

## Valuation update for the HR outsourcing industry

According to the January 2011 NelsonHall BPO Index, 2010 was an uneven year for recovery within the BPO market. Total contract value within the HRO market declined from US\$2.3 billion in 2009 to US\$1.5 billion due primarily to the decline in the European market. Total contract value within the North American HRO market declined from US\$1.6 billion in 2009 to \$1.3 billion in 2010. In order to drive sustainable growth within HRO, service providers need to reduce their reliance on cost-driven, volume administrative transaction processing and move up the value chain to offer strategic business solutions. HRO is often marketed on the strengths of cost and process functionality, while customization is used for adapting to the requirements of clients' prior HR systems and processes. HRO service providers have strengthened the use of preprogrammed selectable parameters, building in cost-effective flexibility, while also reinforcing the generic aspect of HRO.

Merger and acquisition activity in the HRO industry remains steady. The following are among the notable transactions announced in January:

- Workforce management solutions provider **Valiant Solutions, Inc.** announced it has acquired **Payroll Computing Services** for an undisclosed amount. New York-based Payroll Computing provides payroll and related services to the restaurant and catering industries, including time and attendance and employee benefit services. Valiant made the acquisition to expand its presence and market share in the hospitality vertical. (Source: *Valiant Solutions, Inc. press release, January 25, 2011*)
- Assessment tools provider **SHL Group Limited** announced it has acquired **PreVisor, Inc.** for an undisclosed amount. PreVisor provides on-demand pre-employment screening tests and employee assessment solutions including leadership and selection assessments and workforce capability analysis. The transaction creates the largest employee assessment solutions provider with a global platform, which will deliver more than 15 million



assessments a year in more than 150 countries. (Source: *SHL Group Limited press release, January 11, 2011*)

- Private equity firm **The Riverside Company** announced it has acquired **DISA, Inc.** (DISA) for an undisclosed amount. Houston-based DISA provides outsourced employee screening services to companies operating in safety-sensitive industries. The Riverside Company intends to support DISA's ongoing growth strategy within the background screening market. (Source: *The Riverside Company press release, January 4, 2011*)
- Talent management systems provider **SumTotal® Systems, Inc.** (SumTotal) announced it has acquired learning management software provider **GeoLearning** for an undisclosed amount. Iowa-based GeoLearning provides managed services and on-demand learning management software used for training, performance, and talent management. SumTotal made the acquisition to leverage GeoLearning's strengths in SaaS, extended enterprise solutions, and managed services for the small business and mid-market segment. (Source: *SumTotal Systems, Inc. press release, January 5, 2011*)
- HR services provider **Adminstaff, Inc.** (NYSE: ASF) announced the acquisition of certain assets of workforce decision support solutions provider **HumanConcepts, LLC** for an undisclosed amount. Texas-based Adminstaff acquired HumanConcepts' OrgPlus® software product line targeted to small and mid-sized businesses. OrgPlus facilitates rapid creation, management and communication of detailed organizational charts and provides a framework that facilitates detailed workforce analysis. The acquisition complements Adminstaff's line of business performance improvement software solutions delivered in both a licensed and a Software-as-a-Service model. (Source: *HumanConcepts LLC press release, January 6, 2010*)

## KPMG Corporate Finance LLC – Valuation Update for the HR Outsourcing Industry

Market Snapshot												
Company	Market Cap <sup>1</sup>	Share Price	52-Week Low	52-Week High	Price % Change 1 Mo	Price % Change 3 Mo	Price % Change 1 Yr	EV <sup>2</sup> /Sales	EV <sup>2</sup> /EBITDA <sup>3</sup>	EV/EBIT	Price <sup>2</sup> /Earnings	
<b>HR Administrative Services</b>												
Administaff Inc.	736.1	28.32	16.45	30.42	-3.3%	8.1%	24.0%	0.3x	13.6x	23.8x	54.2x	
Automatic Data Processing, Inc.	23,624.9	47.90	26.46	49.73	3.5%	7.7%	17.4%	2.4x	10.8x	12.6x	20.7x	
Barrett Business Services Inc.	150.2	14.72	11.15	17.14	-5.3%	-4.1%	14.9%	0.4x	12.4x	14.9x	29.7x	
Paychex Inc.	11,573.9	32.00	24.65	33.37	3.5%	15.4%	10.4%	5.5x	13.4x	14.9x	24.6x	
<b>HR Administrative Services Mean</b>					<b>-0.4%</b>	<b>6.7%</b>	<b>16.7%</b>	<b>2.1x</b>	<b>12.5x</b>	<b>16.6x</b>	<b>32.3x</b>	
<b>HR Professional Services</b>												
CPL Resources plc	150.3	4.04	2.79	4.25	19.1%	35.8%	33.5%	0.4x	13.3x	16.8x	33.2x	
Hays plc	2,686.3	1.94	1.32	2.15	-3.6%	9.8%	9.4%	0.7x	38.2x	56.0x	90.4x	
Heidrick & Struggles International Inc.	469.8	26.79	16.29	31.38	-6.5%	24.7%	5.3%	0.7x	8.3x	11.8x	24.0x	
Kenexa Corp.	472.4	20.74	9.58	23.00	-4.8%	13.4%	109.1%	2.4x	28.7x	NM	NM	
Korn/Ferry International	1,085.8	23.40	12.78	24.00	1.3%	32.7%	58.1%	1.3x	12.5x	14.9x	30.4x	
Resources Connection Inc.	923.1	20.04	11.00	21.94	7.8%	23.7%	12.2%	1.5x	21.0x	32.5x	60.8x	
<b>HR Professional Services Mean</b>					<b>2.2%</b>	<b>23.3%</b>	<b>37.9%</b>	<b>1.1x</b>	<b>20.3x</b>	<b>26.4x</b>	<b>47.8x</b>	
<b>HR Technology Services</b>												
Callidus Software Inc.	201.6	6.25	2.84	6.56	23.8%	27.3%	95.3%	2.6x	NM	NM	NM	
Dice Holdings, Inc.	845.2	13.06	5.68	14.82	-9.0%	44.3%	128.7%	7.3x	19.9x	30.7x	65.4x	
Lawson Software, Inc.	1,538.0	9.40	5.69	9.83	1.6%	5.7%	55.1%	2.0x	11.9x	21.1x	45.7x	
Monster Worldwide, Inc.	2,165.1	16.65	10.01	25.90	-29.5%	-7.8%	6.8%	2.3x	39.1x	NM	NM	
Saba Software Inc.	184.0	6.51	4.37	7.00	6.4%	9.2%	34.5%	1.4x	30.2x	NM	NM	
SuccessFactors, Inc.	2,211.8	29.12	15.07	32.88	0.6%	7.4%	78.7%	10.0x	NM	NM	NM	
Taleo Corporation	1,192.2	29.46	19.17	32.66	6.5%	2.7%	45.1%	4.2x	33.2x	NM	NM	
Ultimate Software Group Inc.	1,229.4	48.60	26.81	57.23	-0.1%	17.4%	62.5%	5.4x	NM	NM	NM	
<b>Human Resource Technology Services Mean</b>					<b>0.0%</b>	<b>13.3%</b>	<b>63.3%</b>	<b>4.4x</b>	<b>26.9x</b>	<b>25.9x</b>	<b>55.5x</b>	
<b>Diversified/General Staffing</b>												
Adecco SA	11,330.4	65.09	48.37	70.78	-0.7%	16.3%	19.5%	0.5x	11.1x	13.3x	23.7x	
Hays plc	2,686.3	1.94	1.32	2.15	-3.6%	9.8%	9.4%	0.7x	38.2x	56.0x	90.4x	
Kelly Services, Inc.	722.9	19.68	10.07	20.29	4.7%	32.5%	50.0%	0.2x	10.5x	21.3x	37.4x	
Manpower Inc.	5,266.8	64.57	39.94	68.66	2.9%	18.0%	24.7%	0.3x	12.9x	17.2x	31.4x	
Randstad Holding NV	9,288.1	54.62	37.67	57.54	3.1%	14.8%	12.9%	0.6x	15.3x	30.0x	47.4x	
SFN Group, Inc.	512.1	9.68	4.89	10.40	-0.8%	27.7%	71.6%	0.3x	10.2x	21.3x	42.9x	
TrueBlue, Inc.	751.6	17.06	9.97	19.48	-5.2%	21.4%	17.6%	0.6x	14.6x	23.8x	44.6x	
USG People NV	1,639.3	21.10	13.40	21.81	3.5%	13.6%	9.7%	0.5x	14.7x	34.3x	NM	
<b>Diversified/General Staffing Mean</b>					<b>0.5%</b>	<b>19.3%</b>	<b>26.9%</b>	<b>0.4x</b>	<b>15.9x</b>	<b>27.1x</b>	<b>45.4x</b>	
<b>Specialty Staffing</b>												
CDI Corp.	305.7	16.06	10.86	20.25	-13.6%	12.1%	24.6%	0.3x	26.8x	NM	NM	
Kforce Inc.	707.3	17.88	9.80	18.74	10.5%	19.1%	33.7%	0.8x	17.9x	22.0x	36.1x	
Michael Page International plc	2,637.9	8.60	5.45	9.09	-0.8%	14.0%	38.8%	2.1x	27.9x	33.5x	58.9x	
On Assignment Inc.	288.8	7.90	4.17	9.07	-3.1%	39.8%	13.2%	0.8x	13.9x	21.8x	51.4x	
Resources Connection Inc.	923.1	20.04	11.00	21.94	7.8%	23.7%	12.2%	1.5x	21.0x	32.5x	60.8x	
Robert Half International Inc.	4,614.8	31.36	21.16	34.26	2.5%	15.7%	16.5%	1.4x	25.1x	37.6x	62.7x	
<b>Specialty Staffing Mean</b>					<b>0.6%</b>	<b>20.7%</b>	<b>23.2%</b>	<b>1.1x</b>	<b>22.1x</b>	<b>29.5x</b>	<b>54.0x</b>	
<b>Total HR Outsourcing Services Mean</b>					<b>0.6%</b>	<b>16.7%</b>	<b>33.6%</b>	<b>1.9x</b>	<b>19.5x</b>	<b>25.1x</b>	<b>47.0x</b>	

Source: Capital IQ and company filings as of January 31, 2011

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

<sup>1</sup> Market Capitalization amounts are in US\$ millions, based on closing Share Prices as of January 31, 2011.

<sup>2</sup> Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents.

<sup>3</sup> EBITDA equals Earnings Before Interest, Taxes, Depreciation, and Amortization.

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