



Human Capital Management Services Q4 2019

Market Insights

Over 2019, the United States added an average of 176,000 jobs per month as compared to the 70,000 jobs per month that are needed for the U.S. economy to keep pace with working-age population growth. As labor demand pushes both wage growth and increased labor force participation rates, the need by employers for external talent as well as effective solutions to acquire, retain, motivate and upskill internal talent remains strong. Providers of those solutions continue to see a bull market for revenue growth and valuation multiples. Four of the five human capital services public company subsectors tracked by Lincoln outpaced S&P 500 for 2019. All five subsectors exited the year with EBITDA valuations at a peak for the year. The pace of M&A also remained brisk with 37 announced deals in Q4 2019, as compared to 21 announced deals in Q4 2018.

A closer look at what investors and buyers are valuing uncovers themes that we expect to stay in place for some time. Business models increasingly are being developed to address not only cyclical labor demand drivers but also secular (demographic, geo-political, technology disruptive, etc). Recruitment platforms, BPO's and advisory businesses, are increasingly focused on specific skills areas (IT, scientific, educators, etc) or specific end markets (life sciences, financial services, government, etc) where deep talent pools are either particularly hard to reach or where very specific experience or training may significantly differentiate candidates that look relatively the same to the untrained eye). Another driver at nearly all levels of the HR stack is the continued utilization of data analytics to drive both greater effectiveness in targeting and acquiring the right employee skills as well as greater efficiency in areas such as candidate tracking, onboarding, benefits administration, performance management, etc. Greater efficiency holds the promise of increasing scalability, greater strategic value of the HR function and improvement of the employee experience. As the economic expansion rolls forward, investors and buyers are tending to put businesses in two categories. Businesses with increasingly definable niche expertise and which use data analytics to drive differentiation continue to become more valuable while those that are generalist in approach and which rely primarily on traditional value propositions/business models are viewed to be at risk when the economy eventually reaches a downturn and tend to be discounted in value. One key measure of how well companies are evolving their value propositions is how quickly their clients are willing to accept evolution of their economic models toward recurring revenue relationships vs. purely transactional ones.

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 sold  to  a portfolio company of  Sell-Side 	 has been sold to  Sell-Side 	 and founding shareholders have sold  to  Sell-Side 	 has received a strategic investment from  Sell-Side 	 has sold  to  Sell-Side 	 a portfolio company of  has been sold to Addison Group a portfolio company of  Sell-Side 
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Human Capital Management Services Financial Performance

Quarter-over-Quarter Price Performance

Outperformers	Change
BTS Group AB	31.2%
CRA International, Inc.	29.8%
Hays plc	29.7%
PageGroup plc	28.2%
Chegg, Inc.	26.6%

Underperformers	Change
Resources Connection, Inc.	(3.9%)
Kelly Services, Inc.	(6.8%)
Franklin Covey Co.	(7.9%)
TriNet Group, Inc.	(9.0%)
Insperty, Inc.	(12.8%)



Highlights

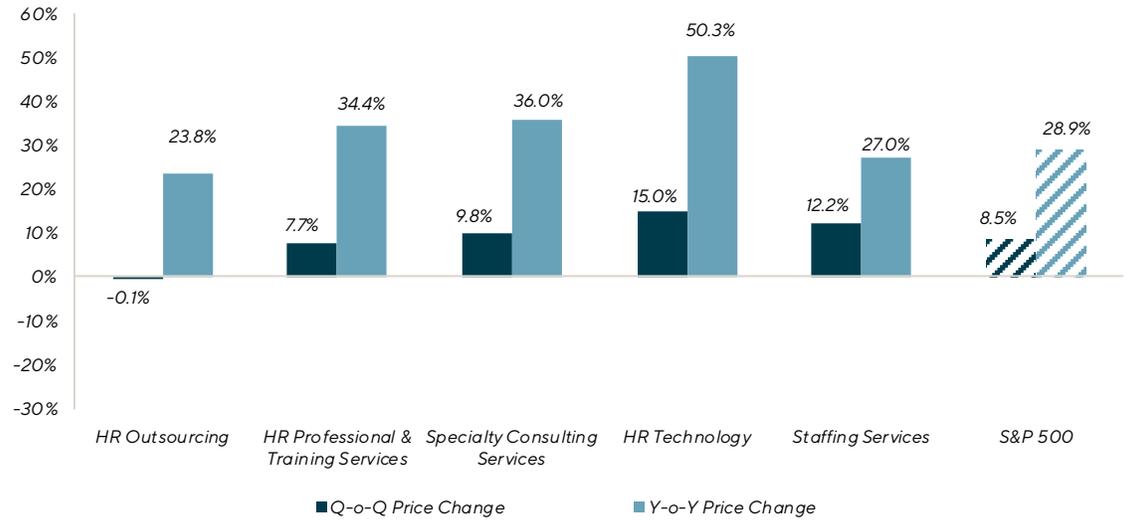
Specialty consulting, HR technology and staffing services all outperformed the S&P 500 in Q4 2019

Companies in the HR technology index are trading up an average of 50.3% over the last 12 months

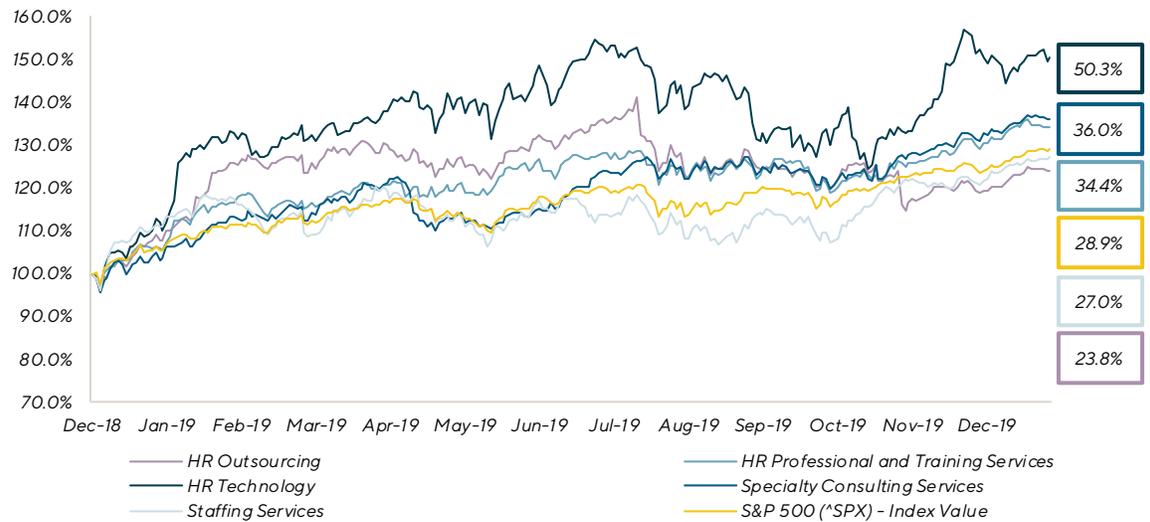
Top stock performers for Q4 2019 included BTS Group and CRA International, up 31.2% and 29.8%, respectively, since the end of last quarter

For the full year 2019, four of five sectors effectively matched or exceeded average stock performance, with only HR outsourcing performing materially below the S&P 500

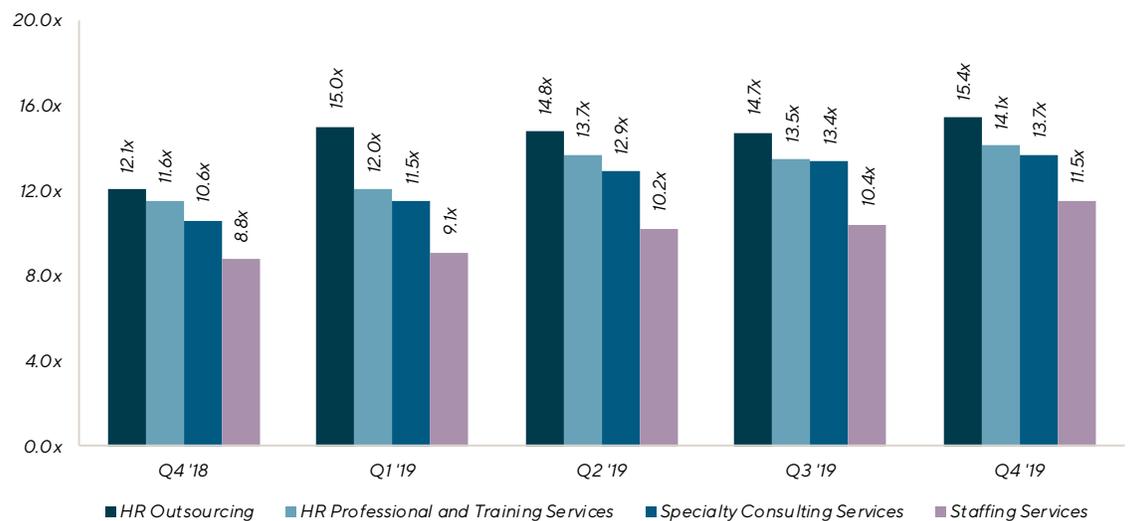
Quarter-over-Quarter & Year over Year Stock Indices Price Change



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
HR Outsourcing										
Automatic Data Processing, Inc.	\$170.50	97.7%	\$73,775	\$75,255	\$14,361	\$3,568	3.8%	24.8%	5.2x	21.1x
Barrett Business Services, Inc.	90.46	94.6%	678	569	935	59	(0.6%)	6.3%	0.6x	9.6x
Capgemini SE	122.21	92.3%	20,439	23,464	13,737	1,774	4.1%	12.9%	1.5x	10.9x
Capita plc	2.17	88.6%	3,599	5,392	3,758	250	(4.1%)	6.7%	1.1x	16.3x
Insperty, Inc.	86.04	59.4%	3,441	3,452	4,206	213	9.9%	5.1%	0.8x	16.2x
Paychex, Inc.	85.06	96.2%	30,484	30,835	4,034	1,657	15.1%	41.1%	7.6x	18.6x
TriNet Group, Inc.	56.61	73.6%	3,954	4,137	3,755	274	7.2%	7.3%	1.1x	15.1x
Mean		86.0%					5.1%	14.9%	2.6x	15.4x
Median		92.3%					4.1%	7.3%	1.1x	16.2x
HR Professional and Training Services										
Aon plc	\$208.29	97.9%	\$48,768	\$56,644	\$10,898	\$3,222	1.2%	29.6%	5.2x	17.6x
BTS Group AB	25.53	99.2%	492	492	1,807	283	13.1%	15.7%	2.5x	16.2x
Franklin Covey Co.	32.23	77.0%	451	462	230	16	6.7%	7.1%	2.0x	NM
GP Strategies Corporation	13.23	77.3%	225	361	561	25	8.9%	4.4%	0.6x	14.6x
Heidrick & Struggles International, Inc.	32.50	72.8%	623	512	712	82	(0.5%)	11.5%	0.7x	6.3x
Korn Ferry	42.40	85.6%	2,342	2,404	1,942	276	3.1%	14.2%	1.2x	8.7x
Marsh & McLennan Companies, Inc.	111.41	97.8%	56,225	70,055	16,100	3,824	7.7%	23.8%	4.4x	18.3x
Willis Towers Watson Public Limited Company	201.94	97.9%	25,964	32,240	8,721	1,901	2.4%	21.8%	3.7x	16.9x
Mean		88.2%					5.3%	16.0%	2.6x	14.1x
Median		91.7%					4.9%	14.9%	2.3x	16.2x
HR Technology										
51job, Inc.	\$84.90	87.5%	\$5,639	\$4,262	\$3,943	\$1,355	5.4%	34.4%	7.7x	22.5x
Chegg, Inc.	37.91	78.6%	4,586	4,698	381	37	18.7%	9.8%	12.3x	NM
Cornerstone OnDemand, Inc.	58.55	93.4%	3,555	3,553	565	17	5.1%	3.0%	6.3x	NM
Paycom Software, Inc.	264.76	94.6%	15,265	15,217	695	236	22.6%	34.0%	21.9x	NM
Paylocity Holding Corporation	120.82	98.5%	6,465	6,420	494	76	18.2%	15.3%	13.0x	NM
Workday, Inc.	164.45	72.5%	37,824	37,271	3,440	(191)	31.5%	(5.5%)	10.8x	NM
Mean		87.5%					16.9%	15.2%	12.0x	22.5x
Median		90.4%					18.5%	12.5%	11.6x	22.5x
Specialty Consulting Services										
Accenture plc	\$210.57	98.7%	\$133,711	\$131,713	\$43,968	\$7,069	5.4%	16.1%	3.0x	18.6x
Altran Technologies S.A.	15.89	95.8%	4,045	5,902	3,138	382	7.6%	12.2%	1.7x	13.8x
Atos SE	83.40	76.5%	9,060	13,707	12,761	1,748	4.1%	13.7%	1.0x	6.9x
Capgemini SE	122.21	92.3%	20,439	23,464	13,737	1,774	4.1%	12.9%	1.5x	10.9x
CRA International, Inc.	54.47	97.2%	422	575	441	42	5.6%	9.5%	1.3x	13.7x
FTI Consulting, Inc.	110.66	93.6%	4,043	4,261	2,255	335	11.2%	14.8%	1.9x	12.7x
Huron Consulting Group Inc.	68.72	97.5%	1,493	1,818	850	109	6.9%	12.8%	2.1x	16.7x
ICF International, Inc.	91.62	97.8%	1,723	2,117	1,460	134	9.1%	9.2%	1.5x	15.8x
Mean		93.7%					6.7%	12.6%	1.7x	13.7x
Median		96.5%					6.2%	12.9%	1.6x	13.8x
Staffing Services										
Adecco Group AG	\$63.23	96.7%	\$10,266	\$12,200	\$23,593	\$1,128	(1.1%)	4.8%	0.5x	9.5x
AMN Healthcare Services, Inc.	62.31	94.7%	2,911	3,593	2,164	234	1.3%	10.8%	1.7x	15.3x
ASGN Incorporated	70.97	97.7%	3,747	4,757	3,828	407	12.6%	10.6%	1.2x	11.7x
Cross Country Healthcare, Inc.	11.62	89.5%	429	515	808	17	(1.0%)	2.2%	0.6x	29.6x
Hays plc	2.41	97.6%	3,528	3,356	6,071	263	1.9%	4.3%	0.4x	9.6x
Kelly Services, Inc.	22.58	78.1%	879	941	5,433	126	(1.5%)	2.3%	0.2x	7.5x
Kforce Inc.	39.70	93.1%	855	901	1,456	91	2.7%	6.2%	0.6x	10.0x
ManpowerGroup Inc.	97.10	99.1%	5,725	6,384	21,060	823	(4.2%)	3.9%	0.3x	7.8x
PageGroup plc	6.93	95.2%	2,200	2,275	1,619	161	4.4%	9.9%	1.1x	10.7x
Randstad N.V.	61.09	98.0%	11,197	12,997	23,782	1,037	(0.1%)	4.4%	0.5x	11.1x
Resources Connection, Inc.	16.33	91.1%	523	597	718	60	(0.7%)	8.4%	0.8x	10.2x
Robert Half International Inc.	63.15	91.4%	7,202	7,161	6,019	687	3.8%	11.4%	1.2x	10.4x
TrueBlue, Inc.	24.06	93.4%	906	965	2,428	123	(2.9%)	5.1%	0.4x	6.6x
Mean		93.5%					1.2%	6.5%	0.7x	11.5x
Median		94.7%					(0.1%)	5.1%	0.6x	10.2x
Total Mean		90.4%					5.9%	12.1%	3.2x	13.6x
Total Median		94.1%					4.3%	10.3%	1.4x	13.2x

Sources: Bloomberg, Capital IQ and company filings, as of 12/31/19

The fourth quarter of 2019 was an active month for M&A in the talent assessment space. There is clear ongoing demand for technology-enabled assessment tools allowing organizations to better drive organizational effectiveness and workforce retention.

PSI Services acquired Caliper Corporation (December 2019) and Cubiks Group (October 2019), both providers of employee assessment and talent management solutions.

SHL Group also acquired Aspiring Minds Assessment (December 2019), which provides psychometric tests and skill certifications for pre-employment assessments.

Market Intelligence

10/07/2019: Access to talent is an ongoing focus for all employers and only 6% of companies believe they have best-in-class recruitment processes and technology. 45% of employers believe their employees lack necessary information on available roles inside the organization. Ample opportunity exists in the market for a leading HR technology platform that provides best-in-class talent management solutions to recruit, maintain and optimize employers' talent base.

Additionally, a common avenue for workforce optimization has become outsourced staffing models. 75% of employers support sourcing alternative workers, but only 6% believe they have the processes in place to manage and develop alternative workforce solutions. Thus, there is rising popularity of outsourced staffing providers who allow organizations to focus on core competencies.

Deloitte

10/26/2019: Factors such as the popularity of social media platforms, the rapid adoption of digital HR for various HR-related processes and the increasing need for talent management will drive demand in the HR consulting industry. The HR consulting industry is expected to grow \$10 billion in annual spend by 2023.

This growth in spend is partially influenced by the average fee charged by an HR consultant,

which is expected to increase, ultimately propelling operating costs of HR consulting suppliers. This will be ultimately passed on to end users in the form of increased service charges.

HR consulting services are also becoming increasingly expensive as they are required to adapt to the evolving technologies in the sector.

SpendEdge

12/03/2019: Globally, HR technology is a large market space, spanning everything from recruitment to performance reviews. The increasing need for managing a widespread workforce and growing demand for replacing legacy systems with improved human capital management platforms are anticipated to fuel market growth.

The HR technology market has evolved considerably in the last twelve months, with changes across technologies used for core HR, payroll & benefits and recruitment purposes. Enterprise software vendors are addressing disruption in the field through innovation or acquisition, and financial buyers are deploying extra capital to benefit from high-growth opportunities, thus creating an increasingly competitive space.

Hampton

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Dec-19	Personal & Informatik	Provides a human resources management software platform	HgCapital
Dec-19	Board Search	Provides recruitment consultancy services	RH Adequacy
Dec-19	Antal	Provides permanent recruitment, contract employment and HR consulting services	Ksiazek Holding
Dec-19	Northern Recruitment Group	Provides recruitment process outsourcing, HR consultancy and workforce management solutions	Galago Group
Dec-19	Richmond Recruiters	Provides professional development, continuing education and peer networking solutions	Recruiters Network
Dec-19	Payroll Business Solutions	Provides payroll software and services	Ciphr
Dec-19	TCOR Insurance Management	Provides advisory services for risk management, employee benefits and human resources	Alliant Insurance Services
Dec-19	Caraffi	Provides talent management consulting services	Investigo
Dec-19	Key Stage Teacher Supply	Provides permanent recruitment, contract and interim appointments, and talent planning services	Operam Education Group
Dec-19	HR Imagined	Provides on-demand outsourced HR services	Aspirant

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 12/31/19



Selected M&A Transaction Recap (cont'd)

Closed	Target Company	Target Description	Acquiring Company
Dec-19	Tutor In	Provides an online platform for teacher recruitment and applicant tracking for schools	TES Global Group
Dec-19	Caliper Corporation	Provides employee assessment and talent management solutions	PSI Services
Dec-19	Aspiring Minds Assessment	Provides employee assessment products and solutions	SHL Group
Nov-19	HR Bakery	Provides a software that streamlines human resource management	The Sage Group
Nov-19	Multi Personnel Service	Provides recruitment and placement services	Pemsa
Nov-19	The Payroll Service Company	Provides payroll data processing, online payroll processing and auto enrollment reporting services	Access UK
Nov-19	Trace Staffing Solutions	Provides staffing services and HR solutions	Hire Dynamics
Nov-19	Toft Group	Provides life science recruiting services	ZRG Partners
Nov-19	Alcor Executive	Provides human resource consulting services	NV Hudson Belgium
Nov-19	Presence of IT	Provides human capital management and workforce management consulting	Workforce Insight
Nov-19	The DeChristopher Group	Provides strategic employee benefits and human resource consulting services	NFP Corp.
Nov-19	HR inTune	Provides human resource consulting services	Alera Group
Nov-19	NGA Human Resources	Provides technology solutions and services for human resources management	Alight Solutions
Nov-19	SmashFly Technologies	Provides a SaaS based recruitment marketing platform	Symphony Talent
Oct-19	Collage Technologies	Provides human resource management software solutions	People Corporation
Oct-19	EngageTalent	Provides an artificial intelligence recruiting platform	Workforce Logiq
Oct-19	Experis	Provides workforce recruitment and employment services	Talent International
Oct-19	Cubiks Group	Provides talent management and assessment solutions	PSI Services
Oct-19	Assign Group	Provides human resource consulting services	GlobalLogic
Oct-19	Global Employment Solutions	Provides professional staffing solutions	Ettain group
Oct-19	Ettain group	Provides recruitment and managed services	A&M Capital Advisors
Oct-19	PDF Financial Group	Provides consulting, outsourcing and financial advisory services for employee benefits and HR management	HUB International
Oct-19	Premier Consulting Partners	Provides human resources consulting/compliance and employee benefits management services	Relation Insurance
Oct-19	Maximum	Provides an intelligent talent acquisition and management platform	TMP Worldwide Advertising & Communications
Oct-19	Optimum Solutions	Provides payroll, human resources and time/attendance software solutions	Kronos Incorporated
Oct-19	Accendo International	Provides human capital strategy consulting and solutions	Talent Plus
Oct-19	Erecruit Holdings	Provides enterprise staffing and onboarding software	Bullhorn

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 12/31/19

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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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 500 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.

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