

# M&A 2023 INDUSTRY REPORT

## Human Capital Management

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**FOCUS Investment Banking is a leading middle-market investment bank with deep industry expertise, a nationwide footprint and a global reach.**

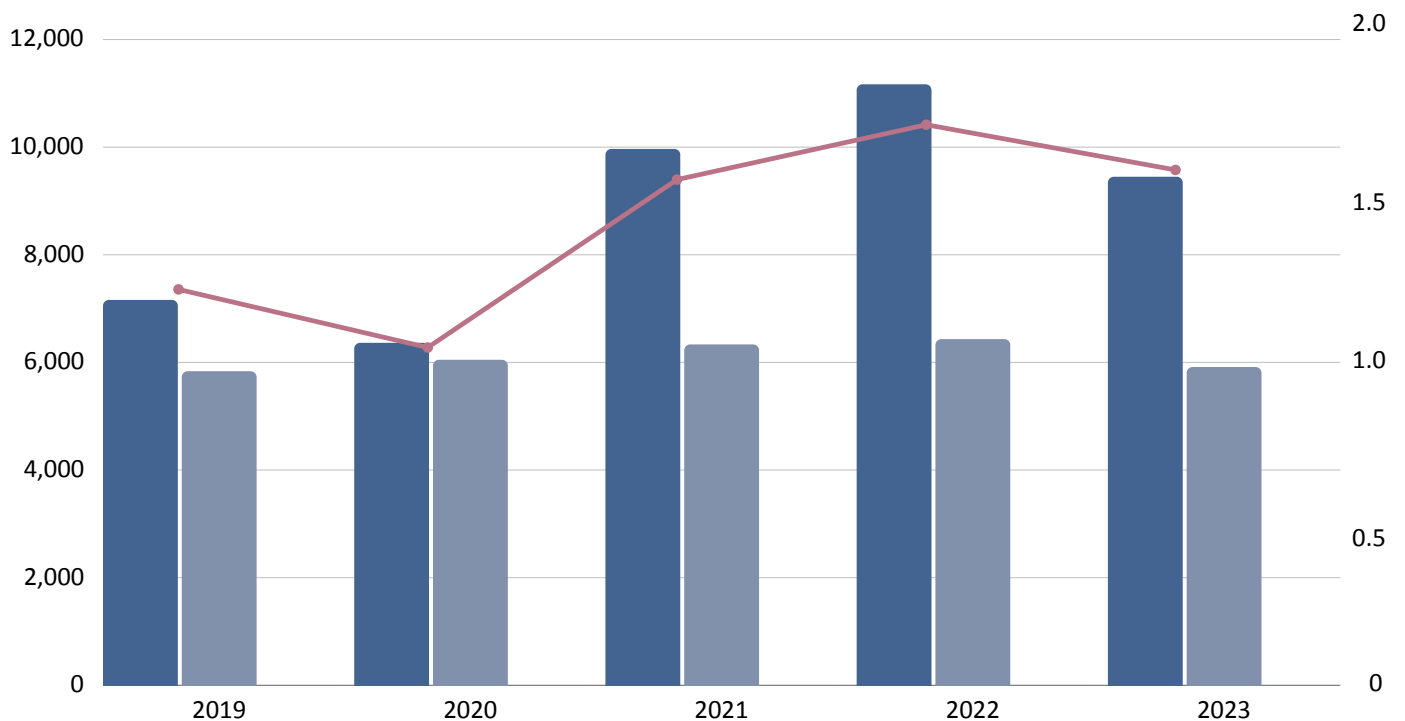
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## HCM 2023 YEAR IN REVIEW

2023 was a year of widely diverging experiences in the human capital management sector. Throughout the year caution reigned as the Federal Reserve continued to raise interest rates to combat inflation with many fearing the higher interest rates would trigger a recession and spike in unemployment.

Despite interest rate increases that brought the federal funds rate above 5% for the first time in more than 15 years, the unemployment rate remained below 4% for the entirety of 2023 and the anticipated recession never arrived. Job openings remained plentiful and hiring was active, but in most sectors both were lower than in 2021 and 2022.

### Average Job Openings and Hires (thousands)



Source: Bureau of Labor Statistics, Job Openings & Labor Turnover Survey

■ Total Non Farm Job Openings    ■ Total Non Farm Hires    ■ Job Openings / Hires Ratio

The relative strength of the labor market and economy supported the ongoing success of HCM sectors such as HR software and services. However, within the staffing and recruiting sector, the year over year drop in job openings and hires created a challenging environment where performance varied widely depending on the end markets served.

Staffing firms with significant exposure to the travel nurse market experienced declines in revenues and profits as that market experienced ongoing post pandemic normalization in bill rates and staff requirements.

Similarly, staffing and recruiting businesses with a concentration of large technology industry clients such as Amazon, Google, and Microsoft faced challenges as these companies reduced headcount following a pandemic era hiring spree. At the same time, hiring by small technology startups also slowed as venture capital funding dropped by 30% in 2023 compared to 2022, forcing startups to focus on conserving cash reserves.

On the other hand, education and locum tenens focused staffing and recruiting firms enjoyed robust growth. Locum tenens staffing continues to enjoy tailwinds as many healthcare facilities struggle with physician shortages, particularly those in rural areas. Schools also continue to face staffing shortages including classroom teachers, counselors and school-based therapists.

## Public Company Valuation & Metrics (\$ Millions)

Staffing & Recruiting									
Company Name	Enterprise Value (EV)	Revenue	Revenue Growth %	Gross Margin %	EBITDA	EBITDA Margin %	EV / Revenue	EV / EBITDA	% 52 Week High
Adecco Group AG	11,651	26,076	5.0%	20.9%	958	3.7%	0.4	12.2	98%
AMN Healthcare Services, Inc.	3,740	4,097	-25.3%	33.3%	580	14.2%	0.9	6.4	66%
Cross Country Healthcare, Inc.	787	2,234	-20.8%	22.3%	172	7.7%	0.4	4.6	71%
Heidrick & Struggles International, Inc.	337	1,009	-10.1%	24.9%	97	9.6%	0.3	3.5	84%
Kelly Services, Inc.	710	4,837	-2.9%	20.1%	95	2.0%	0.1	7.5	98%
Kforce Inc.	1,316	1,588	-6.7%	28.2%	96	6.1%	0.8	13.7	95%
Korn Ferry	3,016	2,815	-0.4%	21.7%	325	11.5%	1.1	9.3	99%
ManpowerGroup Inc.	4,689	19,093	-6.4%	17.9%	584	3.1%	0.2	8.0	86%
Randstad N.V.	12,184	28,449	-3.9%	20.8%	1,158	4.1%	0.4	10.5	90%
Robert Half Inc.	8,642	6,647	-8.7%	40.8%	625	9.4%	1.3	13.8	98%
TrueBlue, Inc.	495	1,972	-12.5%	26.7%	30	1.5%	0.3	16.5	74%

Outsourced HR / Employer Services									
Company Name	Enterprise Value (EV)	Revenue	Revenue Growth %	Gross Margin %	EBITDA	EBITDA Margin %	EV / Revenue	EV / EBITDA	% 52 Week High
Automatic Data Processing, Inc.	98,132	18,309	8.5%	47.5%	5,207	28.4%	5.4	18.8	91%
Barrett Business Services, Inc.	657	1,065	2.5%	22.3%	61	5.8%	0.6	10.7	97%
CBIZ, Inc.	3,716	1,559	14.6%	14.3%	201	12.9%	2.4	18.5	99%
Inspireity, Inc.	4,099	6,395	11.4%	16.5%	276	4.3%	0.6	14.8	89%
Paychex, Inc.	42,326	5,155	7.0%	71.5%	2,282	44.3%	8.2	18.5	92%
TriNet Group, Inc.	6,755	4,903	0.2%	22.1%	530	10.8%	1.4	12.7	96%

HR Software									
Company Name	Enterprise Value (EV)	Revenue	Revenue Growth %	Gross Margin %	EBITDA	EBITDA Margin %	EV / Revenue	EV / EBITDA	% 52 Week High
Ceridian HCM Holding Inc.	11,089	1,450	21.6%	48.4%	211	14.5%	7.6	52.6	84%
HealthStream, Inc.	768	277	5.5%	65.9%	36	13.1%	2.8	21.2	98%
Paycom Software, Inc.	11,473	1,630	26.4%	87.1%	511	31.4%	7.0	22.5	55%
Paycor HCM, Inc.	3,795	578	27.0%	66.2%	16	2.8%	6.6	231.4	78%
Paylocity Holding Corporation	9,025	1,239	34.1%	69.1%	219	17.7%	7.3	41.2	70%
SAP SE	174,598	34,847	9.2%	71.3%	6,662	19.1%	5.0	26.2	94%
Workday, Inc.	69,000	6,983	17.4%	74.7%	316	4.5%	9.9	218.5	99%

Source: Capital IQ; data as of 12/31/2023

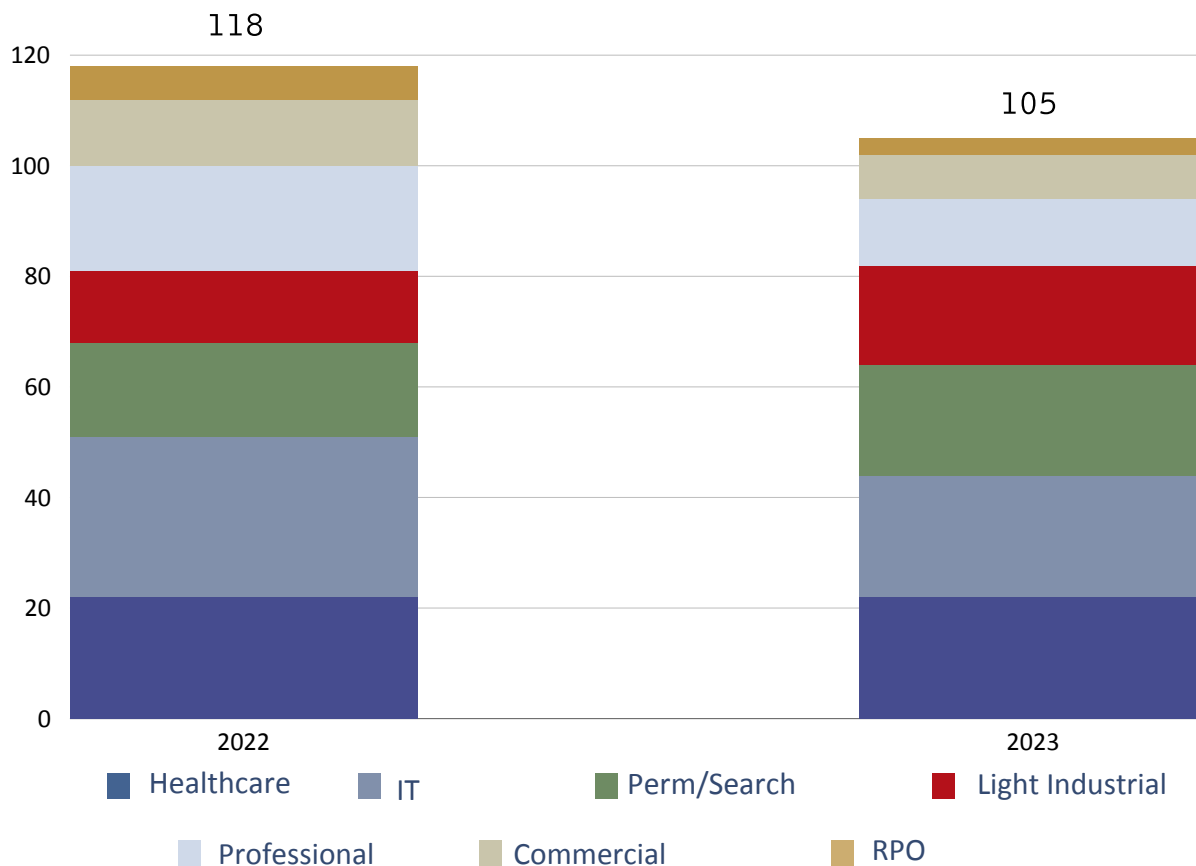
## M&A TRANSACTIONS

While there were fewer M&A transactions in 2023 compared to 2022, the deal market remained active, recording another year of 100+ transactions in the staffing and recruiting sector.

Private equity investors with large amounts of dry powder continued to be drawn to the sector. In 2023, private equity backed investments (platform and add-on) represented more than one-third (1/3) of staffing and recruiting deals, a similar portion to 2022. Healthcare and IT staffing deals attracted the greatest interest from private equity investors representing nearly 60% of the deals with private equity backing.

Companies that differentiated themselves from others in the market whether based on a unique client niche and strong, direct client relationships or a specialized talent offering continued to attract strong buyer interest. Firms with commodity-like offerings that lacked direct relationships received a more tepid reception.

### Announced M&A Transactions - Staffing and Recruiting



Source: Capital IQ, Mergermarket, Company press releases and websites. US/Canada targets

## NOTABLE 2023 DEALS



### 2023 Add Ons



- Osceola establishes IT staffing platform in 2018 (Talent Groups)
- Three additions in 2023; four within last 18 months



### 2023 Add Ons



- In 2022, Pritzker invests in Epic Staffing Group, a healthcare, life science, and school staffing platform
- Two physician staffing focused acquisitions in 2023

## STONE POINT CAPITAL



### 2023 Add Ons



### 2023 Add Ons



- Stone Point Capital, an investor in multiple HCM platforms, added to its IT staffing (Eliassen) and Employer HR Solutions (VensureHR) platforms.
- It also boosted Vensure's future acquisition capacity, leading a senior secured financing of \$500 million

## NOTABLE 2023 DEALS

Announce Date	Seller	Buyer	HCM Segments	Notes
Dec-12-2023	McKinley Marketing Partners	24 Seven, Inc.	Marketing Creative; Interim / Direct Hire	24 Seven announced three acquisitions in 2023 acquiring specialized IT staffing firm, The Cydio Group; design agency, Sketchbook; and marketing / creative firm, McKinley Marketing. 24 Seven is backed by Glendower Capital, a secondary fund of MSCP and Pantheon.
Oct-30-2023	PediaStaff Inc.	American Health Staffing Group (AHSB)	Healthcare Staffing / Pediatric Therapists / Special Education	Backed by Littlejohn & Co, AHSB's acquisition of PediaStaff expands the Company's specialized healthcare offerings and extends them into school based settings.
Oct-23-2023	Medical Search International / DRW Healthcare Staffing	AMN Healthcare Services, Inc.	Healthcare Staffing / Locum Tenens / Placement	Publicly traded AMN acquired Medical Search International ("MSI") and DRW Healthcare Staffing ("DRW") collectively referred to as MSDR for \$300 million. MSI focuses on placing psychiatrists, anesthesiologists, radiologists, and surgeons, and DRW focuses on staffing these specialties.
Aug-22-2023	Hardenbergh Group	BV Investment Partners	Healthcare Staffing / Non-Clinical	Hardenbergh Group, a leading provider of non-clinical professional staffing, consulting, physician peer review and outsourced solutions to healthcare organizations was acquired by BV Investment Partners, a middle market private equity firm.
Aug-10-2023	The Registry	ZRG Partners, LLC	Interim Placement / Exec Search	RFE Investment Partners backed ZRG Partners continued acquiring speciality recruiting businesses in 2023, adding Helbling & Associates (exec search focused on architecture and engineering) and The Registry (interim placement in higher education) to its portfolio.
May-26-2023	QED National	Seneca Resources LLC	IT Staffing / Consulting	QED is the first add-on investment for Caymus Equity's Seneca Resources platform. QED bolsters Seneca's geographic presence and cybersecurity expertise.
May-18-2023	Ntelicor L.P.	Inspyr Solutions	IT Staffing	A&M Capital Partners backed Inspyr (which was created from the merger of TekPartners and Genuent) announced deals to acquire Dallas based Ntelicor and Washington, DC based Protask in 2023.
Apr-24-2023	Arroyo Consulting LLC	BG Staffing, LLC (BGSF)	IT Staffing / Software Dev / Nearshore	Publicly traded BGSF acquired Arroyo Consulting, a nearshore/offshore workforce solutions firm for approximately 1x revenue (assumes max earn-out). Arroyo specializes in IT and software development and has operations in the US, Colombia and India.
Mar-23-2023	Fusion Healthcare Staffing, LLC	Waud Capital Partners, L.L.C.	Healthcare / Locum tenens Staffing	Waud Capital and veteran healthcare executives formed a new Healthcare staffing platform with the acquisition of Fusion Healthcare Staffing, a locum tenens staffing firm.
Jan-04-2023	IES Custom Staffing Solutions	Elwood Staffing Services, Inc.	Light Industrial / Admin Staffing	IES Custom Staffing was the first of three light industrial and admin staffing focused acquisitions announced by Elwood Staffing in 2023.

## CASE STUDY

### PROCESS & OVERVIEW

Queen Consulting Group was founded in 2015 by staffing industry veteran Carl Foster, who has more than 30 years of IT staffing and consulting experience. Foster joins Talent Group's senior leadership team, along with Queen Vice Presidents Jessica Doherty and Amy Migliore. After nearly 30 years of being in business together, Mr. Foster and his two partners, Queen Vice Presidents Jessica Doherty and Amy Migliore, wanted to take advantage of the strong market in the IT staffing space and as a group, they decided it was the perfect time to sell.

Queen delivers IT subject matter expertise, business intelligence and healthcare consulting support across all electronic health record (EHR) platforms. The addition of Queen to Talent Group presents a significant opportunity for Talent Group to expand its IT human capital services and solutions to a wider range of clients.



Highly Targeted Outreach



Multiple Offers

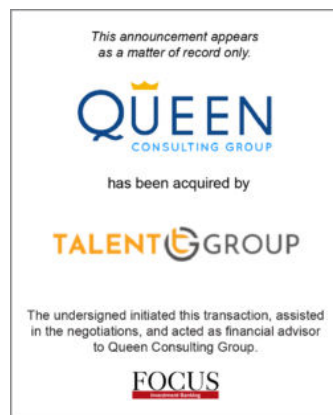


4 Months Total Transaction Process



60 Days Due Diligence

### TRANSACTION RESULTS



FOCUS successfully advised Queen throughout this entire transaction process, brought in multiple strong offers for Queen's team to consider and in the end, they selected Talent Group as the best fit for them. The addition of Queen Consulting to the Talent Group family presents a significant opportunity for us to expand our IT human capital services and solutions to a wider range of clients.

#### Queen Consulting Group

- Founded in 2015
- IT Staffing Company
- Based in Boston, MA
- Vast network of industry expert consultants in more than 40 states and U.S. territories.

“  
*The FOCUS team really knows their business, and they brought in multiple strong offers for us to consider. We really look forward to joining Talent Group—the best fit for us. George Shea and Bob Maiden walked us through the process every step of the way and highlighted our unique capabilities. We are thrilled with the result and wholeheartedly recommend FOCUS to any firm considering a sale.*”

**Carl Foster**  
 Queen, Founder & President

## NEWS & INSIGHTS

### Selling Your Human Capital Management Business – Choose a Professional or Go It Alone?

As a business owner, you are faced with a lot of decisions, and when the time is right to sell your company, you'll have a couple more decisions to make. Do you hire a professional to help you or do you go it alone? And if you hire a professional, which type of firm do you choose?



### The New Jersey Staffing Alliance Podcast: 8 Part Podcast with Bob Maiden



- Part 1: Earnouts in Private Equity Acquisitions
- Part 2: Human Capital M&A
- Part 3: Its Like Contracting Other Professional Services
- Part 4: NJ Staffing
- Part 6: Overhead Based on Ownership
- Part 5: NJ Staffing Podcast II
- Part 7: Selling a Business
- Part 8: Vacations and Valuations

### Closed Transaction Case Study: Hudson RPO


Hudson Global, Inc., a leading global total talent solutions company, has acquired Coit Group ("Coit"), a San Francisco-based RPO provider. This case study highlights the unique process of this transaction.






## RECENT TRANSACTIONS


This announcement appears as a matter of record only.




has been acquired by




The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Queen Consulting Group.




This announcement appears as a matter of record only.




has been acquired by



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Helpmates Companies.




This announcement appears as a matter of record only.




has been acquired by




The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Neuralify, LLC.



This announcement appears as a matter of record only.



has been acquired by



A Managing Director was an advisor on this transaction prior to joining FOCUS.

This announcement appears as a matter of record only.



has been acquired by



A Managing Director was a principal on this transaction prior to joining FOCUS.

## OUR TEAM



**Bob Maiden**  
Managing Director



**April Taylor**  
Managing Director



**Barry Calogero**  
Managing Director



**Anna Brumby White**  
Principal



**Kelly Kittrell**  
Managing Director

## ABOUT FOCUS



**TEAM DISTRICTS**

**BOB MAIDEN**  
Managing Director  
10000 N. Central Expressway, Suite 1000  
Dallas, TX 75243  
bmaiden@focusinvest.com

**APRIL TAYLOR**  
Managing Director  
10000 N. Central Expressway, Suite 1000  
Dallas, TX 75243  
ataylor@focusinvest.com

**BARRY CALOGERO**  
Managing Director  
10000 N. Central Expressway, Suite 1000  
Dallas, TX 75243  
bcalogero@focusinvest.com

**ANNA BRUMBY WHITE**  
Principal  
10000 N. Central Expressway, Suite 1000  
Dallas, TX 75243  
abrumbwhite@focusinvest.com

**KELLY KITTRELL**  
Managing Director  
10000 N. Central Expressway, Suite 1000  
Dallas, TX 75243  
kkittrell@focusinvest.com

**HUMAN CAPITAL MANAGEMENT**  
ONE OF THE MOST EXPERIENCED MIDDLE MARKET INVESTMENT BANKING TEAMS IN THE COUNTRY.

The FOCUS Human Capital Management (HCM) team provides solutions and expertise to help our clients attract, retain and develop their most valuable asset - their people.

FOCUS HCM has a proven track record of helping our clients with all aspects of their HCM strategy, including:

- Executive Search
- Recruitment Strategy
- Compensation Strategy
- Employee Retention
- Succession Planning
- HRIS Implementation
- HR Policy Development
- HR Compliance
- HR Risk Management
- HR Data Analytics

**AREAS OF FOCUS**

- Executive Search
- Recruitment Strategy
- Compensation Strategy
- Employee Retention
- Succession Planning
- HRIS Implementation
- HR Policy Development
- HR Compliance
- HR Risk Management
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**SAMPLE TRANSACTIONS**

Client	Industry	Transaction Type
ABC Corp	Technology	Acquisition
DEF Inc	Manufacturing	Restructuring
GHI LLC	Healthcare	Exit Strategy

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