

# Market Update



## Human Capital Management Services Q2 2020

### Market Insights

The Human Capital Management Services sector began to rebound from the economy-wide downturn in March as a result of the COVID-19 global pandemic. With U.S. employment plummeting in April to an unemployment rate of 14.7%, labor markets began to adjust and unemployment improved to 11.1% in June. Along with this trend, values in the Human Capital Management Services sector began a tempered rebound. The sector began to recover in Q2 with all of the tracked subsectors showing multiple increases as well as quarter-over-quarter stock price appreciation that outpaced the S&P 500. However, on a year-over-year basis, only two of the subsectors (HR Technology and Specialty Consulting Services) are in positive territory, with increases of 15.5% and 5.8% respectively. The other three subsectors continue to recover at a more measured pace having not yet retraced year-prior values after withstanding greater negative impact in Q1 as the pandemic took hold. M&A activity continued in Q2 with a meaningful 29 announced transactions which was down approximately 20% from Q1 when 36 transactions were announced but the market was far from seized. Strong interest remains on the part of buyers who realize that the war for talent is a long-term trend. The bigger question is how buyers and sellers can agree on value over the rest of 2020 and early 2021 as near-term results for many companies in the sector have been impacted.

# Lincoln International's Human Capital Management Services Sector

Lincoln International recognizes the importance of understanding a client's industry, value drivers, growth opportunities and challenges. Our extensive expertise provides in-depth market insights, deep relationships with the most active strategic and financial partners and superior knowledge on how to best position a business and overcome potential issues. These attributes, combined with our globally integrated resources and flawless execution, enable us to consistently deliver outstanding outcomes for our clients.

Lincoln International's dedicated human capital management services team has established itself among the most active M&A advisors in the mid-market. Our senior bankers provide

sector-specific expertise, global buyer access and unmatched execution within the human capital management services space. This update tracks pricing and valuation metrics and transaction activity for five key human capital management services subsectors:

- HR outsourcing
- HR professional and training
- HR technology
- Specialty consulting
- Staffing

## Lincoln's Recent Human Capital Management Services Transactions

 has been sold to  a portfolio company of    Sell-Side 	 and founders have sold  to  Sell-Side 	 has been sold to  a portfolio company of  Sell-Side 	 has sold  to  a portfolio company of  Sell-Side 	 has been sold to  Sell-Side 	 and founding shareholders have sold  to  Sell-Side 
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## Human Capital Management Services Financial Performance

### Quarter-over-Quarter Price Performance

Outperformers	Change
ASGN Incorporated	88.8%
Chegg, Inc.	88.0%
Insperty, Inc.	73.5%
Paylocity Holding Corporation	65.2%
TriNet Group, Inc.	61.8%

Underperformers	Change
Heidrick & Struggles International, Inc.	(3.9%)
FTI Consulting, Inc.	(4.4%)
ICF International, Inc.	(5.6%)
Cross Country Healthcare, Inc.	(8.6%)
AMN Healthcare Services, Inc.	(21.7%)



## Highlights

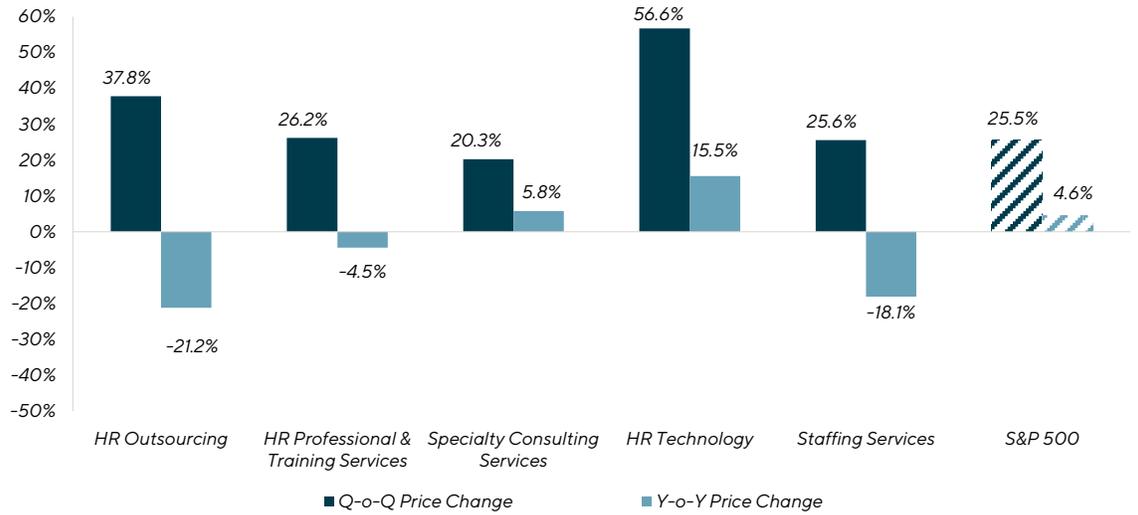
HR Technology, Specialty Consulting Services and HR Professional and Training Services closely tracked the recovery of the S&P 500 in Q2. HR Outsourcing and Staffing Services experienced the most dramatic decline and recovery continues to lag behind the other subsectors.

Companies in the Specialty Consulting Services and HR Technology subsectors continue to demonstrate the greatest resilience and durability within the broader human capital management sector.

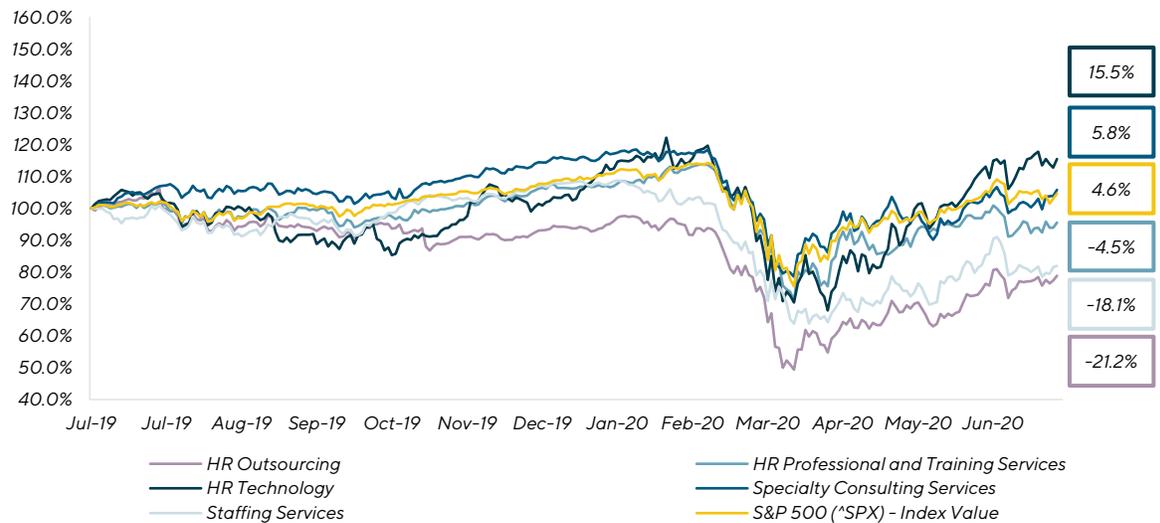
The demand for IT talent has proven to be more consistent in the COVID downturn than other job classifications given the ongoing need of clients' continuous investment in digital transformation during this period.

The COVID response within hospitals and other healthcare facilities coupled with the suspension of many elective procedures was disrupted and shifted as demand for healthcare professionals causing short term turbulence for healthcare-related staffing, though the future demand characteristics remain bright.

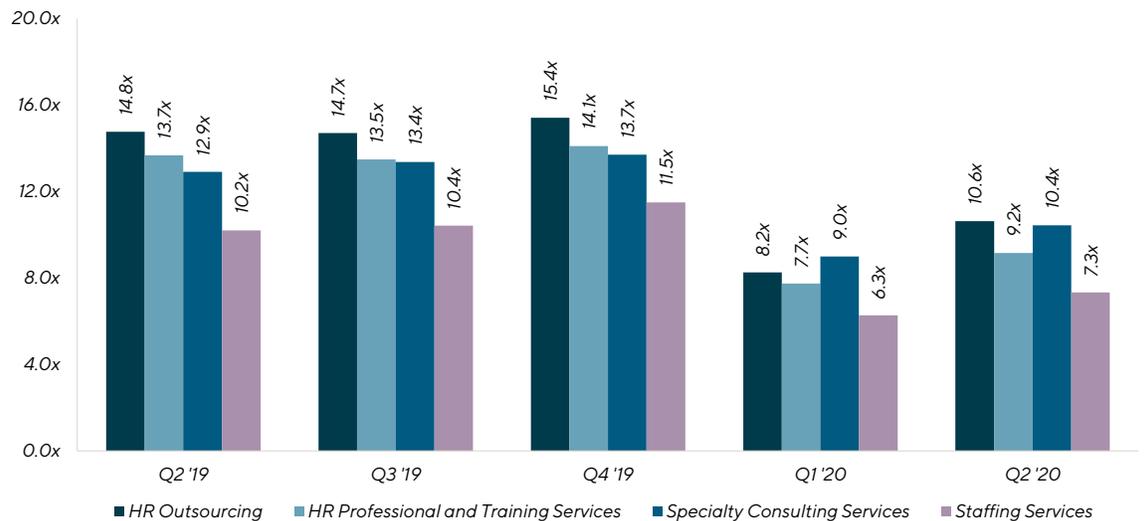
## Quarter-over-Quarter & Year over Year Stock Indices Price Change



## LTM Relative Stock Indices Price Performance



## Historical Enterprise Value / LTM EBITDA Valuation Performance



Note: Excludes HR technology, as companies within that subsector typically trade as a multiple of revenue

# Human Capital Management Services Stock Indices Data

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
<b>HR Outsourcing</b>										
Automatic Data Processing, Inc.	\$148.89	81.7%	\$63,989	\$64,745	\$14,757	\$3,689	5.5%	25.0%	4.4x	16.8x
Barrett Business Services, Inc.	53.13	55.6%	400	337	943	53	0.9%	5.6%	0.4x	5.4x
Capgemini SE	114.73	84.3%	19,413	21,245	15,851	2,026	4.9%	12.8%	1.3x	9.1x
Capita plc	0.55	23.8%	904	2,739	4,872	574	(2.4%)	11.8%	0.6x	4.2x
Insperity, Inc.	64.73	44.7%	2,509	2,516	4,391	208	10.7%	4.7%	0.6x	11.2x
Paychex, Inc.	75.75	83.7%	27,173	27,309	4,106	1,695	8.8%	41.3%	6.7x	15.7x
TriNet Group, Inc.	60.94	79.2%	4,101	4,197	3,970	331	11.0%	8.3%	1.1x	12.0x
<b>Mean</b>		<b>64.7%</b>					<b>5.6%</b>	<b>15.6%</b>	<b>2.1x</b>	<b>10.6x</b>
<b>Median</b>		<b>79.2%</b>					<b>5.5%</b>	<b>11.8%</b>	<b>1.1x</b>	<b>11.2x</b>
<b>HR Professional and Training Services</b>										
BTS Group AB	21.03	66.5%	406	386	187	25	3.8%	13.1%	1.9x	12.1x
Franklin Covey Co.	21.40	51.1%	297	314	234	19	3.8%	8.2%	1.3x	NM
GP Strategies Corporation	8.58	51.4%	147	242	572	23	8.0%	3.9%	0.4x	7.3x
Heidrick & Struggles International, Inc.	21.62	65.1%	417	373	707	80	(2.8%)	11.3%	0.5x	3.3x
Korn Ferry	30.73	69.9%	1,692	1,776	1,983	268	3.0%	13.5%	0.9x	5.2x
Marsh & McLennan Companies, Inc.	107.37	89.6%	54,342	68,890	17,232	4,319	14.7%	25.1%	4.0x	14.2x
Willis Towers Watson Public Limited Company	196.95	89.1%	25,354	31,521	9,193	2,214	7.7%	24.1%	3.4x	12.8x
<b>Mean</b>		<b>69.0%</b>					<b>5.5%</b>	<b>14.2%</b>	<b>1.8x</b>	<b>9.2x</b>
<b>Median</b>		<b>66.5%</b>					<b>3.8%</b>	<b>13.1%</b>	<b>1.3x</b>	<b>9.7x</b>
<b>HR Technology</b>										
51job, Inc.	\$71.79	77.5%	\$4,803	\$3,262	\$548	\$166	(4.3%)	30.3%	6.0x	19.8x
Chegg, Inc.	67.26	95.3%	8,316	8,484	445	59	30.3%	13.4%	19.1x	NM
Cornerstone OnDemand, Inc.	38.56	59.8%	2,461	2,372	587	29	7.6%	4.9%	4.0x	NM
Paycom Software, Inc.	309.73	90.6%	17,789	17,661	780	279	27.4%	35.8%	22.6x	NM
Paylocity Holding Corporation	145.89	96.8%	7,832	7,735	551	91	24.2%	16.5%	14.0x	NM
Workday, Inc.	187.36	82.6%	44,061	43,562	3,821	(158)	26.1%	(4.1%)	11.4x	NM
<b>Mean</b>		<b>83.8%</b>					<b>18.6%</b>	<b>16.1%</b>	<b>12.9x</b>	<b>19.8x</b>
<b>Median</b>		<b>86.6%</b>					<b>25.2%</b>	<b>14.9%</b>	<b>12.7x</b>	<b>19.8x</b>
<b>Specialty Consulting Services</b>										
Accenture plc	\$214.72	98.5%	\$136,604	\$134,139	\$44,547	\$7,221	8.0%	16.2%	3.0x	16.5x
Atos SE	85.42	92.0%	9,304	12,704	13,004	1,714	(7.3%)	13.2%	1.0x	5.9x
Capgemini SE	114.73	84.3%	19,413	21,245	15,851	2,026	4.9%	12.8%	1.3x	9.1x
CRA International, Inc.	39.50	67.9%	308	518	472	45	11.2%	9.5%	1.1x	7.8x
FTI Consulting, Inc.	114.55	79.5%	4,124	4,429	2,406	334	15.6%	13.9%	1.8x	11.4x
Huron Consulting Group Inc.	44.25	62.4%	954	1,333	895	106	11.0%	11.8%	1.5x	11.2x
ICF International, Inc.	64.83	68.1%	1,221	1,853	1,496	126	8.6%	8.4%	1.2x	11.3x
<b>Mean</b>		<b>79.0%</b>					<b>7.4%</b>	<b>12.3%</b>	<b>1.6x</b>	<b>10.4x</b>
<b>Median</b>		<b>79.5%</b>					<b>8.6%</b>	<b>12.8%</b>	<b>1.3x</b>	<b>11.2x</b>
<b>Staffing Services</b>										
Adecco Group AG	\$46.95	70.2%	\$7,609	\$8,581	\$25,188	\$1,151	(5.8%)	4.6%	0.3x	5.9x
AMN Healthcare Services, Inc.	45.24	50.7%	2,125	3,221	2,292	243	6.8%	10.6%	1.4x	11.4x
ASGN Incorporated	66.68	91.8%	3,501	4,604	3,991	414	9.7%	10.4%	1.2x	10.1x
Cross Country Healthcare, Inc.	6.16	45.9%	231	317	837	21	4.5%	2.5%	0.4x	8.4x
Hays plc	1.47	64.0%	2,472	2,738	8,132	317	7.1%	3.9%	0.4x	8.4x
Kelly Services, Inc.	15.82	54.7%	618	663	5,234	110	(5.3%)	2.1%	0.1x	4.7x
Kforce Inc.	29.25	68.6%	607	696	1,356	83	(5.0%)	6.1%	0.5x	7.7x
ManpowerGroup Inc.	68.75	68.1%	3,991	4,384	20,438	737	(5.0%)	3.6%	0.2x	4.8x
PageGroup plc	4.68	68.8%	1,493	1,531	2,191	208	10.9%	9.5%	0.7x	6.4x
Randstad N.V.	44.63	70.7%	8,180	9,807	25,684	1,064	(4.0%)	4.1%	0.4x	7.5x
Robert Half International Inc.	52.83	82.6%	5,960	5,986	6,113	671	4.1%	11.0%	1.0x	8.0x
TrueBlue, Inc.	15.27	61.1%	531	600	2,311	95	(7.5%)	4.1%	0.3x	4.8x
<b>Mean</b>		<b>66.4%</b>					<b>0.9%</b>	<b>6.0%</b>	<b>0.6x</b>	<b>7.3x</b>
<b>Median</b>		<b>68.3%</b>					<b>0.0%</b>	<b>4.4%</b>	<b>0.4x</b>	<b>7.6x</b>
<b>Total Mean</b>		<b>71.5%</b>					<b>6.4%</b>	<b>11.9%</b>	<b>3.1x</b>	<b>9.4x</b>
<b>Total Median</b>		<b>69.9%</b>					<b>6.8%</b>	<b>10.6%</b>	<b>1.2x</b>	<b>8.4x</b>

Sources: Bloomberg, Capital IQ and company filings, as of 06/30/20

In May, Levine Leichtman Capital Partners acquired SiPM, a professional e-learning and training solutions provider, from Fin.Co and founders.

The company provides e-learning solutions for corporate employees working in procurement, supply chains and sales worldwide. SiPM now serves over 5,000 individuals employed by over 200 blue-chip corporations in more than 100 countries. Under new ownership the SiPM seeks to continue growing its client base and broaden its curriculum offerings.

## Market Intelligence

**04/29/20:** With tens of millions unemployed in the US alone, there will be a long rehiring period as economic recovery ensues. Recruiters will need tools to effectively find, qualify and hire the best talent before their competitors. While it is too early to gauge how the crisis will impact the HR automation industry in the long-run, companies in the space will likely face a distinct set of challenges ahead. HR automation companies need to be able to demonstrate that they can identify more qualified candidates compared to competitors, lower costs and help companies reach their diversity targets faster.

*Pitchbook*

**5/21/20:** Chief Human Resource Officers have taken on new importance as remote workplace environments require creative and dynamic solutions for human capital management. In addition to rolling out Zoom, Slack or Teams, CHROs are seeking to develop and improve more flexible work arrangements, remote options, greater independence, and self-service capabilities to manage their own work, devices, benefits, growth and performance. While these initiatives have been historically resisted, the current environment requires rapid adaptation and implementation of these workplace policies.

*Forbes*

**6/9/20:** The demand for very specific roles such as clinical research associates and trial managers as well as store managers for grocery and drug stores increased drastically during the last quarter drawing attention to the need for outsourced recruiting services. As pharmaceutical manufacturers work to develop a coronavirus vaccine, demand for lab personnel has increased by 46%. The demand for assistant managers at general retailers and drug stores has also risen by 38% as the necessity and complexity of keeping essential goods stocked has grown. The demand for financial consultants has also risen 50%. Amidst widespread workforce reduction, the demand for specialized recruiters geared toward niche professions has increased. As the global workplace landscape continues to shift demand for these services will remain high.

*PR Newswire*

## Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Jun-20	Agile Healthcare	Provides human capital management services in the healthcare industry	FlexWise Health
Jun-20	APS Staffing	Provides recruitment and staffing solutions	Qualivis
Jun-20	D.E. Enterprises	Provides recruitment and staffing solutions	Advanced Resources Group
Jun-20	Analytic.li	Provides human capital management and payroll software solutions	Novi Group
Jun-20	Corporate Business Solutions	Provides human resource outsourcing services	Group Management Services
Jun-20	Anistar Technologies	Provides recruitment and staffing solutions	NSC Technologies
Jun-20	THMED (nka:Curative Talent)	Provides staffing services to the healthcare industry	Doximity
Jun-20	Teneo Holdings	Provides consulting and executive search solutions	CVC Capital Partners
Jun-20	TechSmarte	Provides IT consulting and recruitment solutions	TechAffinity

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 06/30/20

## Selected M&A Transaction Recap (cont'd)

Closed	Target Company	Target Description	Acquiring Company
Jun-20	Choice Employer's Resource	Provides cloud-based human capital management solutions	Employer Advantage
May-20	HR Works	Provides human resource management and engagement solutions	Management Buyout
May-20	Advocate Solutions	Provides IT consulting and business management consulting services	KSM Consulting
May-20	Excelity Global Solutions	Provides human capital management and payroll software solutions	Ceridian HCM
May-20	BroadVision	Provides IT consulting and human capital management solutions	ESW Capital
May-20	Time Rack	Provides human capital management and payroll software solutions	Timecentric
May-20	Cammio	Provides recruitment and branding consulting services	StepStone
May-20	Opening HR	Provides talent management and recruiting services	iCIMS
May-20	Signature Management Group	Provides IT consulting and business management consulting services	Applied Research Associates
May-20	Compensation Resources	Provides human capital management and payroll software solutions	EisnerAmper
May-20	Ignite PEO Services	Provides professional employer organization and human resource services	G&A Partners
May-20	SiPM	Provides professional e-learning and training solutions	Levine Leichtman Capital Partners
May-20	IT Connect	Provides IT consulting and staffing services	Avrem Technologies
Apr-20	Tekmark Global Solutions	Provides IT consulting and executive search solutions	Orion Systems Integrators
Apr-20	Informática El Corte Inglés	Provides IT consulting and related services	GFI Informatique
Apr-20	RoiKoi	Provides database of qualified candidates with referrals	Terminal
Apr-20	Saba Software	Provides cloud-based talent management solutions	Cornerstone OnDemand
Apr-20	Leading Edge Payroll and HR Solutions	Provides human capital management and payroll software solutions	G&A Partners
Apr-20	Cambridge Benefit Solutions	Provides human capital management solutions	Benefit Commerce Group
Apr-20	Renovo Employment Group	Provides recruitment and executive search solutions	Liberata
Apr-20	Kronos Incorporated	Provides human capital management and payroll software solutions	The Ultimate Software Group

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 06/30/20

# Lincoln's Business Services Group

## Committed to Serving Our Clients

We are immersed in the constantly evolving, rapidly growing service-based economy. Our breadth of transactional, operational and technical experience enables us to intuitively communicate the underlying dynamics in key subsectors and generate excellent outcomes for our clients' individual needs.

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## Advisory Services

Mergers & Acquisitions  
Capital Advisory  
Joint Ventures & Partnering  
Valuations & Opinions

## About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and public and privately held companies around the world. Our advisory services include mergers and acquisitions and capital markets advisory for the mid-market. We also provide valuations and fairness opinions and joint ventures advisory services. As one tightly integrated team of more than 600 professionals across 16 countries, we offer an unobstructed perspective, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at: [www.lincolninternational.com](http://www.lincolninternational.com).

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