

Valuation update for the HR outsourcing industry

According to a recent Manpower Employment Outlook Survey, U.S. employers expect a gain in employment levels during the fourth quarter of 2010. The survey results forecast a seasonally adjusted gain of 5 percent for the fourth quarter 2010, up from a decrease of 1 percent during the same period last year. Of the survey respondents, 15 percent of U.S. employers expect to add to their workforce in the fourth quarter, while 11 percent expect a reduction in workforce. Following a negative outlook in the final three quarters of 2009, U.S. employers have expressed a positive outlook in all four quarters of 2010.

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

- Staffing and recruitment software provider **Bond International Software plc** (AIM: BDI) announced it has acquired **VCG, LLC** for US\$9 million. The deal implies a valuation of 1.2x revenue and 4.1x EBIT based on VCG's 2009 results. Georgia-based VCG provides technology-enabled staffing and recruitment solutions, including résumé searches, job sourcing tools, and job boards. The acquisition strengthens Bond's position as a global provider of staffing and recruitment software and allows Bond to capture additional market share in the United States. Synergies between the two companies and their combined offerings will allow Bond to provide a comprehensive set of solutions to staffing organizations. *(Source: Bond International Software plc press release, October 21, 2010)*
- Human resources, payroll, and benefits administration services provider **Automatic Data Processing, Inc.** (NASDAQ: ADP) announced it has acquired **MasterTax, LLC** for an undisclosed amount. Arizona-based MasterTax provides payroll tax filing software programs and compliance services. With the acquisition, Automatic Data Processing seeks to expand its operations in payroll tax and compliance services as well as cross-sell existing HR solutions to MasterTax's current client base. *(Source: Automatic Data Processing, Inc. press release, October 7, 2010)*



- Insurance broker **Brown & Brown of New York, Inc.**, a subsidiary of Brown & Brown, Inc. (NYSE: BRO), announced it has acquired **Martin Benefits Consulting, LLC** and **Martin Human Resources, LLC** for an undisclosed amount. New York-based Martin Benefits Consulting and Martin Human Resources offer employee benefits products and services throughout New York, Connecticut, and New Jersey. The acquisition strengthens Brown & Brown's presence in the New York market and continues its inorganic growth strategy. *(Source: Brown & Brown, Inc. press release, October 5, 2010)*
- Private equity firm **Frontenac Company** announced it has acquired **Hospitality Staffing Solutions** (HSS) for approximately US\$80 million. Atlanta-based HSS provides outsourced staffing services to hotels, including Marriott, Hyatt, and Ritz-Carlton properties across the United States. Frontenac plans to accelerate HSS's growth within the niche hospitality staffing sector. *(Source: Frontenac Company press release, October 18, 2010)*
- Recruitment and hiring software provider **Talent Technology Corporation** announced it has acquired **TalentSpring, Inc.** for an undisclosed amount. Washington-based TalentSpring provides software-as-a-service-based automated candidate sourcing services and solutions for recruiters and HR professionals, allowing users to find résumés for passive and active candidates on social networking sites, job boards, and corporate application tracking systems. The acquisition builds upon Talent Technology's existing software and allows it to offer a more complete portfolio of recruiting solutions. *(Source: Talent Technology Corporation press release, October 6, 2010)*

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

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/EBIT	Price/Earnings	
HR Administrative Services												
Administaff Inc.	686.2	26.21	16.45	29.37	1.4%	0.7%	4.6%	0.3x	13.9x	26.6x	56.0x	
Automatic Data Processing, Inc.	21,910.5	44.49	26.46	45.74	4.7%	7.7%	10.5%	2.3x	10.0x	11.7x	19.3x	
Barrett Business Services Inc.	156.8	15.35	10.80	16.38	-0.6%	5.9%	32.6%	0.4x	13.2x	15.8x	31.6x	
Paychex Inc.	10,032.8	27.74	24.65	32.88	2.1%	6.2%	-3.2%	4.7x	11.7x	13.0x	21.7x	
HR Administrative Services Mean					1.9%	5.1%	11.1%	1.9x	12.2x	16.8x	32.2x	
HR Professional Services												
CPL Resources plc	110.7	2.98	2.78	3.95	-6.7%	-7.0%	0.6%	0.2x	7.3x	9.2x	24.1x	
Hays plc	2,447.7	1.77	1.32	2.01	-0.7%	24.3%	6.0%	0.6x	35.0x	NM	82.5x	
Heidrick & Struggles International Inc.	376.4	21.48	16.29	32.15	11.1%	3.3%	-21.9%	0.6x	6.9x	10.0x	19.9x	
Kenexa Corp.	413.9	18.29	9.58	19.72	1.1%	48.9%	38.1%	2.1x	20.3x	NM	NM	
Korn/Ferry International	816.1	17.63	12.78	18.62	7.0%	25.2%	8.5%	1.0x	11.7x	14.8x	36.8x	
Resources Connection Inc.	745.9	16.20	11.00	21.89	21.1%	25.5%	-6.3%	1.2x	22.1x	41.3x	78.8x	
HR Professional Services Mean					5.5%	20.0%	4.2%	1.0x	17.2x	18.8x	48.4x	
HR Technology Services												
Callidus Software Inc.	154.0	4.91	2.60	5.05	12.9%	50.2%	49.2%	1.9x	NM	NM	NM	
Lawson Software, Inc.	1,449.6	8.89	5.69	9.09	7.8%	11.5%	31.1%	1.8x	11.1x	19.1x	42.8x	
Monster Worldwide, Inc.	2,344.5	18.06	10.01	19.10	41.5%	35.5%	13.0%	2.7x	NM	NM	NM	
Saba Software Inc.	167.9	5.96	3.85	6.10	12.0%	21.1%	37.6%	1.2x	19.6x	NM	NM	
SuccessFactors, Inc.	1,999.7	27.12	14.19	27.72	6.4%	32.3%	70.6%	9.7x	NM	NM	NM	
Taleo Corporation	1,148.0	28.69	19.17	31.36	-3.1%	19.4%	29.9%	4.0x	31.6x	NM	NM	
Ultimate Software Group Inc.	1,038.5	41.38	25.06	42.52	7.7%	26.1%	58.3%	4.6x	NM	NM	NM	
HR Technology Services Mean					12.2%	28.0%	41.4%	3.7x	20.8x	19.1x	42.8x	
Diversified/General Staffing												
Adecco SA	9,739.9	55.95	46.02	67.65	9.4%	9.6%	19.6%	0.5x	13.5x	16.9x	29.8x	
Hays plc	2,447.7	1.77	1.32	2.01	-0.7%	24.3%	6.0%	0.6x	35.0x	51.3x	82.5x	
Kelly Services, Inc.	546.7	14.85	10.01	18.93	23.2%	-1.3%	21.9%	0.1x	18.0x	NM	NM	
TrueBlue, Inc.	619.0	14.05	9.97	17.23	2.9%	7.3%	15.6%	0.4x	11.4x	18.6x	36.7x	
Manpower Inc.	4,500.7	54.73	39.94	62.48	10.1%	16.2%	12.8%	0.3x	11.5x	15.5x	28.2x	
Randstad Holding NV	8,088.4	47.58	35.13	58.43	5.8%	3.2%	23.1%	0.5x	13.4x	26.3x	40.7x	
SFN Group, Inc.	399.2	7.58	4.69	9.19	20.7%	1.1%	38.3%	0.2x	8.0x	16.8x	33.6x	
USG People NV	1,442.5	18.56	13.61	21.74	17.6%	18.3%	0.7%	0.5x	17.5x	53.1x	NM	
Diversified/General Staffing Mean					11.1%	9.9%	17.3%	0.4x	16.0x	28.4x	41.9x	
Specialty Staffing												
CDI Corp.	272.8	14.33	10.86	18.65	12.1%	-16.1%	12.4%	0.3x	16.7x	56.7x	NM	
Kforce Inc.	593.3	15.01	9.80	16.25	11.3%	11.9%	27.0%	0.7x	20.4x	26.5x	42.5x	
Michael Page International plc	2,307.9	7.54	5.08	7.93	4.7%	23.0%	39.5%	1.8x	24.3x	29.2x	51.7x	
On Assignment Inc.	206.1	5.65	4.17	7.89	16.3%	23.1%	-8.3%	0.6x	10.5x	16.5x	36.7x	
Resources Connection Inc.	745.9	16.20	11.00	21.89	21.1%	25.5%	-6.3%	1.2x	22.1x	41.3x	78.8x	
Robert Half International Inc.	4,001.2	27.11	21.16	32.25	7.0%	7.7%	11.9%	1.2x	24.5x	39.6x	66.4x	
Specialty Staffing Mean					12.1%	12.5%	12.7%	1.0x	19.8x	35.0x	55.2x	
Total HR Outsourcing Services Mean					8.5%	15.1%	17.3%	1.6x	17.2x	23.6x	44.1x	

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

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 October 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.

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