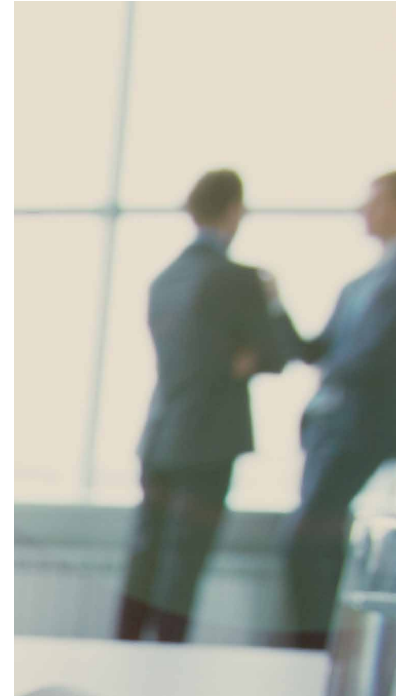


Market Update



Human Capital Management Services Q1 2020

Market Insights

The human capital services sector showed strong performance through the first two months of the first quarter in 2020. In March, the sector experienced major negative impact resulting from the spread of the COVID-19 pandemic. Quarter-over-quarter and year-over-year multiples and stock prices decreased for all subsectors in Q1 2020. Multiples for all subsectors were at their lowest levels in the last five years. M&A Activity remained high, with 36 announced deals in Q1 2020, as compared to 33 announced deals in Q1 2019. M&A activity was noticeably skewed towards the beginning months of the quarter, with 28 combined transactions in January and February, and 8 in March.

As Q1 2020 began, few could anticipate a disruption to the global economy of the breadth, depth and pace of that which we now face. Human capital services touch every sector of the economy, and as a result, most of the sector's key client verticals are experiencing some level of impact from the spread of COVID-19. As a result, economists expect that the unemployment rate will reach 18-20% during 2020 after coming into the year at a multi-generational low of 3.5%. Inevitably, companies in the recruitment, HR outsourcing and professional services areas will experience significant impact on their revenues, and while pure play HR software companies will be somewhat more insulated, they too will be negatively affected by significant distress being experienced by clients. Impact can take the form of reduced revenues where the revenue model is tied directly to number of employees or number of hires. A separate obstacle exists for companies that go to market via team-based projects as "shelter in place" mandates prevent the conduction of work and also the likelihood of clients deciding to delay projects as they prioritize those that constitute truly critical expenditures. As the first quarter closed and the second quarter got under way, a number of public competitors in these spaces pulled earnings guidance, announced compensation cuts or outright furloughs.

However, given the very human costs of the COVID crisis, human capital services providers are playing a pivotal role in helping clients devise strategies and execute contingency plans that will help to retain talent, ensure business continuity, strengthen employer brands and most importantly, account for and promote the wellbeing of clients' human capital assets. Many providers in the space have quickly implemented services and provided information related to key client pain points including:

- Workspace consulting – helping companies adjust to working from home, digital adoption support and providing helpdesk support services
- Business continuity plan assistance
- Sourcing alternative healthcare and other benefits coverage for impacted workers
- Updating software to include COVID-related response functionality such as navigating the FFCRA, CARES Act and related guidance
- Helping businesses assess and quantify the impact of the COVID situation, including consulting related to supply chain management, customer relationship management and IT system management
- Assisting clients to utilize robotic process automation (RPA), AI and other workforce technologies to reduce ongoing exposure to the health crisis if it lingers or resurges

And while unemployment is skyrocketing, companies continue to need help from providers to fill critical roles. According to the Federal Reserve, "Multiple staffing contacts and firms from varied sectors reported that rising layoffs have not made it easier to attract and retain labor," as "contagion fears and at-home child care needs have led some workers to stop showing up for work; those concerns plus unemployment benefits are also keeping workers from seeking other jobs.

Lincoln anticipates that significant future value will be created by companies that provide critical assistance to the most negatively impacted sectors (hospitality, travel, retail, etc.) while agilely concentrating their near-term revenue opportunity on those sectors that are least hurt by or even scaling quickly to meet the crisis (healthcare, critical infrastructure, work/learn from home, last mile logistics) and doing so using digital technologies to tailor their service offerings for a social distancing world. These companies will dampen the effects of growing unemployment while best positioning themselves for future growth as employment resumes growth. While the M&A activity in the space has slowed measurably by the current external challenges, business that demonstrate these characteristics will find a quicker path to market at strategic valuations.



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 been sold to  a portfolio company of  Sell-Side 	 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 	 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
FTI Consulting, Inc.	8.2%
Chegg, Inc.	(5.6%)
AMN Healthcare Services, Inc.	(7.2%)
Willis Towers Watson Public Limited Company	(15.9%)
Atos SE	(18.7%)

Underperformers	Change
GP Strategies Corporation	(50.8%)
Franklin Covey Co.	(51.8%)
Barrett Business Services, Inc.	(56.2%)
Insperty, Inc.	(56.6%)
Capita plc	(81.3%)



Highlights

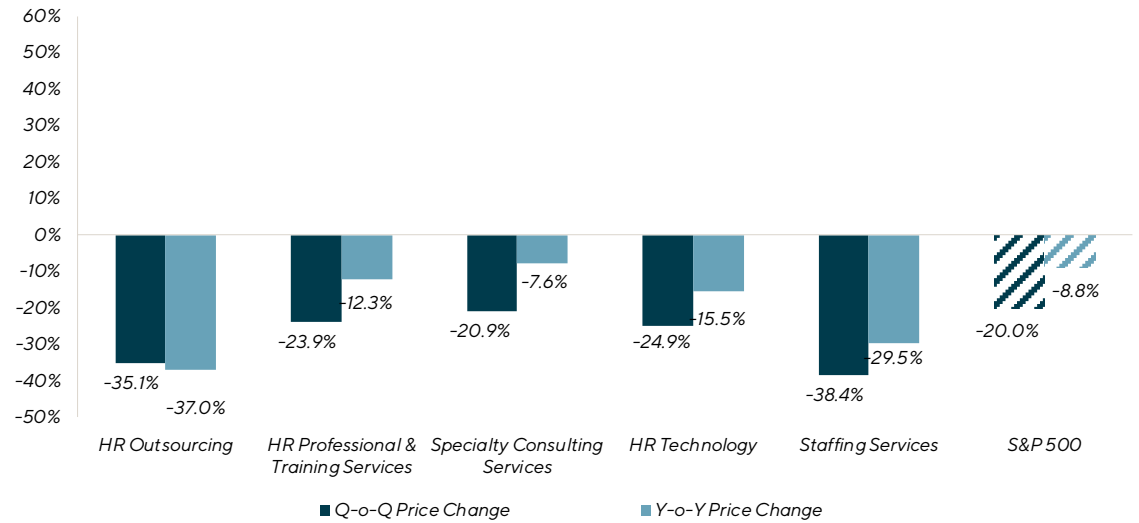
HR professional & training services, specialty consulting and HR technology closely tracked the S&P 500 decrease in Q1 2020, while HR outsourcing and staffing services performed materially worse.

Companies in the specialty consulting services index have been most resilient relative to companies within the other subsectors, only trading down 7.6% over the last 12 months.

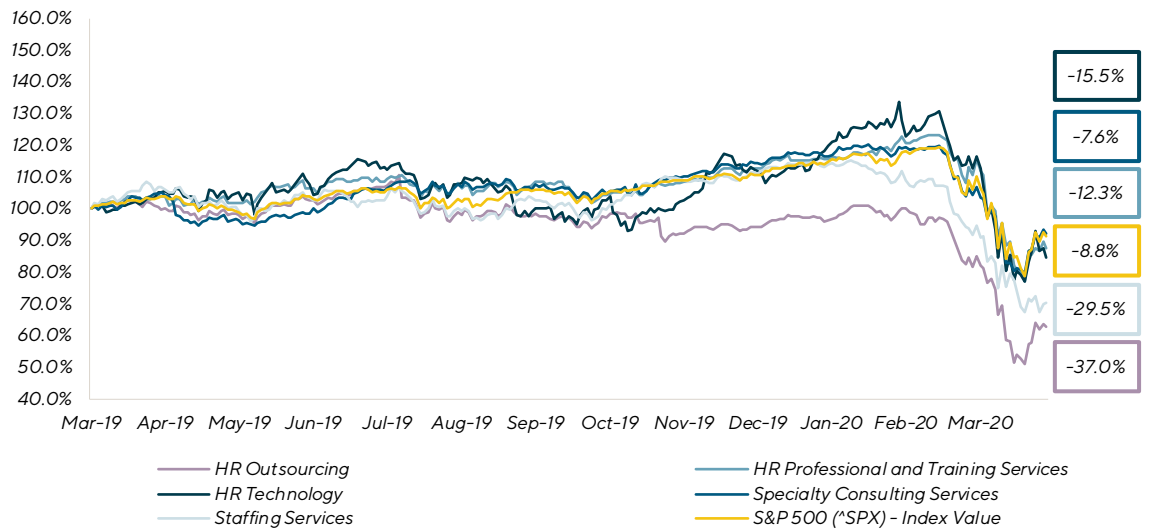
FTI was the top stock performer in Q1 2020, up 8.2%. FTI has consistently beat earnings and revenue projections in recent quarters due to its diverse business model across diversified end markets and strong, expanding global footprint.

Insperty and Capita struggled the most in Q1 2020, down 56.6% and 81.3%, respectively.

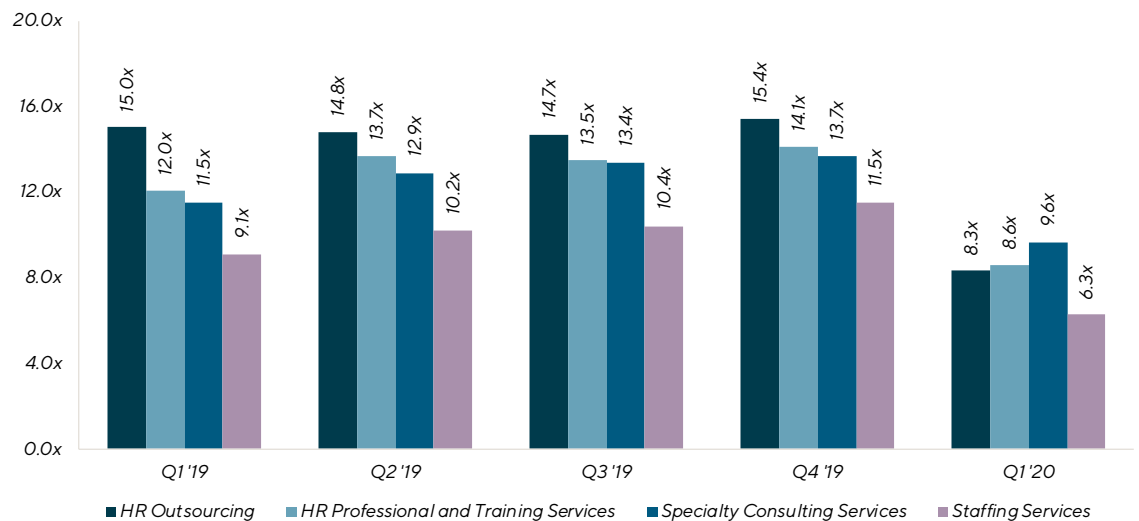
Quarter-over-Quarter & Year over Year Stock Indices Price Change



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.	\$136.68	75.0%	\$59,012	\$59,974	\$14,538	\$3,661	4.1%	25.2%	4.1x	16.0x
Barrett Business Services, Inc.	39.64	41.4%	298	200	942	54	0.8%	5.8%	0.2x	3.1x
Capgemini SE	84.62	63.7%	14,317	16,106	14,125	1,805	4.9%	12.8%	1.0x	7.0x
Capita plc	0.41	17.7%	674	2,519	3,679	434	(4.2%)	11.8%	0.6x	3.8x
Insperity, Inc.	37.30	25.7%	1,469	1,410	4,315	208	8.8%	4.8%	0.3x	6.3x
Paychex, Inc.	62.92	69.5%	22,570	22,707	4,106	1,695	12.9%	41.3%	5.5x	13.2x
TriNet Group, Inc.	37.66	49.0%	2,589	2,764	3,856	296	7.8%	7.7%	0.7x	8.8x
Mean		48.9%					5.0%	15.6%	1.8x	8.3x
Median		49.0%					4.9%	11.8%	0.7x	7.0x
HR Professional and Training Services										
BTS Group AB	17.62	59.5%	340	336	1,865	263	11.4%	14.1%	1.8x	10.6x
Franklin Covey Co.	15.54	37.1%	215	226	234	19	6.4%	8.2%	1.0x	NM
GP Strategies Corporation	6.51	39.0%	111	220	583	26	10.1%	4.5%	0.4x	5.9x
Heidrick & Struggles International, Inc.	22.50	53.2%	431	209	707	79	(2.8%)	11.1%	0.3x	1.9x
Korn Ferry	24.32	49.8%	1,339	1,423	1,983	270	3.8%	13.6%	0.7x	4.4x
Marsh & McLennan Companies, Inc.	86.46	72.1%	43,567	56,786	16,652	4,049	10.9%	24.3%	3.4x	12.5x
Willis Towers Watson Public Limited Company	169.85	76.9%	21,863	27,866	9,039	2,180	5.9%	24.1%	3.1x	11.5x
Mean		55.4%					6.5%	14.3%	1.5x	7.8x
Median		53.2%					6.4%	13.6%	1.0x	8.3x
HR Technology										
51job, Inc.	\$61.39	63.2%	\$4,100	\$2,719	\$4,000	\$1,301	4.2%	32.5%	4.7x	13.8x
Chegg, Inc.	35.78	74.2%	4,361	4,513	411	49	20.3%	12.0%	11.0x	NM
Cornerstone OnDemand, Inc.	31.75	49.3%	1,946	1,896	577	25	5.8%	4.3%	3.3x	NM
Paycom Software, Inc.	202.01	59.1%	11,645	11,573	738	249	20.5%	33.8%	15.7x	NM
Paylocity Holding Corporation	88.32	58.6%	4,735	4,674	519	76	16.9%	14.7%	9.0x	NM
Workday, Inc.	130.22	57.4%	30,211	29,836	3,627	(226)	28.5%	(6.2%)	8.2x	NM
Mean		60.3%					16.0%	15.2%	8.7x	13.8x
Median		58.8%					18.6%	13.3%	8.6x	13.8x
Specialty Consulting Services										
Accenture plc	\$163.26	75.4%	\$104,001	\$102,417	\$44,656	\$7,198	5.7%	16.1%	2.3x	13.4x
Atos SE	67.85	63.5%	7,390	10,710	11,588	1,527	(7.4%)	13.2%	0.8x	5.1x
Capgemini SE	84.62	63.7%	14,317	16,106	14,125	1,805	4.9%	12.8%	1.0x	7.0x
CRA International, Inc.	33.41	57.4%	262	396	451	43	6.4%	9.6%	0.9x	6.2x
FTI Consulting, Inc.	119.77	88.4%	4,376	4,494	2,353	346	13.0%	14.7%	1.9x	11.2x
Huron Consulting Group Inc.	45.36	64.0%	978	1,253	877	98	8.8%	11.2%	1.4x	11.3x
ICF International, Inc.	68.70	72.1%	1,295	1,606	1,479	131	7.4%	8.8%	1.1x	9.5x
Mean		69.2%					5.6%	12.3%	1.4x	9.1x
Median		64.0%					6.4%	12.8%	1.1x	9.5x
Staffing Services										
Adecco Group AG	\$39.58	60.3%	\$6,416	\$7,426	\$23,427	\$1,121	(1.6%)	4.8%	0.3x	4.8x
AMN Healthcare Services, Inc.	57.81	64.8%	2,709	3,348	2,222	243	3.5%	10.9%	1.5x	11.8x
ASGN Incorporated	35.32	48.6%	1,872	2,911	3,924	406	7.9%	10.4%	0.7x	6.5x
Cross Country Healthcare, Inc.	6.74	50.2%	248	343	822	20	2.6%	2.4%	0.4x	9.2x
Hays plc	1.43	61.9%	2,104	2,372	6,140	239	2.1%	3.9%	0.3x	7.3x
Kelly Services, Inc.	12.69	43.9%	492	535	5,356	122	(3.1%)	2.3%	0.1x	3.4x
Kforce Inc.	25.57	60.0%	551	618	1,347	82	(5.6%)	6.1%	0.5x	6.9x
ManpowerGroup Inc.	52.99	52.5%	3,109	3,634	20,438	729	(5.0%)	3.6%	0.2x	3.7x
PageGroup plc	4.53	66.3%	1,441	1,479	1,654	161	4.4%	9.8%	0.7x	6.0x
Randstad N.V.	35.35	57.3%	6,467	8,317	23,676	1,046	(0.7%)	4.4%	0.3x	6.1x
Robert Half International Inc.	37.75	54.6%	4,278	4,282	6,074	686	3.4%	11.3%	0.7x	5.6x
TrueBlue, Inc.	12.76	49.6%	475	518	2,369	105	(5.1%)	4.4%	0.2x	3.9x
Mean		55.8%					0.2%	6.2%	0.5x	6.3x
Median		56.0%					0.7%	4.6%	0.4x	6.1x
Total Mean		57.6%					5.6%	11.8%	2.3x	7.8x
Total Median		59.1%					4.9%	10.9%	0.9x	6.9x

Sources: Bloomberg, Capital IQ and company filings, as of 03/31/20

Kelly Services acquired Insight, an education service staffing company, in January 2020.

Kelly's acquisition of Insight further establishes the company as the U.S. market leader within the education sector, staffing nearly 4 million Pre K-12 classrooms each school year. The acquisition adds partnerships with school districts in Illinois, Massachusetts, New Jersey and Pennsylvania.

Kelly sees itself as a crucial service provider to the education industry, connecting talent to public, private and charter schools as teacher shortages continue within the industry.



Market Intelligence

03/20/2020: Amidst the COVID-19 pandemic, work-from-home enabling technology businesses witnessed an abrupt boom. In addition to video conferencing, WiFi and remote access connectivity solutions, human capital management technologies have seen increased demand as companies shifted entire workforces to work-from-home environments.

Businesses are adopting internal staffing and productivity tracking technologies to remain connected with employees and drive productivity while working remotely. M&A interest in the space grew as demand for these technologies grew. HR outsourcing firm Automatic Data Processing submitted a preliminary inquiry to TransparentBusiness, a remote work monitoring platform, in early March as the pandemic accelerated in the U.S.

Mergermarket

03/30/2020: As anticipated, the COVID-19 pandemic has forced organizations' HR departments to make critical cost-saving decisions. In a recent survey of 160 HR leaders, 49% of businesses confirmed to be implementing organization-wide hiring freezes. Many organizations have held off on large-scale cost-cutting initiatives, choosing to focus on eliminating additional costs. However, companies are preparing for a second round of cost-cutting and are starting to identify potential employee groups for temporary or permanent downsizing activities.

27% of organizations are reprioritizing or downsizing external HR service spend and 12% are stopping or limiting consultant spend. These efforts are aimed at driving efficiency and effectiveness in service delivery, instead of driving larger-scale cost cuts. HR leaders are currently refraining from downsizing their function, although this might change amid the growing economic uncertainty.

Gartner

03/31/2020: An estimated 88% of the American workforce shifted to work-from-home environments during the month of March. Forbes' Future Workplace Survey polled HR leaders across the U.S., with the results indicating that the new work-from-home environment is leading organizations to completely re-think certain business practices. There will be an increase in remote working even after the COVID-19 pandemic is resolved as the infrastructure for efficient remote working is in place and managers will be more comfortable with employees working from home. Additionally, businesses in sectors across the economy are expected to accelerate the trend to outsource and automate routine tasks and leave critical thinking, creative thinking and problem finding to humans. Subsequently, there will be an increase in demand for recruitment and placement services specifically focused on highly skilled workers such as software engineers or IT experts as routine back-office services are outsourced.

Forbes

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Mar-20	CareerBuilder Employment Screening	Provides employment screening solutions	Accurate Background
Mar-20	Healthcare Australia	Provides healthcare recruitment and placement solutions	Crescent Capital Group
Mar-20	Foreman Therapy Services	Provides in-home therapy staffing solutions	The Delta Companies
Mar-20	LegalPartners	Provides outsourced legal staffing services	Eureka Equity Partners
Mar-20	IntelliCorp Records	Provides employment screening solutions	Cisive
Mar-20	Capital TechSearch, Inc.	Provides IT and healthcare recruitment and placement services	Alaant Worforce Solutions
Mar-20	CoreHR Limited	Provides human capital management and payroll software solutions	Access
Mar-20	ISP Investments	Provides recruitment and executive search solutions	Recruitment Group
Feb-20	NAS Recruitment Innovation	Provides recruitment marketing solutions	M3
Feb-20	Hyphenmark	Provides human resource management and engagement solutions	BetterWorks

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 3/31/20

Selected M&A Transaction Recap (cont'd)

Closed	Target Company	Target Description	Acquiring Company
Feb-20	Salesland	Provides recruitment, placement and training services	ACON Investments
Feb-20	Infor Group	Provides recruitment, training and professional development solutions	Samsic
Feb-20	Vanderloo Financial Services, Inc.	Provides outsourced finance, accounting and other staffing services	Quattro
Feb-20	Premier AB	Provides recruitment and staffing solutions	Söder & Co
Feb-20	Avesta Systems	Provides recruitment, employment screening and talent management software solutions	OnShift
Feb-20	PointLogic HR	Provides human capital management software solutions	SD Worx
Feb-20	Care.com	Provides an online platform for recruitment and placement of home care professionals	IAC/InterActiveCorp
Feb-20	Learning Machine Technologies	Provides a blockchain based software for credentialing, recruitment and talent management solutions	Hyland
Feb-20	Heartland Rehabilitation and Milestone	Provides staffing services to healthcare providers	Grant Avenue Capital
Feb-20	HRM Partners	Provides talent management and professional development services	Hanken & SSE Executive Education
Feb-20	PE Global	Provides engineering recruitment and placement solutions	Brightwater Recruitment
Feb-20	EdgeRock Technology	Provides IT staffing and consulting solutions	BG Staffing
Jan-20	Lincoln Group	Provides recruitment and executive search solutions	The Talent Club
Jan-20	Mantrans	Provides temporary employment and recruitment consulting services	Groupe LIP
Jan-20	Fixx iT	Provides software engineers recruitment and placement solutions	Entelect
Jan-20	Clayton Servoces	Provides recruitment, staffing and other consulting services	Covius
Jan-20	Technology Recruiting and Staffing Assets of DATalent	Provides recruitment and staffing solutions	Staffing as a Mission
Jan-20	Trillium Solutions Group	Provides staffing and sourcing consulting solutions	Element78
Jan-20	Xcede Recruitment	Provides digital recruitment solutions	Techstream
Jan-20	SQR2	Provides recruitment, training and development services	Valtas Group
Jan-20	Insight	Provides education staffing solutions	Kelly Services
Jan-20	iTech Solutions	Provides IT recruitment and staffing solutions	Ampcus
Jan-20	Hospitality Staffing Solutions	Provides staffing solutions in the hospitality industry	Kellermeyer Bergensons
Jan-20	PeopleFirm	Provides talent and performance management consulting services	Ernst & Young
Jan-20	Springbrook Software	Provides cloud-based finance and human capital management software solutions	Accel-KKR
Jan-20	Soliant Health	Provides healthcare staffing solutions	Olympus Partners

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 3/31/20



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.

Contributors

Michael Iannelli

Managing Director | Chicago
miannelli@lincolninternational.com
+1 (312) 580-6281

Christopher Gresh

Director | New York
cgresh@lincolninternational.com
+1 (212) 257-7724

Edward Lethbridge

Managing Director | London
elethbridge@lincolninternational.com
+44 (20) 7632-5224

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