

HR outsourcing industry update

After several large contract announcements within the sector, benefits administration is leading the way in the number of announced HRO contracts in 2011. However, recruitment process outsourcing is still expected to exceed benefits administration for the full year in terms of number of contract awards. Growth in benefit administration will be driven by the significant volumes of benefit plan participants that require services. In the current economic environment, companies cannot afford to dedicate internal resources to manage these programs, nor do they have the expertise required to handle this important aspect of overall employee compensation. Buyers are also expected to consolidate their benefits administration outsourcing services under one provider.

Merger and acquisition activity in the HRO industry remained relatively steady. The following are among the notable transactions announced in March:

- Sales performance and compensation management software provider **Callidus Software, Inc.** (NASDAQ: CALD) announced it has acquired **Salesforce Assessments Ltd.** for an undisclosed amount. Canada-based Salesforce Assessments provides online testing solutions that assist companies in the sales personnel hiring process. With the acquisition, Callidus gains a SaaS-based sales assessment solution, increases its cross-sell opportunity with its existing 2.2 million users, and broadens its sales performance management solution offering. (Source: *Callidus Software, Inc. press release, March 28, 2011*)
- Staffing firm **Start People BV**, a subsidiary of **USG People BV** (ENXTAM: USG), announced it has acquired Switzerland-based **Uniman SA** for an undisclosed amount. Uniman specializes in the staffing and recruitment of qualified personnel for the industrial, construction, and commercial sectors. The acquisition strengthens Start People's footprint in the Swiss staffing market and provides it with additional offices in Italy. (Source: *USG People BV press release, March 28, 2011*)
- Performance and talent management solutions provider **SuccessFactors, Inc.** (NASDAQ: SFSF) entered into a definitive agreement to acquire **Jambok, Inc.** for an undisclosed amount. California-based Jambok operates a social business platform that enables employees to create content and share it throughout their companies. Jambok's on-demand platform fits into various learning and collaboration environments, and includes video and podcasting, discussion forums, blogs, and activity feeds. The deal expands SuccessFactors' social learning offering, following last summer's acquisition of enterprise collaboration software firm CubeTree. (Source: *SuccessFactors, Inc. press release, March 14, 2011*)
- Investment and financial software solutions provider **SS&C Technologies Holdings, Inc.** (NASDAQ: SSNC) announced it has acquired **BenefitsXML, Inc.** for US\$15.1 million in cash. Connecticut-based BenefitsXML provides various technology solutions and services that automate employee benefits administration. BenefitsXML's large-scale, cloud-based platform provides SS&C with additional technical and functional resources to more fully engage company-based health plans and wealth creation plans such as 401k(s). (Source: *SS&C Technologies Holdings, Inc. press release, March 11, 2011*)
- Mobile workforce management solutions provider **TOA Technologies, Inc.** announced it has acquired **Aboutime Business Solutions, Ltd.** for an undisclosed amount. U.K.-based Aboutime offers a variety of mobile workforce management technology solutions, including resource forecasting, appointment booking, schedule optimization, and performance reporting. The acquisition furthers TOA's efforts to expand internationally and strengthens its expertise in the utility, telecommunications, and retail sectors. (Source: *TOA Technologies, Inc. press release, March 3, 2011*)



KPMG Corporate Finance LLC – HR Outsourcing Industry Update

Market Snapshot												
Company	Market Cap ¹	Share Price	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	Stock Price/Earnings	
HR Administrative Services												
Automatic Data Processing, Inc.	25,471.2	51.31	26.46	51.50	2.6%	10.4%	15.4%	2.6x	11.7x	13.7x	22.2x	
Barrett Business Services Inc.	163.8	16.06	12.18	17.14	10.1%	-0.1%	18.4%	0.4x	11.6x	13.6x	26.7x	
Insperity, Inc.	793.5	30.38	20.34	30.42	1.5%	3.0%	42.4%	0.3x	9.9x	13.9x	32.4x	
Paychex Inc.	11,356.7	31.39	24.65	33.91	-6.7%	1.6%	2.2%	5.3x	12.6x	14.0x	23.2x	
HR Administrative Services Mean					1.9%	3.7%	19.6%	2.1x	11.4x	13.8x	26.1x	
HR Professional Services												
CPL Resources plc	1477	3.97	2.89	4.40	0.9%	19.4%	17.5%	0.3x	9.3x	11.0x	24.5x	
Hays plc	2,583.4	1.87	1.32	2.15	-8.0%	-7.9%	13.4%	0.6x	24.3x	33.9x	54.1x	
Heidrick & Struggles International Inc.	488.6	27.83	16.29	30.95	2.2%	-5.2%	-0.7%	0.6x	9.1x	13.8x	34.3x	
Kenexa Corp.	640.4	27.59	10.75	27.78	19.0%	26.9%	100.7%	3.3x	38.6x	NM	NM	
Korn/Ferry International	1,046.0	22.27	12.78	24.77	-2.6%	-6.3%	26.2%	1.1x	9.7x	11.3x	23.9x	
Resources Connection Inc.	893.1	19.39	11.00	21.94	0.5%	3.4%	1.3%	1.4x	19.3x	28.9x	54.8x	
HR Professional Services Mean					2.0%	5.0%	26.4%	1.2x	18.4x	19.8x	38.3x	
HR Technology Services												
Callidus Software Inc.	229.8	6.87	2.84	7.00	15.9%	39.1%	89.3%	2.9x	NM	NM	NM	
Lawson Software, Inc.	1,979.8	12.10	6.56	13.06	19.3%	27.5%	83.3%	2.5x	14.2x	24.3x	51.0x	
Monster Worldwide, Inc.	2,070.2	15.90	10.01	25.90	-7.3%	-32.7%	-4.3%	2.2x	43.7x	NM	NM	
Saba Software Inc.	279.3	9.83	4.58	10.00	39.0%	60.1%	98.5%	2.1x	46.4x	NM	NM	
SuccessFactors, Inc.	3,056.8	39.09	18.51	39.43	8.9%	27.7%	105.3%	NM	NM	NM	NM	
Taleo Corporation	1,454.8	35.65	21.97	36.33	10.4%	28.9%	37.6%	5.5x	44.7x	NM	NM	
Ultimate Software Group Inc.	1,505.8	58.75	30.90	60.43	9.9%	20.4%	78.3%	6.4x	NM	NM	NM	
Human Resource Technology Services Mean					13.7%	24.4%	69.7%	3.6x	37.3x	24.3x	51.0x	
Diversified/General Staffing												
Adecco S.A.	11,477.3	65.93	49.60	73.14	-2.0%	1.0%	16.0%	0.5x	10.9x	13.1x	23.7x	
Hays plc	2,583.4	1.87	1.32	2.15	-8.0%	-7.9%	13.4%	0.6x	24.3x	33.9x	54.1x	
Kelly Services, Inc.	795.6	21.71	10.07	22.99	3.3%	13.0%	30.3%	0.2x	9.8x	17.0x	29.9x	
Manpower Inc.	5,148.9	62.88	39.94	69.67	-1.0%	-0.4%	10.1%	0.3x	10.9x	14.3x	26.2x	
Randstad Holding NV	9,477.3	55.73	39.00	61.12	3.4%	6.5%	17.1%	0.5x	12.7x	22.3x	33.7x	
SFN Group, Inc.	720.0	14.09	4.89	14.98	1.9%	42.3%	75.9%	0.3x	11.2x	19.8x	41.2x	
TrueBlue, Inc.	740.5	16.79	9.97	19.48	4.0%	-8.7%	8.3%	0.5x	12.9x	20.4x	40.1x	
USG People NV	1,608.8	20.70	13.87	23.07	1.3%	4.7%	9.5%	0.5x	13.6x	25.4x	66.4x	
Diversified/General Staffing Mean					0.3%	6.3%	22.6%	0.4x	13.3x	20.8x	39.4x	
Specialty Staffing												
CDI Corp.	282.0	14.79	10.86	20.34	-0.6%	-21.9%	0.9%	0.3x	18.6x	69.3x	NM	
Kforce Inc.	789.0	18.30	9.80	19.23	2.5%	10.6%	20.3%	0.8x	16.1x	21.6x	33.1x	
Michael Page International plc	2,533.1	8.25	5.46	9.10	-1.4%	-3.8%	35.9%	1.8x	18.2x	20.9x	36.4x	
On Assignment Inc.	347.7	9.46	4.17	10.87	-9.9%	11.0%	32.7%	0.9x	14.9x	21.3x	52.7x	
Resources Connection Inc.	893.1	19.39	11.00	21.94	0.5%	3.4%	1.3%	1.4x	19.3x	28.9x	54.8x	
Robert Half International Inc.	4,505.7	30.60	21.16	34.26	-4.1%	-0.9%	0.6%	1.3x	24.6x	36.6x	61.2x	
Specialty Staffing Mean					-2.2%	-0.3%	15.3%	1.1x	18.6x	33.1x	47.6x	
Total HR Outsourcing Services Mean					3.2%	7.8%	30.7%	1.7x	19.8x	22.4x	40.5x	

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

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

¹ Market Capitalization amounts are in US\$ millions, based on closing Share Prices as of March 31, 2011.

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.

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