

A photograph of several business professionals in a meeting room. In the foreground, a man in a dark suit and blue tie is looking towards the right. Behind him, a woman is also visible. In the background, another man is holding a laptop. The setting appears to be a modern office or conference room with a white table, glasses of water, and papers.

# Market Update Human Capital Management Services

Q3 2017

## Key Highlights

- On average, the stock price indices for all subsectors outperformed the S&P 500 Index during Q3 2017
- Top stock performers for Q3 2017 included 51job, Inc. and Insperity, up 35.5% and 23.9%, respectively
- EV / LTM EBITDA multiples for the subsectors were up 0.5x over the prior quarter and up 2.6x on a year over year basis

## Lincoln International's Human Capital Management Services Group

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 Group 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 Administrative
- HR Professional and Training
- HR Technology
- Specialty Consulting
- Staffing

## Lincoln's Recent Human Capital Management Services Transactions

capiton  
has sold gess – group to JR PERSONAL  
a portfolio company of  
AUCTUS

PRIMARY INTEGRATION  
an investment of  
Rotunda Capital Partners and Management  
has been sold to  
REDFERNS

ae Industrial Partners  
has acquired  
CDI Corporation

Recruitment Investment Group  
has sold  
RIG LE CUMS  
to  
cpl

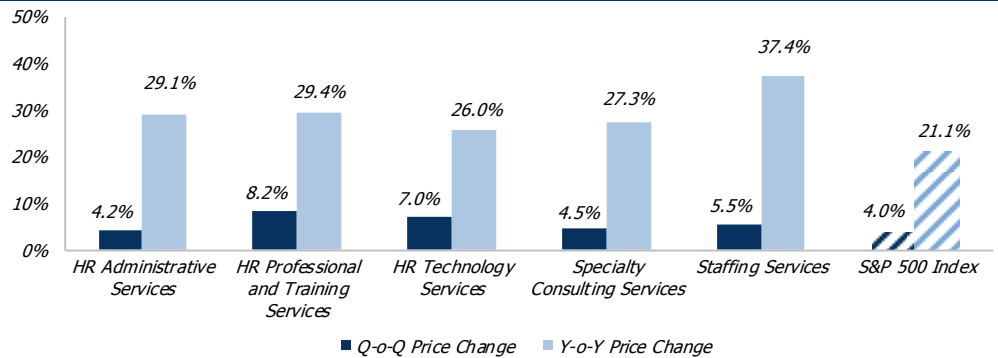
LUMIS PARTNERS  
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has sold  
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cpp  
has acquired  
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unlocking potential

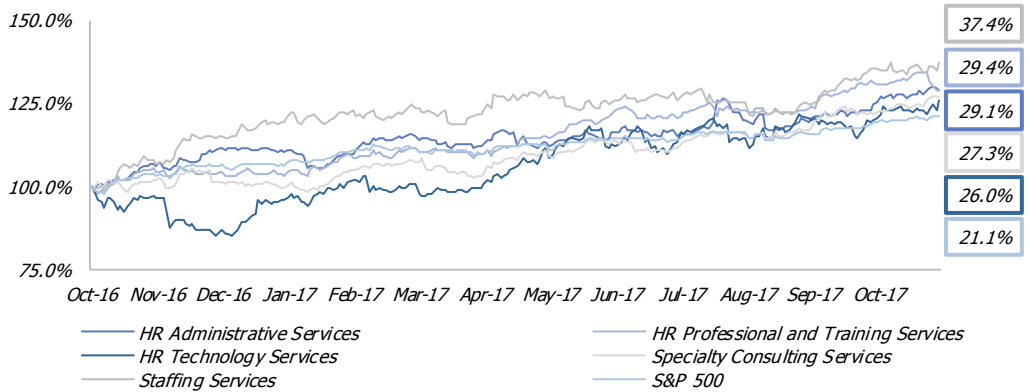
### Quarter over Quarter Price Performance

Outperformers	Change	Underperformers	Change
51job, Inc.	35.5%	The Ultimate Software Group, Inc.	(9.7%)
Insperty, Inc.	23.9%	Navigant Consulting, Inc.	(14.4%)
Chegg, Inc.	20.7%	TrueBlue, Inc.	(15.3%)
Hays plc	17.8%	Capita plc	(15.7%)
AMN Healthcare Services, Inc.	17.0%	Huron Consulting Group Inc.	(20.6%)

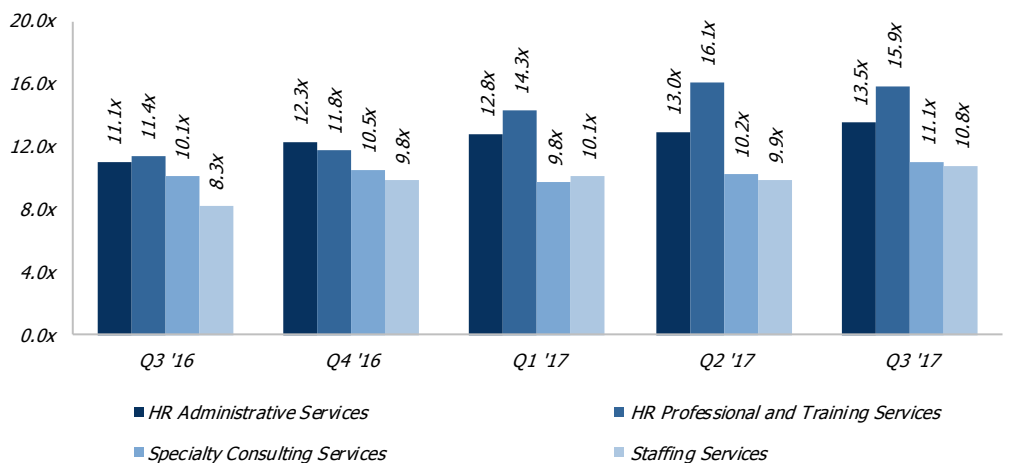
### Quarter over Quarter & Year over Year Stock Indices Price Change



### LTM Relative Stock Indices Price Performance



### Historical Enterprise Value / LTM EBITDA Valuation Performance



Note: Excludes HR Technology Services, 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
<b>HR Administrative Services</b>										
Automatic Data Processing, Inc.	\$116.26	95.5%	\$51,668	\$50,887	\$12,542	\$2,714	5.7%	21.6%	4.1x	18.7x
Barrett Business Services, Inc.	60.79	90.8%	443	429	897	32	10.3%	3.5%	0.5x	14.3x
Capgemini SE	121.48	99.3%	19,783	22,306	14,483	1,843	2.7%	12.7%	1.5x	11.9x
Capita plc	6.95	72.7%	4,629	7,657	6,339	873	4.2%	13.8%	1.2x	8.6x
Conduent Incorporated	15.48	85.3%	3,253	5,216	6,043	464	(8.8%)	7.7%	0.8x	11.4x
Insperty, Inc.	94.90	97.7%	1,978	1,839	3,203	135	11.9%	4.2%	0.6x	14.4x
Paychex, Inc.	63.79	97.2%	22,922	22,611	3,183	1,391	5.6%	43.7%	7.1x	16.3x
TriNet Group, Inc.	34.72	83.5%	2,409	2,616	3,239	239	8.9%	7.4%	0.8x	12.7x
<b>Mean</b>		<b>90.2%</b>					<b>5.0%</b>	<b>14.3%</b>	<b>2.1x</b>	<b>13.5x</b>
<b>Median</b>		<b>93.2%</b>					<b>5.6%</b>	<b>10.2%</b>	<b>1.0x</b>	<b>13.5x</b>
<b>HR Professional and Training Services</b>										
Aon plc	\$143.43	93.9%	\$35,861	\$39,609	\$11,935	\$2,220	18.9%	18.6%	3.3x	17.7x
BTS Group AB	11.57	100.0%	216	206	148	18	19.6%	12.1%	1.4x	12.0x
Franklin Covey Co.	19.40	86.4%	269	300	185	2	(7.4%)	1.2%	1.6x	41.9x
GP Strategies Corporation	29.05	93.0%	486	521	505	36	3.1%	7.1%	1.0x	13.2x
Heidrick & Struggles International, Inc.	24.85	91.7%	467	361	612	58	7.9%	9.5%	0.6x	6.2x
Hudson Global, Inc.	1.51	86.8%	47	39	435	5	1.6%	1.1%	0.1x	9.9x
Korn/Ferry International	41.83	98.8%	2,363	2,326	1,591	196	13.6%	12.3%	1.5x	11.8x
Marsh & McLennan Companies, Inc.	80.93	95.3%	41,303	45,798	13,703	3,267	3.9%	23.8%	3.3x	14.0x
Willis Towers Watson Public Limited Co.	161.08	97.9%	21,631	25,142	7,969	1,585	16.4%	19.9%	3.2x	16.0x
<b>Mean</b>		<b>93.7%</b>					<b>8.6%</b>	<b>11.7%</b>	<b>1.8x</b>	<b>15.9x</b>
<b>Median</b>		<b>93.9%</b>					<b>7.9%</b>	<b>12.1%</b>	<b>1.5x</b>	<b>13.2x</b>
<b>HR Technology Services</b>										
51job, Inc.	\$61.90	94.0%	\$3,801	\$2,971	\$402	\$125	19.1%	31.1%	7.9x	26.0x
Callidus Software Inc.	25.35	92.7%	1,715	1,542	240	(7)	21.4%	(2.7%)	6.8x	NM
Chegg, Inc.	15.51	94.0%	1,682	1,479	245	(6)	(5.6%)	(2.5%)	6.0x	NM
Cornerstone OnDemand, Inc.	38.36	86.7%	2,209	2,142	459	(48)	12.0%	(10.4%)	4.8x	NM
DHI Group, Inc.	2.20	32.4%	111	157	212	35	(10.6%)	16.7%	0.7x	4.0x
Paycom Software, Inc.	82.20	99.5%	4,897	4,865	407	86	32.8%	21.2%	12.0x	NM
Paylocity Holding Corporation	53.41	99.9%	2,795	2,691	316	23	26.3%	7.1%	9.0x	NM
The Ultimate Software Group, Inc.	202.59	86.8%	6,043	5,942	900	69	21.4%	7.7%	6.9x	NM
WageWorks, Inc.	63.75	79.2%	2,531	2,001	462	92	33.1%	19.9%	4.6x	24.4x
Workday, Inc.	110.99	99.2%	23,086	21,537	1,853	(230)	37.3%	(12.4%)	11.6x	NM
<b>Mean</b>		<b>86.4%</b>					<b>18.7%</b>	<b>7.6%</b>	<b>7.0x</b>	<b>18.1x</b>
<b>Median</b>		<b>93.3%</b>					<b>21.4%</b>	<b>7.4%</b>	<b>6.8x</b>	<b>24.4x</b>
<b>Specialty Consulting Services</b>										
Accenture plc	\$142.36	99.0%	\$87,511	\$84,167	\$34,850	\$5,655	6.0%	16.2%	2.4x	14.9x
Altran Technologies S.A.	18.49	94.5%	3,192	3,642	2,553	277	10.2%	10.9%	1.4x	12.9x
Atos SE	155.30	98.5%	16,261	16,488	14,069	1,873	8.1%	13.3%	1.1x	8.6x
Capgemini SE	121.48	99.3%	19,783	22,306	14,483	1,843	2.7%	12.7%	1.5x	11.9x
CRA International, Inc.	42.26	97.3%	343	323	353	31	12.8%	8.7%	0.9x	10.5x
FTI Consulting, Inc.	42.75	90.7%	1,583	1,886	1,782	160	(1.6%)	9.0%	1.1x	11.8x
Huron Consulting Group Inc.	36.60	65.3%	777	1,165	725	97	(1.2%)	13.3%	1.6x	10.4x
ICF International, Inc.	53.70	90.2%	1,006	1,275	1,198	113	1.8%	9.5%	1.1x	11.1x
Navigant Consulting, Inc.	17.31	62.1%	795	963	949	128	4.1%	13.5%	1.0x	7.5x
<b>Mean</b>		<b>88.6%</b>					<b>4.8%</b>	<b>11.9%</b>	<b>1.3x</b>	<b>11.1x</b>
<b>Median</b>		<b>94.5%</b>					<b>4.1%</b>	<b>12.7%</b>	<b>1.1x</b>	<b>11.1x</b>
<b>Staffing Services</b>										
Adecco Group AG	\$79.33	100.0%	\$13,508	\$14,577	\$27,741	\$1,443	9.6%	5.2%	0.6x	10.8x
AMN Healthcare Services, Inc.	43.90	94.2%	2,105	2,420	1,967	240	8.3%	12.2%	1.2x	10.3x
Cross Country Healthcare, Inc.	13.65	83.3%	498	500	868	39	7.9%	4.5%	0.6x	12.9x
Hays plc	2.47	93.2%	3,582	3,434	6,599	299	13.8%	4.5%	0.5x	11.2x
Kelly Services, Inc.	26.31	98.2%	997	936	5,257	99	(5.1%)	1.9%	0.2x	9.3x
Kforce Inc.	20.95	77.7%	530	658	1,341	73	1.5%	5.4%	0.5x	8.3x
ManpowerGroup Inc.	123.28	98.1%	8,227	8,573	20,353	878	3.6%	4.3%	0.4x	10.3x
PageGroup plc	6.21	88.7%	1,920	1,802	1,680	155	11.9%	9.2%	1.0x	11.4x
On Assignment, Inc.	61.22	98.9%	3,233	3,815	2,568	269	7.1%	10.5%	1.5x	14.2x
Randstad Holding NV	61.49	90.4%	11,268	12,895	26,971	1,179	19.1%	4.4%	0.5x	11.1x
Resources Connection, Inc.	15.75	79.5%	475	473	581	39	(2.1%)	6.7%	0.8x	12.1x
Robert Half International Inc.	51.77	96.8%	6,419	6,122	5,186	577	(2.0%)	11.1%	1.2x	10.6x
TrueBlue, Inc.	27.10	94.4%	996	1,095	2,574	136	(8.9%)	5.3%	0.4x	8.1x
<b>Mean</b>		<b>91.8%</b>					<b>5.0%</b>	<b>6.6%</b>	<b>0.7x</b>	<b>10.8x</b>
<b>Median</b>		<b>94.2%</b>					<b>7.1%</b>	<b>5.3%</b>	<b>0.6x</b>	<b>10.8x</b>
<b>Total Mean</b>		<b>90.2%</b>					<b>8.4%</b>	<b>10.0%</b>	<b>2.5x</b>	<b>13.0x</b>
<b>Total Median</b>		<b>94.0%</b>					<b>7.9%</b>	<b>9.2%</b>	<b>1.2x</b>	<b>11.8x</b>

Source: Bloomberg, Capital IQ and company filings, as of 10/31/2017

**Acquisition Spotlight**

07/31/2017: **AE Industrial Partners** has acquired all outstanding shares of **CDI Corp (NYSE:CDI)**, a leading provider of engineering, IT and staffing solutions, a transaction valued at \$157.5 million

"We believe that the Company's capabilities and reputation, combined with **AEI's** deep operating expertise in engineering, IT solutions and human capital management, will allow the Company to expand and strengthen its value proposition to key customers."  
-Michael Green, MP at **AEI**

**Market Intelligence**

09/28/2017: **Effex Management Solutions**, a U.S.-based provider of large volume contingent staffing solutions, is starting to evaluate the succession of its sole stakeholder within three to five years

09/25/2017: **iWorkGlobal**, a U.S.-based provider of employer of record, onboarding, payroll and independent contractor compliance services, plans to explore a sale in 2021. The Company forecasts approximately \$10 million in EBITDA in four years, and expects to trade at a multiple between 8x and 10x EBITDA

09/10/2017: **Wipro**, an India-based provider of IT, consulting and business process services, is actively seeking acquisitions in Finland as a result of the country's thriving technology market

09/07/2017: **Altran (EPA:ALT)**, a France-based provider of engineering consulting services, will continue to target "bolt-on and tactical acquisitions" with revenues up to EUR 100m. **Altran** will also focus on strengthening its footprint in the U.S., particularly on the West Coast, by acquiring complimentary engineering consulting firms

07/28/2017: **Gravitas Recruitment Group**, a U.K.-based provider of recruitment consulting services, is looking to increase its employee headcount, and could make further acquisitions to underpin core operations in its existing markets, or in new markets like the U.S.

**Selected M&A Transaction Recap**

Date	Target Company	Target Description	Acquiring Company
Sept-17	Smart Resources	Temporary staffing services	BG Staffing
Sept-17	Rowbotham International	Tax and audit compliance and advisory services	Crowe Horwath
Sept-17	Ewing Consulting	Corporate training and compensation management solutions	CPS HR Consulting
Sept-17	Peliton LLC	Payroll, HR consulting, safety consulting and accounting services	Aureon
Sept-17	TeamPeople	Specialized workforce solutions and integrated solutions	System One
Sept-17	Force Management	Sales consulting and training services	GrowthPlay
Sept-17	MATTER	Design and innovation solutions	Accenture
Sept-17	Adsolut	Collaborative tax and accounting solutions	Wolters Kluwer
Aug-17	Chaintec Group	Technician staffing services	House of Talents
Aug-17	TeamLink HR	Human resource services and benefits solutions	Clear Employment Services
Aug-17	Williams Lea Tag	Marketing and communication services	Advent International
Aug-17	HR Outsourcing Holdings	Employee benefits, information systems and consulting solutions	Paychex
Aug-17	DHR Services	Executive recruiting and advisory services	Oasis
Aug-17	Allied PRA	Activity, transportation and destination-specific services	CI Capital Partners
Aug-17	Halo Group	IT staffing and consulting services	Fahrenheit IT
Jul-17	The Tyton Group	Human capital management consulting services	Spencer Thomas Group
Jul-17	Jhana	Manager training and employee engagement services	Franklin Covey

## Global Industry Groups

Aerospace & Defense  
Automotive & Truck  
Building & Infrastructure  
Business Services  
Chemicals  
Consumer  
Distribution  
Electronics  
Energy & Power  
Financial Institutions  
Food & Beverage  
Healthcare  
Industrials  
Packaging  
Technology, Media & Telecom

## Global Locations

Amsterdam  
Beijing  
Chicago  
Dallas  
Frankfurt  
London  
Los Angeles  
Madrid  
Milan  
Moscow  
Mumbai  
Munich  
New York  
Paris  
San Francisco  
São Paulo  
Tokyo  
Vienna  
Zurich

## Advisory Services

Mergers & Acquisitions  
Debt Advisory  
Special Situations  
JV & Partnering  
Valuations & Opinions

## About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and joint venture and partnering advisory services on a wide range of transaction sizes. With nineteen offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at [www.lincolninternational.com](http://www.lincolninternational.com).

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