

Investment Banking

Industry Perspectives

Human Capital Solutions Quarterly | Q4 2020



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Investment Banking

Overview

Our Team is pleased to present its 4Q20 quarterly human capital solutions industry update from our Senior Advisor, Jim Janesky, who oversees client coverage and leads the vertical.

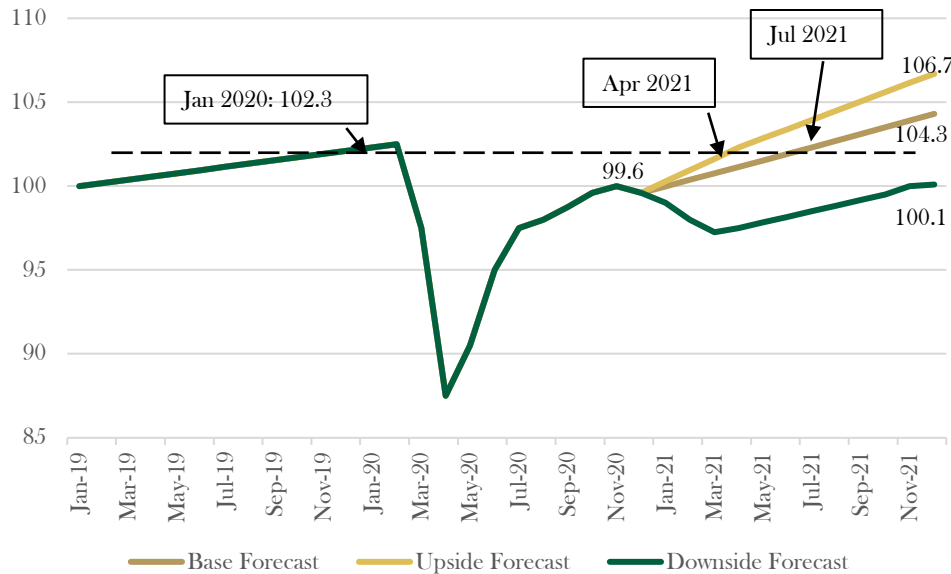
Through this industry update, we will share with you our impressions on the market, track the leading macroeconomic indicators, report relevant transactions, public market valuations and highlight current trends.

Our Market Observations

- The US economy and staffing market continued its remarkable recovery in 4Q20 and as we entered 2021. Both private and public staffing firms across most verticals, especially Healthcare, IT and Finance, grew sequentially and, in some cases, Y/Y during 4Q20. The most significantly impacted verticals such as light industrial and office/clerical also exhibited signs of recovery. The second round of PPP stimulus could also help the hardest hit companies in the space.
- The 2/10/2021 Conference Board US GDP forecast outlined three recovery scenarios: a “Base” case, an “Upside” case and a “Downside” case, that predicts GDP to grow in 2021 by 4.4%, 6.4% and 1.0%, respectively (see page 3). The Conference Board consistently “raised” its economic forecast for 2020 since April 2020, when The Conference Board expected a GDP decline of almost 10%. GDP ultimately came in at a decline of 3.5% in 2020. The Conference Board’s “Upside” forecast is based upon \$1.9 T in stimulus \$\$ is spent, COVID vaccines are extremely successful and employment/consumption meaningfully recovers. The “Downside” forecast is based upon \$600 B in stimulus \$\$ is spent, a “third wave” of COVID and employment/consumption deteriorates. Our outlook for the US staffing industry is based on the February 2021 4.4% (Base case) GDP increase for 2021 but note that future Conference Board updates could be subject to revisions.
- The chart on page 3 provides The Conference Board’s 2/10/2021 forecast for a 4.4% 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 stimulus check spend by consumers will be crucial to any rebound. Real Consumer Spending represents 60-65% of GDP.
- Public company staffing stocks have rebounded due to their 2020 results and outlook for 2021 and we expect that the stocks would outperform the overall market in 2021 if the “Base” or especially “Upside” case GDP forecasts come through. Investors prefer staffing stocks as we exit a recession, which the US economy did in 3Q20 (see page 7).
- The M&A market was very active in 4Q20. We expect this trend to continue as we move into 2021. Multiples are close to their pre-COVID levels, both strategic and financial players have been aggressive buyers, there are more buyers than sellers and financing is readily available, but buyers generally require that sellers take less money down with longer earn outs (see page 10).



Conference Board US GDP Outlook (Index, Jan 2019=100)



The 2/10/2021 Conference Board US GDP forecast outlined three recovery scenarios: Base, Upside and Downside that predicts GDP to increase in 2021 by 4.4%, 6.4% and 1.0% respectively

The Conference Board is directionally more bullish on the US economy while highlighting red flags in the Downside forecast such as slower job growth/consumer spending and a possible resurgence of COVID-19

Real Consumer Spending, which represents 60-65% of GDP, will be critical to an overall economic rebound and is dependent upon, among other trends, the amount of further stimulus checks spent

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

Our outlook for the US staffing industry is based on the recent 4.4% (Base case) GDP increase for 2021 and is more bullish for the second quarter in a row

Base Case Economic Outlook 2019-2020-2021 (% change, seasonally adj annual rates)

	2020						2021						2020	2021
	Q1*	Q2*	1H	Q3	Q4	2H	Q1	Q2	1H	Q3	Q4	2H	Annual	Annual
Real GDP	-5.0	-31.4	-18.2	33.4	4.0	18.7	2.0	4.7	3.3	6.4	4.8	5.6	-3.5	4.4
Real Disposable Income	2.6	48.5	25.6	-16.3	-9.5	-12.9	4.0	20.0	12.0	-10.0	2.0	-4.0	6.0	1.5
Real Consumer Spending	-6.9	-33.2	-20.0	41.0	2.5	21.8	3.6	5.0	4.3	6.9	5.1	6.0	-3.9	5.2
Residential Investment	19.0	-35.5	-8.3	63.0	33.5	48.3	8.0	10.0	9.0	8.0	5.0	6.5	5.9	14.5
Nonresidential Investment	-6.7	-27.2	-16.9	22.9	13.8	18.3	5.4	6.1	5.8	6.5	5.6	6.0	-4.0	6.8
Inventory Change (bn '09\$)	-80.9	-287.0	-184.0	-3.7	44.6	20.5	0.0	5.0	2.5	16.0	16.0	16.0	-81.8	100.0
Total Govt Spending	1.3	2.5	1.9	-4.8	-1.2	-3.0	0.0	1.0	0.5	1.7	2.7	2.2	1.1	-0.1
Exports	-9.5	-64.4	-36.9	59.6	22.0	40.8	3.0	5.1	4.1	7.1	5.1	6.1	-13.0	5.7
Imports	-15.0	-54.1	-34.5	93.0	29.5	61.3	5.6	5.1	5.3	5.6	4.6	5.1	-9.3	11.7
Unemployment Rate	3.8	13.1	8.4	8.8	6.8	7.8	6.2	5.9	6.1	5.4	5.0	5.2	8.1	5.8
CPI Inflation	1.2	-3.5	-1.2	5.2	2.2	3.7	2.5	2.2	2.3	2.0	2.0	2.0	1.3	2.2

Total Contraction & Growth (%YoY)

	Annual 2020	Annual 2021
Downside Forecast	-	+1.0%
Upside Forecast	-	+6.4%
Base Forecast	-3.5%	+4.4%

Source: The Conference Board "The Conference Board Economic Forecast for the US Economy", February 10, 2021



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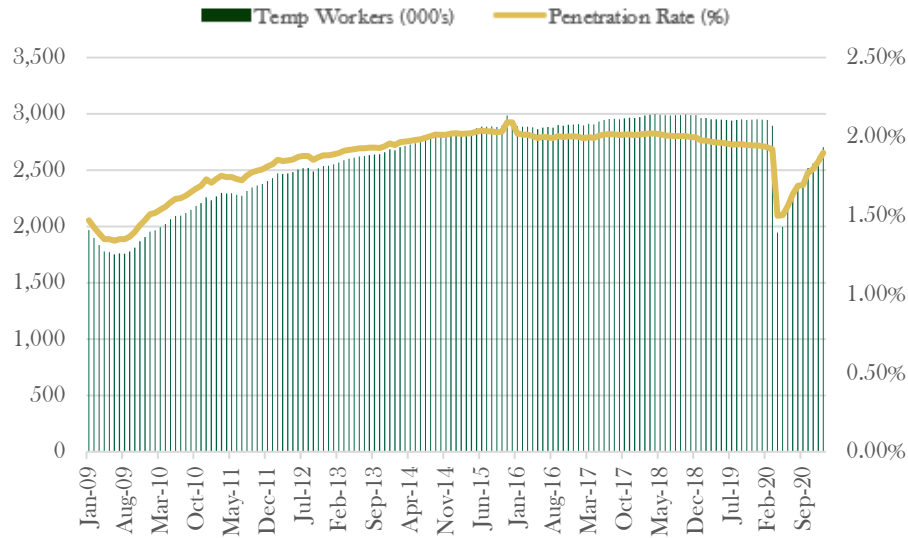
Investment Banking

*Member
FDIC



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Temporary Employment Vs. Penetration Rate

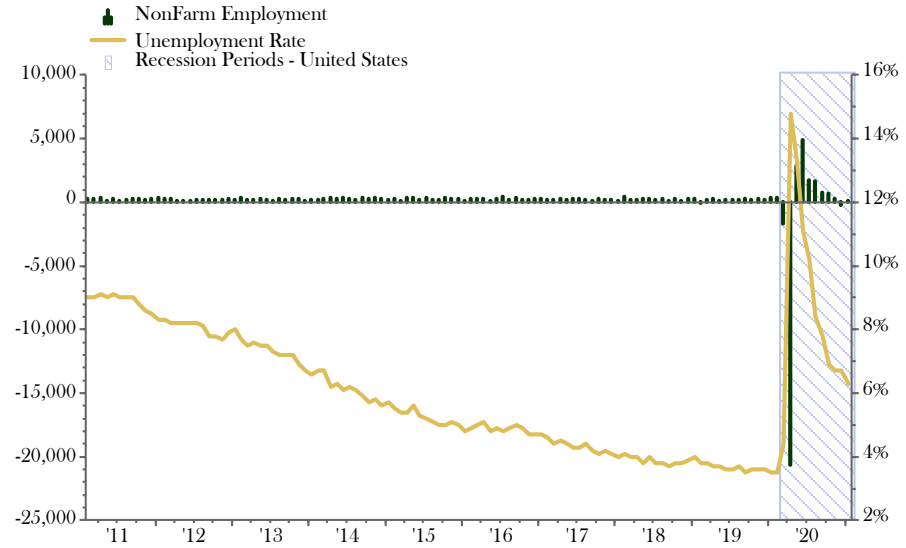


The temporary employment penetration rate came in at 1.9% in February 2021 compared to 1.84% the previous month. Temporary staffing volume growth declined 8.2% Y/Y versus a decrease of 11.1% in the prior month while sequential volume increased 3.1% in February. Many areas of temp employment have become “less worse” during 2020, continued to improve in 2021 and could exhibit further recovery, especially if employers become hesitant about re-hiring full-time workers.

Key Takeaway:

While components of the staffing industry have experienced near-term recovery, we believe that the industry could become an even more valuable resource to employers post-COVID. Turning fixed labor costs into variable costs is more crucial during an uncertain environment.

Y/Y Δ in NonFarm Employment Vs. Unemployment Rate



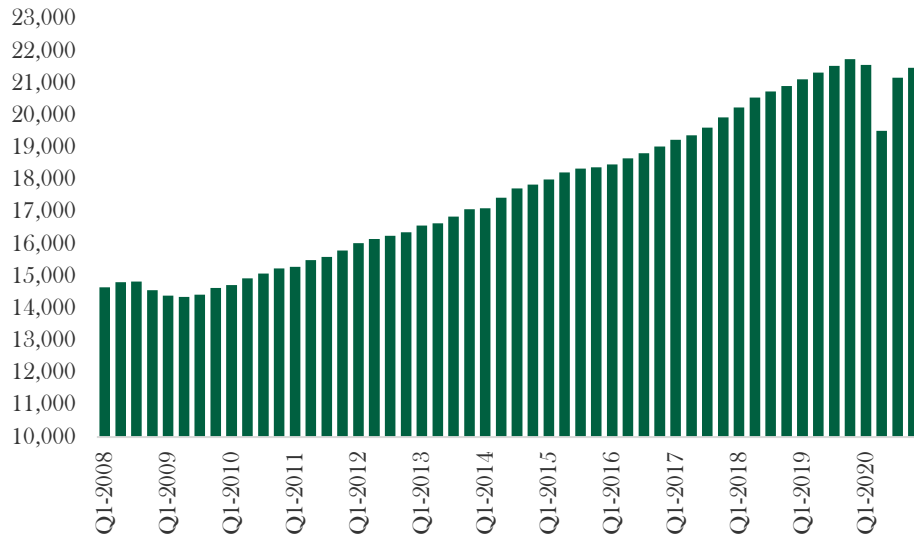
The February 2021 report of an increase of 49,000 jobs was below the forecast of a 100,000 increase in jobs. The unemployment rate of 6.3% was lower than the 6.7% figure in January 2021 while average hourly earnings for temporary employees increased 5.3% Y/Y. The 5.3% figure was up from 1.2% in the prior 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 volatile during turbulent economic times. Overall, however, these statistics have outperformed expectations since April 2020 when economists were “hoping” the unemployment rate would be at 10% by year end 2020. That said, employment is a key component of consumer spending trends and any pressure on employment could hit GDP in 2021.

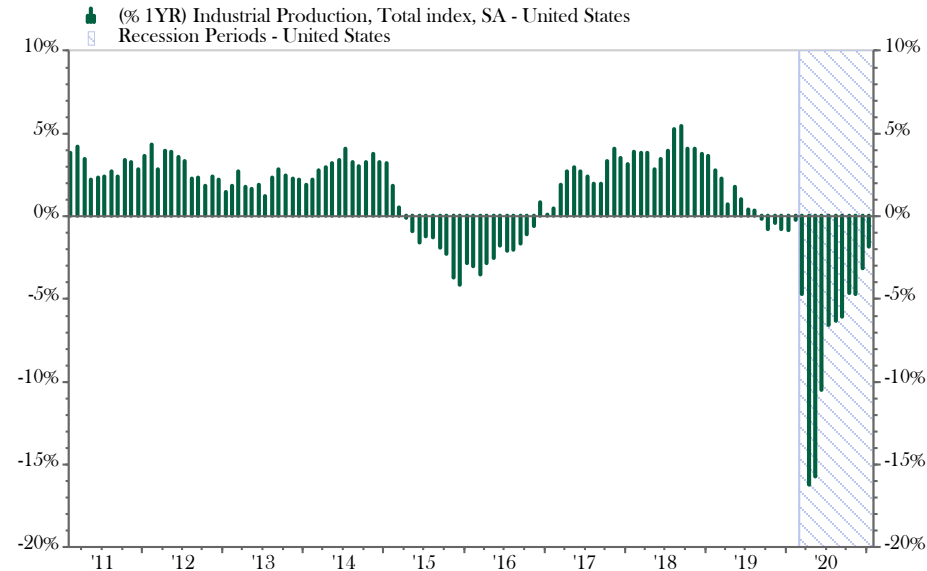


US Real GDP



According to The Conference Board (TCB), US Real GDP, a good proxy for the overall staffing market, grew 18.7% in the second half of 2020 versus a decline of 18.2% in the first half. Base-case scenario, TCB also forecasted that GDP would increase 4.4% in 2021 and Real Consumer Spending will increase by 5.2%. Real Consumer Spending will considerably impact GDP and staffing revenues and we believe the industry could exhibit substantial growth under the 4.4% GDP scenario. As with past cycles, the staffing industry has displayed significant momentum exiting a short-lived recession with exceptions that we note in other parts of this outlook.

US Industrial Production Growth

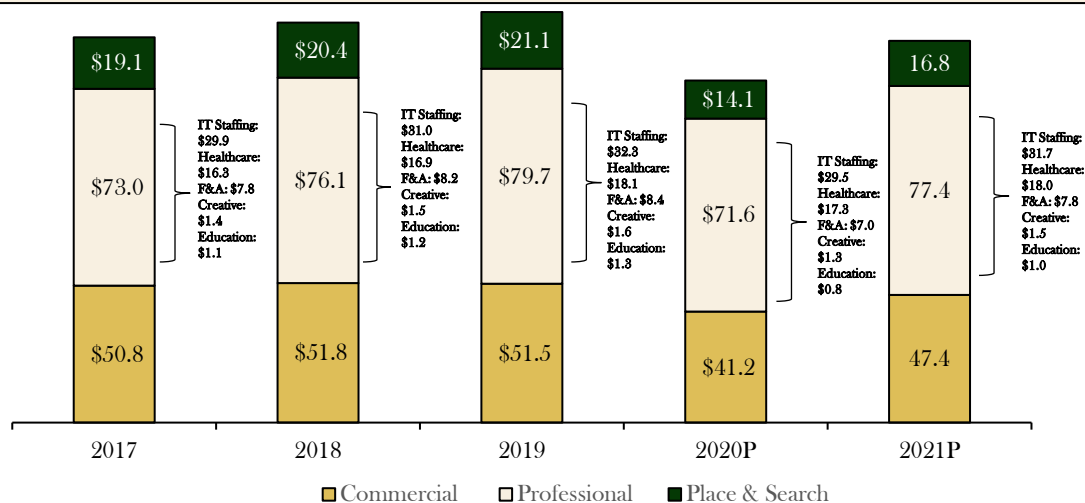


US Industrial Production, a good proxy for the \$35 billion industrial staffing segment, declined 1.8% in January 2021 versus a low of minus 16.3% in April 2020 and has consistently improved since June of 2020. The manufacturing sector, which accounts for 78% of industrial production, has rebounded as the sector came back from COVID-related shutdowns. 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.

Segment Growth & Other Industry Data

- The latest US Staffing Industry Forecast from Staffing Industry Analysts (SIA) (September 2020) predicted that overall staffing revenues will increase 12% in 2021, ahead of a forecast of a “Base Case” 11% increase back in July 2020 with updated expectations by each vertical. Investors, which are 4-6 months forward-looking, have recently rewarded staffing stocks due to mostly better than expected trends and the stocks are trading at healthy multiples. We believe that if recent GDP and other trends continue, staffing stocks will outperform the overall market in 2021.
- The same report by SIA forecasted that in 2021 by major verticals, Place & Search will increase 19% (no change), Office/Clerical will increase 15% (up from +10%), Industrial will increase 15% (up from +14%) and Professional/Specialty will increase 8% (down from +9%). Our outlook is that declines will wildly vary by company size, geographic focus and industries served but that recent results from companies in all the above verticals could allow these sectors (except for parts of the industrial sector due to increased regulations) to come in better than expected in 2021.
- Within the Professional/Specialty segment, SIA forecasted that the \$30B+ IT staffing vertical will increase 7% (down from +9%), the \$8B+ Finance/Accounting (F&A) vertical will increase 12% (no change) and that the roughly \$18B Healthcare vertical will increase by 4% (down from +8% due to locum tenens and allied healthcare).
- Like the other segments, our view is that trends within the Professional segment will also vary by size, geography and industry focus, but that companies in the IT and F&A verticals will experience increases ahead of forecasts. Healthcare Staffing, which includes Nurse Staffing and Locum Tenens (temp physicians), should face less headwinds in 2021 and that nurse travel revenues have exceeded expectations.

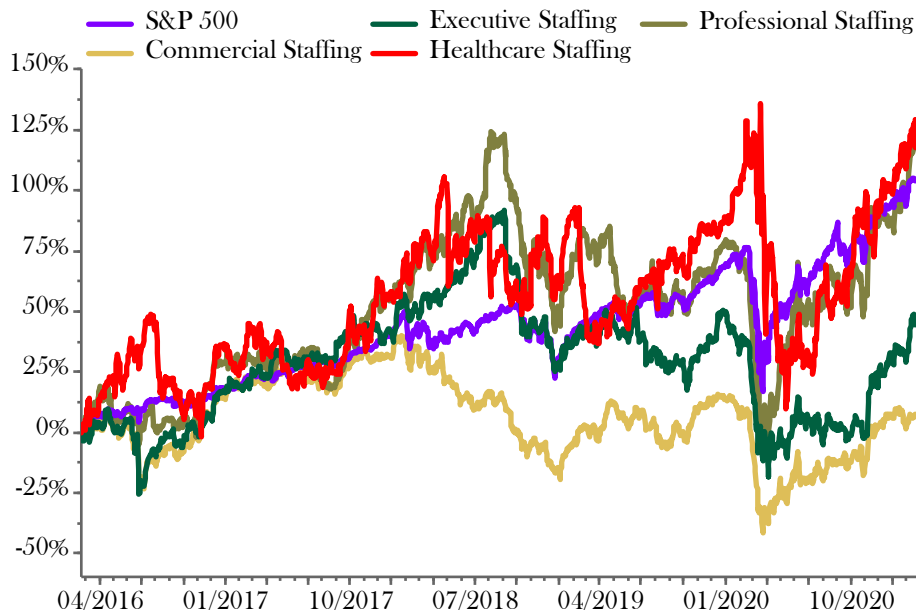
Staffing Industry Forecast



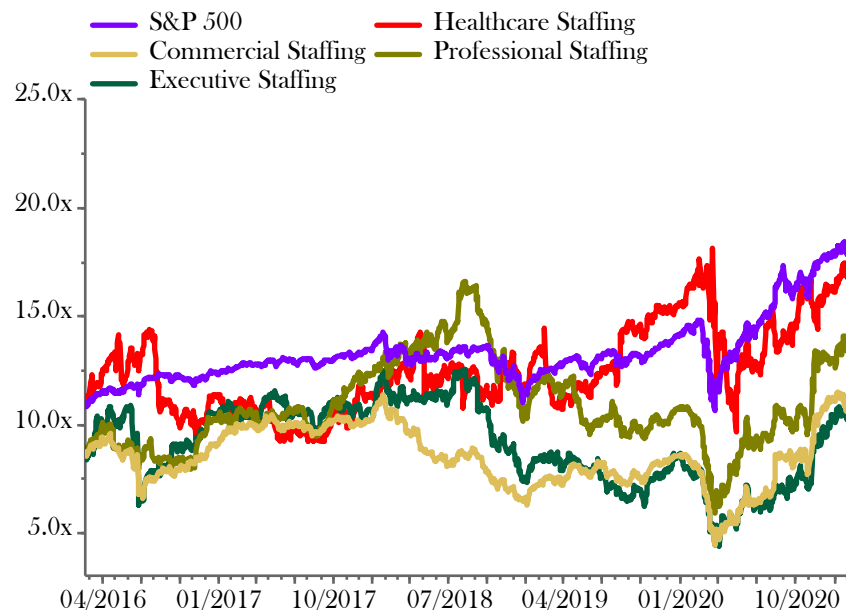
Source: Staffing Industry Analysts “US Staffing Industry Forecast: September 2020 Update”, September 10, 2020



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 Revenue	Median TEV / LTM Multiples EBITDA
			1 Year	3 Years	5 Years			
Commercial Staffing	6	3,000.6	7.2%	-21.0%	22.5%	18.5%	0.4x	12.0x
Professional Staffing	8	189.1	52.7%	2.1%	59.0%	21.0%	0.8x	14.7x
Executive & Retained Search	4	2,713.2	23.2%	16.6%	43.2%	42.9%	1.0x	13.6x
Healthcare Staffing	2	2,457.1	0.2%	4.6%	67.6%	24.6%	1.2x	17.7x
S&P 500*			16.1%	43.4%	99.3%			

*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	ADEN-CH	09/30/2020	\$11,414.3	\$22,559.0	\$4,255.9	18.9%	\$899.7	4.0%	0.5 x	12.7 x
Barrett Business Services, Inc.	BBSI	09/30/2020	\$348.0	\$892.8	\$181.5	20.3%	\$57.0	6.4%	0.4 x	6.1 x
Kelly Services, Inc. Class A	KELYA	01/03/2021	\$682.5	\$4,516.0	\$820.8	18.2%	\$79.5	1.8%	0.2 x	8.6 x
ManpowerGroup Inc.	MAN	12/31/2020	\$5,237.6	\$18,001.0	\$2,824.7	15.7%	\$447.2	2.5%	0.3 x	11.7 x
Randstad NV	RAND-NL	09/30/2020	\$12,832.3	\$23,528.5	\$4,000.5	17.0%	\$1,047.7	4.5%	0.5 x	12.2 x
TrueBlue, Inc.	TBI	12/27/2020	\$763.7	\$1,846.4	\$408.6	22.1%	\$32.3	1.8%	0.4 x	23.6 x
Average			\$5,213.0	\$11,890.6	\$2,082.0	18.7%	\$427.2	3.5%	0.4 x	12.5 x
Median			\$3,000.6	\$11,258.5	\$1,822.8	18.5%	\$263.4	3.2%	0.4 x	12.0 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	12/31/2020	\$5,972.5	\$3,950.6	\$1,037.6	26.3%	\$407.0	10.3%	1.5 x	14.7 x
BGSF, Inc.	BGSF	09/27/2020	\$187.4	\$280.5	\$70.8	25.2%	\$17.6	6.3%	0.7 x	10.7 x
GEE Group, Inc.	JOB	12/31/2020	\$94.0	\$126.9	\$39.8	31.3%	\$7.7	6.0%	0.7 x	12.3 x
Kforce Inc.	KFRC	12/31/2020	\$1,117.2	\$1,397.7	\$391.0	28.0%	\$85.5	6.1%	0.8 x	13.1 x
Mastech Digital, Inc.	MHH	12/31/2020	\$190.8	\$194.1	\$54.3	28.0%	NA	NA	1.0 x	NA
RCM Technologies, Inc.	RCMT	09/26/2020	\$73.9	\$157.8	\$39.4	25.0%	\$2.7	1.7%	0.5 x	27.2 x
Robert Half International Inc.	RHI	12/31/2020	\$8,897.1	\$5,109.0	\$1,949.1	38.2%	\$408.9	8.0%	1.7 x	21.8 x
Volt Information Sciences, Inc.	VOLT	11/01/2020	\$117.0	\$822.1	\$127.9	15.6%	\$5.8	0.7%	0.1 x	20.2 x
Average			\$2,081.2	\$1,504.8	\$463.7	27.2%	\$133.6	5.6%	0.9 x	17.1 x
Median			\$189.1	\$551.3	\$99.3	27.1%	\$17.6	6.1%	0.8 x	14.7 x



Executive & Retained Search

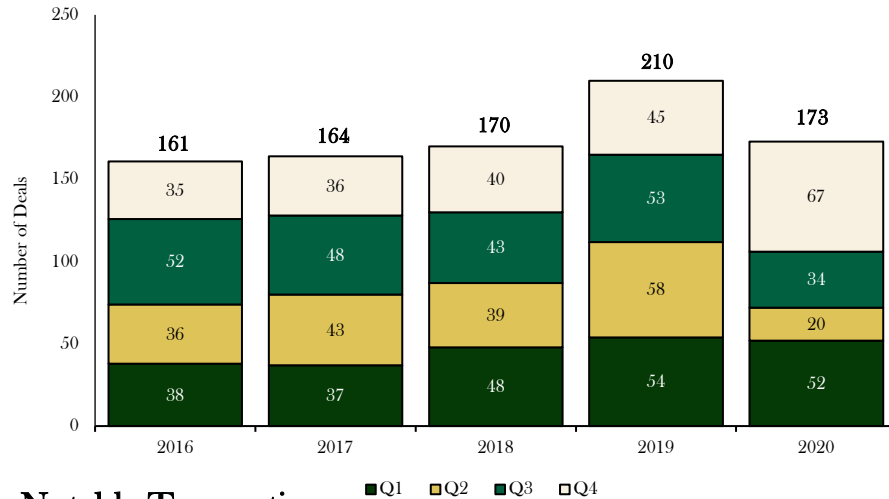
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
Hays plc	HAS-GB	12/31/2020	\$3,389.6	\$7,155.5	NA	NA	\$160.7	2.2%	0.5 x	21.1 x
Heidrick & Struggles International, Inc.	HSII	09/30/2020	\$553.0	\$651.8	\$172.1	26.4%	\$73.8	11.3%	0.8 x	7.5 x
Korn Ferry	KFY	01/31/2021	\$3,301.2	\$1,711.5	\$363.6	21.2%	\$229.4	13.4%	1.9 x	14.4 x
PageGroup PLC	PAGE-GB	06/30/2020	\$2,125.2	\$1,874.0	\$888.4	47.4%	\$164.8	8.8%	1.1 x	12.9 x
Average			\$2,342.3	\$2,848.2	\$474.7	31.7%	\$157.2	8.9%	1.1 x	14.0 x
Median			\$2,713.2	\$1,792.8	\$363.6	26.4%	\$162.8	10.1%	1.0 x	13.6 x

Healthcare Staffing

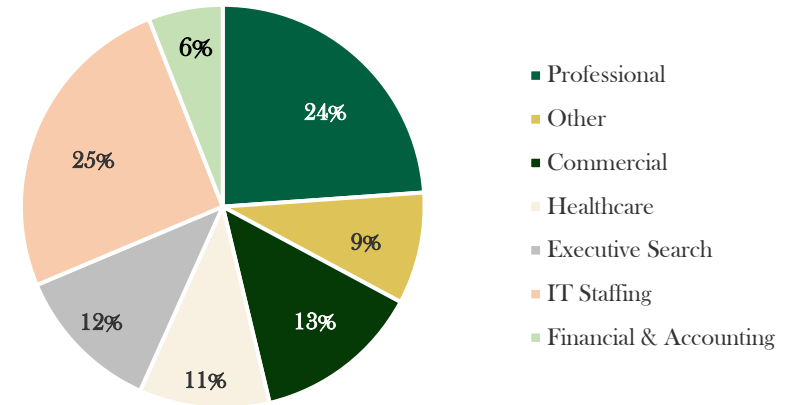
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
AMN Healthcare Services, Inc.	AMN-US	12/31/2020	\$4,457.9	\$2,393.7	\$699.0	29.2%	\$242.0	10.1%	1.9 x	18.4 x
Cross Country Healthcare, Inc.	CCRN-US	09/30/2020	\$456.4	\$835.9	\$186.4	22.3%	\$27.0	3.2%	0.5 x	16.9 x
Average			\$2,457.1	\$1,614.8	\$442.7	25.8%	\$134.5	6.7%	1.2 x	17.7 x
Median			\$2,457.1	\$1,614.8	\$442.7	25.8%	\$134.5	6.7%	1.2 x	17.7 x



No. of Deals Per Quarter



Q4 Deals by Industry



Notable Transactions

Completion Date	Target	Target Description	Buyer	Commentary
12/29/2020	Keystone Staffing, Inc.	Keystone Staffing, Inc. operates an online recruitment platform which provides staffing services	Staffing Solutions, Inc.	Staffing Solutions Inc., and Keystone Staffing, Inc. have merged to form Keystone Staffing and Talent Solutions, a \$10mm locally owned talent and staffing firm. Staffing Solutions was founded by Benny Filandrinos in 1992, who will serve as VP and Principal of the new company. Keystone Staffing was also founded in 1992 by Patrick Queenseen, who will be CEO of the new company. The merger will expand the firms' service lines to include direct hire, temp-to-hire, and temporary/contract staffing including executive and professional search services. In addition, the new firm will provide recruitment and human resources consulting services, including recruitment process outsourcing, employee assessment, benchmarking studies, and HR-on-demand services. This merger shows the continued trend to grow via acquisition in the human capital space and will allow the firm to be a leader in the St. Louis market.
12/8/2020	System One Holdings	System One specializes in integrated services and human capital management solutions	Oaktree Capital Management	Oaktree Capital Management, a Los Angeles based leading global alternative investments management firm has entered into an agreement to acquire a significant stake in System One Holdings, LLC, an international staffing and workforce solutions firm, headquartered in Pittsburgh. Oaktree Capital Management has over \$140Bn AUM, and invests across multiple asset classes, focusing on investments that deliver above average gains without taking on excessive risk. System One Holdings is one of the largest integrated services and workforce solutions firms in the US with over 8,000 employees and consultants, and more than 50 offices. Included in SIA's 2020 largest staffing firms in the US, System One offers a full suite of workforce solutions and staffing and recruiting. The investment will provide capital to allow System One's to rapidly grow its portfolio of services.
12/01/2020	Integrated Solutions Management, Inc.	Integrated Solutions Management, Inc. (ISM) is an IT performance company.	ASGN, Inc.	ASGN, Inc. (NYSE: ASGN), one of the foremost providers of IT and professional services in the technology, digital, creative, engineering and life sciences fields has entered into an agreement to acquire Integrated Solutions Management, Inc. ISM offers industry-leading expertise in Internet of Things (IoT) technology, IT service and operations management. ISM offers their comprehensive suite of products and services across commercial and government sectors. This acquisition will enhance ASGN's portfolio and position themselves to deliver on some of the most complex digital transformations.
11/17/2020	Power Labor, LLC	Power Labor, LLC provides skilled commercial construction labor staffing services	Labor Source Holdings, LLC	Labor Source Holdings LLC, a portfolio company of PE firm Great Range Capital has acquired Power Labor LLC. Great Range Capital, a PE firm founded in 2010 seeks to partner with Midwestern companies in the business and industrial sectors. Labor Source, a Kansas based firm operates the One Source Staffing and Labor and Catstaff brands, which provide restoration and emergency response staffing services. Power Labor, headquartered in Texas provides staffing services for the medium to large commercial construction companies to fulfill short and long term needs of skilled tradesmen. The acquisition will bring more diversity and additional staffing solutions to Labor Source's portfolio in the niche industry.
10/21/2020	Latitude 36, Inc.	Latitude 36 is a staffing and recruiting company that offers information technology and healthcare staffing services.	Harvey Nash Group	Harvey Nash Group, a London-based global staffing firm has acquired US-based IT staffing firm Latitude 36. Harvey Nash Group was founded in 1988, and offers technology recruiting, executive search & leadership, and outsourcing solutions to over 30 countries globally. Latitude 36 is a full-service talent management firm specializing in IT staffing using proprietary tailored business intelligence to forecast talent needs. This acquisition fits Harvey Nash's ambitious growth plans to enter into the critical North American market and offer a much wider range of services as well as an expanded team of technology recruitment experts.

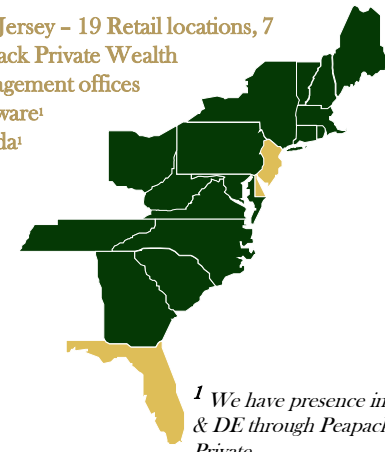


About the Bank

Peapack-Gladstone Bank* (NASDAQ: PGC) is a 100-year-old boutique commercial bank with total assets of \$5.9 Bn and AUM of \$8.8 Bn as of 12/31/2020. Other business segments include Peapack Private (Wealth Management), Commercial Banking, Commercial Real Estate, Peapack Capital (Equipment Finance), Retail, Residential and Consumer 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

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Our Capabilities

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

Business Services Transactional Experience

+125



+75

- 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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