

M&A INDUSTRY REPORT

# Human Capital Management

FOCUS is a trusted middle market bank with a rich history, deep resources and proven results. We embrace a client-first philosophy centered on personalized service, deep industry expertise, and delivering results-driven solutions. Our integrated operations with FOCUS Capital Partners empower us to skillfully navigate the complexities of cross-border transactions, offering clients strategic advantages in an ever-evolving global marketplace.

2024 Year in Review





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## OVERVIEW

# Human Capital Management M&A Report - Year in Review 2024

In the FOCUS HCM 2024 Year in Review, we take a closer look at M&A activity in two key parts of the HCM market: 1. the Staffing and Recruiting market including the full range of staffing segments (IT, healthcare, professional, etc.), executive search, and permanent placement; and 2. the HR Outsourcing/PEO and HR Consulting market including payroll services, HCM technology implementation and support, training, background screening, and organization, leadership development, and HR audit/compliance consulting.

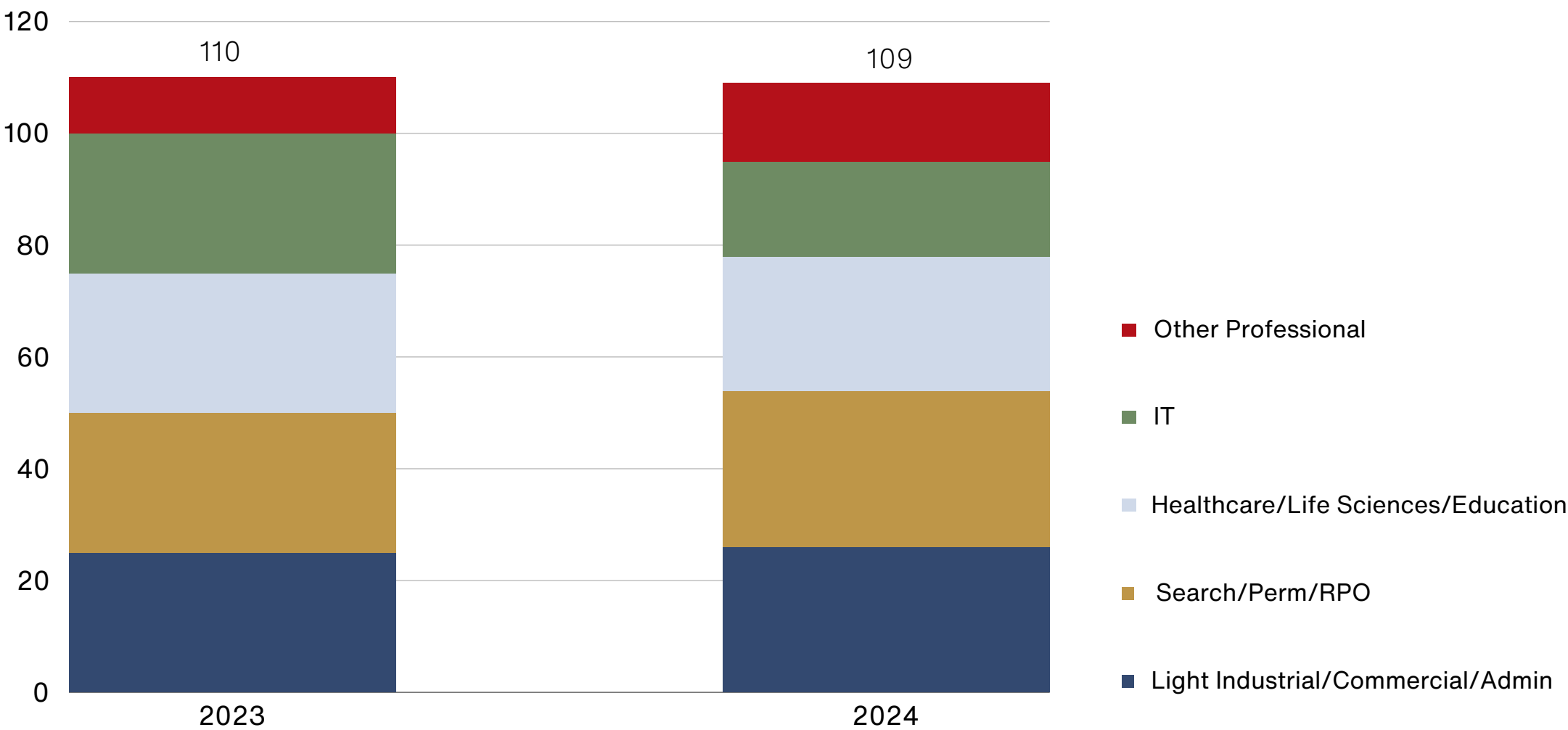
Both markets continued to benefit from historically low unemployment rates and continued GDP growth. However, labor market trends remained challenging for much of the staffing and recruiting market as job openings and hiring levels have declined compared to recent historical experience. Additionally, GDP while remaining positive throughout the year was weaker than expected particularly in the first and last quarter of 2024.

On a brighter note, the Federal Reserve cut interest rates for the first time in four years, starting in September with a 50 basis point cut followed by 25 basis point cuts in November and December. While the outlook for further cuts in 2025 is uncertain the full percentage point reduction should benefit the many acquirers, particularly private equity, who utilize debt to finance deals.



STAFFING AND RECRUITING SERVICES










Despite a second consecutive year of headwinds in key segments of the staffing and recruiting market, M&A activity remained strong, notching another year of 100+ announced M&A deals. However, deal activity remained below the highs seen in recent years. A drop in IT deal activity was backfilled with an increase in Search/Perm and Professional (non-IT, non-Healthcare) transactions. Deal activity in the healthcare market remained robust even as much of the segment continued to grapple with post Covid normalization.



Sources: S&P Capital IQ, Mergermarket, American Staffing Association, Company press releases and websites; North American data



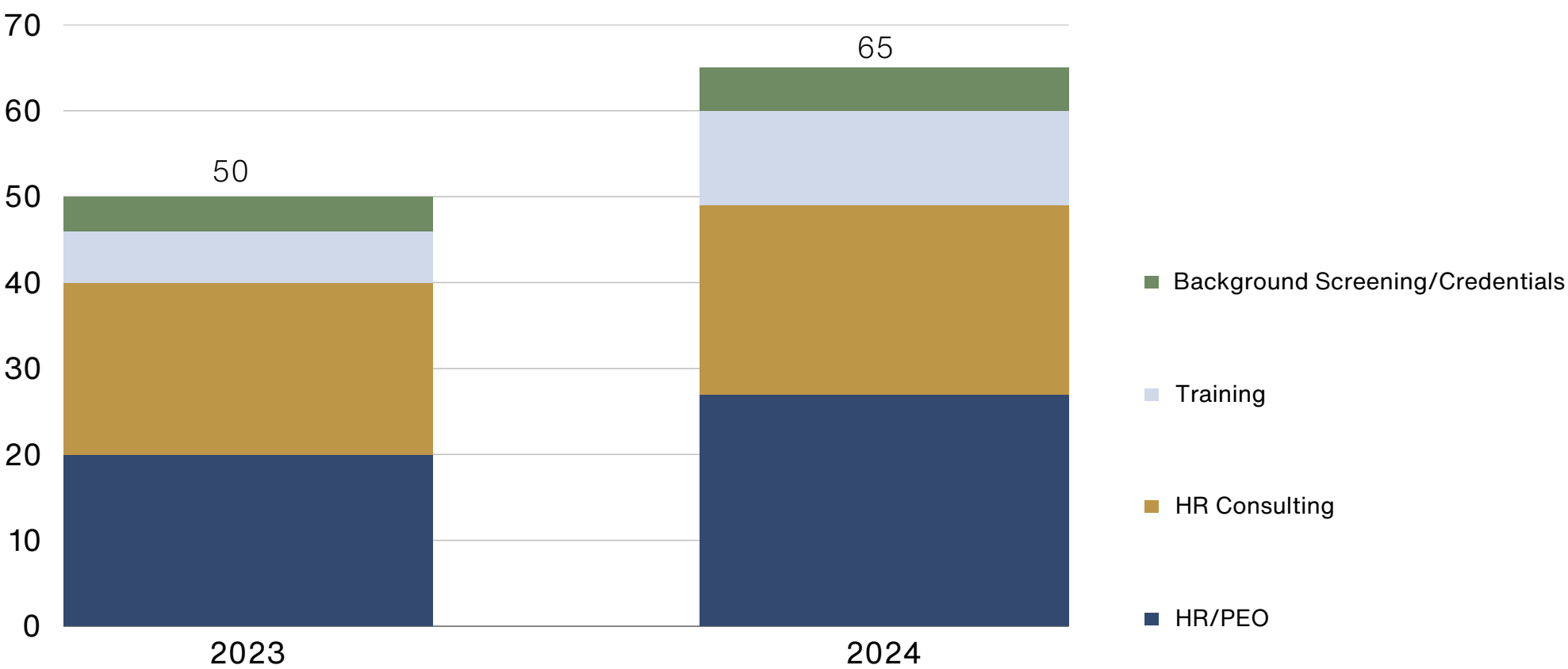
## HCM STAFFING & RECRUITING – NOTABLE 2024 M&A DEALS

Date	Buyer	Seller	Description
Jun 2024			<ul style="list-style-type: none"> <li>Publicly traded TSR was acquired by a special purpose entity formed by Justin Christian, the CEO and founder of BCforward, for an equity value of \$29 million. FOCUS advised on the transaction.</li> </ul>
Jun 2024			<ul style="list-style-type: none"> <li>Kelly acquired IT staffing and consulting firm Motion Recruitment from Littlejohn &amp; Co. The deal closed in June for \$425 million in cash at close, with an earn out of up to \$60 million.</li> </ul>
Jul 2024			<ul style="list-style-type: none"> <li>Vistria acquired Soliant Health from Olympus Partners. Soliant provides healthcare staff including nurses, therapists, and other allied healthcare professionals to schools and healthcare facilities.</li> </ul>
Oct 2024			<ul style="list-style-type: none"> <li>Private equity (Stone Point Capital) backed IT staffing and consulting firm, Eliassen Group acquired San Diego based VIA Technical, expanding its southern California presence.</li> </ul>
Dec 2024			<ul style="list-style-type: none"> <li>Diagnos Temps, a healthcare staffing firm specializing in radiologists, was one of four companies acquired by Health Advocates Network in Q4 2024.</li> </ul>
Dec 2024			<ul style="list-style-type: none"> <li>Conexus, part of MidOcean Partners' Re-Sourcing Group platform, acquired CV Resources, a California based staffing and recruiting firm focused on accounting and finance professionals</li> </ul>
Dec 2024			<ul style="list-style-type: none"> <li>Aya, the largest U.S. healthcare staffing firm, announced an all-cash deal to acquire publicly traded Cross Country for approximately \$615 million, a 67% premium to Cross Country's closing price on Dec 3, 2024.</li> </ul>



HR CONSULTING AND OUTSOURCED SERVICES













2024 was a strong year for M&A activity in the HR Consulting and Outsourced Services sector. After a decrease in deal activity in the second half of 2023, the first half of 2024 saw a rebound in M&A activity that continued for the balance of the year. Private equity backed PEO platforms such as Vensure, Engage PEO, Prestige PEO, and G&A Partners continued to make add-on acquisitions. The sector also continues to benefit from the attention of insurance brokers such as Arthur J. Gallagher and One Digital and accounting firms such as EY and Smith+Howard, who see opportunities to grow their businesses and better serve clients by acquiring HCM capabilities.



Sources: S&P Capital IQ, Mergermarket, American Staffing Association, Company press releases and websites; North American data



## HCM CONSULTING & OUTSOURCING - NOTABLE 2024 M&A DEALS

Date	Buyer	Seller	Description
Mar 2024			<ul style="list-style-type: none"> <li>Alight, Inc. (NYSE: ALIT), an HCM technology and services company sold its professional services and HCM outsourcing business to H.I.G. Capital in a deal valued at up to \$1.2 billion or approximately 10x 2023 Adj EBITDA. H.I.G. renamed the business Strada</li> </ul>
Jun 2024			<ul style="list-style-type: none"> <li>Arthur J. Gallagher &amp; Co acquired Operations Inc., an HR consulting firm with 150+ professionals providing payroll, HR information system (HRIS), talent acquisition and employee training solutions.</li> <li>Gallagher also added executive compensation consultant Zayla Partners and HR consultant HR Roundtable to its portfolio in 2024.</li> </ul>
Jul 2024			<ul style="list-style-type: none"> <li>Light Bay Capital acquired PEO / HRO platform, QuestCo from Parallel49 Equity. Houston based QuestCo supports 1,200 SMBs in 50 states.</li> </ul>
Jul 2024			<ul style="list-style-type: none"> <li>HR Path, a Paris headquartered HR consulting firm acquired IN-RGY, a Canadian based HR solutions and services provider with expertise in SAP Success Factors and UKG</li> </ul>
Nov 2024			<ul style="list-style-type: none"> <li>EY acquired Michigan based Jubilant, an HCM technology consultant providing implementation and support services with a focus on UKG.</li> </ul>
Nov 2024			<ul style="list-style-type: none"> <li>Trispan backed Prestige PEO expanded its geographic reach with the acquisition of Georgia based PEO, Teamwork Services.</li> </ul>

## PUBLIC COMPANY COMPARABLES

Staffing & Recruiting								
Company Name	Enterprise Value (EV)	LTM Revenue	Revenue Growth %	Gross Margin %	LTM EBITDA	EBITDA Margin %	EV / Revenue	EV / EBITDA
Adecco Group AG	7,668	24,114	(2.9%)	20.1%	886	3.7%	0.3x	6.8x
AMN Healthcare Services, Inc.	2,055	3,067	(25.1%)	31.3%	310	10.1%	0.7x	6.4x
Cross Country Healthcare, Inc.	527	1,448	(35.2%)	20.9%	31	2.1%	0.4x	15.0x
Heidrick & Struggles International, Inc.	599	1,076	6.6%	25.2%	97	9.0%	0.6x	4.6x
Kelly Services, Inc.	757	4,373	(9.6%)	20.1%	102	2.3%	0.2x	5.8x
Kforce Inc.	1,080	1,425	(10.3%)	27.5%	73	5.1%	0.8x	13.7x
Korn Ferry	3,331	2,709	(3.8%)	22.8%	329	12.2%	1.2x	8.6x
ManpowerGroup Inc.	3,725	17,854	(5.6%)	17.3%	393	2.2%	0.2x	6.2x
Randstad N.V.	8,786	24,988	(7.7%)	20.0%	755	3.0%	0.4x	9.3x
Robert Half Inc.	6,820	5,796	(9.3%)	38.8%	294	5.1%	1.2x	17.8x

HCM Services								
Company Name	Enterprise Value (EV)	Revenue	Revenue Growth %	Gross Margin %	EBITDA	EBITDA Margin %	EV / Revenue	EV / EBITDA
Automatic Data Processing, Inc.	121,113	19,903	7.1%	48.2%	5,859	29.4%	6.2x	20.6x
Barrett Business Services, Inc.	1,054	1,116	4.9%	22.2%	61	5.5%	0.9x	14.9x
CBIZ, Inc.	4,655	1,681	7.8%	13.8%	193	11.5%	2.8x	19.5x
First Advantage Corporation	3,498	756	(2.4%)	49.5%	204	27.0%	4.6x	16.8x
Insperty, Inc.	2,847	6,548	2.4%	16.1%	185	2.8%	0.4x	13.9x
Paychex, Inc.	50,111	5,370	4.2%	71.8%	2,388	44.5%	9.3x	20.7x
TriNet Group, Inc.	5,167	4,972	1.4%	19.7%	392	7.9%	1.0x	12.9x



## PUBLIC COMPANY COMPARABLES

HCM Software								
Company Name	Enterprise Value (EV)	Revenue	Revenue Growth %	Gross Margin %	EBITDA	EBITDA Margin %	EV / Revenue	EV / EBITDA
Dayforce Inc.	12,198	1,695	16.9%	49.6%	252	14.9%	7.2x	47.1x
HealthStream, Inc.	890	288	4.0%	66.4%	40	13.9%	3.1x	20.0x
Oracle Corporation	554,808	54,933	6.4%	71.3%	22,336	40.7%	10.1x	23.6x
Paycom Software, Inc.	11,210	1,824	11.9%	85.6%	668	36.6%	6.1x	16.3x
Paycor HCM, Inc.	3,251	679	17.5%	66.0%	60	8.8%	4.8x	53.1x
Paylocity Holding Corporation	10,720	1,448	16.9%	68.7%	311	21.4%	7.4x	33.1x
SAP SE	282,667	35,258	9.5%	73.2%	9,743	27.6%	8.2x	30.8x
Workday, Inc.	64,842	8,157	16.8%	75.6%	726	8.9%	7.9x	72.5x

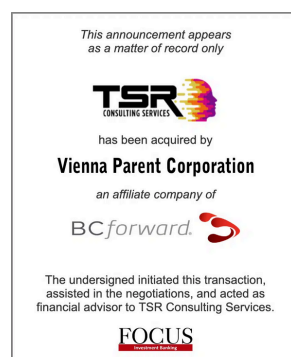
## CASE STUDY: TSR ACQUIRED BY AN AFFILIATE COMPANY OF BCFORWARD

### Process & Overview

TSR Consulting Services (“TSR”) has been acquired by Vienna Parent Corporation an affiliate company of BCforward. Vienna Parent Corporation, a special purpose entity newly formed by Justin Christian (“Vienna Parent”), through its wholly owned subsidiary, Vienna Acquisition Corporation (the “Purchaser”), has successfully completed its cash tender offer to purchase all of the outstanding shares of common stock of TSR (NASDAQ:TSRI). FOCUS represented TSR in this transaction.

TSR was founded in 1969, reported Revenues of \$101mil per its 2023 Form 10-K, and is a wellrecognized national provider of information technology staffing solutions. Christian is the CEO and founder of BCforward, one of the largest Black-owned professional services and workforce management solutions firms in the United States. Currently, BCforward employs more than 5,000 people globally and serves multi-national clients in the finance, life science, technology, healthcare and government sectors.

### Transaction 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 ran a thorough and detailed process which brought us multiple offers and they were able to find the best partner for us in Justin Christian and BCforward.*


**Thomas Salerno,  
President and CEO of TSR**



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*

**Helpmates<sup>®</sup>**  
Companies


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*



received an investment from




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



*This announcement appears as a matter of record only*

**aeCyberSolutions<sup>™</sup>**


a division of



has been acquired by

**Deloitte.**

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



*This announcement appears as a matter of record only*

**SECURITY 7**


has been acquired by

**Integris.**


*a portfolio company of*

**Frontenac**


The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Security7.




*This announcement appears as a matter of record only*



has joined



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to McNulty & Associates.



*This announcement appears as a matter of record only.*

**COIT**

has been acquired by


**HUDSON RPO**

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

*This announcement appears as a matter of record only*

**R121**

has been acquired by




a portfolio company of


**MID OCEAN**  
Partners

A FOCUS Managing Director represented R121 and introduced this transaction while working at a prior firm.

*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*

**ankura**

has acquired




A FOCUS Managing Director negotiated this transaction while serving as Head of Acquisitions for Ankura.

*This announcement appears as a matter of record only*

**ankura**

has acquired



A FOCUS Managing Director negotiated this transaction while serving as Head of Acquisitions for Ankura.

**OUR TEAM**

**Who We Are**



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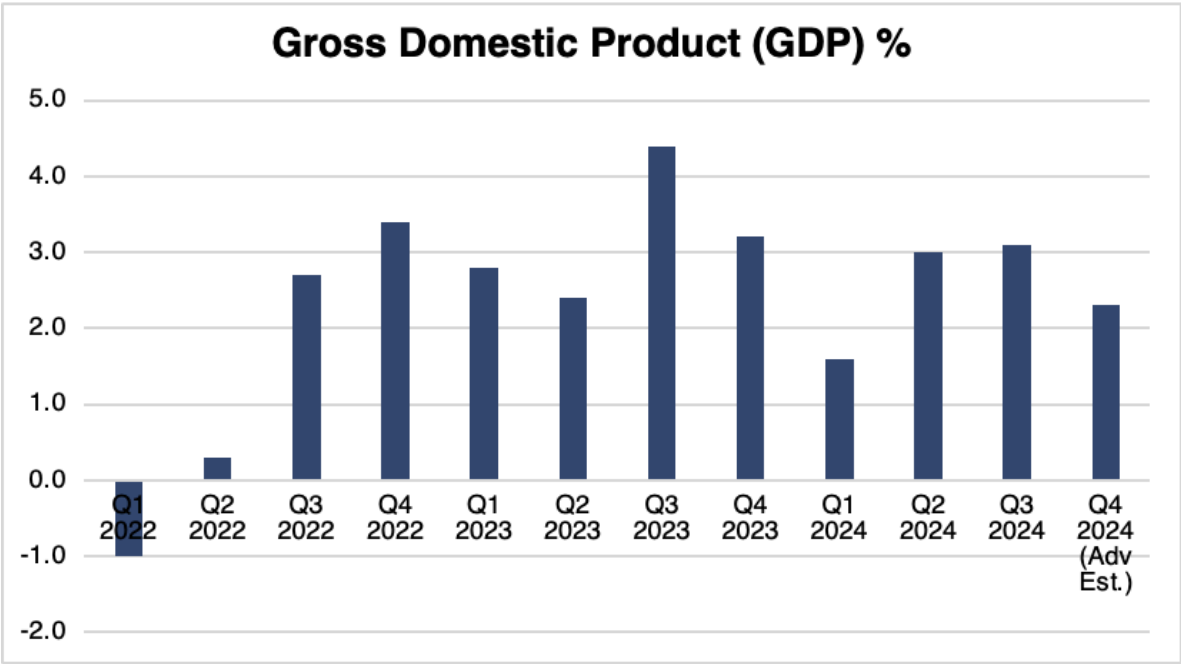
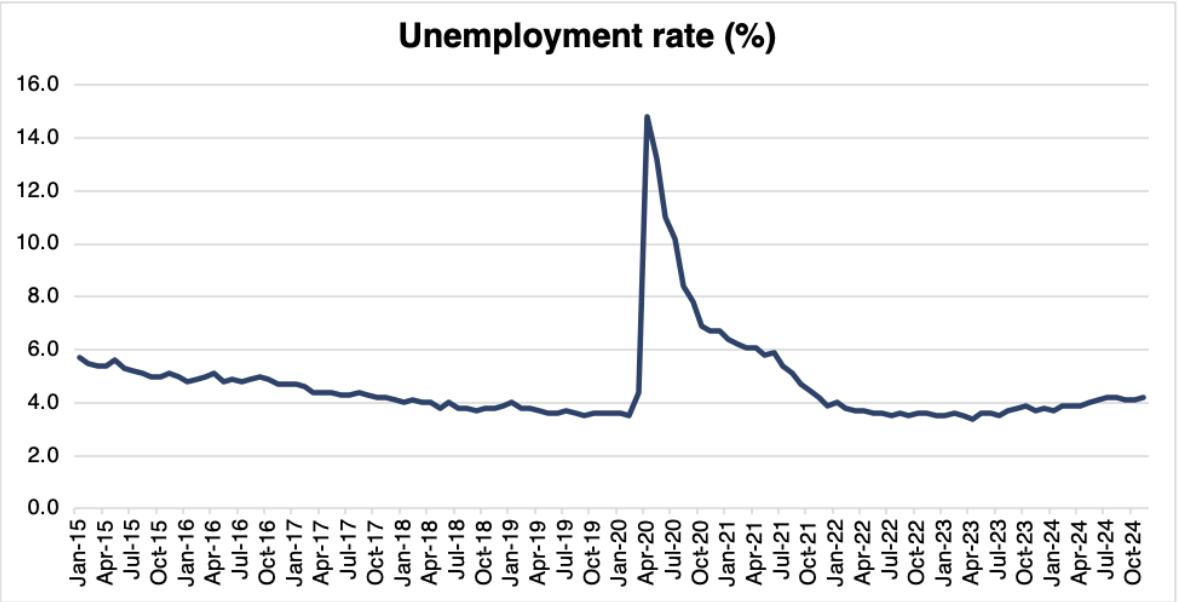
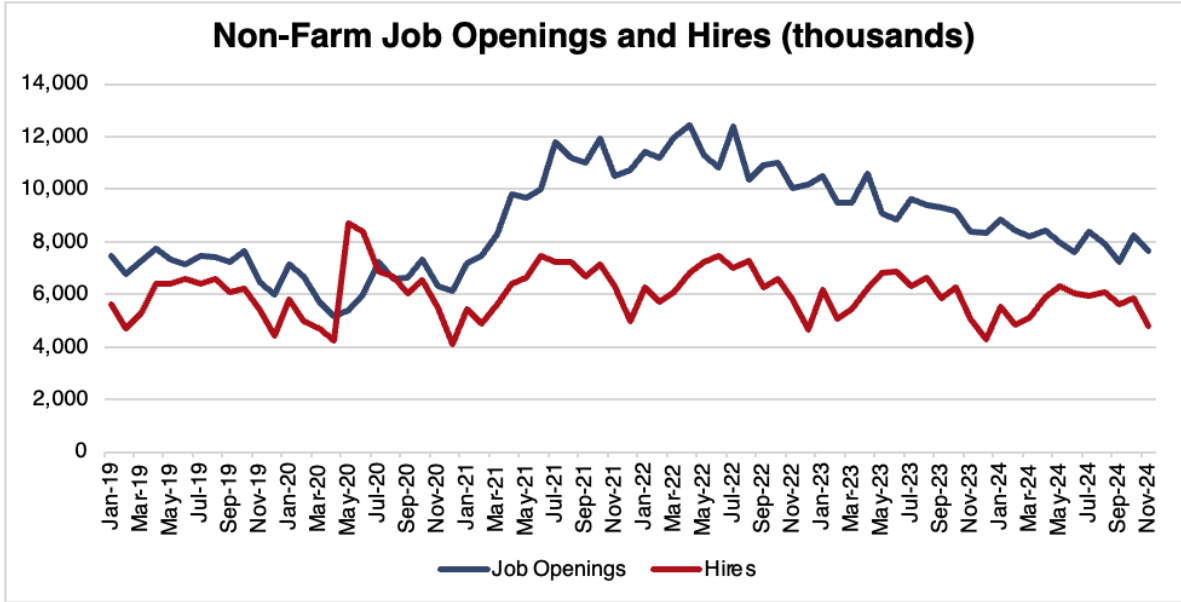
## APPENDIX

### Market Environment:

- Non-Farm Job Openings and Hires
- Unemployment Rate
- Gross domestic Product (GDP)



MARKET ENVIRONMENT



Sources: Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, and Federal Reserve Economic Data

**ABOUT FOCUS**

**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.



**HUMAN CAPITAL MANAGEMENT**

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FOCUS HCM INFORMATION SHEET**

