

Market Update



Human Capital Management Services Q2 2019

Market Insights

Investor and M&A interest in the human capital management services sector remained strong in the second quarter of 2019. All of the public company subsectors covered by Lincoln saw increases in share price in the quarter with three of the five outpacing the gain in the S&P 500. For the Q2 2019 LTM period, HR technology has far outpaced the S&P 500 (42.8% vs. 8.2% increase in share price) given the rapid growth of many SaaS providers of HR software and analytics. However, even the staffing providers, which often see multiple compression late in economic cycles, saw strong price increases in the second quarter and a second straight quarter of EBITDA multiple expansion. M&A activity remained robust, with interest from both strategic and financial buyers looking to assemble additional capabilities to help corporate clients better recruit, onboard, retain and train scarce workers given projections for continued structural shortages of skilled workers.

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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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

Quarter-over-Quarter Price Performance

Outperformers	Change	Underperformers	Change
Altran Technologies S.A.	44.7%	Atos SE	(13.3%)
WageWorks, Inc.	34.5%	Capita plc	(13.3%)
Franklin Covey Co.	34.4%	Heidrick & Struggles International, Inc.	(17.0%)
Cross Country Healthcare, Inc.	33.4%	CRA International, Inc.	(21.8%)
GP Strategies Corporation	24.1%	Conduent Incorporated	(24.2%)

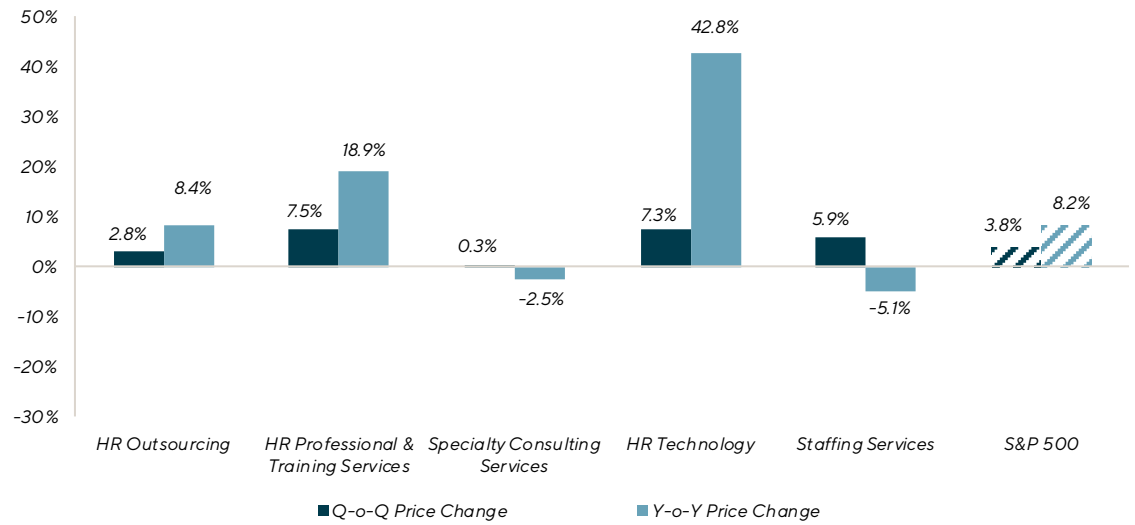
Highlights

HR professional & training services, HR technology and staffing services all outperformed the S&P 500 in Q2 2019

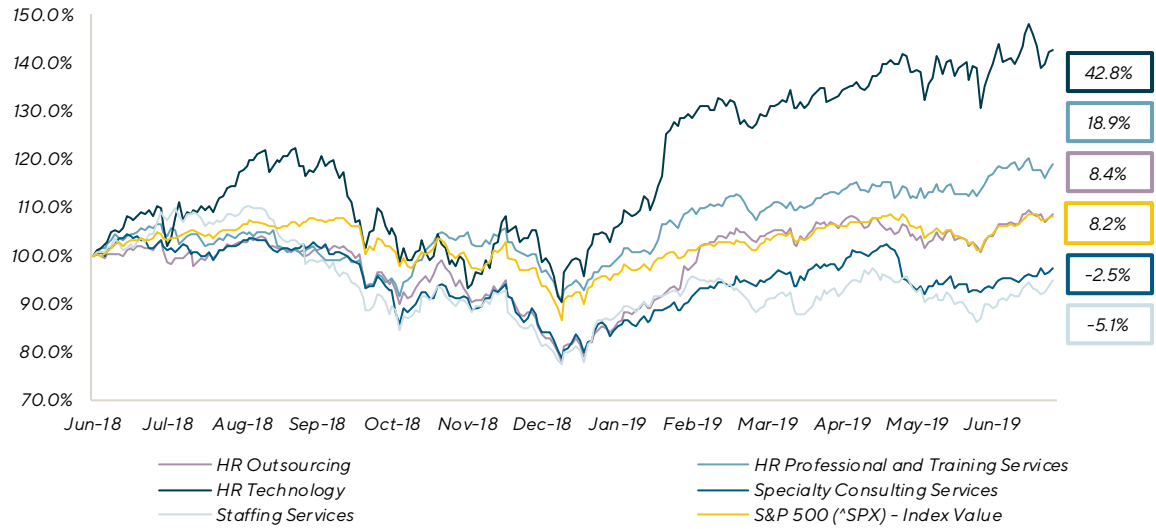
Companies in the HR technology index are trading up an average of 42.8% over the last 12 months

Top stock performers for Q2 2019 included Altran Technologies and WageWorks up 44.7% and 34.5%, respectively, since the end of last quarter

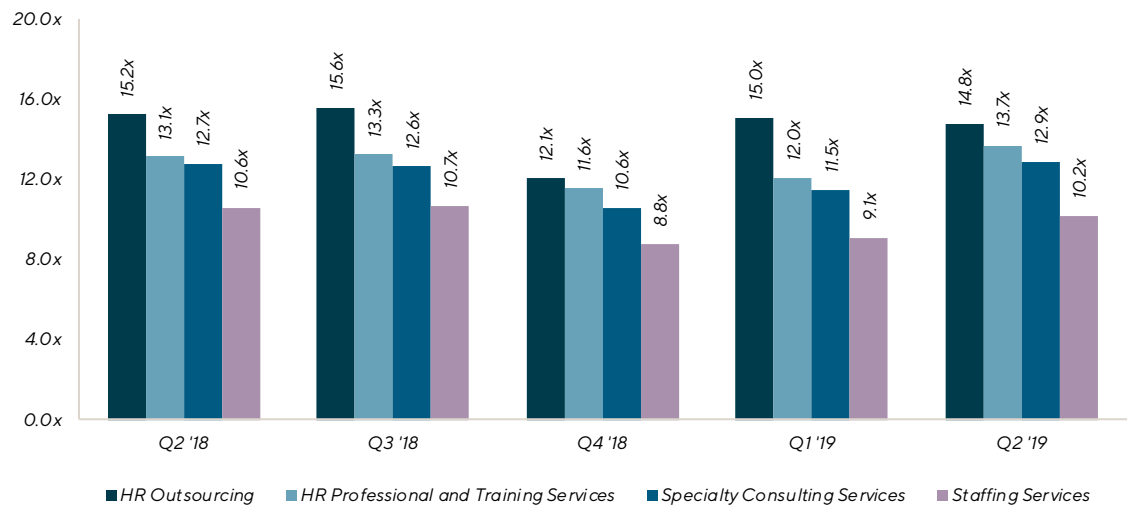
Quarter-over-Quarter & Year over Year Stock Indices Price Change



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.	\$165.33	97.0%	\$71,956	\$72,125	\$13,991	\$3,313	7.0%	23.7%	5.2x	21.8x
Barrett Business Services, Inc.	82.60	83.6%	612	603	935	50	0.1%	5.3%	0.6x	12.2x
Capgemini SE	124.43	91.3%	20,555	22,091	13,197	1,686	2.4%	12.8%	1.5x	11.5x
Capita plc	1.34	60.5%	2,220	3,016	3,918	271	(6.2%)	6.9%	0.6x	8.8x
Conduent Incorporated	9.59	41.0%	2,018	3,583	5,131	597	(12.9%)	11.6%	0.7x	6.0x
Insperty, Inc.	122.14	92.2%	5,039	4,794	3,967	218	15.6%	5.5%	1.2x	22.0x
Paychex, Inc.	82.29	93.1%	29,567	29,640	3,773	1,553	11.6%	41.2%	7.9x	19.1x
TriNet Group, Inc.	67.80	95.9%	4,745	4,915	3,576	292	7.5%	8.2%	1.4x	16.8x
Mean		81.8%					3.1%	14.4%	2.4x	14.8x
Median		91.7%					4.7%	9.9%	1.3x	14.5x
HR Professional and Training Services										
Aon plc	\$192.98	99.2%	\$46,416	\$53,558	\$10,823	\$2,952	1.1%	27.3%	4.9x	18.1x
BTS Group AB	18.91	91.5%	365	361	1,675	224	32.1%	13.4%	2.0x	15.0x
Franklin Covey Co.	34.00	95.5%	475	496	225	14	10.1%	6.4%	2.2x	NM
GP Strategies Corporation	15.08	77.1%	253	394	530	27	3.5%	5.0%	0.7x	14.8x
Heidrick & Struggles International, Inc.	29.97	66.2%	573	581	728	85	13.4%	11.7%	0.8x	6.8x
Korn Ferry	40.07	58.1%	2,261	1,860	1,926	274	9.0%	14.2%	1.0x	6.8x
Marsh & McLennan Companies, Inc.	99.75	99.6%	51,007	64,882	15,021	3,518	3.4%	23.4%	4.3x	18.4x
Willis Towers Watson Public Limited Company	191.54	99.3%	24,754	29,764	8,533	1,895	4.4%	22.2%	3.5x	15.7x
Mean		85.8%					9.6%	15.5%	2.4x	13.7x
Median		93.5%					6.7%	13.8%	2.1x	15.0x
HR Technology										
51job, Inc.	\$75.50	75.9%	\$4,717	\$3,679	\$3,840	\$1,301	25.9%	33.9%	6.4x	19.0x
Chegg, Inc.	38.59	92.6%	4,575	4,400	342	21	26.8%	6.2%	12.9x	NM
Cornerstone OnDemand, Inc.	57.93	96.2%	3,456	3,442	545	16	8.2%	2.9%	6.3x	NM
Paycom Software, Inc.	226.72	97.1%	13,039	13,006	612	206	31.0%	33.6%	21.2x	NM
Paylocity Holding Corporation	93.82	90.4%	4,970	4,831	444	60	24.3%	13.5%	10.9x	NM
WageWorks, Inc.	50.79	89.4%	2,025	1,280	464	79	(2.7%)	17.0%	2.8x	16.2x
Workday, Inc.	205.58	93.0%	46,542	46,179	3,029	(270)	32.7%	(8.9%)	15.2x	NM
Mean		90.7%					20.9%	14.0%	10.8x	17.6x
Median		92.6%					25.9%	13.5%	10.9x	17.6x
Specialty Consulting Services										
Accenture plc	\$184.77	98.6%	\$117,725	\$113,382	\$41,244	\$6,786	4.1%	16.5%	2.7x	16.7x
Altran Technologies S.A.	15.88	98.0%	4,030	5,461	2,916	367	22.0%	12.6%	1.6x	13.1x
Atos SE	83.66	57.7%	9,040	14,614	12,258	1,640	(3.4%)	13.4%	1.0x	7.8x
Capgemini SE	124.43	91.3%	20,555	22,091	13,197	1,686	2.4%	12.8%	1.5x	11.5x
CRA International, Inc.	38.33	65.2%	308	437	424	39	11.2%	9.2%	1.0x	11.1x
FTI Consulting, Inc.	83.84	96.0%	3,104	3,396	2,081	285	12.0%	13.7%	1.6x	11.9x
Huron Consulting Group Inc.	50.38	88.4%	1,093	1,480	806	96	9.3%	11.9%	1.8x	15.4x
ICF International, Inc.	72.80	88.5%	1,371	1,740	1,376	125	11.4%	9.1%	1.3x	13.9x
Navigant Consulting, Inc.	23.19	84.6%	912	915	697	63	8.5%	9.1%	1.3x	14.5x
Mean		85.4%					8.6%	12.0%	1.6x	12.9x
Median		88.5%					9.3%	12.6%	1.5x	13.1x
Staffing Services										
Adecco Group AG	\$60.11	95.8%	\$9,763	\$11,561	\$23,820	\$1,152	0.8%	4.8%	0.4x	8.7x
AMN Healthcare Services, Inc.	54.25	82.4%	2,529	3,093	2,146	247	6.5%	11.5%	1.4x	12.5x
ASGN Incorporated	60.60	64.3%	3,200	4,369	3,638	389	35.5%	10.7%	1.2x	11.2x
Cross Country Healthcare, Inc.	9.38	73.6%	345	431	801	21	(7.7%)	2.6%	0.5x	20.4x
Hays plc	2.00	73.6%	2,911	2,870	5,960	265	6.6%	4.4%	0.4x	8.5x
Kelly Services, Inc.	26.19	98.6%	1,021	1,138	5,527	126	1.3%	2.3%	0.2x	8.8x
Kforce Inc.	35.09	80.6%	846	946	1,428	90	6.4%	6.3%	0.7x	10.5x
ManpowerGroup Inc.	96.60	99.3%	5,779	6,662	21,514	883	(1.3%)	4.1%	0.3x	7.5x
PageGroup plc	6.52	81.8%	2,070	1,946	1,550	152	9.9%	9.8%	1.0x	10.1x
Randstad N.V.	54.96	87.5%	10,073	11,949	23,847	1,086	1.9%	4.6%	0.4x	9.6x
Resources Connection, Inc.	16.01	82.1%	513	523	731	68	11.7%	9.3%	0.7x	7.7x
Robert Half International Inc.	57.01	71.3%	6,642	6,650	5,873	664	9.3%	11.3%	1.1x	10.0x
TrueBlue, Inc.	22.06	73.9%	778	835	2,497	123	0.1%	4.9%	0.3x	6.8x
Mean		81.9%					6.2%	6.7%	0.7x	10.2x
Median		81.8%					6.4%	4.9%	0.5x	9.6x
Total Mean		84.6%					9.0%	11.8%	3.0x	12.8x
Total Median		89.4%					7.5%	10.7%	1.3x	11.9x

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

Transaction Spotlight

4/4/2019: Managed by Q, which provides a platform allowing office tenants to hire facilities service providers and functional support staff, has been acquired by **WeWork**, a provider of workspaces, human capital services and technologies for businesses.

WeWork's scale and market presence, in combination with the workplace management expertise of **Managed by Q**, will allow the Companies to offer an unmatched office experience for businesses.

Market Intelligence

4/12/2019: Hireology, which offers recruitment CRM for multi-location, decentralized enterprises, announced the completion of a \$27 million Series D financing round. Blue Cloud Ventures led the raise with participation from existing investors Bain Capital and Baird Capital. Silicon Valley Bank also participated in the financing. Hireology has raised a total of \$60.5 million, including this latest round. The financing will be used to expand into new market verticals and advance new features for its current product offering. (Hireology)

5/3/2019: The Human Capital Management Software market is anticipated to reach a \$30 billion valuation by 2023, representing a forecasted CAGR of 8.7% from 2019-2023. Major global players driving growth are firms such as **SAP, Oracle, Workday, Ramco, ADP, Microsoft, Ultimate Software and Cornerstone**. These firms are expected to continue to acquire smaller, comparable businesses as they look to provide end-to-end solutions to customers across a variety of services. (Research and Markets)

6/12/2019: Growth in the Human Capital Management market is increasingly driven by rising digitization, particularly in developing countries. In addition, two-thirds of organizations will soon have dedicated human capital management functions, which is expected to be another driving factor in overall industry growth. (Fortune Business Insights)

6/12/2019: The Human Capital Management market continues to demand automated human resource services. North America, particularly the U.S. and Canada, has seen significant investment in HR technology solutions in the past several months. Additionally, cloud-based HR models and demand for talent mobility are expected to advance the growth of the Human Capital Management market. (Fortune Business Insights)

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	WageWorks	Consumer-directed benefits administration	HealthEquity
Jun-19	HR Enterprise Solutions	Human resource, payroll, benefits and time and attendance services	The Spencer Thomas Group
Jun-19	TouchPoint Staffing	Temporary and direct placement staffing, background checks, outplacement and payroll services	BelFlex Staffing Network
Jun-19	hrQ	Human resource search, interim staffing, consulting and strategic talent planning services	Landrum Staffing Services
Jun-19	Rockstar Recruiting	Staffing services to school districts and healthcare facilities	The Stepping Stones Group
Jun-19	JIBE	Cloud-based recruiting technology solutions	iCIMS
Jun-19	Employee Benefit Concepts	Employee benefit consulting and human capital management	USI Insurance Services
Jun-19	Kronos Talent Management (Hiring Solutions Business)	Software platform to manage compensation, conduct evaluations and promote ongoing performance development	Trive Capital
Jun-19	Progressive Nursing Staffers	Recruitment services for healthcare professionals	Flexibility & Co.
May-19	Cainstone Financial	Employees benefits, wellness and human resources services	Arthur J. Gallagher & Co.
May-19	Accolo	On-demand recruitment process outsourcing	Orion ICS
May-19	InSite Search Services / BlackRock Professional Services	Recruiting and staffing services for the capital market, corporate risk, compliance and IT sectors	Biztek People
May-19	HK Payroll Services	Payroll processing solutions and human resource consulting	iSolved HCM
May-19	Staffing Resources	Staffing and human resource management solutions	NSC Technologies
May-19	Nissen Staffing Continuum	Staffing and workforce optimization services	6th Avenue Group
May-19	HRM Innovations	Human resources recruiting, consulting and training services	Rose Street Advisors
Apr-19	Advanced Medical Personnel Services	Healthcare staffing solutions	AMN Healthcare Services
Apr-19	PlanSource Benefits Administration	Cloud-based benefits administration and human capital management solutions	Vista Equity Partners
Apr-19	Express Logic	Software solutions, including performance monitoring and training services	Microsoft
Apr-19	Reliance Staffing & Recruiting	Staffing and recruiting services	PeopleShare
Apr-19	Project One	Consulting and staffing services	Eliassen Group
Apr-19	AgileHR	Cloud-based talent management software for onboarding and performance management	PrismHR
Apr-19	The Devine Group	Online human resource platform for automotive, food service, government and healthcare industries	OutMatch
Apr-19	Sullivan & Cogliano Designers	IT staffing solutions	CorTech
Apr-19	BenePAY	Payroll and human resource software solutions	MPAY
Apr-19	Kforce Government Holdings	Government-related staffing solutions	ManTech International
Apr-19	Managed by Q	Platform for hiring functional support staff and facilities service providers	WeWork
Apr-19	API Healthcare	Workforce management solutions for the healthcare industry	Vendor Credentialing Service

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:

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