

## Valuation update for the HR outsourcing industry

According to NelsonHall's recent "Targeting Benefits Administration" market analysis, the overall benefits administration market is forecasted to increase approximately 5 percent annually through 2014. The health and welfare (H&W) segment, which covers H&W administration, reimbursement accounts, and COBRA/HIPAA administration, remains the fastest-growing segment of the benefits administration outsourcing market, with a forecasted annual growth rate of approximately 12 percent through 2014. Merger and acquisition activity within the benefits administration segment in 2010 has been focused on expanding H&W capabilities. Consumer directed benefit capabilities, wellness, advocacy, dependent audits, and retiree healthcare services have all been key areas of acquisitions and partnerships this year.

The following are among notable transactions announced in November:

- Preemployment screening solutions provider **Sterling Infosystems, Inc.** announced it has received a significant capital investment from private equity firm Calera Capital. Specific terms of the investment were not disclosed. New York-based Sterling provides preemployment screening, background checking, drug testing, I-9 processing, and related HR outsourcing services. Sterling will use the proceeds to continue its organic growth strategy and support and invest in the company's acquisition program and the development of new products and services. (Source: *Sterling Infosystems, Inc. press release, December 2, 2010*) KPMG Corporate Finance LLC recently presented its views of the background screening industry at the Annual Pre-employment Screeners Conference held in November. A copy of the presentation is available upon request.
- Workforce management solutions provider **Valiant Solutions, Inc.** announced it has acquired the payroll processing customer base of **Triton HR, LLC** for an undisclosed amount. Florida-based Triton provides technology-enabled HR, benefits



administration, and payroll management solutions. Valiant, which provides time and attendance, scheduling, and payroll processing solutions, made the acquisition to expand into the Florida market and continue its strategy of becoming a nationwide provider of workforce management products and services. (Source: *Valiant Solutions, Inc. press release, November 5, 2010*)

- HR services provider **Diversified Human Resources, Inc.** (DHR) announced it has acquired **Terra Firma** for an undisclosed amount. Colorado-based Terra Firma, doing business as Resource One, provides HR management services, including payroll processing, employee administration services, and employee training solutions. DHR made the acquisition to broaden its HR service offerings and expand its geographic reach to include Colorado. (Source: *Diversified Human Resources, Inc. press release, November 2, 2010*)
- Private equity firm **ABRY Partners, LLC** announced it has entered into a definitive agreement to acquire **Comforce Corp.** (AMEX: CFS) for approximately US\$86 million in cash. The deal implies a valuation of 0.2x revenue and 9.0x EBITDA based on Comforce's September 2010 LTM results and represents a 77 percent premium over Comforce's 30-day average closing stock price. Comforce provides a variety of outsourced HR and staffing services, including human capital management, staff augmentation, and payroll processing. ABRY will seek to leverage its previous business services investment experience to continue Comforce's revenue growth, while improving its profitability. (Source: *ABRY Partners, LLC press release, November 2, 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	Stock Price/ Earnings	
<b>Human Resource Administrative Services</b>												
Administrstaff Inc.	735.3	28.29	16.45	29.72	7.9%	31.6%	26.9%	0.3x	13.2x	23.8x	55.1x	
Automatic Data Processing, Inc.	21,982.5	44.57	26.46	46.00	0.2%	14.8%	2.6%	2.3x	10.1x	11.8x	19.4x	
Barrett Business Services Inc.	151.3	14.83	11.00	16.38	-3.4%	13.9%	36.1%	0.4x	12.5x	15.1x	29.9x	
Paychex Inc.	10,322.1	28.54	24.65	32.88	2.9%	14.2%	-9.0%	4.9x	12.0x	13.4x	22.3x	
<b>Human Resource Administrative Services Mean</b>					<b>1.9%</b>	<b>18.6%</b>	<b>14.1%</b>	<b>2.0x</b>	<b>11.9x</b>	<b>16.0x</b>	<b>31.7x</b>	
<b>Human Resource Professional Services</b>												
CPL Resources plc	116.4	3.13	2.61	3.70	5.1%	7.2%	-3.0%	0.2x	9.2x	11.6x	27.0x	
Hays plc	2,332.1	1.69	1.28	1.95	-4.7%	19.9%	5.3%	0.6x	34.3x	50.3x	80.8x	
Heidrick & Struggles International Inc.	364.3	20.77	16.29	32.15	-3.3%	20.3%	-26.5%	0.5x	5.8x	8.2x	18.6x	
Kenexa Corp.	417.1	18.31	9.58	20.52	0.1%	63.9%	68.8%	2.0x	24.8x	NM	NM	
Korn/Ferry International	801.7	17.32	12.78	18.62	-1.8%	33.0%	6.8%	1.0x	11.5x	14.4x	36.1x	
Resources Connection Inc.	770.3	16.73	11.00	21.89	3.3%	50.0%	-13.2%	1.2x	23.0x	42.9x	81.4x	
<b>Human Resource Professional Services Mean</b>					<b>-0.2%</b>	<b>32.4%</b>	<b>6.4%</b>	<b>0.9x</b>	<b>18.1x</b>	<b>25.5x</b>	<b>48.8x</b>	
<b>Human Resource Technology Services</b>												
Callidus Software Inc.	155.4	4.82	2.60	5.07	-1.8%	43.5%	74.0%	1.9x	NM	NM	NM	
Lawson Software, Inc.	1,400.6	8.59	5.69	9.24	-3.4%	11.7%	31.1%	1.7x	10.7x	18.4x	41.4x	
Monster Worldwide, Inc.	2,936.2	22.58	10.01	23.55	25.0%	104.2%	54.6%	3.3x	NM	NM	NM	
Saba Software Inc.	169.9	6.03	4.02	6.22	1.2%	15.3%	43.2%	1.2x	19.9x	NM	NM	
SuccessFactors, Inc.	2,291.5	30.17	14.59	30.85	11.2%	44.1%	100.3%	10.4x	NM	NM	NM	
Taleo Corporation	1,242.3	30.70	19.17	32.58	7.0%	20.9%	48.6%	4.4x	35.0x	NM	NM	
Ultimate Software Group Inc.	1,109.7	43.87	26.81	44.98	6.0%	32.2%	62.9%	4.9x	NM	NM	NM	
<b>Human Resource Technology Services Mean</b>					<b>6.5%</b>	<b>38.8%</b>	<b>59.3%</b>	<b>4.0x</b>	<b>21.9x</b>	<b>18.4x</b>	<b>41.4x</b>	
<b>Diversified/General Staffing</b>												
Adecco SA	9,988.6	57.38	45.62	66.77	2.6%	23.6%	15.2%	0.5x	10.4x	12.5x	22.2x	
Hays plc	2,332.1	1.69	1.28	1.95	-4.7%	19.9%	5.3%	0.6x	34.3x	50.3x	80.8x	
Kelly Services, Inc.	654.4	17.86	10.07	18.93	20.3%	73.1%	70.3%	0.1x	8.5x	15.3x	25.9x	
TrueBlue, Inc.	726.0	16.48	9.97	17.43	17.3%	53.2%	35.5%	0.5x	14.0x	22.8x	43.1x	
Manpower Inc.	4,593.9	56.32	39.94	62.48	2.9%	30.1%	14.3%	0.3x	11.3x	15.1x	27.4x	
Randstad Holding NV	7814.0	45.96	35.85	54.75	-3.4%	23.3%	5.5%	0.5x	13.7x	27.0x	41.9x	
SFN Group, Inc.	453.4	8.57	4.89	9.19	13.1%	60.2%	63.9%	0.2x	9.1x	19.0x	38.0x	
USG People NV	1,368.9	17.62	12.75	20.37	-5.1%	38.8%	-0.5%	0.5x	13.3x	31.0x	NM	
<b>Diversified/General Staffing Mean</b>					<b>5.4%</b>	<b>40.3%</b>	<b>26.2%</b>	<b>0.4x</b>	<b>14.3x</b>	<b>24.1x</b>	<b>39.9x</b>	
<b>Specialty Staffing</b>												
CDI Corp.	326.5	17.15	10.86	18.65	19.7%	49.8%	44.4%	0.3x	28.7x	NM	NM	
Kforce Inc.	597.7	15.11	9.80	16.25	0.7%	41.9%	16.7%	0.6x	15.3x	18.7x	30.5x	
Michael Page International plc	2,275.7	7.42	5.25	7.90	-1.6%	21.8%	35.1%	1.9x	24.7x	29.6x	52.3x	
On Assignment Inc.	251.2	6.87	4.17	7.89	21.6%	59.8%	8.4%	0.7x	12.3x	19.4x	44.7x	
Resources Connection Inc.	770.3	16.73	11.00	21.89	3.3%	50.0%	-13.2%	1.2x	23.0x	42.9x	NM	
Robert Half International Inc.	4,079.1	27.72	21.16	32.25	2.3%	27.4%	24.1%	1.2x	24.7x	40.2x	67.9x	
<b>Specialty Staffing Mean</b>					<b>7.7%</b>	<b>41.8%</b>	<b>19.2%</b>	<b>1.0x</b>	<b>21.4x</b>	<b>30.2x</b>	<b>48.9x</b>	
<b>Total Human Resource Outsourcing Services Mean</b>					<b>4.2%</b>	<b>34.4%</b>	<b>25.0%</b>	<b>1.7x</b>	<b>17.5x</b>	<b>22.8x</b>	<b>42.1x</b>	

Source: Capital IQ and company filings as of November 30, 2010.

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 November 30, 2010.

<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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[www.kpmgcorporatefinance.com](http://www.kpmgcorporatefinance.com)

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