

Market Update



Human Capital Management Services Q3 2019

Market Insights

The third quarter of 2019 saw a significant uptick in M&A activity in the human capital services sector versus the prior year, with 41 announced deals as compared to 27 in the third quarter of 2018. Acquirers (both strategic and financial) continue to look to build scale and capabilities to keep up with clients' demand for services and technology to help them turn HR from a cost center to a source of strategic competitive advantage through better acquisition, deployment, retention and engagement of talent. Buyers may have been seizing on slightly better valuations, as four of the five groups Lincoln tracks underperformed the S&P 500 for the quarter, with only specialty consulting services beating the index. That said, multiples remain robust, with EBITDA multiples for all tracked groups solidly in double digits led by HR outsourcing (14.7x) and even including staffing services (10.4x) which typically sees margin compression at the top of economic cycles. Correspondingly, valuations for HR technology, while meaningfully below their 52-week highs, remained at over 10x LTM Revenue.

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

 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 	 has acquired  Senior Credit Facilities 	 a subsidiary of  has merged with  a portfolio company of  Sell-Side 
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Human Capital Management Services Financial Performance

Quarter-over-Quarter Price Performance

Outperformers	Change
Capita plc	33.0%
FTI Consulting, Inc.	26.4%
Huron Consulting Group Inc.	21.8%
ICF International, Inc.	16.0%
Cross Country Healthcare, Inc.	9.8%

Underperformers	Change
PageGroup plc	(17.1%)
Workday, Inc.	(17.3%)
Insperty, Inc.	(19.3%)
Chegg, Inc.	(22.4%)
Conduent Incorporated	(35.1%)



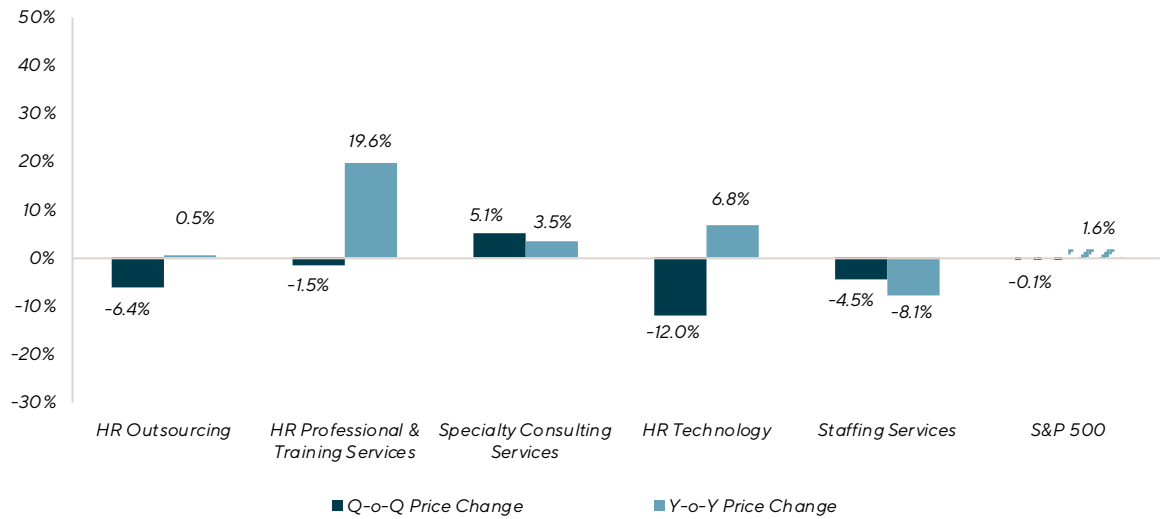
Highlights

Only specialty consulting services outperformed the S&P 500 in Q3 2019

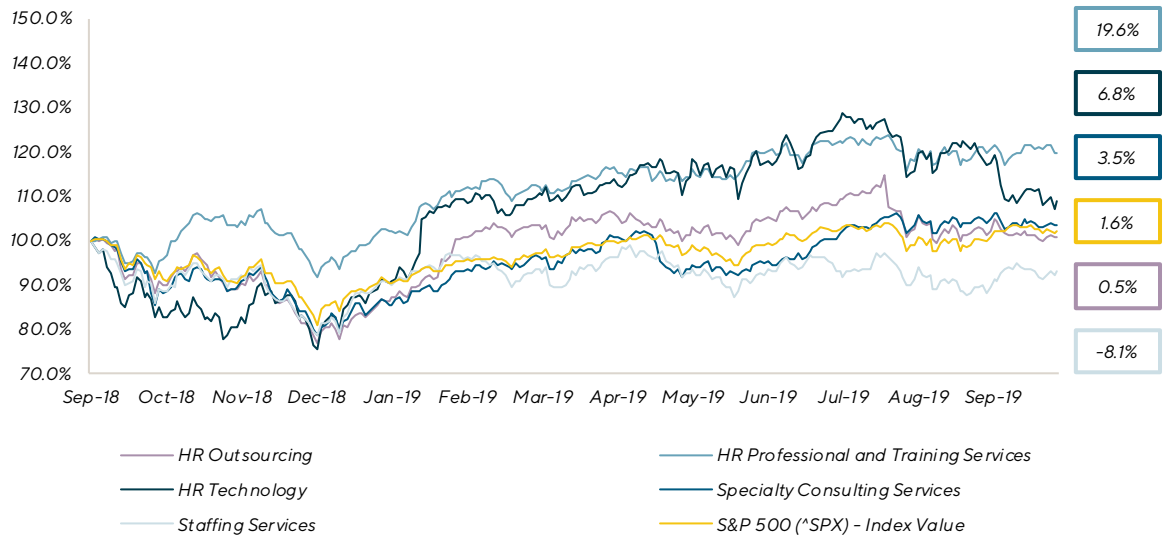
Companies in the HR technology index are trading up an average of 19.6% over the last 12 months

Top stock performers for Q3 2019 included Capita and FTI Consulting up 33.0% and 26.4%, respectively, since the end of last quarter

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.	\$161.42	92.5%	\$70,008	\$70,312	\$14,361	\$3,568	5.9%	24.8%	5.0x	20.2x
Barrett Business Services, Inc.	88.82	96.6%	663	592	935	59	(1.3%)	6.3%	0.6x	11.2x
Capgemini SE	117.87	91.6%	19,471	22,411	13,737	1,774	6.0%	12.9%	1.5x	11.6x
Capita plc	1.78	96.3%	2,950	4,615	3,758	250	(6.5%)	6.7%	1.0x	15.0x
Conduent Incorporated	6.22	27.4%	1,314	3,090	4,650	518	(17.0%)	11.1%	0.6x	5.7x
Insperty, Inc.	98.62	68.1%	4,062	3,914	4,206	213	14.0%	5.1%	1.0x	17.4x
Paychex, Inc.	82.77	93.6%	29,643	29,727	3,902	1,604	13.2%	41.1%	7.9x	19.1x
TriNet Group, Inc.	62.19	80.9%	4,349	4,528	3,755	274	9.3%	7.3%	1.2x	17.0x
Mean		80.9%					3.0%	14.4%	2.3x	14.7x
Median		92.1%					6.0%	9.2%	1.1x	16.0x
HR Professional and Training Services										
Aon plc	\$193.57	97.5%	\$45,652	\$53,821	\$10,898	\$3,222	(0.1%)	29.6%	5.0x	17.4x
BTS Group AB	19.46	98.6%	376	381	1,807	283	22.8%	15.7%	2.2x	16.0x
Franklin Covey Co.	35.00	89.0%	489	510	225	16	7.4%	7.0%	2.3x	NM
GP Strategies Corporation	12.84	69.8%	217	363	561	25	9.1%	4.4%	0.7x	14.4x
Heidrick & Struggles International, Inc.	27.30	61.1%	522	494	712	82	1.7%	11.5%	0.7x	5.9x
Korn Ferry	38.64	77.4%	2,163	2,224	1,945	280	6.2%	14.4%	1.1x	7.9x
Marsh & McLennan Companies, Inc.	100.05	96.8%	50,656	65,084	16,100	3,824	7.9%	23.8%	4.2x	17.2x
Willis Towers Watson Public Limited Company	192.97	96.0%	24,892	29,815	8,721	1,901	6.1%	21.8%	3.5x	15.6x
Mean		85.8%					7.6%	16.0%	2.4x	13.5x
Median		92.5%					6.8%	15.0%	2.2x	15.6x
HR Technology										
51job, Inc.	\$74.00	76.2%	\$4,911	\$3,541	\$3,943	\$1,355	11.9%	34.4%	6.2x	17.9x
Chegg, Inc.	29.95	62.1%	3,584	3,662	381	37	27.5%	9.8%	10.1x	NM
Cornerstone OnDemand, Inc.	54.82	87.5%	3,327	3,301	565	17	6.3%	3.0%	6.0x	NM
Paycom Software, Inc.	209.49	80.7%	12,077	12,043	695	236	31.0%	34.0%	18.4x	NM
Paylocity Holding Corporation	97.58	86.8%	5,180	5,018	494	76	24.5%	15.3%	10.7x	NM
Workday, Inc.	169.96	74.9%	38,751	38,367	3,245	(278)	33.6%	(8.6%)	11.8x	NM
Mean		78.0%					22.5%	14.7%	10.6x	17.9x
Median		78.4%					26.0%	12.5%	10.4x	17.9x
Specialty Consulting Services										
Accenture plc	\$192.35	94.8%	\$122,554	\$116,866	\$43,215	\$6,923	5.4%	16.0%	2.7x	16.2x
Altran Technologies S.A.	15.71	97.5%	4,000	5,804	3,138	382	15.6%	12.2%	1.7x	13.9x
Atos SE	70.53	61.2%	7,661	12,177	12,761	1,748	12.3%	13.7%	0.9x	6.3x
Capgemini SE	117.87	91.6%	19,471	22,411	13,737	1,774	6.0%	12.9%	1.5x	11.6x
CRA International, Inc.	41.97	77.4%	331	494	441	42	8.6%	9.5%	1.2x	13.1x
FTI Consulting, Inc.	105.99	94.9%	3,872	4,180	2,255	335	13.3%	14.8%	1.9x	13.5x
Huron Consulting Group Inc.	61.34	95.3%	1,333	1,704	850	109	9.6%	12.8%	2.1x	16.7x
ICF International, Inc.	84.47	97.8%	1,587	2,016	1,460	134	13.9%	9.2%	1.4x	15.6x
Mean		88.8%					10.6%	12.6%	1.7x	13.4x
Median		94.9%					10.9%	12.9%	1.6x	13.7x
Staffing Services										
Adecco Group AG	\$55.35	91.9%	\$8,988	\$11,063	\$23,593	\$1,128	(0.9%)	4.8%	0.4x	8.6x
AMN Healthcare Services, Inc.	57.56	87.5%	2,686	3,442	2,164	234	2.2%	10.8%	1.6x	14.5x
ASGN Incorporated	62.86	79.1%	3,325	4,405	3,828	407	21.6%	10.6%	1.2x	11.1x
Cross Country Healthcare, Inc.	10.30	93.1%	380	453	808	18	(3.3%)	2.3%	0.6x	24.7x
Hays plc	1.85	71.8%	2,706	2,546	6,071	263	3.7%	4.3%	0.3x	7.9x
Kelly Services, Inc.	24.22	83.8%	954	1,008	5,433	126	(1.6%)	2.3%	0.2x	7.6x
Kforce Inc.	37.84	96.7%	871	889	1,456	91	10.6%	6.2%	0.6x	10.0x
ManpowerGroup Inc.	84.24	86.0%	5,041	5,867	21,060	823	(5.3%)	3.9%	0.3x	6.9x
PageGroup plc	5.40	75.1%	1,715	1,785	1,619	161	7.9%	9.9%	0.9x	9.0x
Randstad N.V.	49.17	86.5%	9,011	11,230	23,782	1,037	0.4%	4.4%	0.4x	9.4x
Resources Connection, Inc.	16.99	87.1%	543	537	723	58	4.5%	8.1%	0.7x	9.3x
Robert Half International Inc.	55.66	78.1%	6,429	6,430	6,019	687	6.2%	11.4%	1.1x	9.5x
TrueBlue, Inc.	21.10	79.7%	818	860	2,428	123	(3.6%)	5.1%	0.3x	7.1x
Mean		84.3%					3.3%	6.5%	0.7x	10.4x
Median		86.0%					2.2%	5.1%	0.6x	9.3x
Total Mean		83.9%					8.1%	12.0%	2.9x	12.7x
Total Median		87.1%					6.3%	10.6%	1.2x	13.1x

Sources: Bloomberg, Capital IQ and company filings, as of 6/28/19

Arthur J. Gallagher & Co. was particularly acquisitive in Q3 2019, acquiring The Human Capital Group (September 2019), Darrell Phillips (July 2019) and BluePeak Advisors (July 2019).

The Human Capital Group and Darrell Phillips acquisitions expand Arthur J. Gallagher's opportunities to add value with clients and cross sell its offerings, enabling its consulting team to develop stronger connections with clients' key decision makers.

The BluePeak Advisors acquisition will allow Arthur J. Gallagher to broaden its outreach and deliver strong growth through the addition of BluePeak's expertise in mitigating the risks of managing government health plan programs.



Market Intelligence

09/17/2019: Outsourced human resource services have become increasingly important for large corporations, many of which struggle to match the nimble human resource management of smaller competitors. In-house HR departments are increasingly losing popularity to independent contractors and dynamic HR technology platforms that allow large companies to stay agile, while cost-effectively managing their workforce.

Business.com

07/23/2019: M&A activity in the human resource management space has become increasingly dominated by strategic acquirers, many of which do not have demonstrated M&A history and thus make it difficult to identify likely acquirers in the market. In recent years, financial sponsors have been involved in only 10% of transactions and are most active in larger deals with \$100 million or more in enterprise value. M&A activity in the sector has largely been driven by the HR technology sub-sector, which has seen strong growth in investment. \$4.4 billion was invested in the HR technology sector from July 2018 to July 2019, representing a 26% increase year over year.

Venero Capital Advisors

07/15/2019: As corporate profitability and the importance of human resource management has grown over the last several years, HR consulting services have increasingly come into demand. The U.S. economy is becoming increasingly service-oriented, which has created a greater emphasis on employee relations and benefits, and has supported the underlying demand for HR consulting services. Overall, the HR consulting industry revenue is expected to increase to \$24.9 billion in 2019, reflecting annualized growth of 2.5% from 2014-2019.

The industry outlook expects steady, but slower growth in the forecast period. Revenue for the HR consulting industry is projected to increase at an annualized rate of 0.4% to \$25.4 billion from 2019-2024. Growth will be driven by an expanding economy and the largest industry players, which are expected to continue seeking international expansion. HR consulting is also expected to become increasingly prominent in growing industries such as healthcare.

IBISWorld

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Sep-19	HRtechies	Human resource technology consulting services	Hive Tech HR
Sep-19	The Human Capital Group	Retained executive search and leadership consulting services	Arthur J. Gallagher & Co.
Sep-19	Pure Recruitment Group	Recruitment and employment services for financial services and professional services sectors	Dartmouth Partners
Sep-19	Exaserv	SaaS solutions and application support for enterprise resource planning and human capital management	HR Path
Sep-19	Quad656	Contract and direct hire recruiting services	SolomonEdwards Group
Sep-19	Videoton Software	Human resource management software systems	Libra Szoftver
Sep-19	Employment Staffing Group	Staffing and screening solutions for temporary and long-term employees	Paramount Staffing
Sep-19	PCS Staffing	Professional staffing solutions for employers	BelFLEX Staffing Network
Sep-19	Burning Glass International	Human resource and workforce planning data analytics solutions	KKR & Co.
Sep-19	TechLink	Information technology consulting and staffing services	The Execu-Search Group
Sep-19	SonoTemps	Medical staffing solutions, including temporary placements for medical imaging positions	Loyal Source Government Services
Sep-19	PeopleSpheres	Software solutions for human resources management	Sopra HR Software
Sep-19	Valiant Solutions	Cloud based payroll and human capital management solutions	Trackforce
Sep-19	Best Practices Staffing	Professional staffing solutions for employers	PeopleShare

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 6/28/19

Selected M&A Transaction Recap (cont'd)

Closed	Target Company	Target Description	Acquiring Company
Sep-19	Contact Industrial Recruitment	Online human resource recruitment platform	Kingdom Services Group
Sep-19	Job Digital Network	Mobile job search application connecting recruiters and candidates	EUROFIRMS
Aug-19	PK Education	Staffing and recruitment service for educational jobs	Einstein Recruitment
Aug-19	ConveyIQ	Cloud and mobile technology-based platform for candidate interviews	Entelo
Aug-19	Recruiting Process Outsourcing Division of Method3	Recruitment process outsourcing and IT staffing services	PredictiveHR
Aug-19	Medical Staffing Solutions	Staffing services for the healthcare sector	TotalMed Systems
Aug-19	InvisionBenefit	Employee benefits, human resources consulting, enrollment and advisory services	Alliant Insurance Services
Aug-19	Beneco	Retirement, medical, life insurance, human resource and compliance solutions	Ascensus
Jul-19	C2P Recrutement	Recruitment services for packaging and graphic industries	Groupe MENWAY
Jul-19	Kahu Malama Nurses	Staffing services for the healthcare sector	Staffing Solutions of Hawaii
Jul-19	ProfitStaff	Recruitment, payroll management and human resource consulting services	BelFlex Staffing Network
Jul-19	Interviewweb	Cloud-based recruitment software	Zucchetti Group
Jul-19	Top Echelon Software	Recruiting and applicant tracking software	SageLink Capital
Jul-19	Flexfactory	Staffing, training, recruitment, secondment, pool management and workforce management services	Groupe Leader Travail Temporaire
Jul-19	Revolving Enrichment	Staffing services to charter schools	Source4Solutions
Jul-19	Darrell Phillips	Human resource consulting services for benefit plans and HR technology solutions	Arthur J. Gallagher & Co.
Jul-19	Upskills	Human resource consulting and recruitment services	Ergalis
Jul-19	Aspen Medical Staffing	Staffing services to the healthcare sector	Triage Staffing
Jul-19	Carolina Benefits Group	Employee benefits services, including insurance analytics and human resource management	OneDigital Health and Benefits
Jul-19	BluePeak Advisors	Human resource consulting services	Arthur J. Gallagher & Co.
Jul-19	Echelon Compensation Partners	Executive and board of director compensation consulting and talent management services	Pearl Meyer & Partners
Jul-19	MERC Partners	Executive search and recruitment services	Spencer Stuart
Jul-19	Flexy Corporation Limited	Staffing platform that uses psychometrics, machine learning and theory to recruit local talent	Impellam Group
Jul-19	The Rowland Group	Staffing and recruiting services for engineering, IT and financial services sectors	System One
Jul-19	Navigator Management Partners	Management and technology consulting services	Avaap USA
Jul-19	Hire Alternatives	Staffing services, including contract and permanent help solutions	The Reserves Network
Jul-19	Appcast	Job advertising solution for employers, recruitment and staffing firms	StepStone Deutschland

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 6/28/19



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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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 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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