

Staffing and Human Capital Management

Q1 2023

2023 Outlook: Pockets of opportunity persist amid an increasingly challenging macro environment

As the U.S. economy faces a potential recessionary period, Staffing firms are likely to find that many of the tailwinds that drove business volume to record levels post-pandemic are now beginning to fade. Declining corporate profitability and higher bankruptcy rates will likely contribute to continued labor market softening. That said, significant opportunities are likely to persist in certain areas, particularly those where competition for talent is likely to remain high due to long-term thematic shifts (such as Tech and Health Care). Likewise it's worth noting that both Strategic and Financial buyers remain active seeking to invest across economic cycles. Human Capital related opportunities have long been an area of interest for PE investors and we expect that trend to continue.

Key Industry Drivers

- Slowing economic growth (driven in part by rising interest rates) contributed to the smallest labor gains in two years, with employers creating 223,000 jobs in December.
- Average hourly earnings were up 4.6% from December of the previous year, the smallest increase since mid-2021.
- Corporate profit has a positive mixed relationship with Staffing industry revenue. However, this relationship is more complex as financial stability correlates with the hiring of permanent rather than temporary employees.
- Many economists are predicting continued economic weakness throughout 2023 including possible contraction in the second half.

Current Trends and Forecasts

- Despite economic headwinds, the job market is still strong as the Labor Department reported 10.5 million job vacancies at the end of November, still significantly higher than the number of unemployed seeking work.
- Merger and acquisition levels remain robust, especially among big players in the industry who have been actively pursuing consolidations.
- Temporary personnel have become more prevalent due to the flexibility it offers employers, providing opportunities for Office Staffing and Temp agencies. Weaker labor markets have traditionally encouraged the unemployed to seek out temporary roles.
- Overall, industry revenue is expected to increase from \$249b to \$262b over the next five years (1.1% CAGR), while industry profits are forecasted to decrease 4.8% as cost increases outpace revenue gains.

Key Takeaways

- Macroeconomic forces and changing corporate sentiment will be the primary drivers of industry performance in 2023.
- The demand for temporary employees is expected to continue to remain strong into the new year.
- M&A has remained robust in the industry, with growth expected to endure in many niche market areas.

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Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

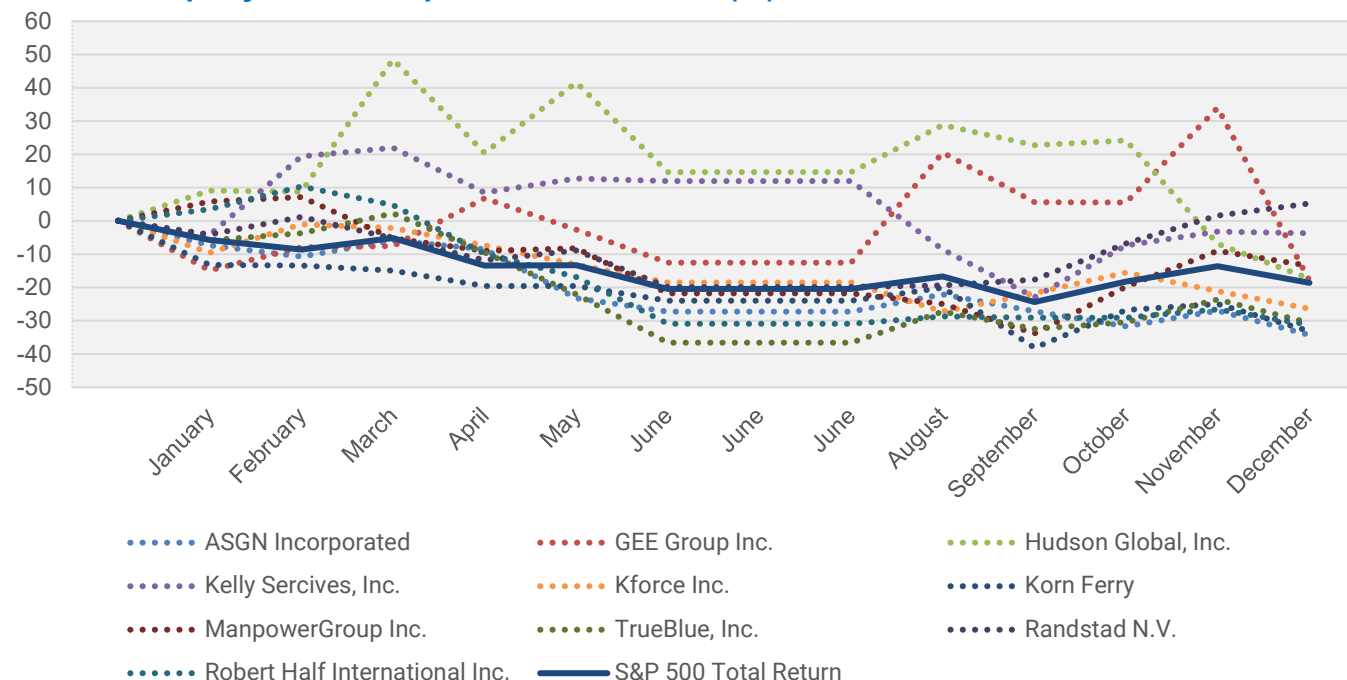
Select 2022 Middle-Market Transactions

| Closed Date | Target | Acquirer | Target Business Description |
|-------------|--|--|--|
| 12/12/22 | Horn Solutions | BGSF (NYS: BGSF) | Provider of strategic accounting and finance, information technology, and transactional accounting and office staffing services. |
| 11/23/22 | Raymond Search Group | Starfish Partners | Operator of a recruiting firm for construction, real estate, engineering, architecture and manufacturing companies. |
| 11/15/22 | National Skilled Trades Masters (Human Capital Services) | Proman | Provider of temporary staffing solutions and services to the construction industry. Based in Dallas, Texas. |
| 11/1/22 | CSuite Financial Partners | Kingsway Financial Services (NYS: KFS) | Provider of financial executive services based in Manhattan Beach, California. |
| 10/3/22 | First Call Staffing | AtWork Group | Provider of services in the areas of sourcing, screening, recruiting, contact center RPO and health care staffing solutions. |
| 9/29/22 | Norton Staffing | Dempton Groupe Conseil | Provider of recruitment services for the administrative, accounting, finance, banking, light industrial and skilled labor industries. |
| 9/28/22 | Saratoga Human Resources Solutions | HR Compliance Experts | Provider of IT-based human capital recruitment services such as tailored career searches, talent management, and strategic sourcing. |
| 9/20/22 | The Lawton Group | Longship Groupe | Provider of health care recruiting services in areas such as physical therapy, occupational respiratory therapy and speech-language pathology. |
| 9/8/22 | Cognos HR | Resourcing Edge | Provider of staffing services catering to the health care, aerospace and defense, government and telecommunication industries. |
| 9/1/22 | PNP Staffing Group | Careers In Nonprofits(Doug Pedersen) | Provider of contingent recruiting, contract staffing, retained search and staff augmentation. |
| 8/22/22 | Partners Consulting Services | DTS (Japan) (TKS: 9682) | Provider of staffing services catering to the nonprofit, association and social good sectors. |
| 8/15/22 | De Forest Search | Talento (Florida) | Provider of IT services, including enterprise resource planning enterprise services, project portfolio management and technology staffing. |
| 8/11/22 | Rolen Group | CEG Talent | Provider recruiting services for the marketing, licensing, branding, consumer products and entertainment industries |
| 8/1/22 | Infinity Consulting Solutions, Inc. | Korn Ferry (NYSE:KFY) | Offers contract placement, permanent placement, temporary to permanent placement and employee payroll services. |
| 7/27/22 | Affinity Resources/ Albion Staffing Solutions | JobSquad Staffing Solutions | Provides staffing solutions. |
| 7/27/22 | Star 1 Personnel, LLC | Ascend Staffing | Offers staffing and recruiting services. |
| 7/6/22 | Metro Systems, Inc. | Tandym Group | Provides staffing services. |
| 6/30/22 | Jacobson Staffing, Inc. | Envision LLC | Operates as a staffing agency that provides consulting, contract-to-hire, direct hire and executive search services. |
| 6/3/22 | Tekberry, Inc. | SOAL Technologies | Provides contract staffing services that include on-demand workforce solutions. |
| 5/18/22 | FJC Personnel, LLC | Lingo Staffing, Inc. | Provides staffing services. |
| 3/31/22 | InStaff Personnel, LLC | Unicorn Content, S.L. | Provides recruitment and career development solutions. |
| 1/7/22 | Time Staffing Inc. | The Hamilton-Ryker Group, LLC | Provides staffing and recruitment services. |

Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

Public Market Insights

Public Company Peer Group 2022 Total Return (%)



Public Company Peer Group Valuation Data (As of 01/24/2023)

| Company | % 52-Week High | Market Cap | Enterprise Value | LTM Revenue | 1-Year Revenue Growth (%) | LTM EBITDA | EBITDA Margin (%) | TEV / Revenue | TEV / EBITDA |
|--------------------------------|----------------|------------|------------------|-------------|---------------------------|------------|-------------------|---------------|--------------|
| ASGN Incorporated | 71% | 4,441 | 5,371 | 4,485 | 12% | 502 | 11% | 1.2x | 10.7x |
| GEE Group Inc. | 60% | 55 | 40 | 165 | 5% | 13 | 8% | 0.2x | 3.2x |
| Hudson Global, Inc. | 57% | 71 | 51 | 202 | 19% | 13 | 6% | 0.3x | 4.0x |
| Kelly Services, Inc. | 77% | 668 | 616 | 4,982 | 1% | 110 | 2% | 0.1x | 5.6x |
| Kforce Inc. | 71% | 1,108 | 1,115 | 1,701 | 8% | 120 | 7% | 0.7x | 9.3x |
| Korn Ferry | 78% | 2,884 | 2,821 | 2,826 | 25% | 544 | 19% | 1.0x | 5.2x |
| ManpowerGroup Inc. | 76% | 4,471 | 5,164 | 20,401 | -2% | 773 | 4% | 0.3x | 6.7x |
| TrueBlue, Inc. | 65% | 646 | 665 | 2,318 | 7% | 117 | 5% | 0.3x | 5.7x |
| Randstad N.V. | 88% | 11,778 | 12,522 | 26,785 | -4% | 1,227 | 5% | 0.5x | 10.2x |
| Robert Half International Inc. | 63% | 8,513 | 8,151 | 7,281 | 13% | 1,049 | 14% | 1.1x | 7.8x |

Select Public Companies Summary

| | | | | | | | | | |
|---------------|------------|--|--|--|-----------|--|-----------|-------------|-------------|
| Mean | 71% | | | | 8% | | 8% | 0.6x | 6.8x |
| Median | 71% | | | | 7% | | 7% | 0.4x | 6.2x |
| Maximum | 88% | | | | 25% | | 19% | 1.2x | 10.7x |
| Minimum | 57% | | | | -4% | | 2% | 0.1x | 3.2x |

Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

Business Services

Griffin provides a wide range of investment banking services to middle-market companies in the business services industry.



M&A Advisory Services




Private Placement Services




Consulting Services

- Griffin Financial Group is a leading investment bank focused on the needs of middle market based companies.
- We provide M&A advisory, capital advisory and strategic consulting services to the financial institutions, consumer, commercial and industrial, services, technology and private equity sectors.
- Part of The Stevens & Lee Companies, a multidisciplinary professional services platform of 250+ professionals. Together, we provide a full range of investment banking, legal, business and government consulting services to assist clients in solving their most complicated problems. This platform gives our clients access to a full range of services that, when needed, enhance our investment banking services and our ability to deliver the results our clients deserve.
- We specialize in closely held private and small-cap public companies, with broad experience with service oriented opportunities, and particular expertise regarding family-owned and owner-operated businesses.

Staffing Case Study



has been acquired by



Principals of Griffin served as financial advisor
July 2022

- ICS sought to find a partner that would allow the Company to continue its dynamic growth while simultaneously providing liquidity and diversification.
- Korn Ferry is widely recognized as a global leader in organizational consulting and human capital management.

Representative Transactions



has been acquired by



April 2022



has been acquired by



a portfolio company of




Principals of Griffin served as financial advisor
December 2021




has sold its fire alarm division to



Principals of Griffin served as financial advisor
July 2021



has been acquired by



Principals of Griffin served as financial advisor
November 2018

Appendix

1. Office Staffing & Temp Agencies in the US: Hiring spree: Rising corporate profit will likely support industry revenue growth (January 2023) <https://www.ibisworld.com/united-states/market-research-reports/office-staffing-temp-agencies-industry/>
2. Employment & Recruiting Agencies Industry in the US: Gainful employment: Monetary tightening and a decrease in employee bargaining power are expected to hinder industry revenue growth <https://www.ibisworld.com/united-states/market-research-reports/employment-recruiting-agencies-industry/>
3. Healthcare Staff Recruitment Agencies Industry in the US: Good bedside manner: An aging population will represent an important growth opportunity for the industry <https://www.ibisworld.com/united-states/market-research-reports/healthcare-staff-recruitment-agencies-industry/>
4. Staffing Industry Statistics <https://americanstaffing.net/research/fact-sheets-analysis-staffing-industry-trends/staffing-industry-statistics/>