

M&A INDUSTRY REPORT

Human Capital Management

FOCUS is a leading national M&A brand for the lower middle market. With over 40 years of experience, a global footprint, and hundreds of successful deals across myriad industries, FOCUS continues its mission to redefine the banker/client relationship.

First Half 2024



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OVERVIEW

Human Capital Management M&A Report - First Half 2024

In our First Half 2024 report we discuss M&A activity to date in the Human Capital Management market with a focus on transactions involving contract staffing and recruiting firms; outsourced HR services firms including background screening, compliance, employer of record (EOR), payroll, and professional employer organization (PEO); and HR consulting firms.

INVESTMENT BANKING AND ADVISORY SERVICES

Like many FOCUS M&A advisors, the Human Capital Management (HCM) team is comprised of professionals with relevant real world operating experience in the HCM industry. Our extensive proprietary database of leading HCM companies, includes HCM business owners, strategic buyers and private equity investors active in the space.

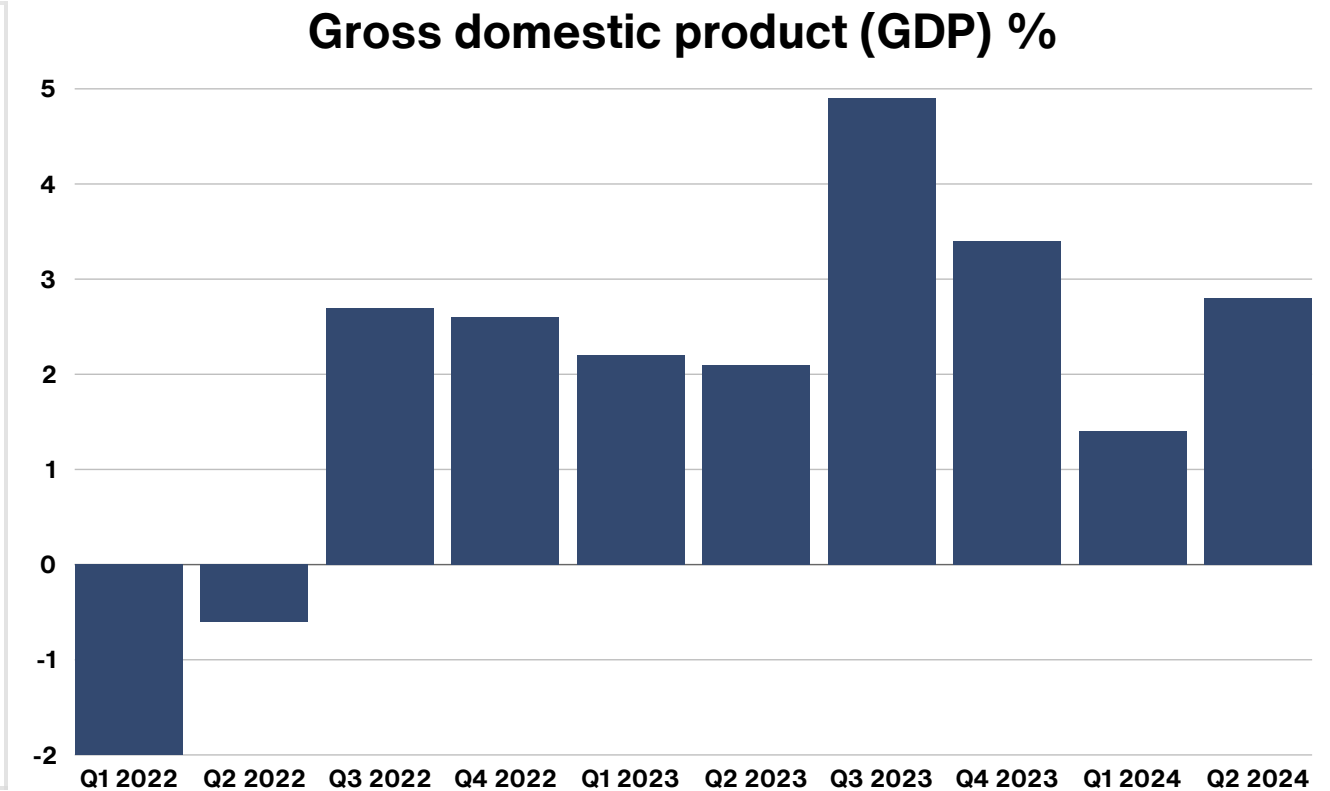
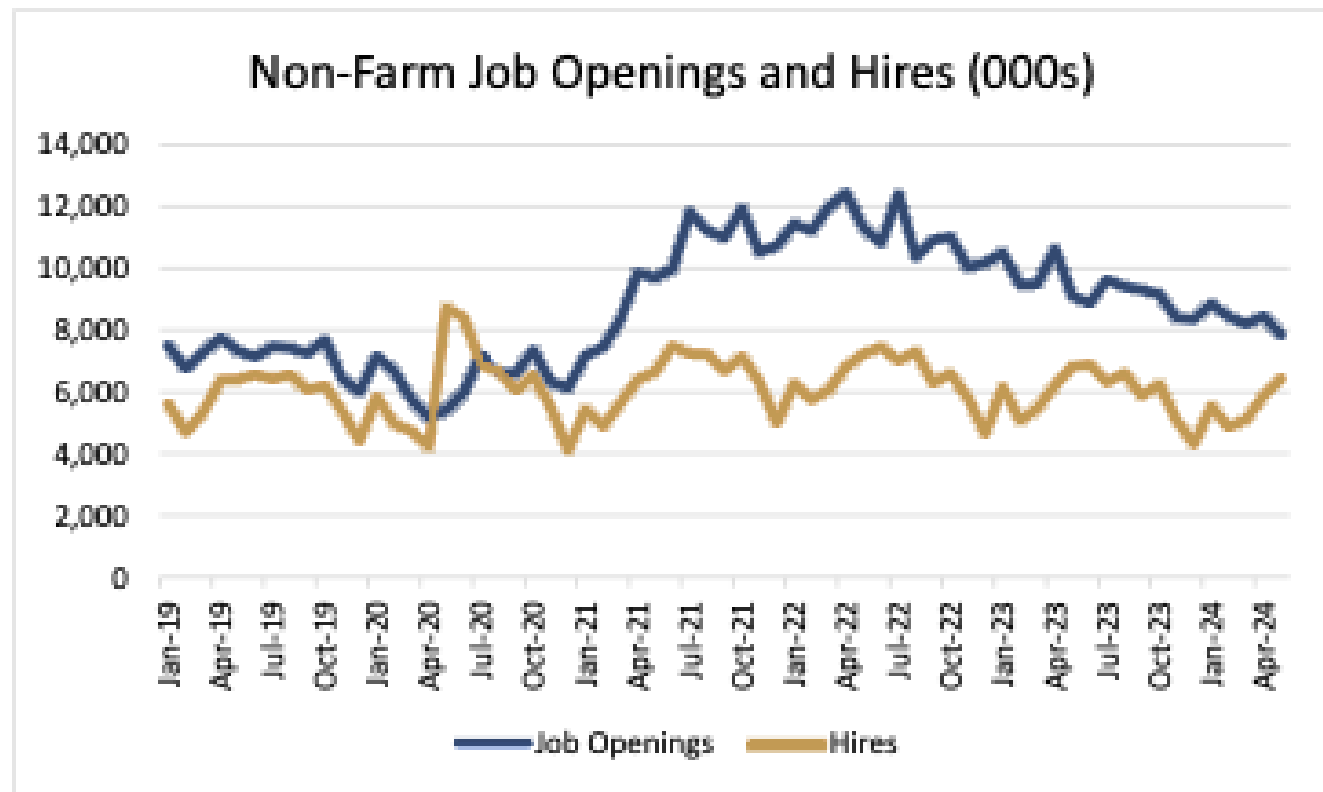
The FOCUS HCM team consistently advises clients and successfully completes transactions, drawing on our strong industry relationships and deep understanding of current valuations and deal structures to benefit our clients.

The FOCUS HCM team provides sell side and buy side M&A advisory services for lower-middle market workforce solutions firms.

MARKET ENVIRONMENT

Continued Strength in HCM M&A Market

HCM M&A activity has shown continued strength despite mixed economic data and signs of a weakening labor market. The federal funds rate remains above 5%, a level it has stayed at since May 2023. The early reading on Q2 2024 GDP came in at 2.8% after a weak Q1 2024 report of 1.4%. While still historically low the unemployment rate crept above 4% for the first time in more than two years in June. Job openings and hiring are below their 2022 and 2023 levels but remain healthy.

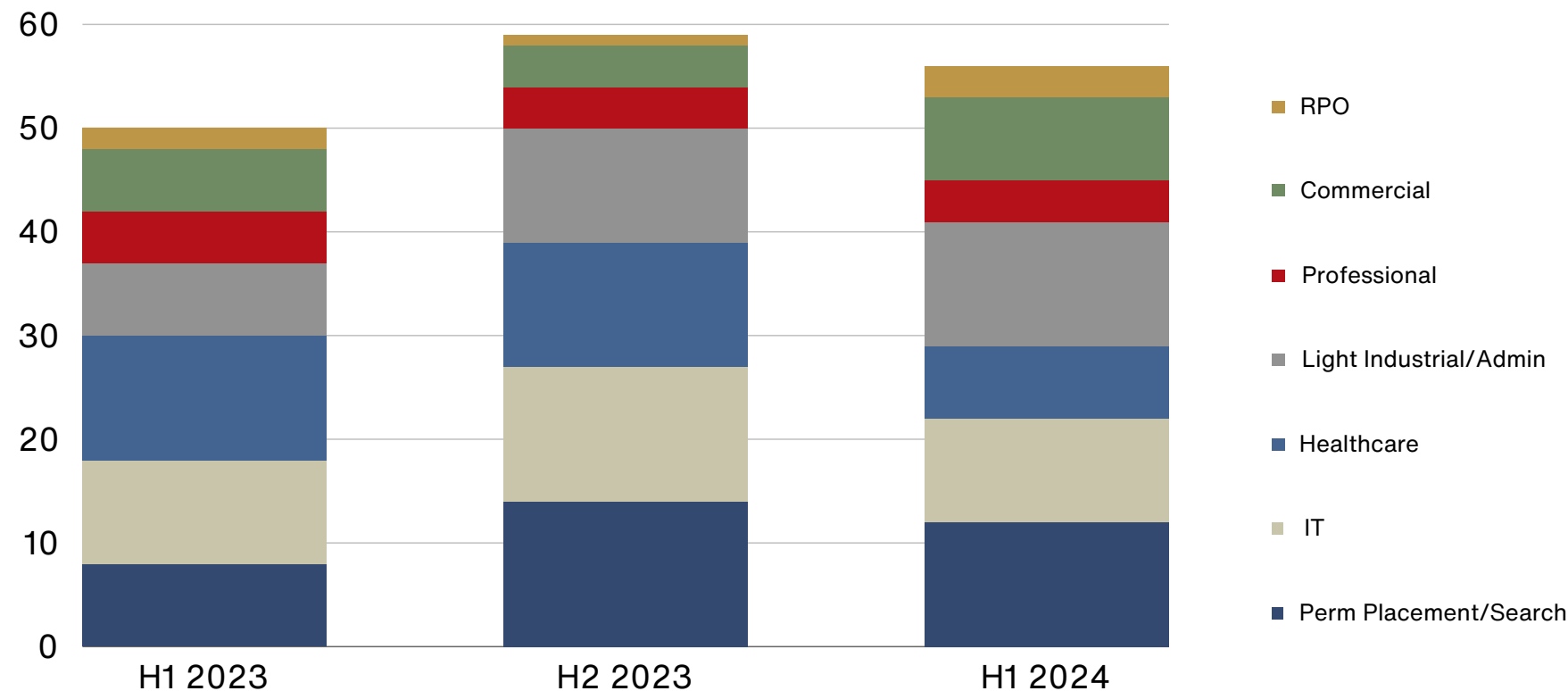


STAFFING AND RECRUITING M&A

After a quiet start to 2024, staffing and recruiting M&A activity came back to life at the end of Q1 and gained steam in Q2. At mid-year, the market is showing healthy momentum and currently appears on track to notch another year of 100+ staffing and recruiting M&A deals, meeting or potentially beating the 2023 total if the second half is equally strong.

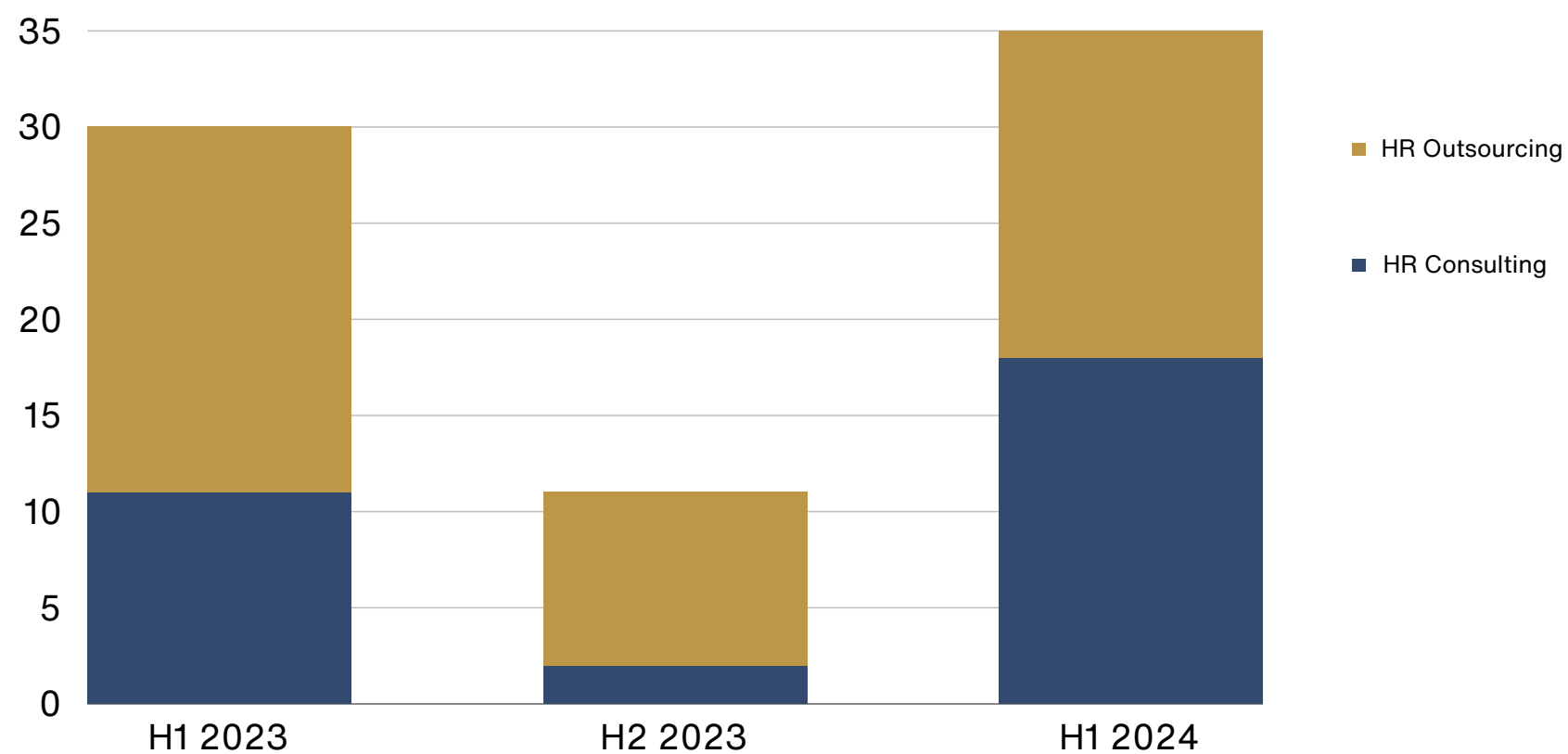
Continued robust deal activity in the search/perm placement, light industrial and admin, and IT staffing sectors supported the first half of 2024. Notably absent in Q1, healthcare staffing deal announcements returned in the second quarter.

FOCUS continues to see strong buyer interest in companies that have domain expertise in an industry vertical or functional area, direct client relationships, and specialized talent offerings. Private equity continues to be an active investor in the sector. While publicly traded firms have been less active acquirers recently, Kelly announced the largest acquisition in its history (Motion Recruitment) in Q2 2024.



HR OUTSOURCING AND CONSULTING M&A







Deal activity in HR Outsourcing and HR Consulting sectors have also shown strength in the first half of 2024 after a marked slowdown in deal announcements in the second half of 2023 following a strong first half in 2023. The bounce back was supported by acquisitions from serial acquirers with private equity backing.



NOTABLE H1 2024 TRANSACTIONS

Date	Buyer	Seller	Description
Jan. 2024		 	<ul style="list-style-type: none"> • McNally Capital sold The Re-Sourcing Group to MidOcean Partners after a four-year holding period. The Re-Sourcing Group provides staffing, consulting, and direct hire focused on compliance, legal, IT, and finance / accounting positions • Brands include JW Michaels & Co., Compliance Risk Concepts, ExecuSource, Perennial Resources Intl, Partnership Employment, Technology Navigators, and Conexus Recruiting
Feb. 2024	 		<ul style="list-style-type: none"> • Mill Rock Capital backed professional staffing platform, Tandym acquired Kolter Solutions, a Florida based IT staffing company focused on healthcare IT as well as professional IT, engineering, and digital/creative positions • Kolter is Tandym's fourth acquisition in the last two years
Feb 2024 Mar 2024 Apr 2024	 	  	<ul style="list-style-type: none"> • Frequent acquirer One Digital, an insurance brokerage and HR consulting firm backed by Onex announced the acquisition of Tru HR solutions, a provider of compliance, training, and HR administration services • In March the Company acquired Phoenix based Creative Business Resources, and in April, California based PEO, JMA Human Resource Management (JMA)
Feb 2024 May 2024		 	<ul style="list-style-type: none"> • Light Industrial and Admin focused staffing firm Active Staffing Services completed two acquisitions in the first half of 2024, OnStaff USA and Employment Geeks, extending the Company's reach into Michigan and Florida • Active Staffing has completed four acquisitions in the last year
March 2024	 		<ul style="list-style-type: none"> • Continuing its acquisition focused strategy, RFE Investments backed ZRG Partners acquired Wisier Partners, an executive search firm focused on sales and marketing positions • ZRG recently secured \$120 million in debt financing from Main Street Capital to support growth initiatives including more M&A

NOTABLE H1 2024 TRANSACTIONS

Date	Buyer	Seller	Description
Mar 2024		Prof. Services, Payroll & HCM Outsourcing businesses of 	<ul style="list-style-type: none"> Alight, Inc. (NYSE: ALIT), a cloud based HCM technology and services company sold its professional services and HCM outsourcing business to H.I.G. Capital Deal values the professional services, payroll, and HCM outsourcing business at up to \$1.2 billion, representing approximately 10x 2023 Adj EBITDA
May 2024			<ul style="list-style-type: none"> Private equity firm Knox Lane Partners made a platform investment in All Star Healthcare Solutions, a locums focused healthcare staffing firm All Star's founders and management team continue to own a significant minority stake in the Company.
May 2024			<ul style="list-style-type: none"> Kelly acquired IT staffing and consulting firm Motion Recruitment from Littlejohn & Co. The deal was announced in May and closed in June. Kelly was one of the only publicly traded staffing firms to acquire in H1 2024; Kelly acquired Motion Recruitment for \$425 million in cash at close, with an earn out of up to \$60 million.
June 2024	Vienna Parent Corp, an affiliate of 		<ul style="list-style-type: none"> Publicly traded TSR was acquired by Vienna Parent Corporation, a special purpose entity formed by Justin Christian, the CEO and founder of BCforward, one of the largest Black-owned professional services and workforce management solutions firms in the U.S. TSR is being acquired for an equity value of \$29million. FOCUS Investment Banking advised TSR on the transaction
June 2024			<ul style="list-style-type: none"> Luke Holdings, a Florida based healthcare staffing firm focused on serving the U.S. government acquired Coastal Clinical Management Services, a Pennsylvania based healthcare staffing firm that also serves the U.S. government. The acquisition strengthens the Company's service offerings to the Department of Homeland Security.
June 2024			<ul style="list-style-type: none"> Accurate, a leading provider of background check / employee screening acquired Orange Tree Employment Screening Accurate is backed by Apax Partners

PUBLIC COMPANY COMPARABLES

Staffing & Recruiting									
Company Name	Enterprise Value (EV)	LTM Revenue	Revenue Growth %	Gross Margin %	LTM EBITDA	EBITDA Margin %	EV / Revenue	EV / EBITDA	% 52 Week High
Adecco Group AG	9,137	26,006	(1.3%)	20.5%	984	3.8%	0.4x	9.3x	71%
AMN Healthcare Services, Inc.	3,212	3,484	(27.7%)	32.7%	422	12.1%	0.9x	7.6x	46%
Cross Country Healthcare, Inc.	481	1,776	(32.7%)	21.9%	98	5.5%	0.3x	4.9x	48%
Heidrick & Struggles International, Inc.	485	1,053	2.3%	25.4%	102	9.7%	0.5x	4.7x	87%
Kelly Services, Inc.	611	4,613	(6.6%)	19.8%	99	2.1%	0.1x	6.2x	85%
Kforce Inc.	1,219	1,478	(13.1%)	27.6%	83	5.6%	0.8x	14.7x	83%
Korn Ferry	3,087	2,763	(2.6%)	21.9%	313	11.3%	1.1x	9.9x	95%
ManpowerGroup Inc.	4,135	18,566	(4.5%)	17.6%	484	2.6%	0.2x	8.6x	79%
Randstad N.V.	9,358	27,169	(9.5%)	20.6%	972	3.6%	0.3x	9.6x	74%
Robert Half Inc.	6,301	6,152	(13.8%)	39.8%	423	6.9%	1.0x	14.9x	72%
TrueBlue, Inc.	323	1,844	(15.0%)	26.2%	12	0.7%	0.2x	26.0x	54%

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.	97,797	18,912	7.1%	47.9%	5,487	29.0%	5.2x	17.8x	93%
Barrett Business Services, Inc.	751	1,080	1.7%	22.3%	61	5.7%	0.7x	12.3x	95%
CBIZ, Inc.	4,373	1,631	10.6%	14.0%	210	12.9%	2.7x	20.8x	92%
First Advantage Corporation	2,651	758	(4.8%)	49.5%	196	25.8%	3.5x	13.5x	92%
Insperity, Inc.	3,177	6,518	6.3%	16.1%	236	3.6%	0.5x	13.5x	74%
Paychex, Inc.	42,057	5,278	5.4%	72.0%	2,351	44.5%	8.0x	17.9x	91%
TriNet Group, Inc.	5,646	4,940	0.6%	21.5%	473	9.6%	1.1x	11.9x	74%


PUBLIC COMPANY COMPARABLES

HR Software									
Company Name	Enterprise Value (EV)	Revenue	Revenue Growth %	Gross Margin %	EBITDA	EBITDA Margin %	EV / Revenue	EV / EBITDA	% 52 Week High
Dayforce Inc.	8,679	1,575	19.0%	48.4%	238	15.1%	5.5x	36.4x	66%
HealthStream, Inc.	784	283	4.6%	66.1%	38	13.5%	2.8x	20.5x	96%
Paycom Software, Inc.	7,719	1,742	18.2%	86.6%	635	36.5%	4.4x	12.2x	38%
Paycor HCM, Inc.	2,187	630	20.4%	66.1%	37	5.8%	3.5x	59.4x	46%
Paylocity Holding Corporation	7,005	1,354	23.6%	69.0%	277	20.5%	5.2x	25.3x	57%
SAP SE	236,066	34,780	5.4%	72.5%	8,370	24.1%	6.8x	28.2x	99%
Workday, Inc.	55,471	7,565	17.0%	75.6%	554	7.3%	7.3x	100.1x	72%

FOCUS DEALS

TSR Transaction Spotlight


*This announcement appears
as a matter of record only*




has been acquired by

Vienna Parent Corporation

an affiliate company of



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



Overview

- TSR was founded in 1969.
- A well-recognized national provider of information technology staffing solutions.
- The buyer, *BCforward* is one of the largest Black-owned professional services and workforce management solutions firms in the US.
- Currently, *BCforward* employs more than 5,000 people globally and serves multi-national clients in the finance, life science, technology, healthcare and government sectors.


Results

- *BCforward* acquired a sufficient number of TSR shares to consummate the second step merger.
- The total consideration payable to TSR's shareholders represents a 73.8% premium to TSR's closing price on May 14, 2024.
- Upon completion of the merger, TSR became a privately held company controlled by Vienna Parent and *BCforward*.
- Tom Salerno, TSR CEO, and his management team will continue to run the TSR business as part of *BCforward*.

FOCUS DEALS


Recent Transactions

This announcement appears as a matter of record only




has been acquired by


Vienna Parent Corporation
an affiliate company of




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




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 Apply Yourself Recruiting.




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.

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

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ABOUT FOCUS BANKERS

FOCUS Investment Banking is a trusted name in M&A advisory services with a nationwide footprint and a global reach

With more than four decades of experience, FOCUS Investment Banking is a trusted name in M&A advisory services worldwide. FOCUS works to understand each client's strategic and financial objectives, craft the best plan to achieve these goals, and deliver success. Whether helping to sell, buy, or raise capital, FOCUS strives to maximize the value of every transaction to the benefit of its clients. FOCUS bankers are seasoned operating and financial executives with extensive transaction experience.



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