425mm in sales.
04/01/2019	Kforce Government Solutions, Inc.	Develops enterprise data management systems for government clients	ManTech International Corp.	ManTech continues to execute on its strategy to expand its federal civilian expansion and increase its relationship with the Department of Veterans Affairs. Kforce Governmental Solutions was acquired for \$11.5mm in cash or 1.2x Revenue

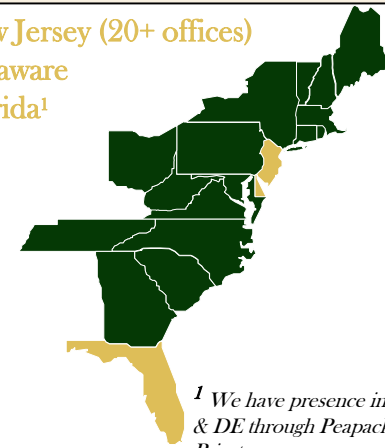


## About the Bank

Peapack-Gladstone Bank\* (NASDAQ: PGC) is a 98-year old boutique commercial bank with total assets of \$4.7 Bn and AUM of \$6.3 Bn as of 3/31/2019. Other business segments include Peapack Private (Wealth), Commercial Banking, Commercial Real Estate, Peapack Capital (Equipment Finance), Retail, Residential and Consumer Banking.

## 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

## 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](mailto:kbodnar@pgbank.com)  
T: (908) 443-5385

**Jim Janesky**  
Senior Advisor  
Business Services  
E: [jjanesky@pgbank.com](mailto: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

*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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