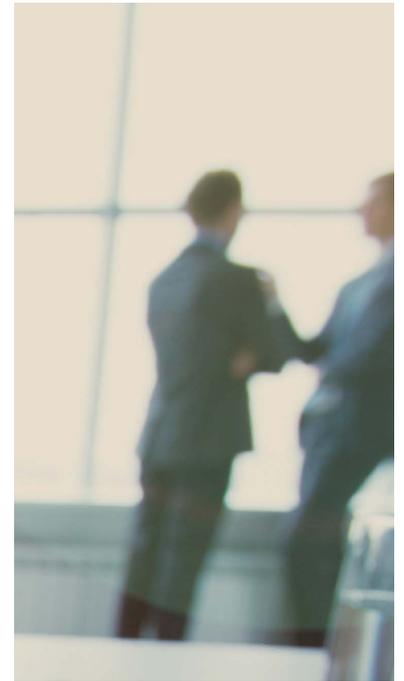


# Market Update



## Human Capital Management Services Q4 2020



## Market Insights

In December, both the unemployment rate, at 6.7%, and the number of unemployed persons, at 10.7 million, were unchanged. Although both measures are much lower than their April highs, they are nearly twice their pre-pandemic levels in February (3.5 % and 5.7 million, respectively). With further recovery in employment levels anticipated in 2021 due to the rollout of COVID-19 vaccination programs in each state and the expectation of jobs-targeted fiscal stimulus from the new Administration and Congress in Washington, mergers and acquisitions (M&A) activity in the human capital services sectors tracked by Lincoln International continued to recover. There were 33 transactions in Q4 which was up 38% from the 24 completed transactions in Q3. However, the figure represents a slight decline from Q4 2019 (34) and pre-pandemic Q1 2020 (36). On balance, M&A activity for the full year 2020 of 123 transactions was down 10% from 137 transactions for the full year 2019. Trends that we saw continue in Q4 included large insurance brokers deepening human resources (HR) consulting expertise (Arthur J. Gallaher with Optimum Talent and USI Insurance with Findley) as well as significant activity among recruitment and staffing providers that are highly specialized in vertical markets (WTS energy in energy, poppy nursing and care services in healthcare, power labor in commercial construction) or in well defined occupational categories (hired in engineering, data science, design and project management).

# 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 middle 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

## Human Capital Management Services Financial Performance

### Quarter-over-Quarter Price Performance

Outperformers	Change
Upwork Inc.	110.1%
Heidrick & Struggles International, Inc.	50.0%
Korn Ferry	49.9%
Huron Consulting Group Inc.	49.8%
Paycom Software, Inc.	43.9%

Underperformers	Change
Workday, Inc.	10.1%
FTI Consulting, Inc.	4.4%
Marsh & McLennan Companies, Inc.	0.3%
Willis Towers Watson Public Limited Company	(1.3%)
51job, Inc.	(11.9%)



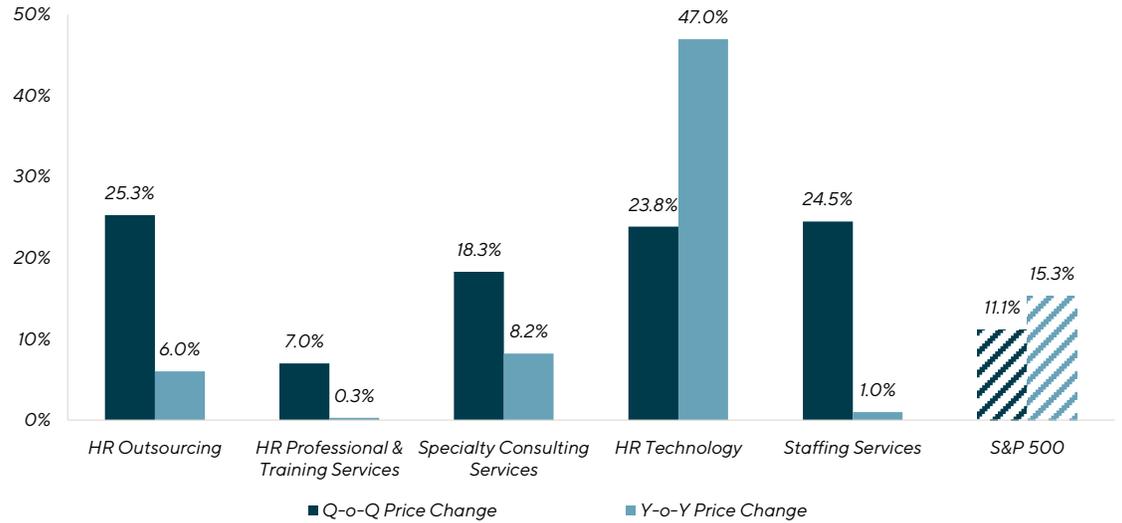
## Highlights

After a year of tumultuous and disruptive market conditions that affected the entire economy, the human capital management sector rounded out the year on a relatively positive note, as each of the five subsectors logged growth over the prior year. Unsurprisingly, HR technology is up 47% year-over-year and drastically outperformed the adjacent subsectors as well as general market due to accelerated adoption of technologies as a result of the sudden shift to remote workforces, which has also become the new normal given the prolonged period of work from home conditions.

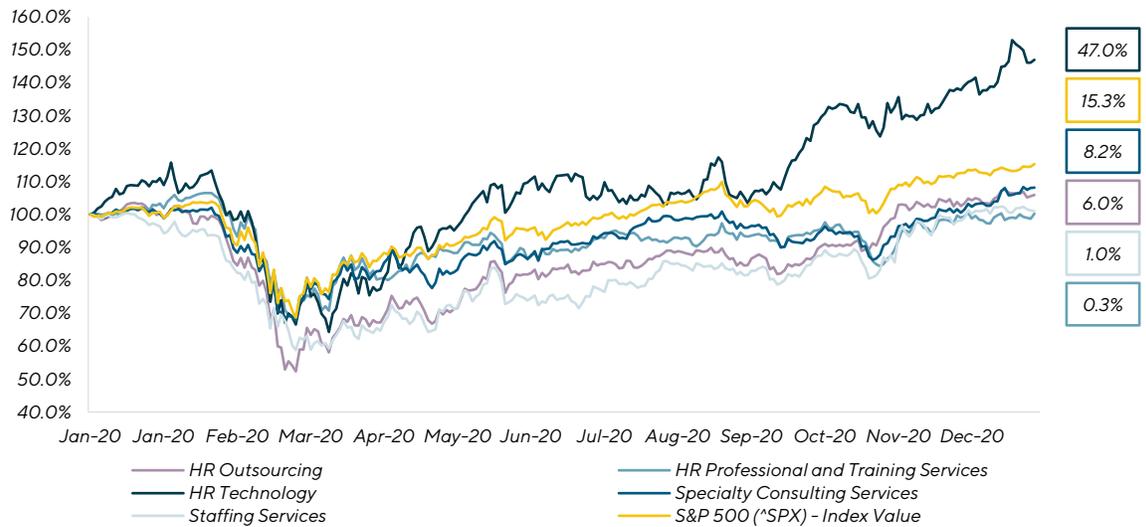
While the other subsectors remain below general market gains, they logged strong momentum in the fourth quarter and are poised for continued growth into 2021. In particular, HR outsourcing and staffing services, up 25.3% and 24.5% quarter-over-quarter, respectively, are expected to have very strong starts in the first quarter of 2021.

Valuation multiples for each of the subsectors continue to recover, again reaching new highs since the onset of the pandemic while remaining below where they stood at the end of 2019. M&A activity in the space remains strong, unimpaired by lower public comparable company multiples.

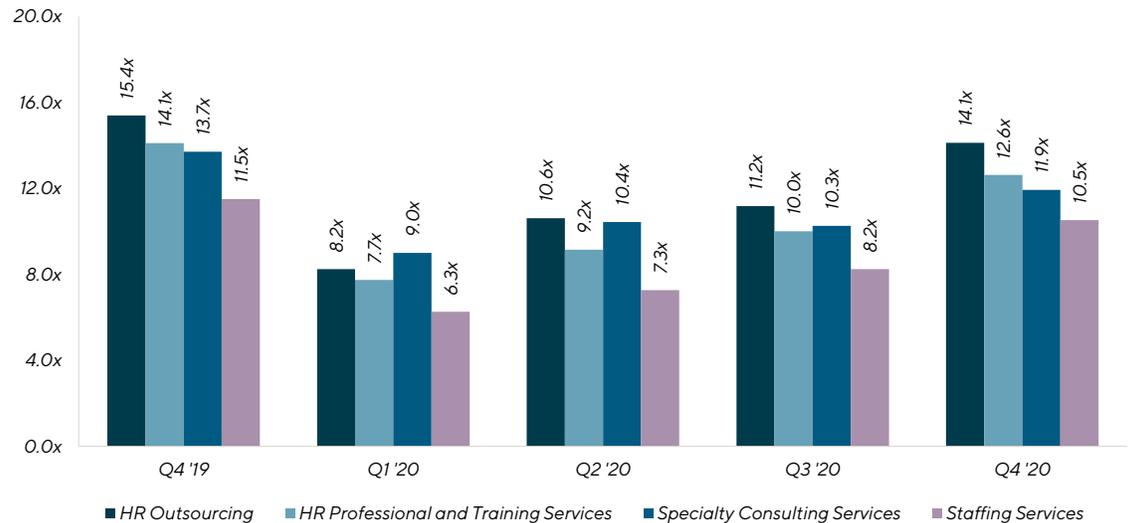
## Quarter-over-Quarter & Year-over-Year Stock Indices Price Change



## 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.	\$176.20	96.6%	\$75,557	\$76,361	\$14,565	\$3,809	1.4%	26.2%	5.2x	19.2x
Barrett Business Services, Inc.	68.21	73.3%	522	402	893	45	(4.5%)	5.0%	0.5x	7.5x
Capgemini SE	155.11	98.9%	26,141	35,121	16,542	2,085	5.8%	12.6%	2.0x	13.5x
Insperity, Inc.	81.42	85.0%	3,123	3,150	4,306	238	2.4%	5.5%	0.7x	12.4x
Paychex, Inc.	93.18	93.2%	33,604	33,631	3,974	1,608	(1.5%)	40.5%	8.5x	20.3x
TriNet Group, Inc.	80.60	96.2%	5,371	5,409	3,989	437	6.2%	11.0%	1.4x	11.9x
<b>Mean</b>		<b>90.5%</b>					<b>1.6%</b>	<b>16.8%</b>	<b>3.0x</b>	<b>14.1x</b>
<b>Median</b>		<b>94.7%</b>					<b>1.9%</b>	<b>11.8%</b>	<b>1.7x</b>	<b>12.9x</b>
<b>HR Professional and Training Services</b>										
BTS Group AB	26.48	73.8%	510	480	178	17	(3.2%)	9.4%	2.5x	19.5x
Franklin Covey Co.	22.27	62.0%	312	323	198	16	(11.9%)	8.0%	1.6x	NM
GP Strategies Corporation	11.86	77.8%	204	259	505	7	(9.9%)	1.3%	0.5x	15.3x
Heidrick & Struggles International, Inc.	29.38	88.5%	569	435	641	64	(10.0%)	10.0%	0.7x	4.6x
Korn Ferry	43.50	94.9%	2,356	2,380	1,735	184	(10.7%)	10.6%	1.4x	9.3x
Marsh & McLennan Companies, Inc.	117.00	96.7%	59,341	72,099	17,072	4,734	6.0%	27.7%	4.2x	13.8x
Willis Towers Watson Public Limited Company	210.68	95.3%	27,158	32,288	9,278	2,204	6.4%	23.8%	3.5x	13.3x
<b>Mean</b>		<b>84.1%</b>					<b>-4.8%</b>	<b>13.0%</b>	<b>2.1x</b>	<b>12.6x</b>
<b>Median</b>		<b>88.5%</b>					<b>-9.9%</b>	<b>10.0%</b>	<b>1.6x</b>	<b>13.5x</b>
<b>HR Technology</b>										
51job, Inc.	\$70.00	75.6%	\$4,718	\$3,270	\$539	\$145	(2.2%)	26.9%	6.1x	22.5x
Chegg, Inc.	90.33	94.9%	11,635	11,939	564	81	48.0%	14.4%	21.2x	NM
Cornerstone OnDemand, Inc.	44.04	68.3%	2,845	3,995	684	87	21.0%	12.7%	5.8x	NM
Paycom Software, Inc.	452.25	96.0%	26,064	25,960	814	242	17.2%	29.7%	31.9x	NM
Paylocity Holding Corporation	205.91	94.3%	11,170	11,109	570	86	15.5%	15.1%	19.5x	NM
Upwork Inc.	34.52	83.4%	4,214	4,096	348	(24)	20.2%	(6.9%)	11.8x	NM
Workday, Inc.	239.61	92.5%	57,703	56,985	4,163	51	21.0%	1.2%	13.7x	NM
<b>Mean</b>		<b>86.4%</b>					<b>20.1%</b>	<b>13.3%</b>	<b>15.7x</b>	<b>22.5x</b>
<b>Median</b>		<b>92.5%</b>					<b>20.2%</b>	<b>14.4%</b>	<b>13.7x</b>	<b>22.5x</b>
<b>Specialty Consulting Services</b>										
Accenture plc	\$261.21	96.3%	\$165,669	\$160,940	\$44,730	\$7,409	1.7%	16.6%	3.6x	19.3x
Atos SE	91.47	90.7%	9,862	12,415	12,909	1,542	(11.1%)	11.9%	0.9x	5.8x
Capgemini SE	155.11	98.9%	26,141	35,121	16,542	2,085	5.8%	12.6%	2.0x	13.5x
CRA International, Inc.	50.93	87.5%	396	566	490	48	11.2%	9.8%	1.2x	8.1x
FTI Consulting, Inc.	111.72	77.5%	3,875	4,082	2,437	310	8.0%	12.7%	1.7x	11.0x
Huron Consulting Group Inc.	58.95	83.1%	1,271	1,526	878	94	3.3%	10.7%	1.7x	14.3x
ICF International, Inc.	74.33	78.0%	1,402	1,936	1,469	129	0.6%	8.8%	1.3x	11.5x
<b>Mean</b>		<b>87.4%</b>					<b>2.8%</b>	<b>11.9%</b>	<b>1.8x</b>	<b>11.9x</b>
<b>Median</b>		<b>87.5%</b>					<b>3.3%</b>	<b>11.9%</b>	<b>1.7x</b>	<b>11.5x</b>
<b>Staffing Services</b>										
Adecco Group AG	\$66.95	95.0%	\$10,838	\$11,949	\$23,621	\$827	(8.2%)	3.5%	0.5x	10.1x
AMN Healthcare Services, Inc.	68.25	76.5%	3,210	4,152	2,349	268	8.6%	11.4%	1.8x	13.4x
ASGN Incorporated	83.53	95.5%	4,419	5,323	3,964	404	3.6%	10.2%	1.3x	12.8x
Cross Country Healthcare, Inc.	8.87	66.1%	333	412	836	24	3.4%	2.9%	0.5x	10.9x
Hays plc	1.95	77.9%	3,273	2,924	7,342	186	(4.8%)	2.5%	0.4x	10.9x
Kelly Services, Inc.	20.57	89.4%	808	648	4,612	76	(15.1%)	1.6%	0.1x	6.0x
Kforce Inc.	42.09	94.9%	875	897	1,380	81	(5.2%)	5.9%	0.7x	10.2x
ManpowerGroup Inc.	90.18	89.3%	5,188	5,139	18,143	491	(13.9%)	2.7%	0.3x	7.6x
PageGroup plc	6.11	84.2%	1,947	1,892	1,843	102	(10.4%)	5.5%	0.9x	11.7x
Randstad N.V.	65.13	94.9%	11,937	12,425	24,683	784	(4.8%)	3.2%	0.5x	11.9x
Robert Half International Inc.	62.48	92.9%	7,010	6,723	5,342	508	(11.2%)	9.5%	1.3x	11.4x
TrueBlue, Inc.	18.69	77.0%	637	650	1,919	41	(21.0%)	2.2%	0.3x	9.4x
<b>Mean</b>		<b>86.1%</b>					<b>(6.6%)</b>	<b>5.1%</b>	<b>0.7x</b>	<b>10.5x</b>
<b>Median</b>		<b>89.4%</b>					<b>(6.7%)</b>	<b>3.3%</b>	<b>0.5x</b>	<b>10.9x</b>
<b>Total Mean</b>		<b>86.7%</b>					<b>1.5%</b>	<b>11.0%</b>	<b>4.2x</b>	<b>12.3x</b>
<b>Total Median</b>		<b>89.4%</b>					<b>1.4%</b>	<b>10.0%</b>	<b>1.4x</b>	<b>11.8x</b>

Sources: Bloomberg, Capital IQ and company filings, as of 12/31/20

## Transaction Spotlight

Arthur J. Gallagher & Co. (AJG), one of the largest global insurance brokerage and consulting service providers to middle market entities, was highly acquisitive in the fourth quarter of 2020, making three acquisitions in the sector in November. This series of acquisitions follows up a Q3 acquisition of an Arizona-based provider of HR-related consulting services.

AJG acquired Canadian talent management and HR consulting firm, Optimum Talent, boosting their service capabilities, regional coverage and Canadian senior management relationships. Also in November were the acquisitions of Pennsylvania-based Warner Benefits and Australian talent consulting and development agency, Effectus Consulting.

The acquisition of Effectus consulting is expected to create cross-selling opportunities for existing clients by providing a holistic offering of career benefits consulting and organization performance programs. Acquiring Warner Benefits expands AJG's HR consulting capabilities in Pennsylvania.

## Market Intelligence

**10/20/2020:** Key findings of the Future of Jobs Report 2020 illustrated a rapid ongoing transformation to the way we work, how we learn to work and the role technology is playing in organizations approach to their human capital. 43% of businesses surveyed indicated plans to reduce their workforce due to technology integration versus 34% who planned to expand their workforce. Additionally, 41% stated they planned to grow the use of contractors for task-specialized work.

The future workforce will be heavily reliant on online learning and training technologies. Rapid transformation of roles and jobs influenced the necessity of reskilling and upskilling tools for employers. There was a five-fold increase in employer provision of online learning opportunities. These workforce reskilling and upskilling tools are a critical investment to businesses; an average of 66% of employers surveyed expected to get a return on investment within one year.

*World Economic Forum*

**10/01/2020:** The human capital management software market is undergoing rapid growth. Key drivers of the subsector's growth have been artificial intelligence (AI), machine learning and HR analytics. Currently, market leading human capital management (HCM) software vendors are generating over \$15 billion in revenues globally and the overall market is expected to experience a 5% compound annual growth rate over the next five years to reach \$25 billion. Other functional verticals, such as finance or supply chain verticals, were fast movers to digitize, but HR has been slower and is now playing catch-up as managers forego traditional methods to adopt a more data-driven approach.

*Capgemini Invent*

## Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Dec-20	IQTalent Partners, LLC	Provides recruitment services for technology, life sciences and healthcare, entertainment and digital media, automotive and retail sectors	The Caldwell Partners International, Ltd.
Dec-20	Gaucher Associates	Provides human resources consulting services and affirmative action plans	OutSolve LLC
Dec-20	Meeting Jobs	Provides recruitment and job search services to the meetings industry	Cadre LLC
Dec-20	People Workplaces	Provide human resources consulting services in the United States	The Hopkins Group, LLC
Dec-20	Netwerven	Provide development services for career sites for industry-leading organizations, including a social referral recruitment tool	Phenom People, Inc.
Dec-20	Kavin Group	Provides talent management and recruiting services, operational consulting services and transportation and logistics services	Hire Technologies Inc.
Dec-20	Connecting-Expertise NV	Provides vendor management system platform that facilitates staff supply and demand process	SAS PIXID
Dec-20	Rapid Learning Deployment	Provides learning and talent management consulting services	TiER1 Impact
Dec-20	Meritex.	Provides recruitment services for contractual and permanent resources in information technology	ASTEK Canada Inc.
Dec-20	Talent Function Group	Provides consulting services to staffing leaders of organizations	Cielo, Inc.
Dec-20	Humanity.com	Provides cloud-based employee scheduling platform for shift scheduling	TimeClock Plus, LLC
Nov-20	WTS Energy Netherlands	Provides sourcing and engineering professionals service to oil and gas, and energy companies in the Netherlands and internationally	NIBC Mezzanine & Equity Partners
Nov-20	Hired	Provides marketplace platform that enables tech companies to recruit engineers, data scientists, designers and project managers	Vettery Inc.
Nov-20	Poppy Nursing and Care Services	Provides nurse and carers staffing services to care homes, hospital trusts and hospitals	McGinley Group Limited

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 12/31/20

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

Closed	Target Company	Target Description	Acquiring Company
Nov-20	Power Labor	Provides staffing and recruitment services to the commercial construction industry	Labor Source, LLC
Nov-20	jobpal	Provides a chat bot communication software that enables communication between employer and candidates	SmartRecruiters, Inc.
Nov-20	ClearStar	Provides human capital integrity technology-enabled services, primarily supporting background screening companies and application decision	Hanover Investors Management LLP; Hanover Active Equity Fund II S.C.A. SICAV-RAIF
Nov-20	Warner Benefits	Provides brokerage and consulting, benefits and administration, benefits compliance and human resources services	Arthur J. Gallagher & Co.
Nov-20	Optimum Talent	Provides career management and transition, coaching, recruitment, industrial psychology, organization development and HR consulting services	Arthur J. Gallagher & Co.
Nov-20	Effectus Consulting	Offers talent development strategies, talent diagnostics, culture and engagement surveys, mediation and performance management and executive coaching services for employee and leadership development	Arthur J. Gallagher & Co.
Nov-20	Fastnext Education	Provides AI-recruitment platform which finds talent, based not only on technical skills but also cultural fitment and career objective fitment	ANSR Consulting, Inc.
Nov-20	Inspired eLearning	Provides e-learning solutions for coporate, government and non-profit organization to build an informed workforce	J2 Global, Inc.
Nov-20	Findley	Provides human resources consulting services in the United States	USI Insurance Services, LLC
Oct-20	Search Partners Recruiting	Provides recruitment services	Resolute Administrative Services, LLC
Oct-20	FurstPerson	Provides assessment tools for customer contact jobs, spanning contact centers, retail, hospitality, field services, sales and back-office jobs	OutMatch, Inc.
Oct-20	TalentBeacon International	Provides talent acquisition, management, retention and related consulting services	Futuris Technology Services, Inc.
Oct-20	Mitrefinch	Provides employee mangement and security solutions for business, including employee time management, attendance and access control services	Advanced Computer Software Group Limited
Oct-20	Hive Tech HR	Provides human resource technology consulting through vendor selection, implementation and optimization services to HR companies	Workforce Insight, LLC
Oct-20	Centurion Management Systems	Provides HR software for small to medium enterprises, focusing on documents, performance, payroll, recruitment and reporting	Elmo Software Limited
Oct-20	PurelyHR	Provides human resource management platform with modules that help businesses manage employee leave, time-off and performance	SherWeb, Inc.
Oct-20	Saba Software	Provides cloud-based intelligent talent mangement solution for organizations	BestAtDigital Ltd
Oct-20	Field Health	Provides healthcare recruitment services to hospitals and agencies in the United States	Premier Healthcare Professionals, Inc.
Oct-20	ShiftWizard, Inc.	Provides workforce management solutions for healthcare organizations	HealthStream, Inc.
Oct-20	Tricore HCM	Provides human capital management solutions	Payday Payroll, Inc. (nka:Payday LLC)
Oct-20	Infonika	Provides information technology services, and infrastructure, cross-industry standard software and business solutions	Warburg Pincus

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 12/31/20

## Lincoln's Experience in Human Capital Management Services

<p>Elvaston</p> <p>has sold a majority stake of</p> <p><b>INFONIKA</b></p> <p>to</p> <p><b>WARBURG PINCUS</b></p> <p>Sell-Side</p> 	<p><b>airswEB</b></p> <p>has been sold to</p> <p><b>ECC ONLINE</b></p> <p>a portfolio company of</p> <p><b>goldman Sachs</b></p> <p><b>SUMMA EQUITY</b> <b>VIKING VENTURE</b></p> <p>Sell-Side</p> 	<p><b>FINCO</b></p> <p>and founders</p> <p>have sold</p> <p><b>SIPM</b></p> <p>to</p> <p><b>LEVINE LEICHTMAN CAPITAL PARTNERS</b></p> <p>Sell-Side</p> 	<p><b>Profile</b></p> <p>has been sold to</p> <p><b>WilsonHCG</b></p> <p>a portfolio company of</p> <p><b>CIP CAPITAL</b></p> <p>Sell-Side</p> 	<p><b>KEYSTONE CAPITAL</b></p> <p>has sold</p> <p><b>Greeley</b></p> <p>to</p> <p><b>THE CHARTIS GROUP</b></p> <p>a portfolio company of</p> <p><b>Andas Group</b></p> <p>Sell-Side</p> 	<p><b>PARKER FITZGERALD</b></p> <p>has been sold to</p> <p><b>accenture</b></p> <p>Sell-Side</p> 
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# 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).

Connect with a professional in Lincoln International's Business Services Group at [www.lincolninternational.com/business-services](http://www.lincolninternational.com/business-services)