

Investment Banking

Industry Perspectives

Human Capital Solutions Quarterly | Q1 2020



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Wealth Management

Overview

Our Team is pleased to present its 1Q20 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

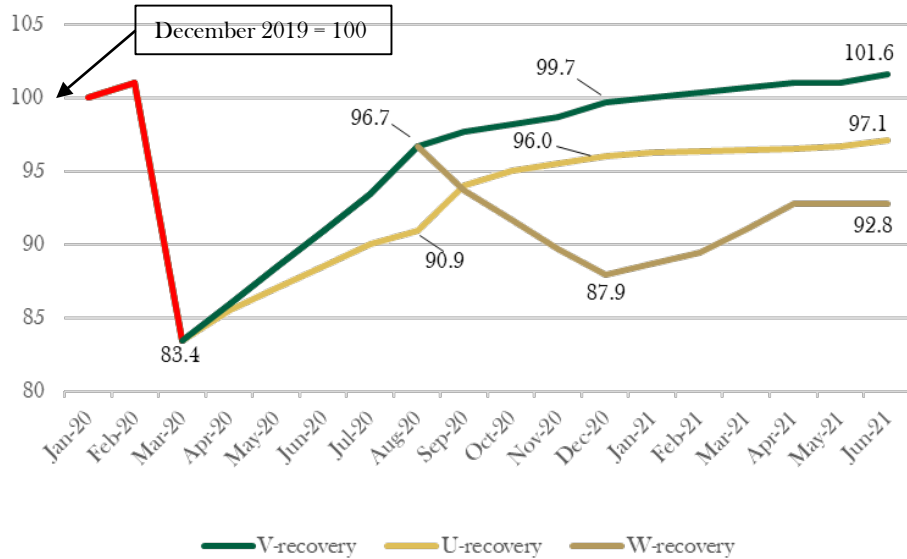
- The US employment market experienced an unprecedented near-term decline in late March, all of April and the early part of May 2020. Staffing companies, which expected continued growth through all of 2020, were not prepared for such a shock, especially on the cost side of their P&L. While several firms took swift action on the cost side and received a near-term liquidity injection from the government-funded PPP program, there will be many staffing companies of all sizes that may struggle to survive without another liquidity injection or a “V-shaped” US GDP recovery.
- The 5/11/2020 Conference Board US GDP forecast outlined three recovery scenarios: V, U and W-shaped, that predicted GDP to decline in 2020 by 4.0%, 7.2% and 6.1%, respectively (see page 3). On 3/25/2020, The Conference Board outlined May, Summertime and Fall recovery scenarios that forecasted GDP declines of 1.6%, 5.5% and 6.0%, respectively. Our outlook for the US staffing industry is based on the recent 7.2% (U-shaped) GDP decline for 2020 but note that future Conference Board updates could be subject to wild revisions.
- The chart on page 3 provides The Conference Board’s 5/11/2020 forecast for a 7.2% drop of US GDP in 2020 by quarter based on its underlying assumptions for Real Consumer Spending, Residential Investment, Real Capital Spending and Exports, in that order. Real Consumer Spending, which represents 60-65% of GDP, will be critical to an overall economic rebound.
- Public company staffing stocks, outside of the Healthcare vertical, continue to underperform the overall market but could outperform in 2020 if a U-shaped recovery takes place. Investors prefer staffing stocks as we exit a recession. We believe that certain verticals such as IT and Finance & Accounting could exhibit significant growth as the US economy begins to rebound. These verticals were well-equipped to handle remote work even before the COVID crisis (see page 7).
- While the M&A market has taken a pause, we believe that there could be increased activity as weaker companies look for lifelines and stronger companies eventually seek an exit strategy. Financing is still available but deal structures, such as the size and length of earn-outs, will adjust to any current environment (see page 10).

Upcoming Events

- June 9, 2020 – New Jersey Staffing Alliance / Mid-Atlantic Staffing Association webinar hosted by Jim Janesky



Conference Board US GDP Outlook



Economic Outlook 2018-2020 (% change, seasonally adj annual rates)

	2019		2020				2018	2019	2020
	1H	2H	Q1	Q2	Q3	Q4	Annual		
Real GDP	2.6	2.1	-4.8	-44.5	24.4	18.9	2.9	2.3	-7.2
Real Consumer Spending	2.8	2.5	-7.6	-54.2	36.3	15.5	3.0	2.6	-10.0
Residential Investment	-2.0	5.6	21.0	-25.0	-7.0	11.0	-1.5	-1.5	0.7
Real Capital Spending	1.7	-2.4	-8.6	-20.8	-2.4	8.6	6.4	2.1	-6.9
Exports	-0.7	1.5	-8.7	-35.1	11.1	9.0	3.0	0.0	-8.0

	Total Contraction & Growth	
	2020 vs 2019	H1-2021 vs H1 2021
V-recovery	-4.0%	3.8%
U-recovery	-7.2%	5.8%
W-recovery	-6.1%	-1.4%

The 5/11/2020 Conference Board US GDP forecast outlined three recovery scenarios: V, U and W-shaped, that predicted GDP to decline in 2020 by 4.0%, 7.2% and 6.1%, respectively

Real Consumer Spending, which represents 60-65% of GDP, will be critical to an overall economic rebound

Our outlook for the US staffing industry is based on the recent 7.2% (U-shaped) GDP decline for 2020 but note that future Conference Board updates could be subject to wild revisions (as highlighted quarterly above)

Source: The Conference Board "The Conference Board Economic Forecast for the US Economy", May 11, 2020

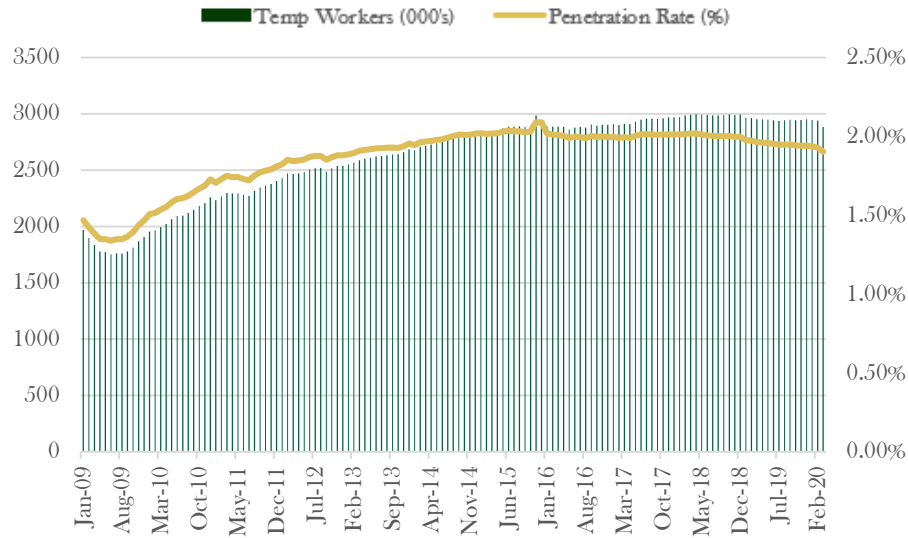


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Temporary Employment Vs. Penetration Rate

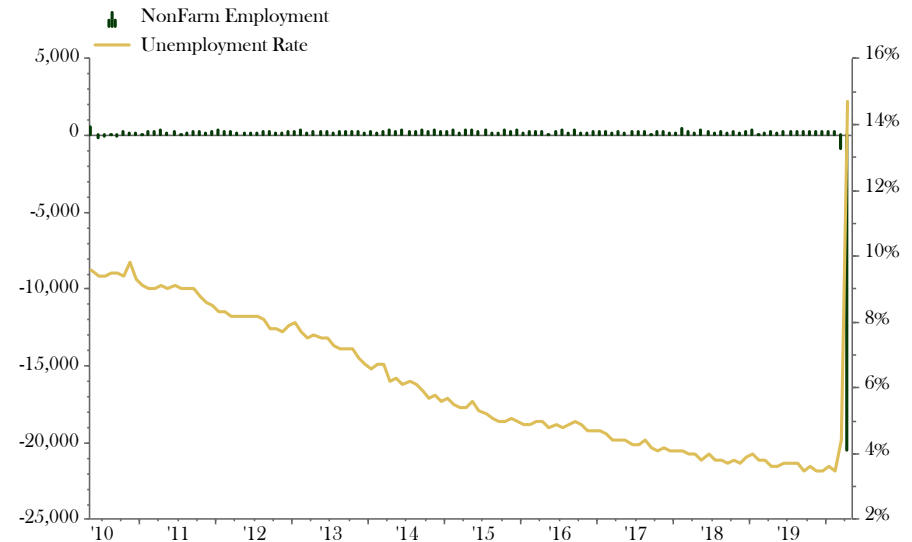


The temporary employment penetration rate came in at 1.556% in April 2020, significantly down from 1.901% in the prior month. Temporary staffing volume growth **declined 30.9% Y/Y** versus a decrease of 2.3% in the prior month while sequential volume **fell 29.2%** in April relative to its historical increase of 0.2% from March to April.

Key Takeaway:

While components of the staffing industry exhibit significant signs of near-term deceleration, we believe that certain verticals in the industry, such as IT and F&A, could experience sharp revenue acceleration as the US economy recovers. Verticals such as industrial and clerical may struggle. These two industries depend upon on-site placements, which could prove difficult in the current environment.

Y/Y Δ in NonFarm Employment Vs. Unemployment Rate



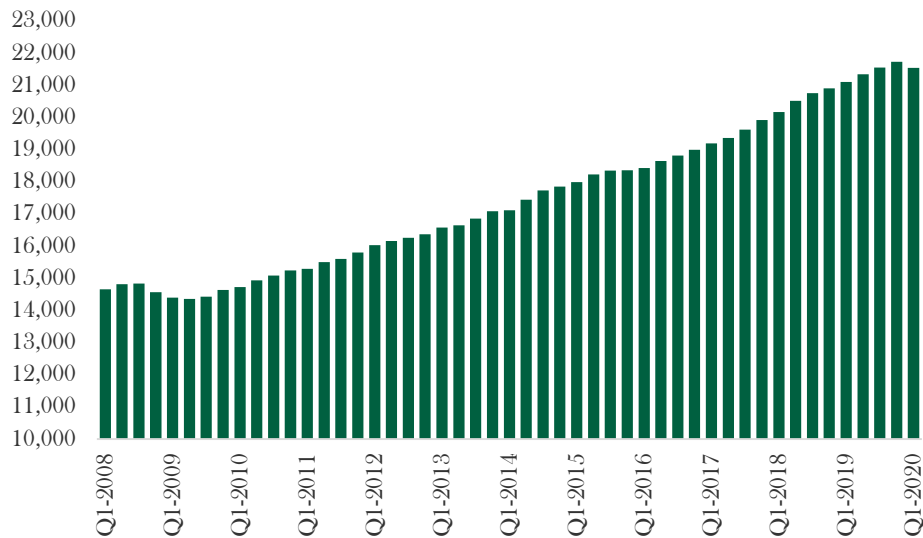
The April 2020 report of 20.5 million jobs LOST was a bit below the forecast of a 21 million decrease in jobs. The unemployment rate of 14.4% was substantially up from the prior month while overall average hourly earnings increased 7.9% Y/Y and average hourly earnings for temporary employees increased 6.1% Y/Y. The 7.9% figure was significantly up from 3.1% in the prior month, likely due to the loss of lower-wage jobs, while the 6.1% rate was slightly down from the 6.2% rate the prior month.

Key Takeaway:

Unless the US economy is in a protracted recession, the unemployment rate, a lagging indicator, could recover while temporary average earnings could decline. A key component will be if workers, who in several cases earn more on unemployment than at their previous jobs, will decide to return to work, especially if current unemployment benefits extend until the end of 2020. This development could constrict the rate of an economic rebound.

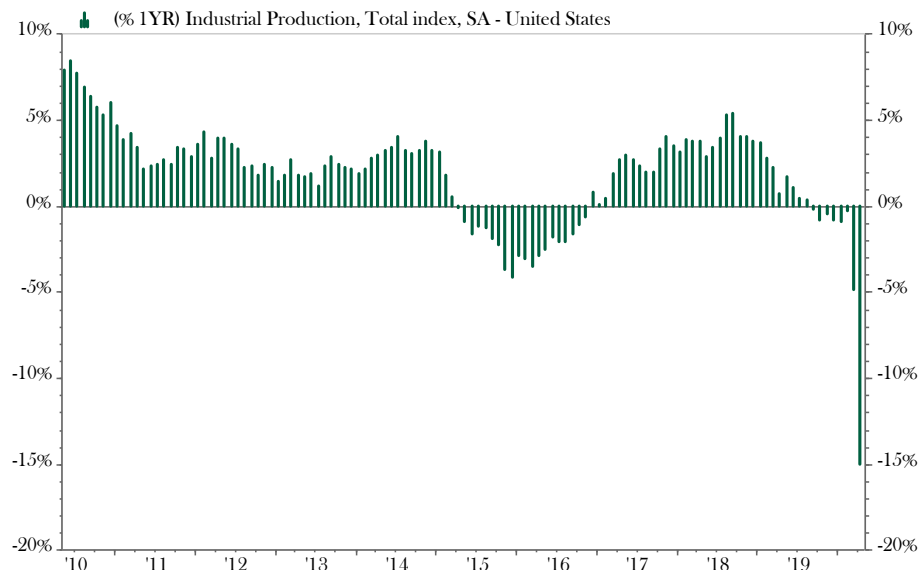


US Real GDP



According to The Conference Board (TCB), US Real GDP, a good proxy for the overall staffing market, fell 4.8% in 1Q20 versus growth of 2.1% in 4Q19. Base-case scenario, TCB also forecasted that GDP would decline 7.2% in 2020 and Real Consumer Spending will decline by 10.0%. Real Consumer Spending, which accounts for 60-65% of GDP, will considerably impact GDP and staffing revenues. At this point, while the ultimate rate of GDP in 2020 is difficult to gauge, staffing companies generally exhibit significant revenue acceleration after a recession. We see no reason to believe that this cycle will be any different than past cycles, with exceptions that we note in other parts of this outlook.

US Industrial Production Growth



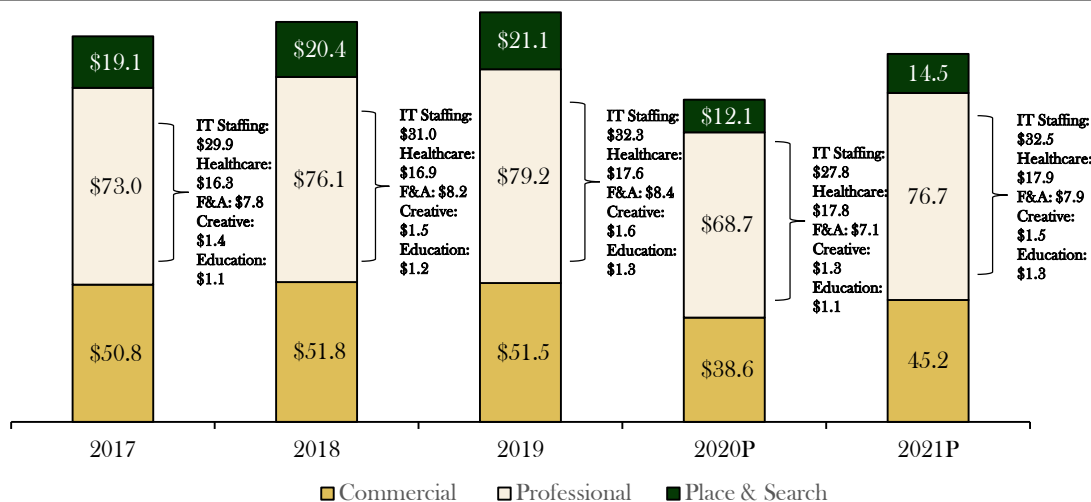
US Industrial Production, a good proxy for the \$35 billion industrial staffing segment, substantially declined 15% in April 2020, which is a trend that should alarm companies within this staffing industry vertical. The manufacturing sector, which accounts for 78% of industrial production, is leading the decline as the sector faces unprecedented pressure due to COVID-related shutdowns. There is a tremendous amount of uncertainty around the timing and rate of recovery of US industrial production. We note that before the crisis, the US economy was on solid ground without any meaningful asset bubbles, which could lead to a faster than historic rebound.



Segment Growth & Other Industry Data

- An April 2020 US Staffing Industry Forecast from Staffing Industry Analysts (SIA) predicted in a base-case scenario, that overall staffing revenues will decline 21% in 2020, while its other two scenarios projected declines of 10% and 45%. Investors, which are 4-6 months forward-looking, still expect that almost all staffing stocks, which are considered early cycle investments, will underperform the overall market in 2020 (see pages 6, 7 and 8) but that outlook could quickly change if they believe that a U-shaped recovery could take place.
- The same base-case report by SIA forecasted that by major verticals, Place & Search will decline 43%, Office/Clerical and Industrial will both decline 25% and Professional/Specialty will decline 13%. Our outlook is that declines will wildly vary by company size, geographic focus and industries served. For example, companies with a significant Northeast presence and/or those with a focus on the travel/hospitality industries could face significant head-winds.
- Within the Professional/Specialty segment, SIA forecasted that the \$30B+ IT staffing vertical will decline 13%, the \$8B+ Finance/Accounting (F&A) vertical will decline 15% but that the roughly \$18B Healthcare vertical will grow by 1%.
- Our view is that while growth rates within the Professional segment will also vary by size, geography and industry focus, companies in the IT and F&A verticals could substantially benefit from an expected increase in remote work and are well prepared for that trend. Healthcare Staffing, which includes Nurse Staffing and Locum Tenens (temp physicians), could experience even higher than expected growth near-term due to the COVID crisis and longer-term as hospitals open for elective procedures.

Staffing Industry Forecast



Source: Staffing Industry Analysts "US Staffing Industry Forecast: April 2020 Update", April 7, 2020



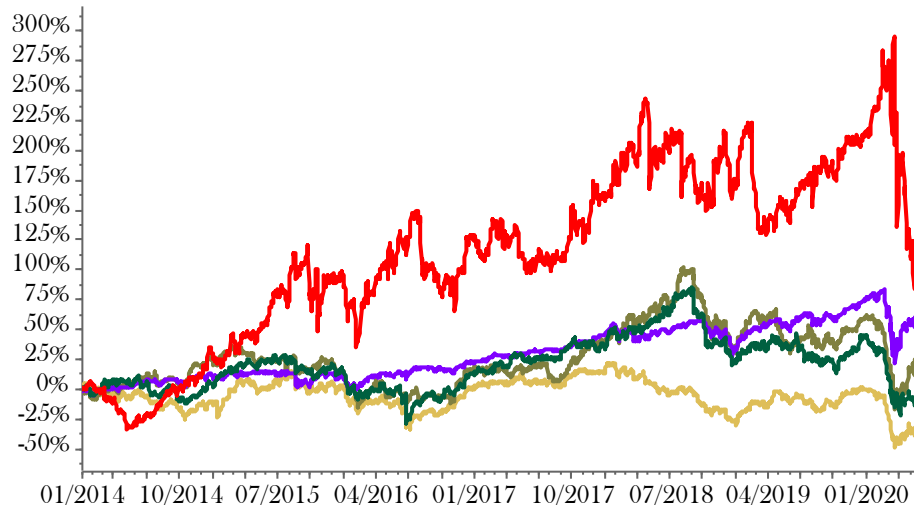
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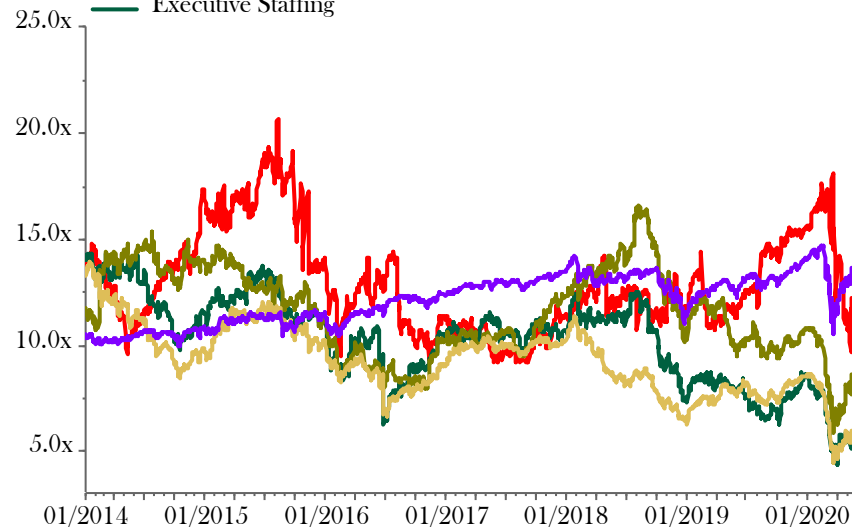
5 Year Relative Stock Price Performance

— S&P 500 — Healthcare Staffing
— Commercial Staffing — Professional Staffing
— Executive Staffing



5 Year EV/LTM EBITDA Relative Performance

— S&P 500 — Healthcare Staffing
— Commercial Staffing — Professional Staffing
— Executive Staffing



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	6	2,561.5	-30.0%	-37.7%	-24.1%	23.9%	0.2x	5.7x
Professional Staffing	8	182.8	-33.0%	-16.4%	9.4%	27.2%	0.6x	8.8x
Executive & Retained Search	4	1,541.1	-33.2%	-18.1%	-20.7%	48.3%	0.6x	5.5x
Healthcare Staffing	2	1,689.4	-17.5%	-17.3%	151.4%	23.0%	0.9x	13.4x
S&P 500*			3.4%	24.1%	56.8%			

*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	03/31/2020	\$8,106.6	\$25,488.1	\$4,834.0	19.0%	\$1,225.8	4.8%	0.3 x	6.6 x
Barrett Business Services, Inc.	BBSI	03/31/2020	\$160.6	\$943.2	\$202.0	21.4%	\$61.8	6.6%	0.2 x	2.6 x
Kelly Services, Inc. Class A	KELYA	03/29/2020	\$599.0	\$5,234.1	\$934.7	17.9%	\$136.9	2.6%	0.1 x	4.4 x
ManpowerGroup Inc.	MAN	03/31/2020	\$4,519.2	\$20,437.7	\$3,294.3	16.1%	\$737.5	3.6%	0.2 x	6.1 x
Randstad NV	RAND-NL	03/31/2020	\$8,923.7	\$25,966.5	\$4,690.7	18.1%	\$1,354.3	5.2%	0.3 x	6.6 x
TrueBlue, Inc.	TBI	03/29/2020	\$603.8	\$2,310.7	\$567.3	24.5%	\$115.9	5.0%	0.3 x	5.2 x
Average			\$3,818.8	\$13,396.7	\$2,420.5	19.5%	\$605.4	4.6%	0.2 x	5.3 x
Median			\$2,561.5	\$12,835.9	\$2,114.5	18.5%	\$437.2	4.9%	0.2 x	5.7 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	03/31/2020	\$4,141.3	\$3,990.7	\$1,077.5	27.0%	\$416.9	10.4%	1.0 x	9.9 x
BG Staffing, Inc.	BGSF	03/29/2020	\$153.9	\$299.6	\$77.5	25.9%	\$24.4	8.1%	0.5 x	6.3 x
GEE Group, Inc.	JOB	03/31/2020	\$110.8	\$149.2	\$46.2	31.0%	\$6.9	4.6%	0.7 x	16.0 x
Kforce Inc.	KFRC	03/31/2020	\$744.7	\$1,355.9	\$390.6	28.8%	\$84.3	6.2%	0.5 x	8.8 x
Mastech Digital, Inc.	MHHI	12/31/2019	\$211.6	\$193.6	\$45.3	23.4%	\$14.2	7.4%	1.1 x	14.9 x
RCM Technologies, Inc.	RCMT	03/28/2020	\$54.1	\$184.5	\$45.4	24.6%	\$6.7	3.6%	0.3 x	8.1 x
Robert Half International Inc.	RHI	03/31/2020	\$5,592.6	\$6,112.6	\$2,467.8	40.4%	\$671.2	11.0%	0.9 x	8.3 x
Volt Information Sciences, Inc.	VOLT	02/02/2020	\$80.1	\$961.4	\$146.3	15.2%	(\$1.0)	-0.1%	0.1 x	NM
Average			\$1,386.1	\$1,655.9	\$537.1	27.0%	\$153.0	6.4%	0.7 x	10.3 x
Median			\$182.8	\$630.5	\$111.9	26.4%	\$19.3	6.8%	0.6 x	8.8 x



Executive & Retained Search

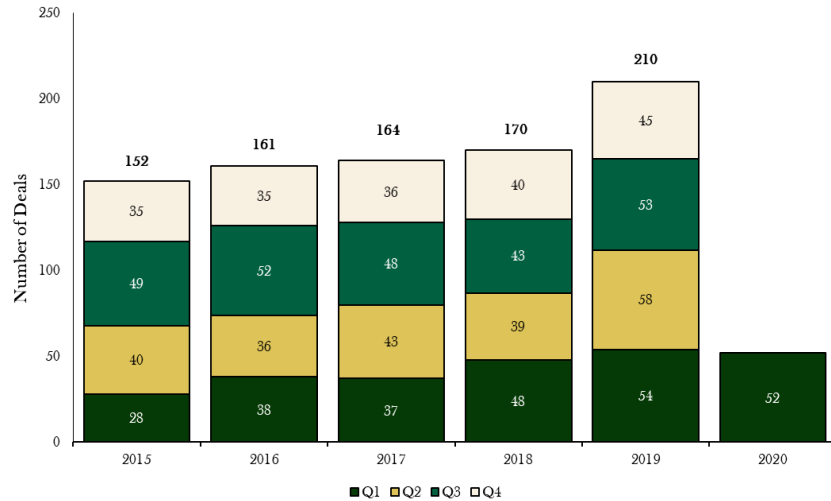
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
Hays plc	HAS-GB	12/31/2019	\$2,461.1	\$7,832.8	\$322.0	4.1%	\$336.3	4.3%	0.3 x	7.3 x
Heidrick & Struggles International, Inc.	HSII	03/31/2020	\$372.7	\$724.2	\$217.6	30.0%	\$79.2	10.9%	0.5 x	4.7 x
Korn Ferry	KFY	01/31/2020	\$1,626.5	\$2,030.9	\$497.7	24.5%	\$299.1	14.7%	0.8 x	5.4 x
PageGroup PLC	PAGE-GB	12/31/2019	\$1,455.7	\$2,110.0	\$1,044.6	49.5%	\$262.8	12.5%	0.7 x	5.5 x
Average			\$1,479.0	\$3,174.5	\$520.5	27.0%	\$244.3	10.6%	0.6 x	5.8 x
Median			\$1,541.1	\$2,070.4	\$409.8	27.3%	\$280.9	11.7%	0.6 x	5.5 x

Healthcare Staffing

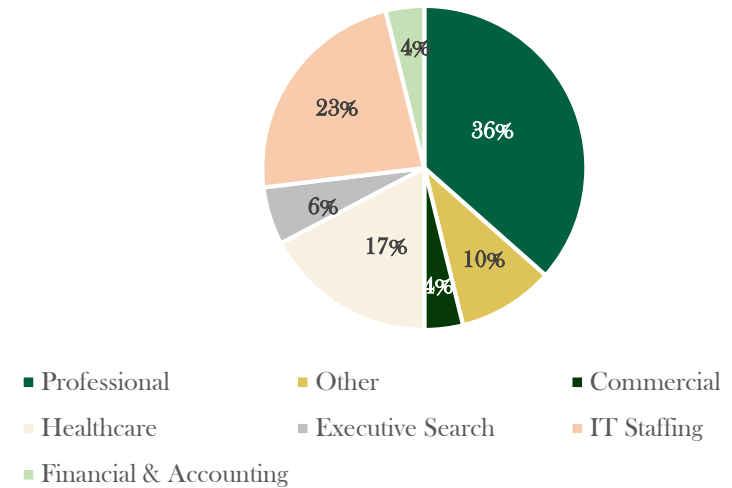
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
AMN Healthcare Services, Inc.	AMN-US	03/31/2020	\$3,061.9	\$2,292.1	\$701.9	30.6%	\$240.8	10.5%	1.3 x	12.7 x
Cross Country Healthcare, Inc.	CCRN-US	03/31/2020	\$316.9	\$837.1	\$191.0	22.8%	\$22.5	2.7%	0.4 x	14.1 x
Average			\$1,689.4	\$1,564.6	\$446.4	26.7%	\$131.6	6.6%	0.9 x	13.4 x
Median			\$1,689.4	\$1,564.6	\$446.4	26.7%	\$131.6	6.6%	0.9 x	13.4 x



No. of Deals Per Quarter



Q1 Deals by Industry



Notable Transactions

Completion Date	Target	Target Description	Buyer	Commentary
01/13/2020	Hospitality Staffing Solutions LLC	Provides supplemental and outsourced staffing solutions for the hospitality industry	Kellermeyer Bergensons Services LLC; Cerberus Capital Management LP	Hospitality Staffing Solutions, a specialty staffing firm focused on hospitality staffing was acquired by Kellermeyer Bergensons Services LLC (KBS). KBS provides facilities management services to properties nationwide. This combination is a natural fit, allowing KBS to diversify its offering. KBS was acquired in 2019 by Cerberus Capital Management, a \$34B private equity firm based in New York, NY.
01/14/2020	Insight Workforce Solutions Ltd.	Provides education staffing services	Kelly Services (Nasdaq: KELYA)	Insight Workforce Solutions, an education staffing company was acquired by Kelly Services. Insight serves school districts in Illinois, Massachusetts, New Jersey and Pennsylvania. Kelly's Education staffing segment is one of the largest in the country with revenues of over \$400mm.
01/16/2020	Re-Sourcing Holdings	Diversified staffing company operating six brands	McNally Capital	Re-Sourcing, a diversified staffing company with six operating companies was acquired by McNally Capital. Re-Sourcing is a leading staffing and consulting provider that operates under JW Michaels & Co., Compliance Risk Concepts, ExecuSource, Perennial Resources International, Partnership Employment and Technology Navigators. McNally Capital. The transaction allowed for Re-Sourcing founders to take capital off the table and allow them to have access to capital to further growth and acquisitions.
01/28/2020	Level 5 Consulting Engineers, Inc.	Provides engineer staffing to telecommunications industry	Mountain Ltd.; System One Holdings LLC	Level 5, a provider of wireless telecommunication architecture and engineering staffing was acquired by Mountain Ltd, a subsidiary of System One. This is the third telecommunication staffing investment by System One, as they look to build out that offering amidst a growing demand for wireless service and new 5G rollouts. System One was acquired in 2016 by Thomas H. Lee Partners, a \$16B private equity firm based in Boston, MA. The Company was previously owned by Mid-Ocean Partners.
02/04/2020	EdgeRock Technologies LLC	IT managed services, consulting and staffing solutions	BG Staffing, Inc. (NYSE:BGSP)	EdgeRock Technologies, a provider of IT managed services, consulting, and staffing solutions was acquired by BG Staffing. This was BG Staffing's second acquisition over the past two months. The other was the acquisition of L.J. Kushner Associates in December. EdgeRock was acquired for \$21.6mm cash or .53x its 2019 revenue of \$41mm.
02/05/2020	LocumMart LLC	Provides vendor management and healthcare staffing services	CHG Healthcare Services, Inc.; Leonard Green & Partners LP	LocumMart, is a vendor-neutral VMS solution that connects healthcare facilities to a network of both agencies and physicians. CHG, one of the largest private healthcare and Locum Tenens staffing agencies acquired the technology company to bolster its product offering and approach to clients. CHG was acquired in 2012 by Leonard Green & Partners, a 23B private equity firm based in Los Angeles, CA. Leonard Green also currently owns staffing firm Insight Global.
03/09/2020	DeWinter Group	Provides staffing and consulting services to finance and IT companies	New Heritage Capital	DeWinter Group, a leading provider of staffing and consulting services to accounting, finance and IT companies was acquired by New Heritage Capital, a \$500mm private equity firm based in Boston, MA. This marks that second staffing platform that New Heritage has invested in, the other being Execu-Search a diversified temporary and permanent placement staffing firm that New Heritage acquired in October 2016.



About the Bank

Peapack-Gladstone Bank* (NASDAQ: PGC) is a 99-year old boutique commercial bank with total assets of \$5.8 Bn and AUM of \$6.4 Bn as of 03/31/2020. 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

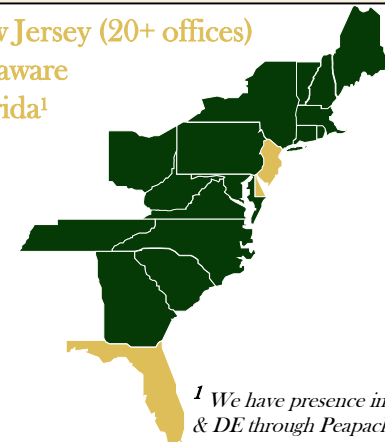
- Direct Hire
- Retained Search

HR Technology

- VMS Platforms
- Block Chain Technology
- Recruitment Process Outsourcing

Full-Service Bank, Boutique focus

- New Jersey (20+ offices)
- Delaware
- Florida¹



¹ We have presence in FL & DE through Peapack Private

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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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