

Investment Banking

Industry Perspectives

Human Capital Solutions Quarterly | Q2 2020



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Wealth Management

Overview

Our Team is pleased to present its 2Q20 quarterly human capital solutions industry update from our Senior Advisor, Jim Janesky, who oversees client coverage and leads the vertical.

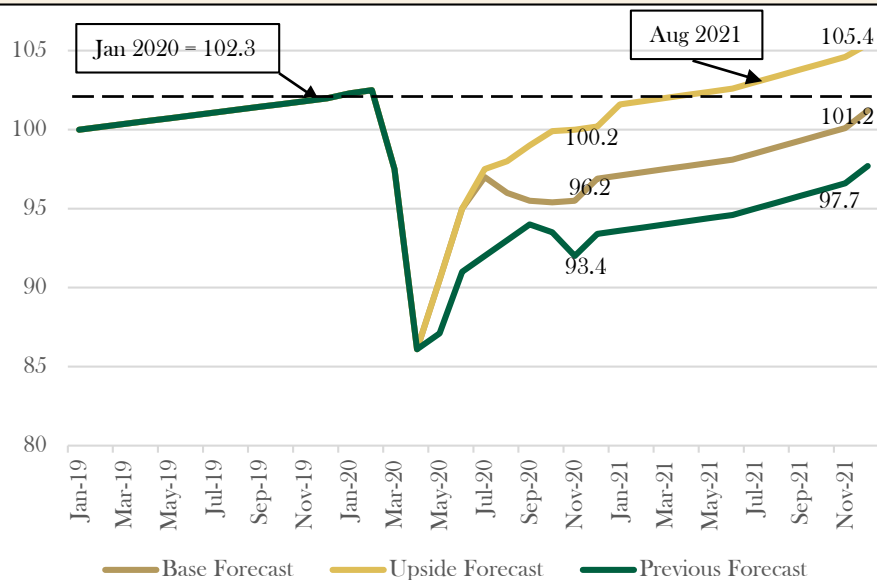
Through this industry update, we will share with you our impressions on the market, track the leading macroeconomic indicators, report relevant transactions, public market valuations and highlight current trends.

Our Market Observations

- After an unprecedented decline through most of 2Q20, some parts of the staffing market have exhibited signs of stability as we moved into the third quarter of 2020. That said, the outlook for the US economy is still uncertain for the back half of 2020. We continue to believe that there will be many staffing companies of all sizes that may struggle to survive without another liquidity injection or a sharp US GDP recovery. While another liquidity injection is possible, a 2020 sharp GDP recovery is unlikely.
- The 8/13/2020 Conference Board US GDP forecast outlined two recovery scenarios: a “Base” case and an “Upside” case, that predicted GDP to decline in 2020 by 4.9% and 3.3%, respectively (see page 3). The Conference Board previous projection was a Base case decline of 7.0% for 2020. Our outlook for the US staffing industry is based on the August 2020 4.9% (Base case) GDP decline for 2020 but note that future Conference Board updates could be subject to wild revisions.
- The chart on page 3 provides The Conference Board’s 8/13/2020 forecast for a 4.9% drop of US GDP in 2020 by quarter based on its underlying assumptions for Real Consumer Spending, Residential Investment, Real Capital Spending and Exports, in that order. Real Consumer Spending, which represents 60-65% of GDP, will be critical to an overall economic rebound and has become more of concern in the back half of 2020.
- Public company staffing stocks have rebounded but continue to underperform the overall market. Investors prefer staffing stocks as we exit a recession. There is tremendous uncertainty surrounding the timing and extent of any recovery. We believe that certain verticals such as IT and Finance & Accounting have held up better than most verticals and could exhibit significant growth as the US economy begins to rebound. These verticals are well-equipped to handle remote work (see page 7).
- The M&A market took a significant pause as buyers struggled with valuation and deal terms. There were only 20 transactions in 2Q20 versus 52 during 1Q20 and 58 during 2Q19. There were less transactions in 2Q20 than any quarter in the last five years. M&A activity has rebounded with the overall recovery and believe that there could be increased activity as weaker companies look for lifelines and stronger companies eventually seek an exit strategy. Financing is still available but deal structures, such as the size and length of earn-outs, will adjust to any current environment (see page 10).



Conference Board US GDP Outlook



Base Case Economic Outlook 2019-2021 (% change, seasonally adj annual rates)

	2020				2021		2019	2020	2021
	Q1	Q2	Q3	Q4	1H	2H	Annual		
Real GDP	-5.0	-32.9	26.1	-1.6	2.0	6.7	2.2	-4.9	2.0
Real Consumer Spending	-6.9	-34.6	27.8	-0.5	2.7	6.8	2.4	-5.6	2.6
Residential Investment	19.0	-38.7	8.0	1.0	4.0	5.5	-1.7	-2.2	0.7
Real Capital Spending	-6.7	-27.0	-8.9	0.6	3.4	5.6	2.9	-8.2	-0.7
Exports	-9.5	-64.1	25.0	5.0	5.0	5.0	-0.1	-16.2	-0.1

	Total Contraction & Growth (%YoY)	
	Annual 2020	Annual 2021
Previous Forecast	-7.0%	+1.0%
Upside Forecast	-3.3%	+4.4%
Base Forecast	-4.9%	+2.0%

The 8/13/2020 Conference Board US GDP forecast outlined two recovery scenarios: Base and Upside, that predicted GDP to decline in 2020 by 4.9%, and 3.3% respectively

The Conference Board is directionally more bullish on the US economy with certain caveats

For example, Real Consumer Spending, which represents 60-65% of GDP, will be critical to an overall economic rebound

Real Consumer Spending is expected to decline in 4Q20 after a sharp rebound in 3Q20 due to high unemployment rates

Our outlook for the US staffing industry is based on the recent 4.9% (Base case) GDP decline for 2020 but note that future Conference Board updates could be subject to wild revisions

Source: The Conference Board "The Conference Board Economic Forecast for the US Economy", August 13, 2020

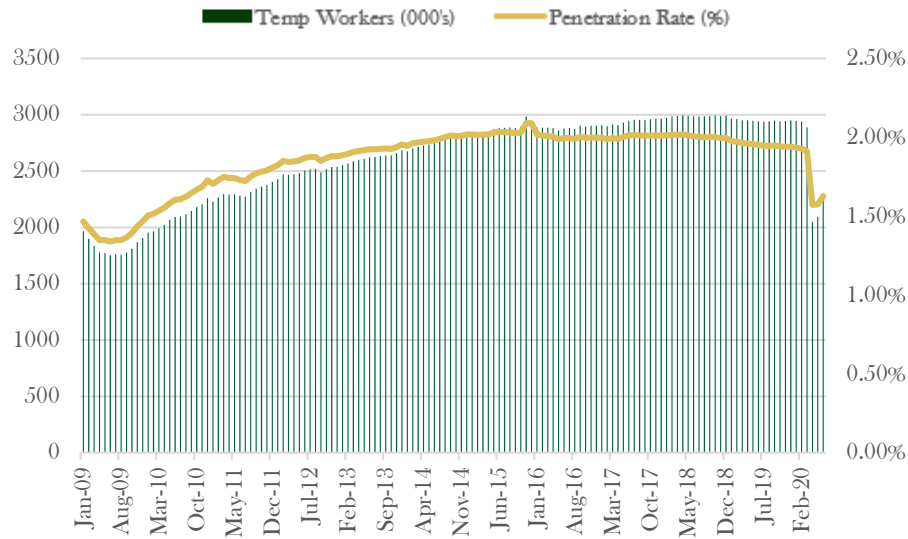


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Temporary Employment Vs. Penetration Rate

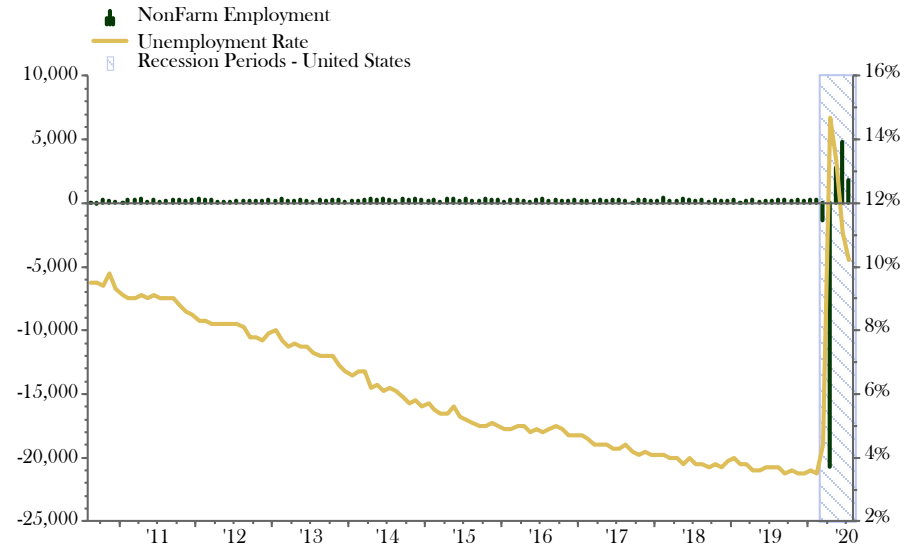


The temporary employment penetration rate came in at 1.71% in July 2020 versus a trough of 1.57% in April 2020. Temporary staffing volume growth **declined 18.9% Y/Y** versus a **decrease of 23.9%** in the prior month while sequential volume **increased 6.4%** in July. Temp employment has exhibited some recovery recently with the overall employment market, but concerns remain for the back half of 2020.

Key Takeaway:

While components of the staffing industry have experienced near-term recovery, we believe that certain verticals in the industry, such as IT and F&A, could experience sharp revenue acceleration when the US economy recovers. Verticals such as industrial and clerical may struggle. These two industries depend upon on-site placements, which could prove difficult in the current environment. Recently, the clerical segment has shown signs of stability as individuals were equipped to remotely work.

Y/Y Δ in NonFarm Employment Vs. Unemployment Rate



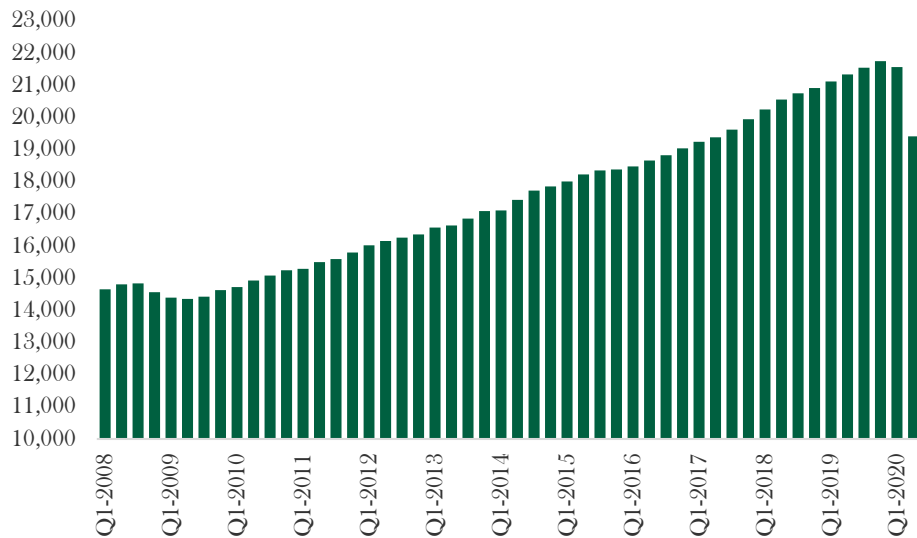
The July 2020 report of an **increase** of 1.8 million jobs was above the forecast of a 1.5 million **increase** in jobs. The unemployment rate of 10.2% was substantially lower than the 14.4% figure in April 2020 while average hourly earnings for temporary employees increased 6.1% Y/Y. The 6.1% figure was significantly down from 11.9% in the prior month, likely due to a mix shift of lower-wage versus higher skilled jobs.

Key Takeaway:

The increase in employment and declines in unemployment could continue if workers, who in several cases earned more on unemployment than at their previous jobs, return to work after the unemployment benefits ended. An extension of those benefits could reverse recent trends.

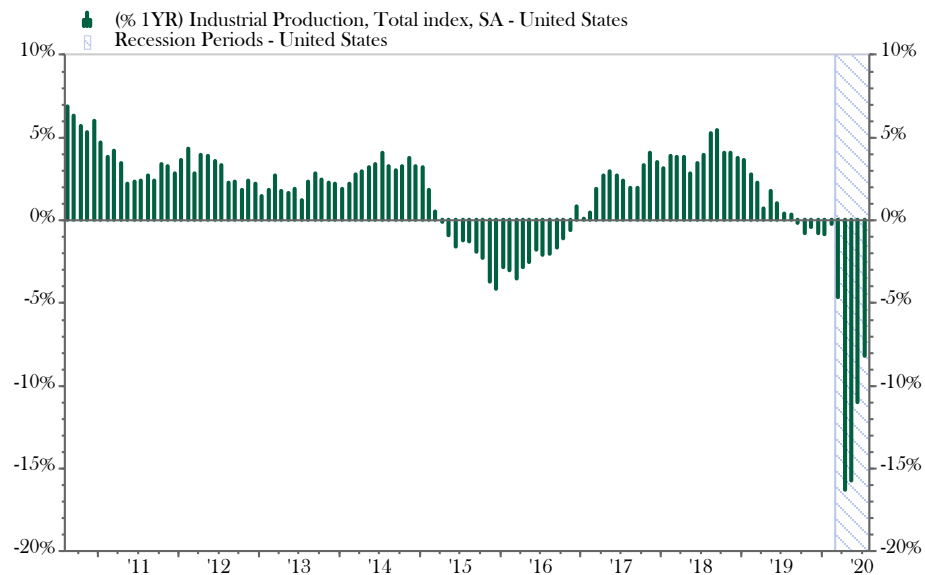


US Real GDP



According to The Conference Board (TCB), US Real GDP, a good proxy for the overall staffing market, fell 32.9% in 2Q20 versus a decline of 5.0% in 1Q20. Base-case scenario, TCB also forecasted that GDP would decline 4.9% in 2020 and Real Consumer Spending will decline by 5.6%. Real Consumer Spending, which accounts for 60-65% of GDP, will considerably impact GDP and staffing revenues. At this point, while the ultimate rate of GDP in 2020 is difficult to gauge, staffing companies generally exhibit significant revenue acceleration after a recession. We see no reason to believe that this cycle will be any different than past cycles, with exceptions that we note in other parts of this outlook.

US Industrial Production Growth



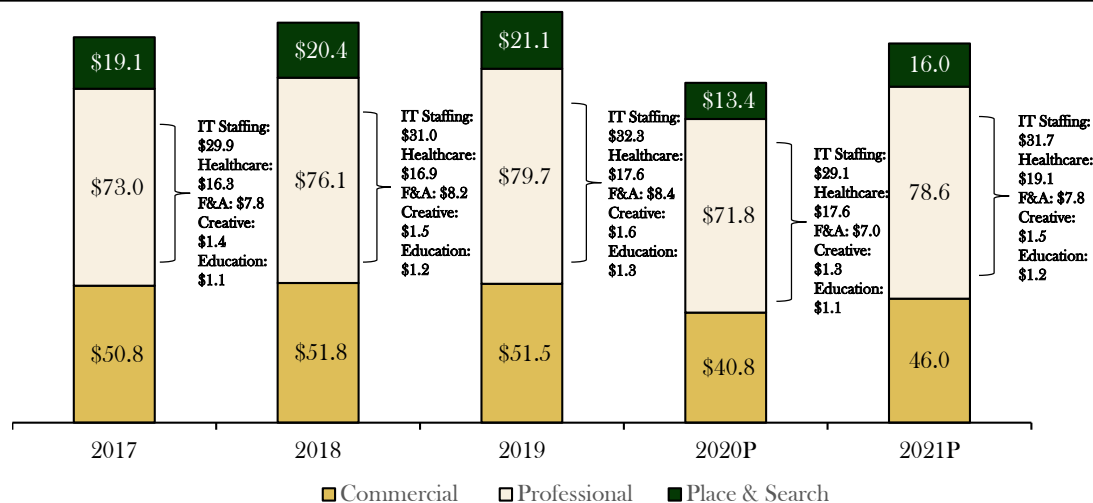
US Industrial Production, a good proxy for the \$35 billion industrial staffing segment, declined 8.2% in July 2020 versus 15.3% in April 2020. The manufacturing sector, which accounts for 78% of industrial production, has rebounded as the sector came back from COVID-related shutdowns. There is still a tremendous amount of uncertainty around the timing and rate of recovery of US industrial production, but recent trends point to some stabilization.



Segment Growth & Other Industry Data

- A July 2020 US Staffing Industry Forecast from Staffing Industry Analysts (SIA) predicted in a base-case scenario that overall staffing revenues will decline 17% in 2020 versus a forecast of a 21% decline back in April 2020. Investors, which are 4-6 months forward-looking, have recently rewarded staffing stocks due to “less-worse” results and re-issuance of earnings guidance and the stocks are trading at healthy multiples. Investors still expect that almost all staffing stocks, which are considered early cycle investments, will underperform the overall market in 2020 (see pages 7, 8 and 9) but that outlook could quickly change if signs of a recovery become obvious.
- The same base-case report by SIA forecasted that by major verticals, Place & Search will decline 36%, Office/Clerical will decline 18% and Industrial will decline 22% and Professional/Specialty will decline 10%. We note that the forecasts for virtually every sector has improved for 2020. Our outlook is that declines will wildly vary by company size, geographic focus and industries served. For example, companies with a significant Northeast presence and/or those with a focus on the travel/hospitality industries could face significant headwinds.
- Within the Professional/Specialty segment, SIA forecasted that the \$30B+ IT staffing vertical will decline 10%, the \$8B+ Finance/Accounting (F&A) vertical will decline 17% and that the roughly \$18B Healthcare vertical will decline by 3%.
- Our view is that while growth rates within the Professional segment will also vary by size, geography and industry focus, companies in the IT and F&A verticals could substantially benefit from an expected increase in remote work and are well prepared for that trend. Healthcare Staffing, which includes Nurse Staffing and Locum Tenens (temp physicians), has faced increased headwinds due to fewer elective procedures, less emergency room visits and doctor office closures.

Staffing Industry Forecast



Source: Staffing Industry Analysts “US Staffing Industry Forecast: July Interim 2020 Update”, July 7, 2020

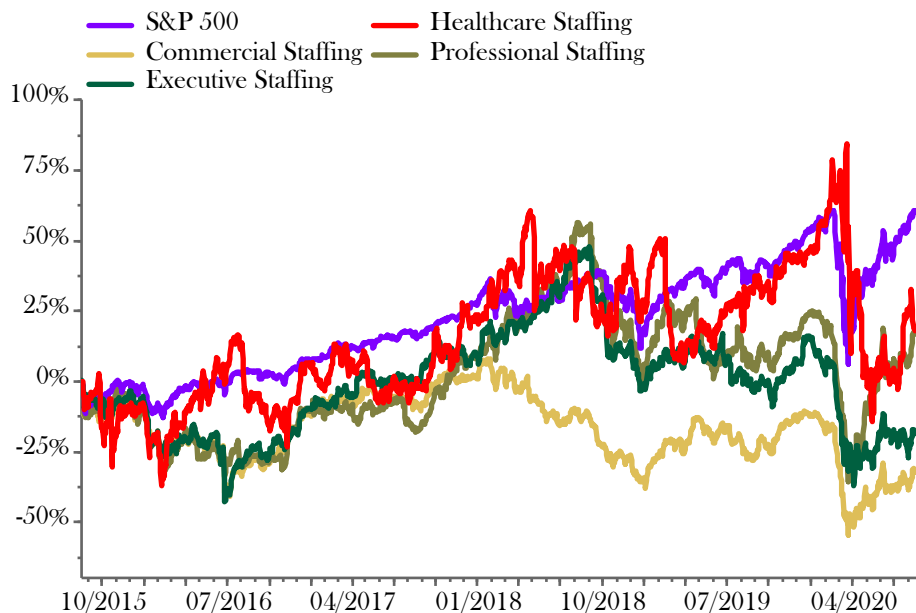


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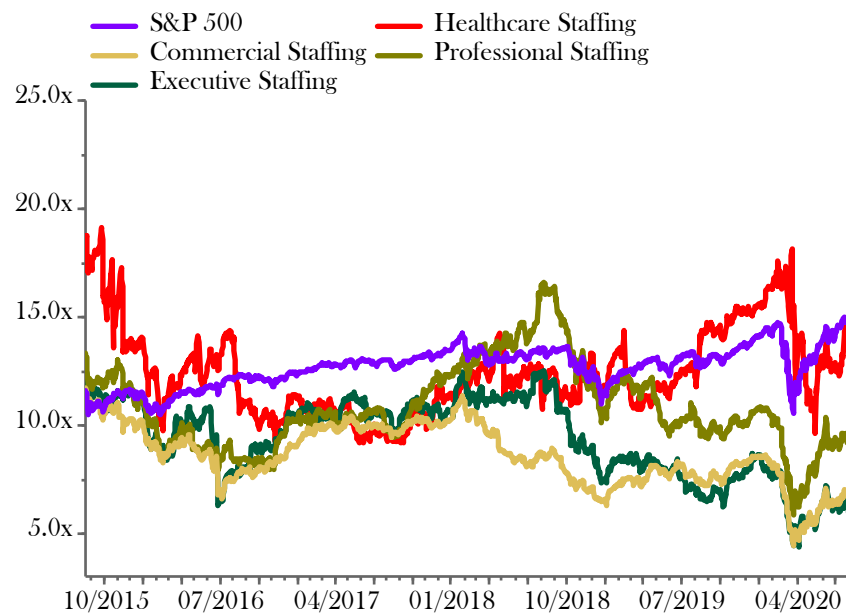
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5 Year Relative Stock Price Performance



5 Year EV/LTM EBITDA Relative Performance



Sub-Sector	Number of Companies	Median Enterprise Value (In \$ 000's)	Median Change in Stock Price			Median Gross Profit Conversion	Median TEV / LTM Multiples	
			1 Year	3 Years	5 Years		Revenue	EBITDA
Commercial Staffing	6	2,551.4	-13.7%	-16.5%	-21.4%	20.7%	0.3x	8.0x
Professional Staffing	8	221.5	7.1%	0.4%	-8.3%	25.3%	0.6x	11.1x
Executive & Retained Search	4	1,618.1	-15.0%	-10.7%	-26.3%	33.1%	0.7x	7.1x
Healthcare Staffing	2	1,847.2	-22.5%	-8.2%	-8.4%	23.9%	0.9x	13.0x
S&P 500*			17.3%	39.7%	71.8%			

*S&P data on a mean basis



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Commercial Staffing

Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
Adecco Group AG	ADEN-CH	06/30/2020	\$9,622.3	\$23,448.0	\$4,426.3	18.9%	\$1,014.1	4.3%	0.4 x	9.5 x
Barrett Business Services, Inc.	BBSI	06/30/2020	\$291.3	\$913.2	\$193.4	21.2%	\$60.9	6.7%	0.3 x	4.8 x
Kelly Services, Inc. Class A	KELYA	06/28/2020	\$591.0	\$4,841.9	\$879.9	18.2%	\$117.6	2.4%	0.1 x	5.0 x
ManpowerGroup Inc.	MAN	06/30/2020	\$4,511.8	\$18,806.8	\$3,000.6	16.0%	\$556.7	3.0%	0.2 x	8.1 x
Randstad NV	RAND-NL	06/30/2020	\$10,686.4	\$24,157.8	\$4,185.5	17.3%	\$1,094.5	4.5%	0.4 x	9.8 x
TrueBlue, Inc.	TBI	06/28/2020	\$577.2	\$2,081.0	\$494.7	23.8%	\$73.8	3.5%	0.3 x	7.8 x
Average			\$4,380.0	\$12,374.8	\$2,196.7	19.2%	\$486.3	4.1%	0.3 x	7.5 x
Median			\$2,551.4	\$11,824.4	\$1,940.3	18.5%	\$337.2	3.9%	0.3 x	8.0 x

Professional Staffing

Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
ASGN Inc	ASGN	06/30/2020	\$4,699.0	\$3,955.2	\$1,063.6	26.9%	\$406.4	10.3%	1.2 x	11.6 x
BG Staffing, Inc.	BGSF	06/28/2020	\$162.1	\$288.4	\$73.3	25.4%	\$20.4	7.1%	0.6 x	7.9 x
GEE Group, Inc.	JOB	06/30/2020	\$74.1	\$137.7	\$41.9	30.4%	\$6.8	4.9%	0.5 x	10.9 x
Kforce Inc.	KFRC	06/30/2020	\$892.9	\$1,360.0	\$387.1	28.5%	\$80.4	5.9%	0.7 x	11.1 x
Mastech Digital, Inc.	MHHI	06/30/2020	\$280.9	\$197.9	\$47.8	24.1%	\$16.0	8.1%	1.4 x	17.6 x
RCM Technologies, Inc.	RCMT	06/27/2020	\$46.8	\$166.5	\$41.2	24.7%	\$3.6	2.2%	0.3 x	12.9 x
Robert Half International Inc.	RHI	06/30/2020	\$6,298.5	\$5,704.5	\$2,253.8	39.5%	\$569.5	10.0%	1.1 x	11.1 x
Volt Information Sciences, Inc.	VOLT	05/03/2020	\$89.3	\$916.6	\$142.3	15.5%	(\$0.1)	0.0%	0.1 x	NM
Average			\$1,567.9	\$1,590.9	\$506.4	26.9%	\$137.9	6.1%	0.7 x	11.9 x
Median			\$221.5	\$602.5	\$107.8	26.2%	\$18.2	6.5%	0.6 x	11.1 x



Executive & Retained Search

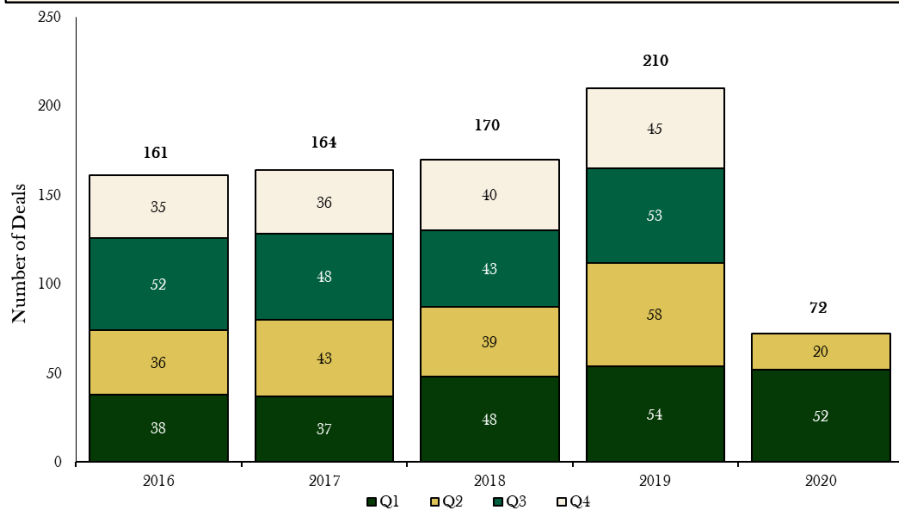
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
Hays plc	HAS-GB	12/31/2019	\$2,978.9	\$7,832.8	NA	NA	\$336.3	4.3%	0.4 x	8.9 x
Heidrick & Struggles International, Inc.	HSII	06/30/2020	\$338.0	\$693.8	\$208.8	30.1%	\$69.0	9.9%	0.5 x	4.9 x
Korn Ferry	KFY	04/30/2020	\$1,632.7	\$1,977.3	\$493.5	25.0%	\$308.2	15.6%	0.8 x	5.3 x
PageGroup PLC	PAGE-GB	06/30/2020	\$1,603.6	\$1,874.0	\$888.4	47.4%	\$164.8	8.8%	0.9 x	9.7 x
Average			\$1,638.3	\$3,094.5	\$530.2	34.2%	\$219.6	9.7%	0.6 x	7.2 x
Median			\$1,618.1	\$1,925.7	\$493.5	30.1%	\$236.5	9.4%	0.7 x	7.1 x

Healthcare Staffing

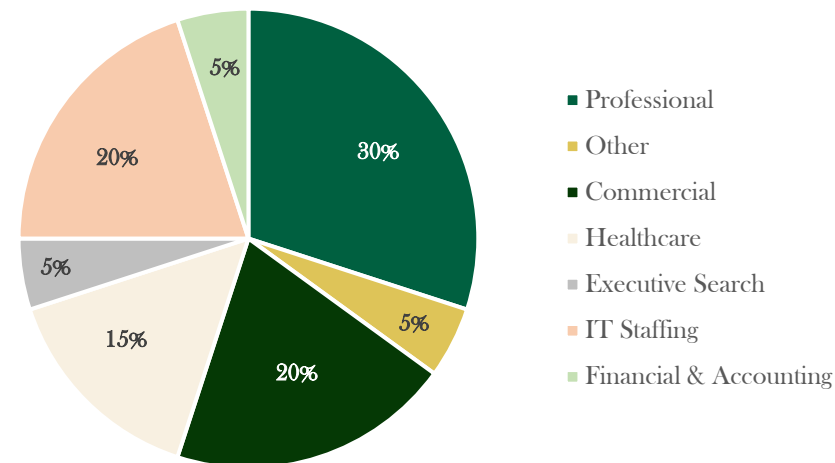
Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
AMN Healthcare Services, Inc.	AMN-US	06/30/2020	\$3,381.8	\$2,365.3	\$710.5	30.0%	\$241.4	10.2%	1.4 x	14.0 x
Cross Country Healthcare, Inc.	CCRN-US	06/30/2020	\$312.5	\$851.1	\$189.7	22.3%	\$26.1	3.1%	0.4 x	12.0 x
Average			\$1,847.2	\$1,608.2	\$450.1	26.2%	\$133.8	6.6%	0.9 x	13.0 x
Median			\$1,847.2	\$1,608.2	\$450.1	26.2%	\$133.8	6.6%	0.9 x	13.0 x



No. of Deals Per Quarter



Q2 Deals by Industry



Notable Transactions

Completion Date	Target	Target Description	Buyer	Commentary
04/28/2020	Tekmark Global Solutions LLC	A technology and telecommunication solutions provider that offers technology staffing, cyber security, managed information technology, software and infrastructure, and telecommunication services worldwide	Orion Systems Integrators LLC	Orion Innovation, L.L.C, a global business and technology services firm that provides digital transformation and product development services, announced the acquisition of Tekmark Global Solutions LLC, a New Jersey-headquartered global technology services firm specializing in software engineering, quality engineering, telecom engineering, managed services, cyber security and data analytics. The acquisition of Tekmark brings 40 years of client relationships across a broad spectrum of industries with a heavy concentration in financial services and telecommunications. Orion is backed by One Equity Partners, a \$6B middle market private equity firm focused on the industrial, healthcare, and tech sectors in North America and Europe. One Equity Partners acquired Orion in 2018.
04/29/2020	Allied Universal Manager LLC	Provides security and janitorial solutions and staffing services for airports, education, campuses, manufacturing facilities, retail centers, etc	Warburg Pincus LLC	Warburg Pincus LLC acquired a minority stake in Allied Universal Manager LLC, a leading security and facility services company from Wendel SE (Private Equity) for US\$196 million in cash, a 0.6x EV/Revenue multiple. Allied combines top talent, risk analyses and technology to deliver evolving, tailored Security Services, Technology Services and professional services such as Risk Advisory and Consulting, Event, Staffing and Janitorial Services that allow our clients to focus on their core business.
5/1/2020	Entity Solutions	Provides contractor management services and outsourced payroll solutions	People 2.0	People 2.0 is a leading tech-enabled workforce deployment platform which provides employer of record / agent of record services and associated back-office support to staffing & recruiting firms, managed service providers, online recruitment platforms, recruitment process outsourcing, compliance service companies and other talent acquisition service providers. People 2.0 is headquartered in Exton, PA and has office locations in Houston, TX, and Toronto, Canada. The company has made three acquisitions in the staffing/human capital management industry this quarter in an attempt to strengthen their presence in select geographic regions. The acquisitions of WePayPeople and TCP Solutions bolsters its European operations while Entity Solutions provides a base for the company in the Asia-Pacific region. Each of the acquired companies has built a strong brand in their respective regions, earned through their local market expertise and reputations for superior, technology-enabled service. Aligned with People 2.0's approach to global expansion, these businesses will be integrated into People 2.0's existing operations, leveraging the talent, technology, and processes to create a single-branded, workforce-deployment platform for market makers in talent around the globe. People 2.0 is backed by Compass Partners Asset Management (CIP), a \$600.0MM+ private equity firm focused on investing in the business information and tech-enabled services markets in North America. CIP acquired People 2.0 in 2019.
5/1/2020	TCP Solutions	A global payroll and compliance specialist	People 2.0	
5/1/2020	WePayPeople	Provides payrolling and payroll administration services	People 2.0	
5/23/2020	G2 Secure Staff LLC	Provides staffing solutions for aviation industry	Tenex Capital Management LLC	Private equity firm Tenex Capital Management, L.P. completed the acquisition of G2 Secure Staff, L.L.C., which provides reliable, professional aviation service solutions. Headquartered in Irving, Texas, G2 Secure Staff employs over 6,000 aviation service professionals at 54 top travelled airports throughout the U.S. Tenex Capital Management manages \$1.27B.
06/02/2020	Synergy Surgicalists/EA Health Corp.	One of the nation's top providers of surgicalist staffing in the acute care setting. A leading provider of specialty physician on-call compensation solutions and physician staffing services	Enhanced Healthcare Partners	Enhanced Healthcare Partners, Inc., a New York-based private equity firm specializing in middle-market healthcare businesses, announced its joint investment in the business merger of Synergy Surgicalists and EA Health. The company will offer integrated, high performance clinical staffing and management services for emergency medicine, orthopedic and general surgery staffing and specialty on-call services. The combined company brings together executives with deep industry experience in operational, financial, and clinical leadership.



About the Bank

Peapack-Gladstone Bank* (NASDAQ: PGC) is a 99-year old boutique commercial bank with total assets of \$6.3 Bn and AUM of \$7.2 Bn as of 06/30/2020. Other business segments include Peapack Private (Wealth Management), Commercial Banking, Commercial Real Estate, Peapack Capital (Equipment Finance), Retail, Residential and Consumer Banking.

Human Capital Investment Banking Coverage

Professional

- IT Staffing & Consulting
- Finance & Accounting
- Healthcare
- Engineering

Commercial

- Clerical
- Pick and Pack
- Distribution & Logistics

Place & Search

- Direct Hire
- Retained Search

HR Technology

- VMS Platforms
- Block Chain Technology
- Recruitment Process Outsourcing

Senior Banker Contacts

Kevin Bodnar
Senior Managing Director
Head of Corporate Advisory
E: kbodnar@pgbank.com
T: (908) 443-5385

Jim Janesky
Senior Advisor
Business Services
E: jjanesky@pgbank.com
T: (908) 524-8393

Our Capabilities

- Mergers and Acquisitions
- Capital Formation
- Corporate Finance Advisory
- Structured Finance Solutions

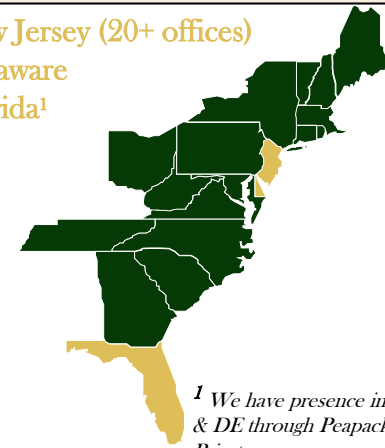
Business Services Transactional Experience



- Our senior bankers have participated and evaluated over 125 transactions in both public and private markets within the Business Services sector
- +75 of the transactions were in the human capital vertical

Full-Service Bank, Boutique focus

- New Jersey (20+ offices)
- Delaware
- Florida¹



¹ We have presence in FL & DE through Peapack Private

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- ✓ Utilities and Telecom
- ✓ Information Technology
- ✓ Industrials
- ✓ Financials
- ✓ Healthcare
- ✓ Consumer Staples
- ✓ Consumer Discretionary
- ✓ Materials & Energy
- ✓ Communication Services & Real Estate

Investment Banking has access to a team of 10 equity research analysts through Peapack Private covering 13 industry verticals to meet the corporate finance needs of middle market business owners and investors



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