



CORPORATE FINANCE

Valuation Update for the HR Outsourcing Industry

ADVISORY

August 31, 2010

KPMG Corporate Finance LLC is a leading investment bank to the middle market, serving domestic and international clients. We offer a full suite of investment banking and strategic advisory services.

- M&A/Financing
- Private Equity Coverage
- Advisory Services
- Special Situations Advisory
- Infrastructure Advisory

Contact

Cherie Smith Homa
Managing Director
Baltimore
410-949-8692
csmith@kpmg.com

If you have additional colleagues who would like to be added to this monthly distribution or if you would like to be removed from this distribution, please contact the professional listed above.

The U.S. economy shed jobs for the third straight month in August 2010, but modest hiring by the private sector has eased concerns that the economy is heading back into recession. The unemployment rate increased slightly to 9.6 percent, but primarily as a result of more people entering the work force, not due to increased number of layoffs. The pace of the economic recovery has slowed in the second half of 2010, translating into a challenging business environment for HRO service providers who have been facing difficulties since the recession began.

The following are among the notable transactions announced in the HRO industry this summer:

- Staffing and business consulting services provider **Corporate Resource Services, Inc.** announced it has acquired **Tri-Overload Staffing, Inc.** for approximately US\$6.2 million in stock. New York-based Tri-Overload Staffing offers temporary and permanent employment staffing services to the insurance industry. The acquisition strengthens Corporate Resource's presence in the New York market and expands its services to the insurance staffing sector. (Source: *Corporate Resource Services press release, August 31, 2010*)
- Information technology solutions provider **MD&E, Inc.** announced it has acquired **The People Network, Inc. (TPN)** for an undisclosed amount. Georgia-based TPN specializes in permanent and contract placement of IT professionals. The acquisition expands MD&E's geographic footprint and allows it to offer services nationwide, while complementing its existing IT staffing service offerings. (Source: *MD&E press release, August 31, 2010*)
- HR services provider **Randstad Holding NV** (ENXTAM: RAND) reached an agreement to acquire an additional 45 percent stake in **FujiStaff Holdings** (NASDAQ: 2147) for a consideration of approximately US\$220 million. The deal increases Randstad's total ownership in FujiStaff to 65 percent and implies a valuation of 0.3x revenue and 7.5x EBITDA based on FujiStaff Holdings's June 2010 LTM results. Japan-based FujiStaff Holdings provides a variety of HR services, focusing primarily on temporary and permanent placement staffing and business contract services. The deal expands Randstad Holding's presence in the Japanese staffing market, which is the second largest globally behind the United States. (Source: *Randstad Holding NV press release, August 13, 2010*)
- Online job placement services provider **Dice Holdings, Inc.** (NYSE: DHX) announced it has acquired **Rigzone** for an initial consideration of US\$39 million in cash, followed by a potential US\$16 million earnout payable upon Rigzone achieving certain operating and financial goals through mid-2011. Texas-based Rigzone provides online content, data, advertising, and career services to the oil and gas industry. The acquisition strengthens Dice Holdings' capabilities in the energy sector and expands its ancillary content and online marketing services. (Source: *Dice Holdings, Inc. press Release, August 12, 2010*)
- Employment and background screening services provider **Sterling Infosystems, Inc.**, announced that it has acquired **Screening International, LLC** from **Intersections, Inc.** (NASDAQ: INTX) for US\$15 million in cash. United Kingdom-based Screening International provides employee, vendor, and client background screening services to various businesses and industries. The acquisition allows Sterling Infosystems to expand its client base in the United States and Europe, and introduce its products, services, and technology to new markets. (Source: *Sterling Infosystems, Inc. press release, July 22, 2010*)

Valuation Update for the HR Outsourcing Industry

Market Snapshot											
Company	Market Cap ¹	Share Price ¹	52-Week Low	52-Week High	Price % Change 1 Mo	Price % Change 3 Mo	Price % Change 1 Yr	EV ² /Sales	EV ² /EBITDA ³	EV ² /EBIT	Price/Earn
HR ADMINISTRATIVE SERVICES											
ADMINISTAFF INC.	566.0	21.62	16.45	29.37	-17.0%	-10.4%	-10.4%	0.2x	10.4x	19.9x	46.2x
AUTOMATIC DATA PROCESSING, INC.	18,997.0	38.61	26.46	45.74	-6.4%	-5.6%	0.7%	1.9x	8.3x	9.8x	16.6x
BARRETT BUSINESS SERVICES INC.	135.2	13.23	10.07	16.00	-11.6%	-4.9%	26.8%	0.4x	12.5x	15.7x	32.1x
PAYCHEX INC.	8,996.8	24.89	24.65	32.88	-4.2%	-12.8%	-12.0%	4.3x	10.6x	11.9x	19.8x
HR Administrative Services Mean					-9.8%	-8.4%	1.3%	1.7x	10.5x	14.3x	28.7x
HR PROFESSIONAL SERVICES											
CPL RESOURCES PLC	113.5	3.05	2.21	3.61	-1.5%	3.5%	18.9%	0.3x	7.9x	8.9x	21.2x
HAYS PLC	1,913.6	1.38	1.27	1.83	-2.3%	-5.7%	-18.2%	0.5x	13.7x	15.6x	24.7x
HEIDRICK & STRUGGLES INTERNATIONAL INC.	304.4	17.37	16.29	32.15	-13.6%	-25.0%	-17.4%	0.4x	5.1x	7.5x	16.1x
HEWITT ASSOCIATES INC.	4,438.8	48.27	33.71	49.71	-1.7%	29.6%	34.0%	1.4x	6.9x	9.0x	16.5x
KENEXA CORP.	251.4	11.11	9.58	16.05	-7.6%	-21.9%	-9.4%	1.1x	10.9x	42.3x	83.8x
KORN/FERRY INTERNATIONAL	604.6	13.02	12.57	18.62	-7.3%	-6.9%	-5.9%	0.6x	12.9x	21.1x	66.0x
RESOURCES CONNECTION INC.	515.4	11.09	11.00	21.89	-14.6%	-31.3%	-28.0%	0.8x	19.5x	52.0x	103.6x
HR Professional Services Mean					-7.0%	-8.3%	-3.7%	0.7x	11.0x	22.3x	47.4x
HR TECHNOLOGY SERVICES											
CALLIDUS SOFTWARE INC.	104.8	3.34	2.60	3.77	-5.9%	4.0%	22.3%	1.2x	NM	NM	NM
LAWSON SOFTWARE, INC.	1,230.2	7.59	5.69	8.45	-4.8%	-7.9%	23.2%	1.5x	9.1x	15.1x	35.5x
MONSTER WORLDWIDE INC.	1,431.9	11.03	10.01	19.28	-19.6%	-25.4%	-32.0%	1.4x	41.8x	NM	NM
SABA SOFTWARE INC.	147.1	5.22	3.32	5.81	6.3%	1.4%	53.1%	1.1x	12.2x	34.2x	70.0x
SUCCESSFACTORS, INC.	1,555.8	21.10	11.54	23.75	3.9%	-5.2%	77.8%	7.1x	NM	NM	NM
TALEO CORPORATION	1,025.6	25.63	17.20	27.93	4.2%	2.3%	41.7%	3.7x	28.4x	NM	NM
ULTIMATE SOFTWARE GROUP INC.	826.2	32.92	24.59	37.25	2.0%	-3.8%	24.8%	3.8x	66.9x	NM	NM
HR Technology Services Mean					-2.0%	-4.9%	30.1%	2.8x	31.7x	24.6x	52.8x
DIVERSIFIED/GENERAL STAFFING											
ADECCO SA	8,127.1	46.69	44.62	65.58	-8.3%	-3.8%	-2.9%	0.5x	11.9x	14.8x	25.6x
HAYS PLC	1,913.6	1.38	1.27	1.83	-2.3%	-5.7%	-18.2%	0.5x	13.7x	15.6x	24.7x
KELLY SERVICES, INC.	383.1	10.44	10.01	18.93	-29.5%	-28.4%	-9.1%	0.1x	13.1x	NM	NM
TRUEBLUE, INC.	475.3	10.79	9.97	17.23	-16.2%	-18.8%	-20.7%	0.3x	8.5x	14.6x	31.4x
MANPOWER INC.	3,495.0	42.50	39.94	63.00	-11.4%	-7.0%	-17.8%	0.2x	10.7x	15.2x	30.2x
RANDSTAD HOLDING NV	6,327.9	37.28	31.42	53.39	-17.1%	-11.8%	-9.8%	0.5x	13.2x	28.1x	42.1x
SFN GROUP, INC.	286.5	5.44	4.69	9.19	-27.4%	-29.0%	0.4%	0.2x	7.5x	20.7x	44.7x
USG PEOPLE NV	990.7	12.75	12.44	19.87	-17.0%	-9.9%	-21.2%	0.4x	14.2x	43.2x	NM
Diversified/General Staffing Mean					-16.1%	-14.3%	-12.4%	0.3x	11.6x	21.8x	33.1x
SPECIALTY STAFFING											
CDI CORP.	211.1	11.09	10.86	18.65	-34.0%	-30.6%	-27.0%	0.2x	NM	NM	NM
KFORCE INC.	417.8	10.57	9.80	16.25	-21.8%	-21.8%	-5.6%	0.5x	14.7x	19.2x	29.9x
MICHAEL PAGE INTERNATIONAL PLC	1,960.8	6.09	4.76	7.08	0.1%	13.0%	9.8%	1.6x	21.4x	25.7x	43.5x
ON ASSIGNMENT INC.	159.4	4.37	3.74	7.89	-9.5%	-21.0%	9.0%	0.5x	9.4x	16.8x	44.5x
RESOURCES CONNECTION INC.	515.4	11.09	11.00	21.89	-14.6%	-31.3%	-28.0%	0.8x	19.5x	52.0x	103.6x
ROBERT HALF INTERNATIONAL INC.	3,185.0	21.58	21.16	32.25	-14.3%	-14.7%	-17.9%	1.0x	21.5x	39.2x	67.5x
Special Staffing Mean					-15.7%	-17.7%	-10.0%	0.8x	17.3x	30.6x	57.8x
TOTAL HUMAN RESOURCE OUTSOURCING SERVICES MEAN					-10.1%	-10.7%	1.1%	1.3x	16.4x	22.7x	44.0x

KPMG Corporate Finance LLC regularly monitors performance of a select group of publicly traded companies within the human resource outsourcing industry.

Source: Capital IQ and company filings as of August 31, 2010

- 1 Market Capitalization amounts are in US\$ millions, based on closing Share Prices as of August 31, 2010.
- 2 Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents.
- 3 EBITDA equals Earnings Before Interest, Taxes, Depreciation, and Amortization.

KPMG Corporate Finance LLC
We Can Do a Great Deal Together.

We welcome the opportunity to meet with you, learn more about your company's objectives, and discuss our people and capabilities.

KPMG Corporate Finance LLC is a leading middle market investment bank serving domestic and international clients. We offer a full suite of investment banking and strategic advisory services.

www.kpmgcorporatefinance.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Corporate finance services, including Financing, Debt Advisory, and Valuation Services, are not performed by all KPMG member firms and are not offered by member firms in certain jurisdictions due to legal or regulatory constraints.

© 2010 KPMG Corporate Finance LLC, a Delaware limited liability company, is a member of FINRA and SIPC and is registered as a broker dealer with the SEC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A.

KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.