



STAFFING & CONSULTING M&A TRENDS

With a positive operating environment across most industry sectors, an increasing number of staffing company owners are seeking to capitalize on their current strong performance by realizing value through either a sale or recapitalization transaction.

Strategic buyers accounted for 80% of the staffing industry acquisitions in 2017, with private equity (financial buyers) investing in a new platform acquisition accounting for the other 20% of the transactions. Financial investors acquired 28 new platform staffing investments in 2017 and 20 in 2016. IT staffing continues to be the most active staffing M&A sector, with 41 transactions reported in 2017.

Professional staffing companies (including IT, healthcare, life sciences, finance and accounting and creative/digital staffing) continue to see the most widespread demand from buyers and investors.

Buyers continue to have very specific criteria as they evaluate acquisition targets. Acquirers desire companies with a strong blend of both revenue growth and profitability, with significant attention paid to customer diversification and the gross margin impact of potential acquisitions. Proven management teams desiring to stay on post-transaction also remain highly sought after.

Staffing & Consulting

Alarian Associates, Inc. is an experienced M&A advisor to lower middle market companies within the staffing and consulting sectors. Our senior executives combine deep sector knowledge, valuable insights and extensive industry relationships with an in-depth understanding of the core value propositions of staffing and consulting companies across a range of sub-sectors, particularly in telecommunications, industrial as well as information technology. Alarian’s President spent the majority of her career as a senior executive to Fortune 1000 companies in the industry. This knowledge and expertise accrues to our clients, both buyers and sellers. More importantly, for buyers, the Alarian team, knows how to find exclusive opportunities in this sector and for sellers how to maximize value for their most important asset and life-long work, their company. As former operators, the team is hands-on.

Recent Staffing and Consulting Transactions



IT and F&A staffing provider Vaco operates across the country in 30+ markets but lacked a presence in NYC and needed a strong New York team. The iFind Group is a high-growth New York City market leader in the placement of finance and accounting professionals to financial institutions in NYC with a specialty in the alternative investment arena. Acquest International, Alarian affiliate represented iFind in the transaction.



KBR’s Allstates Technical Services was acquired with Alarian acting for Magic Software Enterprises Ltd., a NASDAQ quoted company that sells software products, and provides IT and telecommunications consulting and services to a variety of industries. Allstates provides professionals in the areas of engineering; information technology; telecommunications; and accounting, finance, and administration.

Representative Areas of Focus

Staffing

- Clerical
- F&A
- Healthcare
- IT Staffing
- Legal
- Light Industrial
- Technical

Consulting

- Executive Search
- Change Management
- Corporate Strategy
- Human Resources
- Management Consulting
- Project/Program Management
- Supply Chain

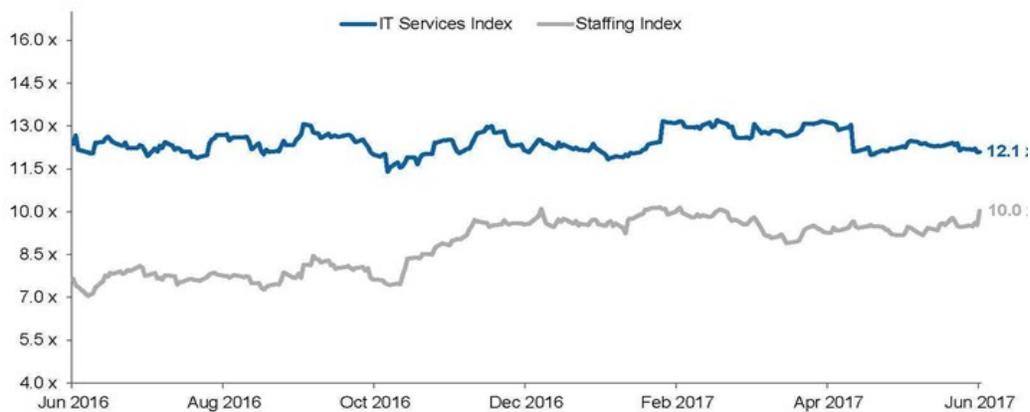
Deciding When to Buy or Sell

Transaction activity will likely remain robust in 2018. Buyers reported seeing a large surge in available deal opportunities right after Labor Day in 2017, so the majority of these transactions will likely close in the first and second quarters of 2018. This supports our observation that seller interest is noticeably increasing, as improving operating results make valuation targets more achievable. Additionally, many owners are increasingly mentioning the potential risk of holding their business too long and missing the open window that currently exists for completing a transaction.

Even as acquisition activity continues to flourish, buyers/investors continue to have very specific criteria as they evaluate acquisition targets. Professional staffing businesses, particularly those in the areas of IT, healthcare and life sciences staffing, continue to generate the greatest buyer demand. Acquirers are most interested in companies that have a strong blend of both revenue growth and profitability, with significant attention paid to customer diversification and the gross margin impact of potential acquisitions. Proven management teams desiring to continue with the business post-transaction also remain highly sought after. Conversely, companies with flat or declining growth profiles, customer concentration or without management teams staying on with the business post-transaction are finding more limited buyer interest and, hence, less exciting valuation multiples.

Valuation Multiples through June 2017

LTM EV / EBITDA Multiple Trend



Source: Capital IQ, market data as of 30-Jun-2017

Evaluating How Much a Company Is Worth

Placing a value on a business requires considerable judgment and experience, as well as a detailed analysis of the company's financials and the macro trends affecting the industry. Valuation is typically determined using two primary types of analyses: discounted cash flow analysis and analysis of comparable M&A transactions or of publicly traded company valuations. For lower middle market staffing companies, EBITDA multiples typically range from 6 to 10 times; larger and healthier companies generally achieve higher multiples than smaller companies or those that are struggling.

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