

# Staffing and Human Capital Management

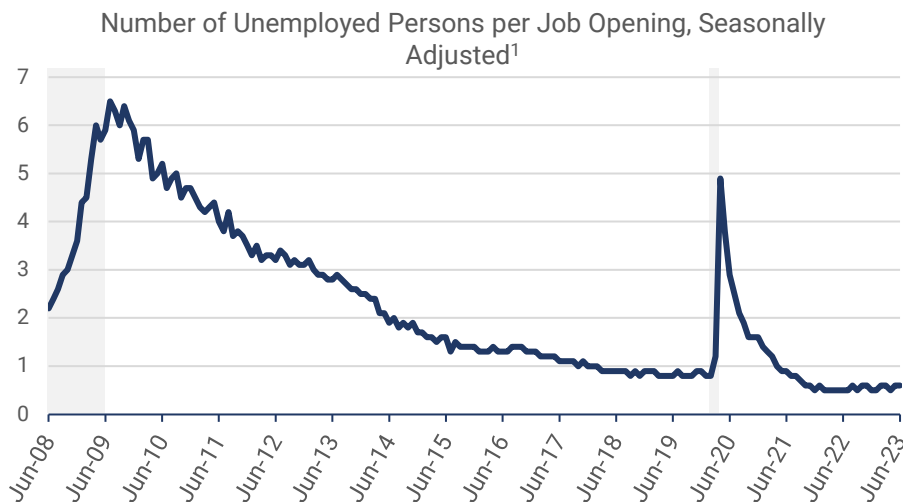
Q3 2023

## Short-term concerns regarding cyclicality will eventually be replaced by longer-term tailwinds.

I often tell clients not to look for courage from Private Equity investors. While they sometimes get mischaracterized as gun slinging financial cowboys, the reality is they are usually driven more by analysis than emotion. They rely on copious amounts of due diligence and market analysis in an attempt to beat the odds and generate an acceptable return on their investment. And truth be told, many strategic buyers are the same way.

Knowing investors desire to find attractive, long-term investment tailwinds gives human capital-related opportunities an advantage over the competition. The reason being is that the long-term outlook for the industry is positive due to some inescapable, fundamental changes regarding the demographics of the United States. Long-term trend #1: There are more job openings than job seekers, which means attracting the right talent is going to remain a challenge for most U.S. employers for the foreseeable future. Long-term trend #2: There is no relief in sight as our workforce continues to get older with people working longer. It's a demographic issue related to decreasing birth rates and longer workforce participation rates. The reality can be clearly seen in the following graphs (both from the U.S. Bureau of Labor Statistics).

Per the graph below, the ratio of unemployed persons per job opening has decreased over time (with notable exceptions for the financial crisis of 2008 and spring COVID spike in 2020).



### Key Takeaways

- M&A activity in the sector is being hampered by mixed economic signals.
- While PE is desperately looking for new opportunities, concerns about cyclicalities seem to be winning the day for many.
- We expect some sectors (like health care) will remain strong, as will niche opportunities.

### Key Contacts



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# Labor Force Share

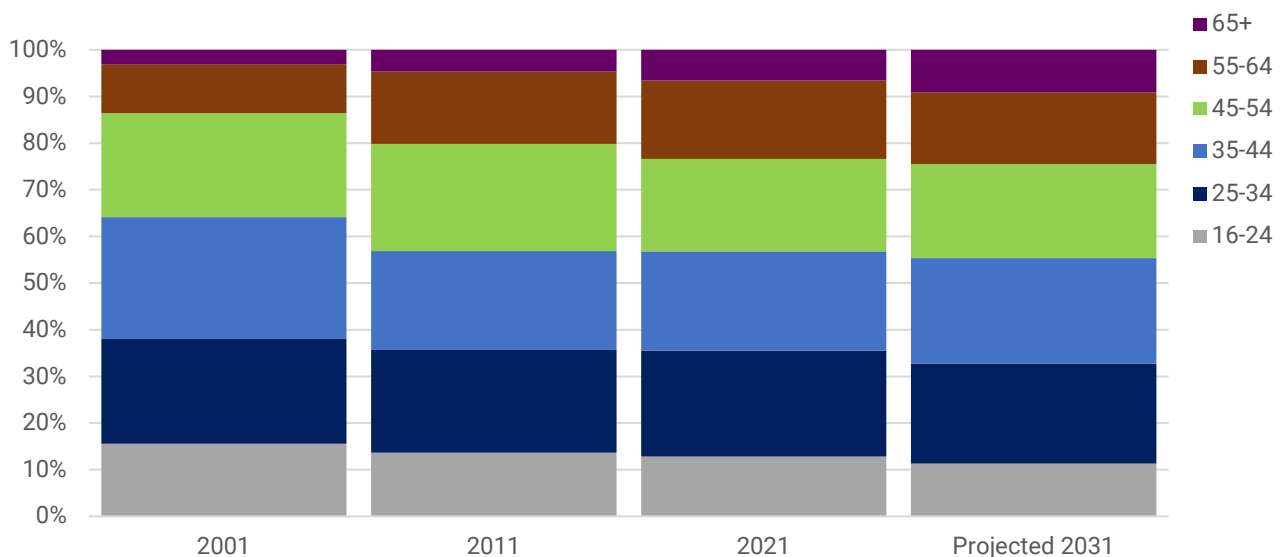
The chart shouldn't be a surprise to most readers as there is an acute shortage of workers across a number of industries ranging from health care to skilled trades, logistics, etc. While the reasons for the decreasing ratio are numerous, it's an important trend for anyone participating in the human capital industry. The demand for workers (especially for those with unique skills and expertise) is only going to increase with time. This is a positive for investors as it speaks to an increasing need for human capital related services. From staff augmentation through to workforce management and optimization, the demand for human capital services is expected to increase as supply becomes tighter.

While these two trends are long-term positives for sellers, it's important to keep in mind the importance of cyclical, as that's probably the biggest short-term headwind for deals in the sector today. For human capital-related deals, cyclical is a key concern as macro-economic conditions at the time of both investment entry and investment exit can have a profound impact on returns. This theme of cyclical is the biggest concern we're hearing from the market right now for human capital-related opportunities. Of course, cyclical can also be an opportunity for those properly positioned.

The punchline for anyone in the human capital business is as follows: Private Equity will most likely be a potential option for any liquidity plan (and even if you don't want to necessarily go that route, including financial buyers in a process is a great way to get full price discovery and keep all the players honest). Working with an advisor early in the process allows you to take these into consideration before you enter the market, ensuring your opportunity is appealing to the broadest possible pool of qualified buyers.

## Labor Force Share, by Age Group, 2001, 2011, 2021 and Projected 2031

(Percent Distribution of the Labor Force)



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

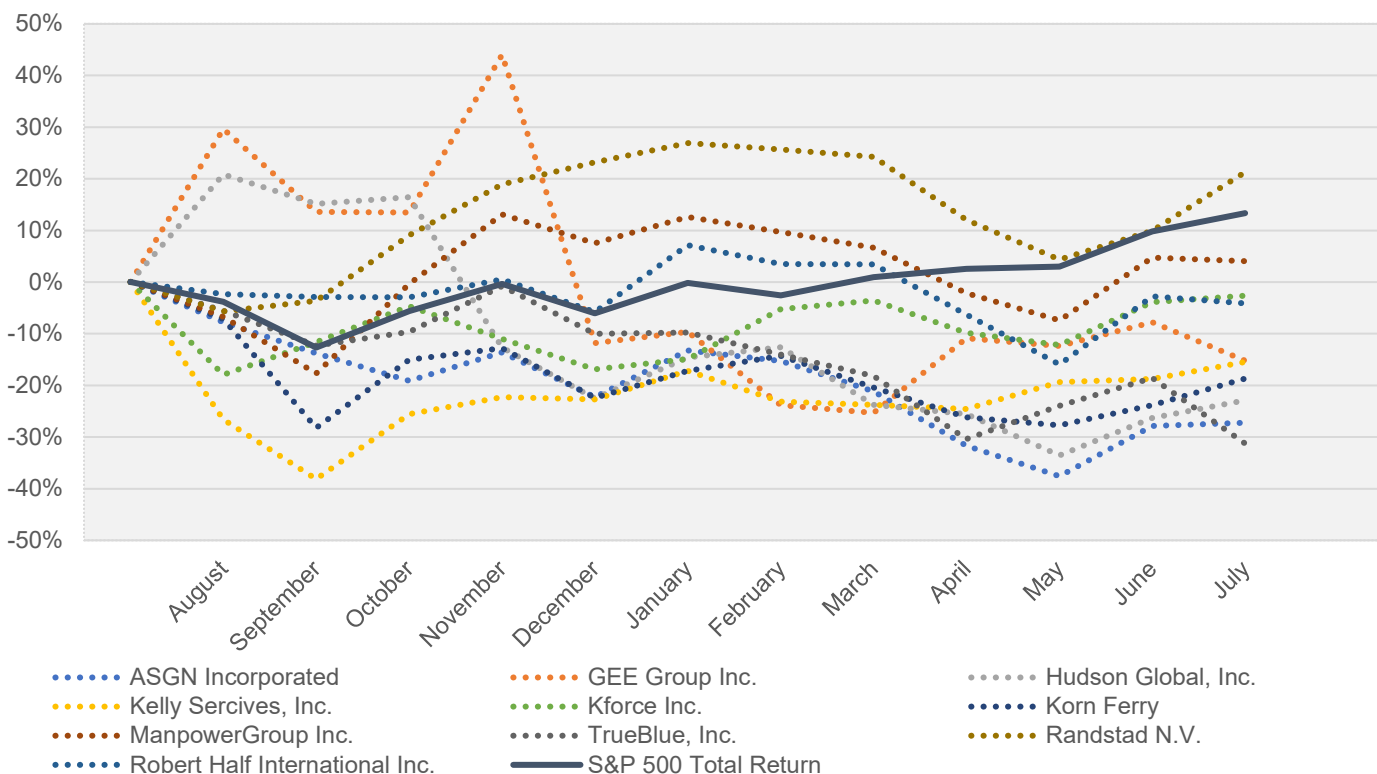
# Select Middle-Market Transactions: Trailing 12 Months

Closed Date	Target	Acquirer	Target Business Description
8/2/2023	Kabor MedSearch	Elite 365	Provider of medical staffing services to various health care providers such as hospitals, nursing homes, etc.
7/6/2023	SourcePoint Staffing	Staffworks Group	Provider of recruitment and selection services.
6/12/2023	LRS Healthcare	Jackson Healthcare	Operator of a medical staffing platform intended to provide travel nursing and allied health care opportunities.
6/7/2023	Global People Search	Starfish Partners	Provider of general human resource services.
6/7/2023	NinjaJobs	Starfish Partners	Operator of a job portal site intended to provide placement in the cybersecurity industry.
4/26/2023	Bigfoot Search	Flatiron Search Partners	Provider of staffing and recruiting, catering to venture and private equity-backed businesses, specializing in executive search, product management, product development, product design, product marketing and engineering
4/25/2023	Infinity Careers	STEMuli	Provider of staffing and recruitment services in the technology universe, looking to bridge the gap between education and the workforce.
4/17/2023	Engenuity Engineering Solutions	Olsson	Provider of civil and general engineering staffing services.
4/5/2023	Autumn Enterprises	Premier Healthcare Professionals	Provider of rapid health care staffing services, specializing in travel nurses, and, occupational, physical, and speech therapists.
4/5/2023	Horizons Healthcare Agency	Health Advocates Network	Provider of nationwide health care services for fast deployment for crisis needs and per diem coverage.
3/31/2023	PeopleShare	Proman	Provider of temporary staffing and outsourced human resources services intended to serve the clerical, light industrial and financial sectors.
3/31/2023	TalentMatch	Moniepoint	Operator of a human resource platform designed for hiring and paying technology professionals
2/23/2023	Olympus Search Partners	ON Partners	Provider of executive search services, specializing in recruiting C-level talent.
2/3/2023	TritonExec	Hirewell	Provider of executive search services.
2/1/2023	SALO	Korn Ferry (NYSE:KFY)	Provider of human resource services based in Minneapolis, Minnesota. The company connects consultants in finance, accounting, or HR to organizations in need of expertise, thereby helping businesses find the right consultants that match their needs and culture.
1/25/2023	Johnson & Hill Staffing Services	Johnson & Hill Staffing Services	Provider of administrative, professional, legal, accounting and finance staffing services.
1/11/2023	The Bridge	GI Group	Developer of a freelance marketplace designed for digital professionals.
1/10/2023	The Joel Paul Group	Shepherd Search Group	Provider of staffing and recruitment services intended for nonprofit organizations, agencies and academic institutions.
1/9/2023	The Agency Worx	WorkGenius	Provider of staffing and workforce solutions catering to industries of advertising, marketing, technology, entertainment and media, beauty, fashion and lifestyle brands.
1/4/2023	IES Custom Staffing	Elwood Staffing	Provider of staffing and workforce solutions catering to the areas of light industrial, skilled labor, agricultural, clerical or call center employment
1/1/2023	Blue Ribbon Personnel Services	SearchPros Staffing	Provider of staffing and workforce solutions catering to the areas of temporary hiring, temp-to-hire, direct hire, recruiting, administrative, clerical, professional and light industrial staffing, screening and skills testing.
12/12/2022	Horn Solutions	BGSF (NYS: BGSF)	Provider of strategic accounting and finance, information technology, and transactional accounting and office staffing services.
11/23/2022	Raymond Search Group	Starfish Partners	Operator of a recruiting firm for construction, real estate, engineering, architecture and manufacturing companies.
11/15/2022	National Skilled Trades Masters (Human Capital Services)	Proman	Provider of temporary staffing solutions and services to the construction industry. Based in Dallas, Texas.
11/1/2022	CSuite Financial Partners	Kingsway Financial Services (NYS: KFS)	Provider of financial executive services based in Manhattan Beach, California.
10/3/2022	First Call Staffing	AtWork Group	Provider of services in the areas of sourcing, screening, recruiting, contact center RPO and health care staffing solutions.
9/29/2022	Norton Staffing	Dempton Groupe Conseil	Provider of recruitment services for the administrative, accounting, finance, banking, light industrial and skilled labor industries.
9/28/2022	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.
9/20/2022	The Lawton Group	Longship Groupe	Provider of health care recruiting services in areas such as physical therapy, occupational respiratory therapy and speech-language pathology.
9/8/2022	Cognos HR	Resourcing Edge	Provider of staffing services catering to the health care, aerospace and defense, government and telecommunication industries.
9/1/2022	PNP Staffing Group	Careers In Nonprofits(Doug Pedersen)	Provider of contingent recruiting, contract staffing, retained search and staff augmentation.
8/22/2022	Partners Consulting Services	DTS (Japan) (TKS: 9682)	Provider of staffing services catering to the nonprofit, association and social good sectors.
8/15/2022	De Forest Search	Talento (Florida)	Provider of IT services, including enterprise resource planning enterprise services, project portfolio management and technology staffing.
8/11/2022	Rolen Group	CEG Talent	Provider recruiting services for the marketing, licensing, branding, consumer products and entertainment industries
8/1/2022	Infinity Consulting Solutions, Inc.	Korn Ferry (NYSE:KFY)	Offers contract placement, permanent placement, temporary to permanent placement and employee payroll services.

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

# Public Market Insights

## Public Company Peer Group 1-year Total Return (%): 8/1/2022-7/31/2023



## Public Company Peer Group Valuation Data (As of 08/08/2023)

Company	Stock Price	% 52-Week High	Market Cap	Enterprise Value (TEV)	LTM Revenue	1-year Revenue Growth (%)	LTM EBITDA	TEV / Revenue	TEV / EBITDA
ASGN Incorporated	\$ 78.83	73.76%	\$ 3,915	\$ 4,914	\$ 4,608	5.7%	\$ 482	1.1x	10.2x
GEE Group Inc.	\$ 0.44	55.38%	\$ 50	\$ 35	\$ 163	-1.5%	\$ 7	0.2x	4.7x
Hudson Global, Inc.	\$ 21.30	56.05%	\$ 61	\$ 41	\$ 192	-5.7%	\$ 7	0.2x	5.7x
Kelly Services, Inc.	\$ 18.19	80.63%	\$ 666	\$ 622	\$ 4,937	-1.4%	\$ 91	0.1x	6.9x
Kforce Inc.	\$ 58.66	87.89%	\$ 1,148	\$ 1,187	\$ 1,652	-0.8%	\$ 107	0.7x	11.0x
Korn Ferry	\$ 51.67	77.52%	\$ 2,760	\$ 2,451	\$ 2,835	3.6%	\$ 406	0.9x	6.0x
ManpowerGroup Inc.	\$ 77.28	83.60%	\$ 3,920	\$ 4,936	\$ 19,219	-7.3%	\$ 632	0.3x	7.8x
TrueBlue, Inc.	\$ 15.02	66.02%	\$ 488	\$ 503	\$ 2,074	-10.6%	\$ 52	0.2x	9.7x
Randstad N.V.	\$ 58.58	84.86%	\$ 10,681	\$ 12,020	\$ 29,524	6.4%	\$ 1,240	0.4x	9.7x
Robert Half Inc.	\$ 74.27	82.72%	\$ 7,956	\$ 7,452	\$ 6,916	-3.4%	\$ 718	1.1x	10.4x

### Select Public Companies Summary

Mean	74.84%	-1.5%	0.5x	8.2x
<b>Median</b>	<b>79.08%</b>	<b>-1.4%</b>	<b>0.3x</b>	<b>8.7x</b>
Maximum	87.89%	6.4%	1.1x	11.0x
Minimum	55.38%	-10.6%	0.1x	4.7x

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 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



The Shareholders of Mitchell/Martin established a new minority ESOP and raised the required third-party capital for the transaction

March 2023

- Based on the company's business plan and long-term strategy, it was determined that the best solution for Mitchell/Martin was a minority employee stock ownership plan (ESOP) transaction
- Griffin's affiliated ESOP firm, SES ESOP Strategies, led the entire lifecycle of the transaction


## Representative Transactions




has received investment from



Principals of Griffin served as financial advisor  
December 2022



has been acquired by



Principals of Griffin served as financial advisor  
July 2022



has been acquired by



April 2022



has sold its fire alarm division to



Principals of Griffin served as financial advisor  
July 2021