

## Executive Summary

Delancey Street Partners is pleased to present our Payroll, Professional Employer Organization (“PEO”), and Employer of Record (“EOR”) Sector Review. All three models provide clients with varying degrees of outsourced HR administrative functions including payroll & tax compliance, time tracking, employee verification, and a variety of HR tools. Most providers have expanded their scope of services to include pre-employment talent acquisition applications and talent management functions for post-employment. These offerings enable companies to focus on core business activities and remain in compliance. This report provides insights on recent business trends and highlights key M&A activity.



## Recent DSP PEO Transaction

See page 24 for more information

## Topics of Discussion

- Sector Overview
- Sector Investment Themes
- Representative Industry Taxonomy
- Public Company Market Performance & Valuations
- Public Company Profiles
- PEO & Economic Indicators
- Recent M&A and Strategic Commentary
- Notable M&A Transactions
- Recent DSP PEO Transaction
- Big Ideas Q&A with Brian Nugent

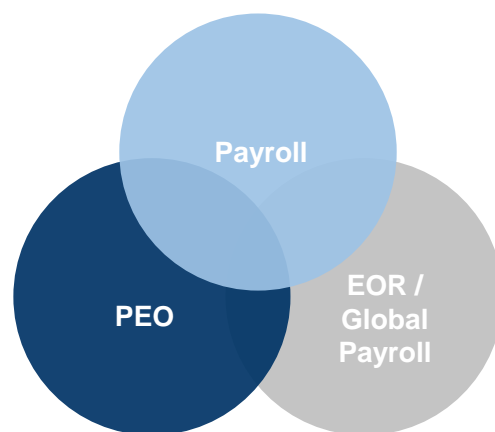
## Sector Overview

The related payroll, PEO, and EOR models derive their core value proposition from managing burdensome HR administrative tasks. Payroll and PEO providers continue to expand their platforms beyond core payroll / human capital management (“HCM”) into talent acquisition, talent management, and employee engagement. The EOR models have recently gained significant momentum as there is increased appreciation for the complexities of global employment and use of independent contractors.

Payroll and PEO models are very well known and have many attractive attributes including high reoccurring revenue, high client retention, and low client concentration. Moreover, the target markets for both are small-and-medium sized businesses (“SMB”) that do not have the internal resources and know-how to manage such processes and remain in compliance with changing regulations.

The payroll and PEO models are very related but differ because of the “ownership” of a client’s employees. The payroll model is often referred to as an administrative service organization (“ASO”) where a client’s employees remain employed by the client. With the PEO model (and EOR model discussed on the next page), the service provider becomes the employer of record for the employees and uses the larger pool of employees, also referred to as worksite employees (“WSE”), to negotiate competitive healthcare insurance benefits offerings and pricing that an individual, smaller company could not achieve. As well known PEO M&A attorney Brian Nugent discusses in DSP’s Big Ideas Q&A (see page 25), the co-employment arrangement that a PEO uses was previously referred to as “employee leasing” when first created.

In regards to pricing, payroll providers typically price on a subscription or Per Employee Per Month (“PEPM”) basis whereas PEOs charge an administrative fee based on either the number of WSEs or a percentage of the gross payroll managed. Both payroll providers and PEOs grow through a combination of adding new clients and providing existing clients with new services such as talent management tools. Both payroll and PEO models have strong growth prospects; at the end of 2020, a survey conducted by the National Association of Professional Employer Organizations (“NAPEO”) identified 487 PEO providers in the U.S. who employ 3.97 million WSEs across approximately 173,000 companies. The average PEO client as of Q1 2022 had 23 employees, according to NAPEO. With approximately 85% of all companies employing less than 50 employees, outsourcing models have significant room for expansion.



## Sector Overview (Cont'd)

In delivering their services, only the largest payroll and PEO providers have the resources to develop true proprietary, in-house technology platforms. Smaller and mid-sized payroll providers and the majority of all but the largest PEOs license their core technology platforms from third-party vendors. In the case of the PEOs, many rely on PrismHR for their core platform. In order to expand the functionality of their core technology, the leading payroll and PEO providers also integrate various best of breed HR solutions to enhance their offerings.

The EOR model, while not new, has grown significantly in recent years and garnered lots of attention from investor groups. EOR providers serve enterprises of all sizes that employ workers across the globe but do not want to manage the complexity of hiring them as W-2 employees as it requires establishing legal entities in each country and complying with local regulations. Similar to PEO models, an EOR takes “ownership” of a client’s employees and typically prices on a percentage of the gross payroll managed. As such, this model is often referred to as “global payroll” or “global PEO”. EOR providers deliver their services through a combination of proprietary and third-party technology and the use of third-party, local providers, also referred to as In Market Service Providers (“IMSPs”).

## Sector Investment Themes





Since our last deep dive on these sectors, the industries have continued to evolve and key companies have introduced significant innovations in their technology platforms and service offerings. Below are leading trends within these three sectors:

### Creative Expansion of Platforms Provides for Differentiation and PEPM Pricing Support















With the core payroll functionality being very similar across vendors, leading payroll providers have sought to achieve marketplace differentiation by providing clients with superior HR workflow functionality beyond payroll in an effort to enable companies to “run their businesses better”.

As an example, Paycor, a leading modern payroll provider that went public in July 2021, describes its positioning as a “provider of HCM software for SMBs empowering leaders to build winning teams”. Similarly, Paycom uses the banner “one HR and payroll solution for managing employees from recruitment to retiring”. Paylocity has introduced unique communication and collaboration features, branded Community (free) and Community Plus (additional cost) that help companies meet the challenges of ensuring team engagement, retention, and productivity in remote, office, or hybrid work environments. Co-CEO Steve Beauchamp commented, “employees want a personalized experience that is flexible enough to meet their needs and that is why we have built employee experience into every part of the Paylocity platform”. In November 2022, Paychex announced product enhancements to its Paychex Flex line focusing on improvements in talent acquisition (flexible recruiting and hiring), onboarding, and employee retention. This enhanced functionality shortens the amount of time from sourcing candidates to hiring talent thereby reducing employer costs and improving employee satisfaction. Paychex has also introduced a voice-activated payroll tool integrated with Google Assistant.

The good news for HCM private equity investors is that large payroll vendors cannot internally develop every piece of this platform expansion and are using bolt-on acquisitions to fill specific gaps. Our conversations with many well known vendors at the October HR Technology conference validated the view of resurging interest in capability expansion through M&A. Below are select platform expansions which occurred through M&A:

Date	Acquirer	Target	Rationale
Oct. 2022			Talenya is an AI-driven recruiting platform. Talenya’s AI capabilities enable the efficient sourcing of critical roles in reduced time and cost; the company also has diversity-related functionality to assist clients in their DE&I strategies
Sept. 2022	 STONE POINT CAPITAL		Industry changing acquisition with convergence of a PEO and ASO model as well as PrismHR which is the HR technology platform that majority of PEO providers leverage for administration and payroll

Sector Investment Themes (Cont'd)

Date	Acquirer	Target	Rationale
Feb. 2022			Zenefits expands TriNet's PEO product offering to include HR, benefits, employee engagement, payroll and time & attendance for SMBs in an ASO (non-PEO) employee structure
Feb. 2022			SpotCues, produces a mobile communications platform for frontline workforces, who rarely use and often lack corporate email. The platform will be integrated into UKG to streamline employee communications and workflows to keep people engaged and informed
Dec. 2021			With Adam HCM, Ceridian Dayforce will expand its payroll and HCM presence to customers in 33 countries across Central America, South American and the Caribbean
Nov. 2021			The acquisition enables ADP to better serve its clients with complex workforce data and regulatory requirements including those found in the construction, non-profit organizations, manufacturing and professional services industries
Sept. 2021			Great Places to Work ("GPTW") is a leading authority on workplace culture. UKG will offer GPTW's tools to existing and new clients with the goal of integrating data and benchmarking data from the GPTW ecosystem into its HCM solutions for easier access and actionable recommendations in the future
June 2021			EverythingBenefits is a provider of comprehensive benefits technology solutions for SMBs. A partner in the UKG Marketplace, EverythingBenefits will help UKG and benefits brokers with data connectivity between businesses and related insurance and retirement plan sponsors
March 2021			Ceridian expands its presence in Asia Pacific Japan ("APJ") region. Sydney, Australia-based Ascender provides more than 1,200 global brands in APJ bringing Ceridian to more than 2.5 million employees across 30 companies in the APJ region

### Payroll Providers Move Towards On-Demand, Same Day Payroll

Interest in faster, even same day payroll options for employees continues to grow. Also known as earned wage access ("EWA"), same day payroll allows workers to access their pay when they want rather than according to a schedule set by employers. Since the COVID-19 pandemic, the US workforce continues to demand more flexibility from its employers from work environments to pay. Segments of the population, such as those working paycheck to paycheck or without a bank relationship, value the option of getting paid on the same day as the work performed or having access to their funds earlier. Payroll providers are adapting to this demand through the use of third parties, such as private equity-backed DailyPay, Earnin, and PayActiv, or through branded payroll cards which can be used at ATMs for cash withdrawals and anywhere that credit cards are accepted. For example, in November 2022, Paycom announced such a payroll card with the launch of its Visa Payroll Card which claims that employees have access to their pay two days early when enrolling in the program. Ceridian has a similar product, Dayforce Wallet, which is available on its mobile application in partnership with a MasterCard prepaid card. ADP's earned wage access is branded Wisely and is offered in partnership with DailyPay through Visa.

## Sector Investment Themes (Cont'd)

### **Strong Replacement Cycle Demand in Payroll**

Adoption of the Affordable Care Act drove a wave of payroll system decision making (new client sales) in 2014 and 2015. These now aging payroll systems would typically have been considered for replacement after 5 to 7 year periods but were deferred due to the COVID-19 pandemic. Throughout 2020, few companies chose to make system changes as they dealt with internal and client challenges related to the pandemic, further delaying upgrade decisions. This deferral has created the current environment where many companies are reevaluating their payroll solutions and are open to benchmark their status quo vendor against competitor offerings.

### **PEO Industry Remains Highly Fragmented; Opportunity Abounds for PEO Providers**

The PEO industry is highly fragmented with many regionally-focused providers and few very large multi-state providers. Even more fundamentally, adoption and familiarity within the PEO model exists only in a few geographies (e.g. Florida, New York, California, etc.) leaving significant expansion potential. DSP expects to see PEOs who are geographically focused and well versed in their region's specific HR-related regulations to be prized M&A targets by the larger players, including well funded private equity-backed PEOs. After a year of strategic buyers sitting on the sidelines, both public and private equity-backed providers are eager to acquire the platforms that fared well through the pandemic.

### **Increased Demand for Employers of Record**

The use of contingent employees continues to grow; in the U.S. contingent workers represented 35% of the nation's workforce in 2020 <sup>(1)</sup>. Moreover, Staffing Industry Analysts reports that 20-30% of the workforce in APAC consists of contingent employees. DSP expects further growth in EMEA and APAC, new EOR business formations, and adjacent human capital businesses enter the EOR industry as a new service offering.

As the demand for contingent and global workers grows, it's increasingly important that employers are aware of the risks associated with employee misclassification given the complexities of federal and local legal and tax regulations, particularly multi-national companies. For global employers, hiring individuals outside of a company's home country is very complex requiring a local entity in the foreign country and following the local regulations. By outsourcing to a global payroll provider or an EOR which offers a co-employment model similar to a PEO, the compliance burden is reduced. The providers are able to manage the local regulations for employers enabling them to focus on their business and continue hiring the necessary top talent irrespective of their location.

According to Nelson Hall, there are currently 12 leaders in the EOR industry of which 7 have raised institutional capital (mix of equity and debt) which amasses to over \$2.0 billion at strong valuations. The investors entering this industry include sophisticated firms such as Andreessen Horowitz, Accel-KKR, EQT, FFL Partners, Guidepost Growth Equity, Sands Capital, TDR Capital, Tencent, TigerGlobal, TPG Growth, Vista Credit Partners, etc. There are significant expansion opportunities through technological advancement as well as cross-border M&A opportunities as the leading providers are all exploring land grab opportunities.





















### **Changing of the Guards at Payroll Stewards**

ADP and Paychex are by far the two largest providers in the payroll and PEO industry. Combined, the two account for an incredible \$151.2 billion in market capitalization, representing 73.7% of the total sector capitalization. Needless to say, their influence on the industry is significant and by January 2023 both companies will be under new leadership as long time ADP CEO Carlos Rodriguez and Paychex CEO Marty Mucci step aside. Carlos Rodriguez, ADP's CEO since 2011, is to be succeeded by President, Maria Black effective January 1, 2023. Mr. Rodriguez will remain as Executive Chair of ADP's Board of Directors. Marty Mucci, Paychex's CEO since 2010, has been succeeded by President and COO John Gibson who took the post in October 2022. Mr. Mucci will remain as Chairman of Paychex's Board of Directors. Investors should closely watch the initiatives of these two CEOs as both companies are very influential in payroll industry.

Representative Industry Taxonomy

Below is a representative list of leading payroll firms. This list includes six public companies and represents approximately \$195.8 billion of aggregate market capitalization. Of the remaining firms, eight are private equity backed. Paylocity estimates there are over 3,000 regional payroll providers. Younger entrants continue to drive innovation in this industry by moving away from being solely payroll and tax providers to providing broader HR administrative services.

Payroll Providers

Company	Ownership	Headquarters	CEO	Comment
	NYSE:ADP	Roseland, NJ	Carlos Rodriguez	Leading payroll provider paying 1 in 6 private sector payrolls in the US; TotalSource PEO brand exceeds 400,000 WSEs
	NYSE:CDAY	Minneapolis, MN	David Ossip	Global provider of flagship payroll / HCM platform, Dayforce; primarily targets companies with 2,500-25,000 employees
	NASDAQ:PAYX	Rochester, NY	John Gibson	Leading SMB payroll provider
	NYSE: PAYC	Oklahoma City, OK	Chad Richison	Provide HCM solutions for larger mid-market clients; targets companies with 51-5,000 employees
	NASDAQ:PYCR	Cincinnati, OH	Raul Villar Jr.	Mid-market leader with a SaaS HR and payroll offerings for multiple verticals
	NASDAQ:PCTY	Schaumburg, IL	Steve Beauchamp	Leading HCM technology suite and strong client service focus; 92%+ revenue retention
	 Serent CAPITAL	Roswell, GA	Robert Digby	Easy-to-use payroll / HCM solution with metrics driven information through its new Next Employer on the GO experience
	GENERAL  CATALYST	New York, NY	Ronni Zehavi	Leading HR offerings including a Workforce Planning module that delivers a high ROI on people planning
	GENERAL  CATALYST	San Francisco, CA	Joshua Reeves	Highly competitive in the micro market; increasing focus on HR differentiation
	 Tritium PARTNERS	Nashville, TN	Farsheed Ferdowski	Merged with Integrated Payroll and Link HCM in Jan 2022; top 3 privately-held payroll and HR companies in the US
	 AKKR ACCEL-KKR	Charlotte, NC	Mark Duffel	Leading software platform for payroll and tax management
	 Union Square Ventures	New York, NY	Isaac Oates	National PEO and ASO provider; launched Justwork Labs to accelerate product innovation
	STONE POINT CAPITAL	New York, NY	Larry Dunivan	Focus on SMBs; entering PEO market with Vensure & PrismHR merger
	HELLMAN & FRIEDMAN	Weston, FL	Chris Todd	Leading competitor with HCM differentiation; target client sizes of >1,000 employees



Representative Industry Taxonomy (Cont'd)














Below is a representative list of leading PEO firms. This list includes five public companies, of which three (BBSI, Insperity, and TriNet) are considered “pure play” PEO providers, and represents approximately \$9.3 billion of aggregate market value. Of the remaining firms, 10 are private equity backed and 12 are privately held. The industry continues to see significant consolidation as there are over 450 PEO providers not listed below, according to NAPEO.

PEO Providers

Company	Ownership	Headquarters	CEO	Comment
	NYSE:ADP	Roseland, NJ	Carlos Rodriguez	Leading payroll provider paying 1 in 6 private sector payrolls in the US; TotalSource PEO brand exceeds 400,000 WSEs
	NASDAQ:BBSI	Vancouver, WA	Gary Kramer	Pure-play PEO; began as a staffing company
	NYSE:NSP	Houston, TX	Paul Sarvadi	4 <sup>th</sup> largest public PEO / ASO with over 300k WSEs; Workforce Acceleration offering targets traditional payroll / HCM space to then upsell the PEO model
	NASDAQ:PAYX	Rochester, NY	Martin Mucci	Leading SMB payroll provider providing cross-selling opportunities for PEO; acquired Oasis in 2016
	NYSE:TNET	Dublin, CA	Burton Goldfield	Highly successful vertical approach; began with a focus on technology & early-stage firms
		Sunrise, FL	Cristina Bouchard	Growing regional provider able to supplement HR teams and provides leading customer service
		Bradenton, FL	Clinton Burgess	Regional provider with strong presence in the Southeast and Northeast
		Kernersville, NC	Darrin Hunter	Regional provider with strong presence in the South and Midwest
		Hollywood, FL	Jay Starkman	Growing U.S. presence through aggressive M&A strategy
		Houston, TX	John, Allen	Nationwide PEO focused on offering strong benefits and HR tools
		Melville, NY	Andrew Lubash	Regional provider with strong presence in the Northeast
		Honolulu, HI	Ben Godsey	Leading regional provider in Hawaii
		Houston, TX	Jason Randall	Regional provider in the West coast and Midwest
		Chandler, AZ	Alex Campos	Growing presence in the U.S.; acquired PrismHR and Namely for increased offerings & stickiness

Representative Industry Taxonomy (Cont'd)















PEO Providers (Cont'd)

Company	Ownership	Headquarters	CEO	Comment
 TANDEM HR		Chicago, IL	Bruce Leon	Regional provider with strong presence in the Midwest focused on delivering strong client service
 Abel HR	Private	East Windsor, NJ	James Bell Sr.	Regional provider with growing presence in New Jersey; family owned
 ALCOTT HR	Private	Farmingdale, NY	Steven Politis	Growing regional provider focused on customer service and HR solutions
 America's Back Office	Private	Sterling Heights, MI	David Otto	Regional Midwest provider with strong HR admin solutions
 einstein HR	Private	Duluth, GA	Layne Davlin	Regional provider of PEO and ASO services with strong HR offering
 emplicity	Private	Irvine, CA	Vic Tanon	Regional provider with offices nationwide; flexible local solutions
 Extensis	Private	Woodbridge, NJ	Blake Morris	Regional provider with leading HR services including Cloud tools
 focus HR	Private	Tuscon, AZ	Tracy Cole	Regional provider focused on leading customer service
 GMS	Private	Richfield, OH	Mike Kahoe	Nationwide PEO with strong benefits offerings
 INFINITI	Private	Burtonsville, MD	Scott Smrkovski	Growing nationwide PEO sophisticated with technology for entrepreneurs
 LYONS HR	Private	Florence, AL	Bruce Cornutt	Growing regional provider with 10 locations
 Xcel HR	Private	Rockville, MD	Ted Winglass	Regional provider with strong presence in the Northeast

Representative Industry Taxonomy (Cont'd)

Below is a representative list of EOR / global payroll firms. Today, there are no public companies with a significant amount of global payroll services. Since 2019, the industry has gained significant interest from venture capital and private equity firms which has driven high teen EBITDA valuation multiples. This is a sector DSP is closely watching as the emergence of smaller firms worldwide will enable roll up strategies from the industry leaders who have raised institutional capital.

EORs / Global Payroll Providers

Company	Ownership	Headquarters	CEO	Comment
		Fenton, MI	Rick Hammell	Recently raised \$200 million; focused on technology & service expansion
		San Francisco, CA	Alex Bouaziz	Leading global provider with highly scalable compliance platform; \$5.5 billion valuation
		Boston, MA	Robert Cahill	US-based leader with significant scale; focused on small and mid-market
		Tampa, FL	Larry Harding	Global expansion software & services provider; focused on non-contingent and contingent workforces
		Folsom, CA	Kevin Akeroyd	Recently rebranded to better capture the evolution of work; magnetic force drawing people together
		London, UK	Matthew Wilson Guenther Eisenger	Take an approach to act as a legal employer on behalf of its clients globally through its tech platform
		New York, NY	Eynat Guez	Increasingly global payroll provider with a long record of strong capital backing
		King of Prussia, PA	Chuck Miller	Global provider expanding services through strategic M&A strategy
		San Francisco, CA	Job van der Voort	Global payroll provider with talent acquisition capabilities
		Austin, TX	Bjorn Reynolds	Data-rich workforce management platform Global Unity provides end-to-end compliance solutions
		Denver, CO	Benjamin Wright	Largest global EOR in over 185 countries simplifying talent acquisition and talent management
	Private	Sydney, Australia	Peter Oreb	Non-US based EOR with strong technology compliance platform
	Private	York, UK	Ann Ellis	Offers full suite of EOR services and consulting services
	Private	London, UK	Tatjana Domovits	HR Blizz proprietary platform provides services for SMBs and enterprise companies across 160 countries

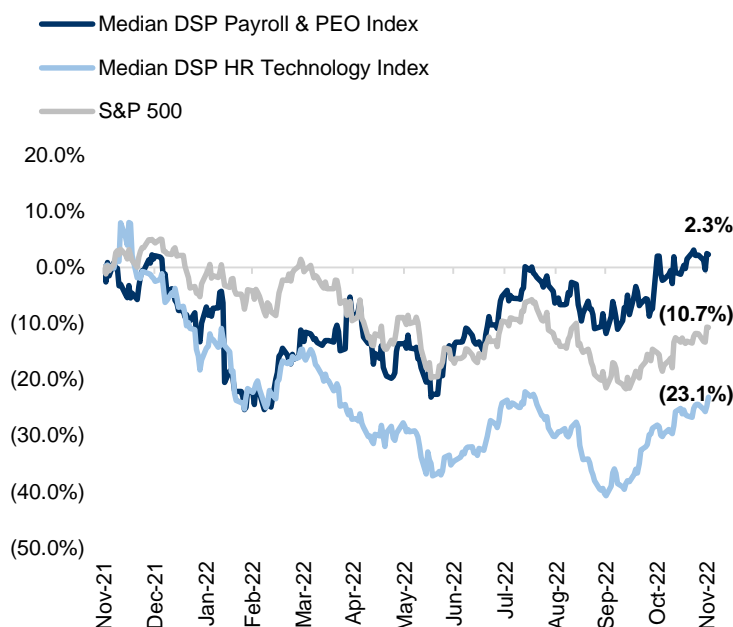


Public Company Market Performance & Valuations <sup>(2)</sup>

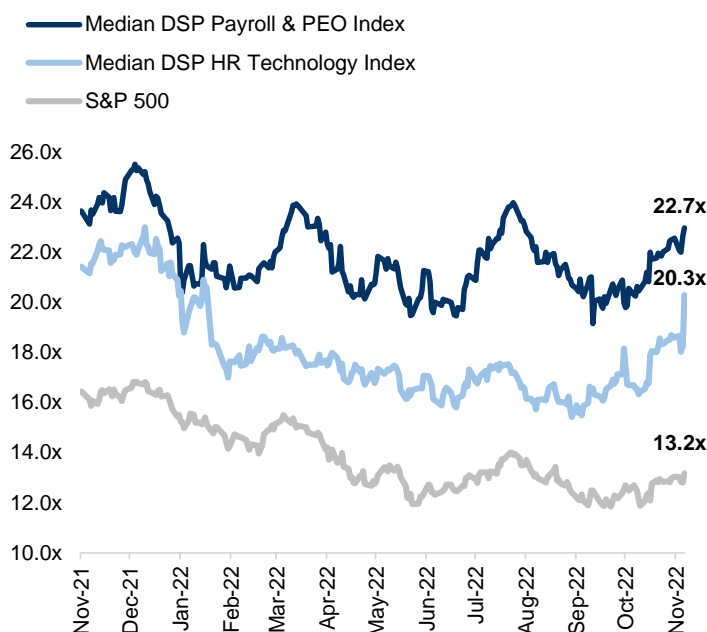
When observing public market trends, DSP benchmarks the Payroll & PEO Index relative to DSP's HR Technology Index, which includes non-payroll related HR platforms, and the S&P 500. The 1-year DSP Payroll & PEO Index returns outperformed the S&P 500 and DSP HR Technology Index by 13.0% and 25.4%, respectively. Notably, on the key metrics of EBITDA margin and revenue growth rates, the payroll providers strongly outperform both the PEO only and HR Technology providers. The year-over-year increase highlights the sector's resilience and continued strong demand. The primary factors driving fluctuation include overall market declines and recession concerns. The DSP Payroll & PEO Index median forward 2023 EV / Revenue and EV / EBITDA multiples are 27.8x and 9.7x, respectively, materially outperforming the other comparable groups.

The 4-year respective index returns, showcasing pre and post-COVID performance, indicate that each index has returned and / or exceeded pre-COVID levels.

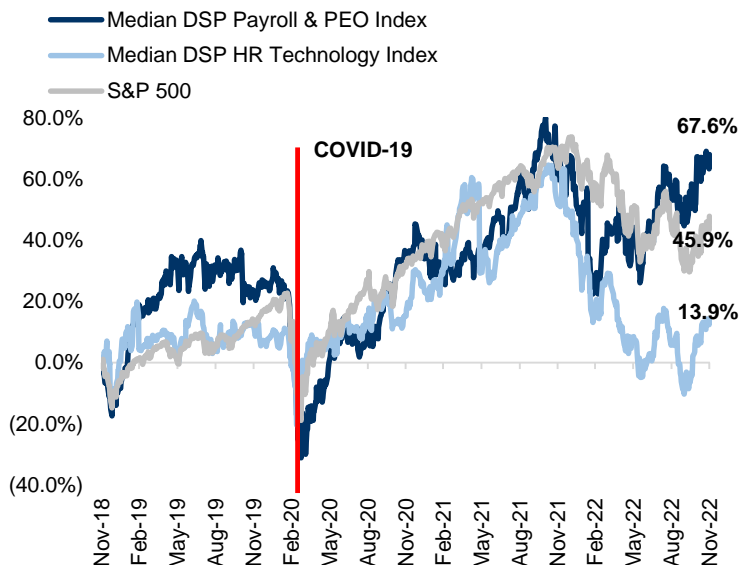
1-Year Stock Performance



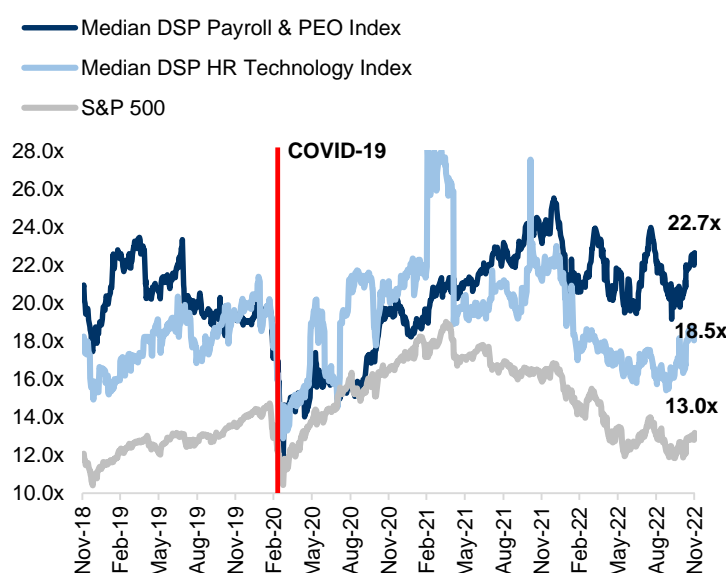
1-Year EV / LTM EBITDA Multiple <sup>(3)</sup>



4-Year Stock Performance



4-Year EV / LTM EBITDA Multiple <sup>(3)</sup>



Public Company Market Performance & Valuations (Cont'd) <sup>(2)</sup>

Comparable Company Analysis: Sorted by 2023 EV / EBITDA Multiple

PAYROLL & PEO PROVIDERS	STOCK PERFORMANCE AND COMPANY DATA					MARGINS		GROWTH		VALUATION DATA				
	Price 12/8/2022	30 Day % Change	YTD % Change	Market Value (\$mm)	Enterprise Value (\$mm)	Gross Profit % Margin	EBITDA LTM % Margin	5-Yr Rev CAGR	3-Yr Rev CAGR	EV / Rev LTM	EV / EBITDA		P / E	
Company											LTM	2023	2022	2023
Ceridian HCM Holding Inc.	\$65.82	13.4%	(37.1%)	\$10,109.6	\$10,961.3	43.6%	3.5%	12.8%	14.4%	9.2x	N.M.	37.9x	99.7x	70.2x
Paylocity Holding Corporation	204.76	1.1%	(14.0%)	11,399.8	11,409.7	66.8%	11.7%	23.5%	22.7%	12.3x	N.M.	30.1x	74.2x	46.7x
Paycor HCM Inc.	26.69	1.9%	(9.5%)	4,693.6	4,625.2	63.6%	(4.4%)	N.A.	N.A.	10.2x	N.M.	29.4x	N.M.	80.9x
Paycom Software, Inc.	318.76	4.6%	(23.7%)	18,445.5	18,157.4	89.1%	47.2%	25.9%	23.0%	16.3x	34.6x	26.1x	54.0x	43.4x
Automatic Data Processing, Inc.	260.05	6.1%	5.9%	107,876.0	110,238.1	45.4%	26.7%	5.9%	5.6%	6.5x	24.5x	21.7x	35.7x	30.4x
Paychex, Inc.	120.16	2.7%	(11.9%)	43,305.7	42,954.8	70.5%	44.0%	8.0%	N.A.	9.1x	20.6x	18.8x	31.9x	27.9x
Insperty, Inc.	115.72	0.5%	(1.5%)	4,389.8	4,218.2	16.4%	4.3%	12.5%	11.3%	0.7x	17.3x	12.0x	21.8x	20.8x
TriNet Group, Inc.	68.35	2.7%	(28.5%)	4,234.1	4,237.1	22.6%	12.2%	(16.2%)	(29.4%)	0.9x	7.1x	8.3x	11.0x	12.7x
Barrett Business Services, Inc.	94.62	(0.2%)	36.9%	658.7	548.9	22.1%	5.9%	2.8%	3.9%	0.5x	9.0x	7.9x	14.6x	13.5x
Overall Group Mean		3.6%	(9.3%)	\$22,790.3	\$23,039.0	48.9%	16.8%	9.4%	7.4%	7.3x	18.8x	21.4x	42.9x	38.5x
Overall Group Median		2.7%	(11.9%)	10,109.6	10,961.3	45.4%	11.7%	10.3%	11.3%	9.1x	18.9x	21.7x	33.8x	30.4x
Overall Group Max		13.4%	36.9%	107,876.0	110,238.1	89.1%	47.2%	25.9%	23.0%	16.3x	34.6x	37.9x	99.7x	80.9x
Overall Group Min		(0.2%)	(37.1%)	658.7	548.9	16.4%	(4.4%)	(16.2%)	(29.4%)	0.5x	7.1x	7.9x	11.0x	12.7x

Payroll Providers Only (All Except BBSI, Insperty, TriNet)

Overall Group Mean		5.0%	(15.0%)	\$32,638.4	\$33,057.7	63.2%	21.4%	5.4%	0.8%	10.6x	26.6x	27.3x	59.1x	49.9x
Overall Group Median		3.6%	(13.0%)	14,922.6	14,783.5	65.2%	19.2%	9.1%	7.4%	9.7x	24.5x	27.8x	54.0x	45.1x
Overall Group Max		13.4%	5.9%	107,876.0	110,238.1	89.1%	47.2%	25.9%	23.0%	16.3x	34.6x	37.9x	99.7x	80.9x
Overall Group Min		1.1%	(37.1%)	4,693.6	4,625.2	43.6%	(4.4%)	(16.2%)	(29.4%)	6.5x	20.6x	18.8x	31.9x	27.9x

PEO Providers Only (BBSI, Insperty, TriNet)

Overall Group Mean		1.0%	2.3%	\$3,094.2	\$3,001.4	20.4%	7.5%	8.7%	5.8%	0.7x	11.1x	9.4x	15.8x	15.6x
Overall Group Median		0.5%	(1.5%)	4,234.1	4,218.2	22.1%	5.9%	9.8%	11.3%	0.7x	9.0x	8.3x	14.6x	13.5x
Overall Group Max		2.7%	36.9%	4,389.8	4,237.1	22.6%	12.2%	25.9%	23.0%	0.9x	17.3x	12.0x	21.8x	20.8x
Overall Group Min		(0.2%)	(28.5%)	658.7	548.9	16.4%	4.3%	(16.2%)	(29.4%)	0.5x	7.1x	7.9x	11.0x	12.7x

RELATED HR TECHNOLOGY	STOCK PERFORMANCE AND COMPANY DATA					MARGINS		GROWTH		VALUATION DATA				
	Price 12/8/2022	30 Day % Change	YTD % Change	Market Value (\$mm)	Enterprise Value (\$mm)	Gross Profit % Margin	EBITDA LTM % Margin	5-Yr Rev CAGR	3-Yr Rev CAGR	EV / Rev LTM	EV / EBITDA		P / E	
Company											LTM	2023	2022	2023
Workday, Inc.	\$169.33	20.8%	(38.8%)	\$43,520.5	\$41,289.7	72.2%	2.2%	23.7%	19.6%	6.9x	N.M.	21.4x	47.8x	36.1x
Intuit Inc.	405.36	6.0%	(37.0%)	113,875.9	118,752.9	81.2%	24.0%	18.7%	23.0%	8.9x	37.2x	20.6x	36.3x	27.9x
The Sage Group plc	9.56	13.9%	(17.0%)	9,705.3	10,601.1	92.9%	21.7%	1.7%	(0.5%)	4.3x	19.6x	16.5x	28.2x	26.0x
Oracle Corporation	80.07	5.9%	(9.0%)	215,882.0	296,665.0	77.8%	41.7%	3.3%	4.9%	6.7x	16.1x	13.0x	16.7x	15.5x
Benefitfocus, Inc.	10.40	0.3%	(1.0%)	358.6	579.2	50.3%	3.3%	1.3%	(5.0%)	2.3x	71.3x	12.9x	N.A.	N.M.
SAP SE	107.97	8.9%	(23.6%)	120,488.2	124,536.9	72.1%	20.9%	4.2%	1.9%	3.8x	18.0x	11.0x	23.0x	18.9x
Recruit Holdings Co., Ltd.	30.88	(1.8%)	(49.0%)	49,421.5	44,468.2	58.3%	15.7%	5.0%	3.9%	1.7x	10.9x	10.7x	N.A.	N.A.
ZipRecruiter, Inc.	16.09	8.7%	(36.6%)	1,772.9	1,664.5	90.7%	10.7%	N.A.	28.0%	1.8x	17.0x	8.3x	15.0x	12.3x
Overall Group Mean		7.8%	(26.5%)	\$69,378.1	\$79,819.7	74.5%	17.5%	8.3%	9.4%	4.6x	27.2x	14.3x	27.9x	22.8x
Overall Group Median		7.3%	(30.1%)	46,471.0	42,878.9	75.0%	18.3%	4.2%	4.4%	4.0x	18.0x	13.0x	25.6x	22.4x
Overall Group Max		20.8%	(1.0%)	215,882.0	296,665.0	92.9%	41.7%	23.7%	28.0%	8.9x	71.3x	21.4x	47.8x	36.1x
Overall Group Min		(1.8%)	(49.0%)	358.6	579.2	50.3%	2.2%	1.3%	(5.0%)	1.7x	10.9x	8.3x	15.0x	12.3x

Public Company Market Performance & Valuations (Cont'd) (2)

Comparable Company Analysis: Sorted by Gross Margin

PAYROLL & PEO PROVIDERS	STOCK PERFORMANCE AND COMPANY DATA					MARGINS		GROWTH		VALUATION DATA				
	Price 12/8/2022	30 Day % Change	YTD % Change	Market Value (\$mm)	Enterprise Value (\$mm)	Gross Profit % Margin	EBITDA LTM % Margin	5-Yr Rev CAGR	3-Yr Rev CAGR	EV / Rev LTM	EV / EBITDA LTM	2023	2022	P / E
Company														
Paycom Software, Inc.	\$318.76	4.6%	(23.7%)	\$18,445.5	\$18,157.4	89.1%	30.4%	25.9%	23.0%	16.3x	46.4x	26.1x	54.0x	43.4x
Paychex, Inc.	120.16	2.7%	(11.9%)	43,305.7	42,954.8	70.5%	44.0%	8.0%	5.1%	9.1x	20.6x	18.8x	31.9x	27.9x
Paylocity Holding Corporation	204.76	1.1%	(14.0%)	11,399.8	11,409.7	66.8%	11.7%	23.5%	22.7%	12.3x	N.M.	30.1x	74.2x	46.7x
Paycor HCM, Inc.	26.69	1.9%	(9.5%)	4,693.6	4,625.2	63.6%	(4.4%)	N.A.	N.A.	10.2x	N.M.	29.4x	N.M.	80.9x
Automatic Data Processing, Inc.	260.05	6.1%	5.9%	107,876.0	110,238.1	45.4%	26.7%	5.9%	5.6%	6.5x	24.5x	21.7x	35.7x	30.4x
Ceridian HCM Holding Inc.	65.82	13.4%	(37.1%)	10,109.6	10,961.3	43.6%	3.5%	12.8%	14.4%	9.2x	N.M.	37.9x	99.7x	70.2x
TriNet Group, Inc.	68.35	2.7%	(28.5%)	4,234.1	4,237.1	22.6%	12.2%	(16.2%)	(29.4%)	0.9x	7.1x	8.3x	11.0x	12.7x
Barrett Business Services, Inc.	94.62	(0.2%)	36.9%	658.7	548.9	22.1%	5.9%	2.8%	3.9%	0.5x	9.0x	7.9x	14.6x	13.5x
Inspireity, Inc.	115.72	0.5%	(1.5%)	4,389.8	4,218.2	16.4%	4.3%	12.5%	11.3%	0.7x	17.3x	12.0x	21.8x	20.8x
Overall Group Mean		3.6%	(9.3%)	\$22,790.3	\$23,039.0	48.9%	14.9%	9.4%	7.1%	7.3x	20.8x	21.4x	42.9x	38.5x
Overall Group Median		2.7%	(11.9%)	10,109.6	10,961.3	45.4%	11.7%	10.3%	8.5%	9.1x	18.9x	21.7x	33.8x	30.4x
Overall Group Max		13.4%	36.9%	107,876.0	110,238.1	89.1%	44.0%	25.9%	23.0%	16.3x	46.4x	37.9x	99.7x	80.9x
Overall Group Min		(0.2%)	(37.1%)	658.7	548.9	16.4%	(4.4%)	(16.2%)	(29.4%)	0.5x	7.1x	7.9x	11.0x	12.7x
<i>Payroll Providers Only (All Except BBSI, Inspireity, TriNet)</i>														
Overall Group Mean		5.0%	(15.0%)	\$32,638.4	\$33,057.7	63.2%	18.6%	5.8%	1.3%	10.6x	30.5x	27.3x	59.1x	49.9x
Overall Group Median		3.6%	(13.0%)	14,922.6	14,783.5	65.2%	19.2%	9.6%	7.4%	9.7x	24.5x	27.8x	54.0x	45.1x
Overall Group Max		13.4%	5.9%	107,876.0	110,238.1	89.1%	44.0%	25.9%	23.0%	16.3x	46.4x	37.9x	99.7x	80.9x
Overall Group Min		1.1%	(37.1%)	4,693.6	4,625.2	43.6%	(4.4%)	(16.2%)	(29.4%)	6.5x	20.6x	18.8x	31.9x	27.9x
<i>PEO Providers Only (BBSI, Inspireity, TriNet)</i>														
Overall Group Mean		1.0%	2.3%	\$3,094.2	\$3,001.4	20.4%	7.5%	8.7%	5.5%	0.7x	11.1x	9.4x	15.8x	15.6x
Overall Group Median		0.5%	(1.5%)	4,234.1	4,218.2	22.1%	5.9%	9.8%	7.8%	0.7x	9.0x	8.3x	14.6x	13.5x
Overall Group Max		2.7%	36.9%	4,389.8	4,237.1	22.6%	12.2%	25.9%	23.0%	0.9x	17.3x	12.0x	21.8x	20.8x
Overall Group Min		(0.2%)	(28.5%)	658.7	548.9	16.4%	4.3%	(16.2%)	(29.4%)	0.5x	7.1x	7.9x	11.0x	12.7x
<b>RELATED HR TECHNOLOGY</b>														
Company	STOCK PERFORMANCE AND COMPANY DATA					MARGINS		GROWTH		VALUATION DATA				
	Price 12/8/2022	30 Day % Change	YTD % Change	Market Value (\$mm)	Enterprise Value (\$mm)	Gross Profit % Margin	EBITDA LTM % Margin	5-Yr Rev CAGR	3-Yr Rev CAGR	EV / Rev LTM	EV / EBITDA LTM	2023	2022	P / E
The Sage Group plc	\$9.56	13.9%	(17.0%)	\$9,705.3	\$10,601.1	92.9%	21.7%	1.7%	(0.5%)	4.3x	19.6x	16.5x	28.2x	26.0x
Intuit Inc.	405.36	6.0%	(37.0%)	113,875.9	118,752.9	81.2%	24.0%	18.7%	23.0%	8.9x	37.2x	20.6x	36.3x	27.9x
ZipRecruiter, Inc.	16.09	8.7%	(36.6%)	1,772.9	1,664.5	90.7%	10.7%	N.A.	28.0%	0.7x	17.0x	8.3x	15.0x	12.3x
Oracle Corporation	80.07	5.9%	(9.0%)	215,882.0	296,665.0	77.8%	41.7%	3.3%	4.9%	6.7x	16.1x	13.0x	16.7x	15.5x
Workday, Inc.	169.33	20.8%	(38.8%)	43,520.5	41,289.7	72.2%	2.2%	23.7%	19.6%	6.9x	N.M.	21.4x	47.8x	36.1x
SAP SE	107.97	8.9%	(23.6%)	120,488.2	124,536.9	72.1%	20.9%	4.2%	1.9%	3.8x	18.0x	11.0x	23.0x	18.9x
Recruit Holdings Co., Ltd.	30.88	(1.8%)	(49.0%)	49,421.5	44,468.2	58.3%	15.7%	5.0%	3.9%	1.7x	10.9x	10.7x	N.A.	N.A.
Benefitfocus, Inc.	10.40	0.3%	(1.0%)	358.6	579.2	50.3%	3.3%	1.3%	(5.0%)	2.3x	71.3x	12.9x	N.A.	N.M.
Overall Group Mean		7.8%	(26.5%)	\$69,378.1	\$79,819.7	74.5%	17.5%	8.3%	9.4%	4.4x	27.2x	14.3x	27.9x	22.8x
Overall Group Median		7.3%	(30.1%)	46,471.0	42,878.9	75.0%	18.3%	4.2%	4.4%	4.0x	18.0x	13.0x	25.6x	22.4x
Overall Group Max		20.8%	(1.0%)	215,882.0	296,665.0	92.9%	41.7%	23.7%	28.0%	8.9x	71.3x	21.4x	47.8x	36.1x
Overall Group Min		(1.8%)	(49.0%)	358.6	579.2	50.3%	2.2%	1.3%	(5.0%)	0.7x	10.9x	8.3x	15.0x	12.3x

Note: Gross Profit for PEO providers is traditionally a proxy for Net Revenue or gross billings less costs related to WSEs such as payroll taxes, benefits, and workers compensation.

Public Company Profile: Automatic Data Processing (NYSE:ADP)

Company Overview

- ADP is a provider of traditional payroll / ASO services as well as PEO and dealer services. The company offers payroll services, benefits administration, time and attendance management, compliance solutions, and more
- The company continues to expand its product offerings, both organically and through M&A, to build a total talent workforce management platform
- ADP has completed three acquisitions since 2020

Public Market Overview (\$ in millions, except per share data)

<b>Stock Price (as of 12/8/22)</b>	\$260.05			
52 Week High / Stock Price %	270.88	96.0%		
52 Week Low / Stock Price %	192.26	135.3%		
<b>Market Value</b>	\$107,876.0			
<b>Enterprise Value</b>	\$110,238.1			

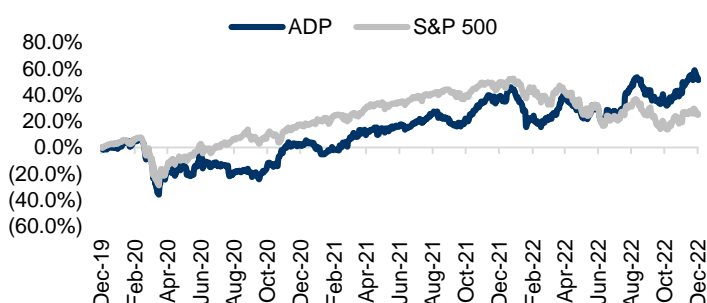
  

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>
Revenue	\$14,473.0	\$14,591.0	\$15,697.0	\$16,426.0
% Growth	4.8%	0.8%	7.6%	4.6%
EBITDA	3,798.0	3,838.0	4,094.0	4,258.0
EBITDA Margin %	26.2%	26.3%	26.1%	25.9%

Select Transaction History

- July 2018 – **Celergo** – Provider of payroll management services including data management, new hires and terminations, audit of payroll changes, treasury management, and more
- January 2018 – **WorkMarket** – Solution provider for managing a freelance workforce for SMB and enterprise companies from organizing and vetting freelancers to managing payments and tracking key metrics

3-Year Stock Price Returns



Public Company Profile: Barret Business Services Inc. (NASDAQ:BBSI)

Company Overview

- BBSI is a provider of PEO and business management solutions for SMBs which integrates a knowledge-based approach
- The company was founded as a staffing firm in 1972 and has evolved into a PEO with a local support model
- BBSI has completed no acquisitions since 2020

Public Market Overview (\$ in millions, except per share data)

<b>Stock Price (as of 12/8/22)</b>	\$94.62			
52 Week High / Stock Price %	100.79	93.9%		
52 Week Low / Stock Price %	57.76	163.8%		
<b>Market Value</b>	\$658.7			
<b>Enterprise Value</b>	\$548.9			

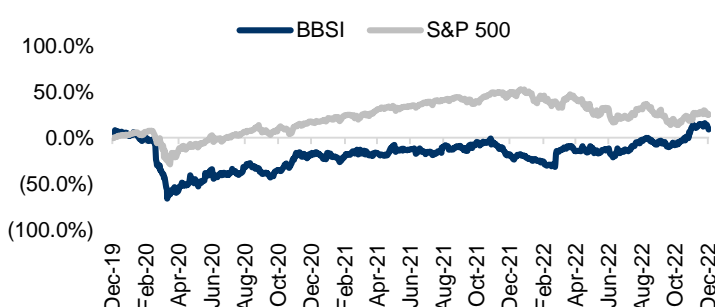
  

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>
Revenue	\$942.0	\$881.0	\$955.0	\$1,056.6
% Growth	0.1%	(6.5%)	8.4%	10.6%
EBITDA	54.0	40.0	47.0	62.0
EBITDA Margin %	5.7%	4.5%	4.9%	5.9%

Select Transaction History

- February 2008 – **First Employment Services** – Provider of permanent, temporary, and temporary to permanent staffing solutions
- July 2007 – **Strategic Staffing** – Provider of mid-market staffing solutions in Utah focused on sales, marketing, management, accounting, light industrial, and technical positions

3-Year Stock Price Returns



Public Company Profile: Insperty Inc. (NYSE:NSP)

Company Overview

- Insperty is a provider of traditional payroll / ASO services as well as PEO services through two major brands: Workforce Optimization and Workforce Synchronization
- The company primarily services SMB clients in the professional services, financial, and information technology sectors
- Insperty has completed no acquisitions since 2020

Public Market Overview (\$ in millions, except per share data)

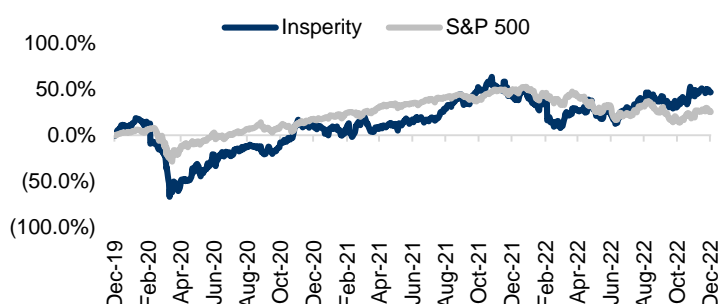
Stock Price (as of 12/8/22)	\$115.72	
52 Week High / Stock Price %	121.75	95.0%
52 Week Low / Stock Price %	83.94	137.9%
Market Value	\$4,389.8	
Enterprise Value	\$4,218.2	

	2019	2020	2021	2022E
Revenue	\$4,315.0	\$4,287.0	\$4,973.0	\$5,997.9
% Growth	12.7%	(0.6%)	16.0%	20.6%
EBITDA	208.0	217.0	201.0	319.0
EBITDA Margin %	4.8%	5.1%	4.0%	5.3%

Select Transaction History

- July 2010 – **Galaxy Technologies** – Provider of a labor and workforce management platform for SMBs with a focus on mid-market businesses and industries
- June 2010 – **ExpensAble** – Provider of expense report management solutions to enterprises

3-Year Stock Price Returns



Public Company Profile: Paychex Inc. (NASDAQ:PAYX)

Company Overview

- Paychex is a provider of traditional payroll / ASO services, PEO services, benefits and insurance services
- The company entered the PEO industry through its acquisition of Oasis Outsourcing Group Holdings LP in 2018, a then privately owned PEO and provider of HR outsourcing services
- Paychex has completed one acquisition since 2020

Public Market Overview (\$ in millions, except per share data)

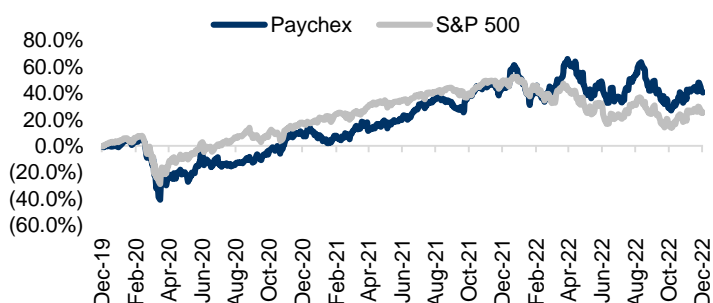
Stock Price (as of 12/8/22)	\$120.16	
52 Week High / Stock Price %	141.92	84.7%
52 Week Low / Stock Price %	105.66	113.7%
Market Value	\$43,305.7	
Enterprise Value	\$42,954.8	

	2019	2020	2021	2022E
Revenue	\$4,034.0	\$3,974.0	\$4,332.0	\$4,569.5
% Growth	19.4%	(1.5%)	9.0%	5.5%
EBITDA	1,657.0	1,632.0	1,869.0	2,029.0
EBITDA Margin %	41.1%	41.1%	43.1%	44.4%

Select Transaction History

- October 2021 – **Flock IS** – Provider of a benefits enrollment and administration, onboarding, and HR information system for companies
- December 2018 – **Oasis Outsourcing** – Provider of PEO services including payroll administration, health and other insurance, supplemental benefits, and various HR services

3-Year Stock Price Returns





Public Company Profile: TriNet Inc. (NYSE:TNET)

Company Overview

- TriNet provides HR solutions, payroll services, employee benefits, and employment risk mitigation services for SMBs
- To increase growth, the company has expanded its vertical practices beyond information technology to a breadth of 12 verticals
- TriNet has completed four acquisitions since 2020

Public Market Overview (\$ in millions, except per share data)

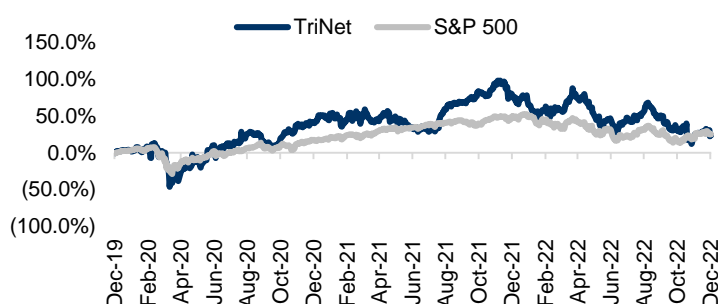
Stock Price (as of 12/8/22)	\$68.35	
52 Week High / Stock Price %	103.36	66.1%
52 Week Low / Stock Price %	60.61	112.8%
Market Value	\$4,234.1	
Enterprise Value	\$4,237.1	

	2019	2020	2021	2022E
Revenue	\$3,856.0	\$4,034.0	\$4,540.0	\$4,836.0
% Growth	10.1%	4.6%	12.5%	6.5%
EBITDA	296.0	404.0	511.0	571.0
EBITDA Margin %	7.7%	10.0%	11.3%	11.8%

Select Transaction History

- September 2022 – **Clarus R&D Solutions** – Provider of a cloud-based tax software delivering access, compliance, and clarity for federal and state R&D tax credits
- February 2022 – **Zenefits** – Online digital human resources management platform for SMBs providing payroll, benefits, advisory services, time tracking, and compliance solutions

3-Year Stock Price Returns



Public Company Profile: Ceridian HCM Holdings Inc. (NYSE:CDAY)

Company Overview

- Ceridian HCM is a payroll and human resource service provider which includes various HR services such as payroll processing, tax filing, electronic payment processing, and benefits administration
- The company continues to introduce services which increase workforce management, as evidenced by its acquisition of Ideal
- Ceridian has completed six acquisitions since 2020

Public Market Overview (\$ in millions, except per share data)

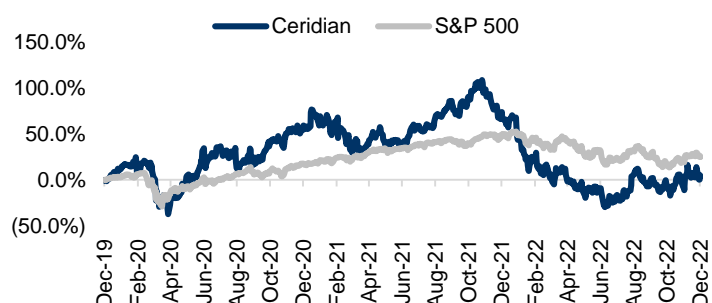
Stock Price (as of 12/8/22)	\$65.82	
52 Week High / Stock Price %	109.18	60.3%
52 Week Low / Stock Price %	43.23	152.3%
Market Value	\$10,109.6	
Enterprise Value	\$10,961.3	

	2019	2020	2021	2022E
Revenue	\$824.0	\$842.5	\$1,024.2	\$1,228.0
% Growth	11.2%	2.2%	21.6%	19.9%
EBITDA	96.0	60.0	11.0	218.0
EBITDA Margin %	11.7%	7.1%	1.1%	17.8%

Select Transaction History

- April 2021 – **Ideal** – Provider of an AI-based recruitment automation software which screens resumes, uncovers past applicants for new roles, and initiates candidate outreach within an incumbent HR system
- March 2021 – **Ascender** – Provider of payroll and HR software solutions for various industries in the Asia Pacific region

3-Year Stock Price Returns



Public Company Profile: Paycom Inc. (NYSE:PAYC)

Company Overview

- Paycom is a cloud-based human capital management solution delivered as a SaaS service for SMBs
- The company offers data analytics to businesses who need to manage the employment life cycle from recruitment to retirement
- Paycom has completed no acquisitions since 2020

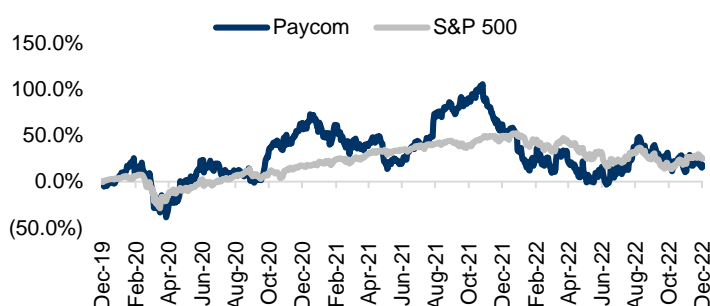
Public Market Overview (\$ in millions, except per share data)

<b>Stock Price (as of 12/8/22)</b>	\$318.76			
52 Week High / Stock Price %	437.63	72.8%		
52 Week Low / Stock Price %	255.82	124.6%		
<b>Market Value</b>	\$18,445.5			
<b>Enterprise Value</b>	\$18,157.4			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>
Revenue	\$738.0	\$841.0	\$1,056.0	\$1,355.0
% Growth	30.4%	14.0%	25.6%	28.3%
EBITDA	249.0	212.0	284.0	547.0
EBITDA Margin %	33.7%	25.2%	26.9%	40.4%

Select Transaction History

- N.A.

3-Year Stock Price Returns



Public Company Profile: Paycor HCM Services Inc. (NASDAQ:PYCR)

Company Overview

- Paycor is a SaaS human capital management solution which streamlines workforce functions such as payroll workflows, employee onboarding, expense management, employee recognition, etc. for SMBs
- The company is continuing to enhance its workforce management and benefits offerings
- Paycor has completed one acquisition since 2020 and went public in July 2021

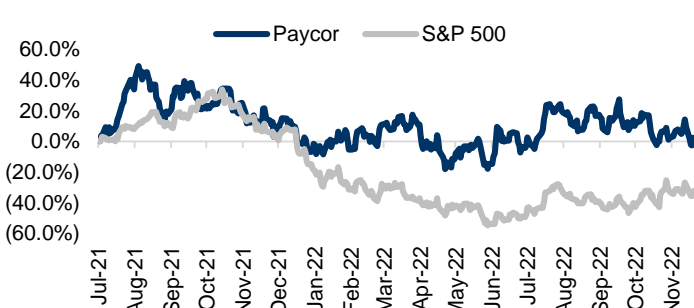
Public Market Overview (\$ in millions, except per share data)

<b>Stock Price (as of 12/8/22)</b>	\$26.69			
52 Week High / Stock Price %	34.95	76.4%		
52 Week Low / Stock Price %	20.14	132.5%		
<b>Market Value</b>	\$4,693.6			
<b>Enterprise Value</b>	\$4,625.2			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>
Revenue	N.A	\$334.2	\$382.1	\$458.0
% Growth	N.A	N.A	14.4%	19.9%
EBITDA	N.A	50.0	94.0	109.0
EBITDA Margin %	N.A	15.0%	24.6%	23.8%

Select Transaction History

- September 2020 – **Paltech Solutions** – Provider of HR performance management solutions enabling companies to use objective and key results based goal tracking, employee surveys, and analytics for everyday decisions
- May 2019 – **Nimble Software Systems** – Provider of a cloud-based employee scheduling and time clocking software streamlining workforce management operations

2-Year Stock Price Returns



Public Company Profile: Paylocity Inc. (NASDAQ:PCTY)

Company Overview

- Paylocity is a cloud-based HCM and payroll software company providing payroll and tax services as well as ancillary services such as expense management, on-demand payments, and employee benefits management
- The company is enhancing its talent management solutions comprising of recruiting and onboarding, learning, and employee experience solutions
- Paylocity has completed four acquisitions since 2020

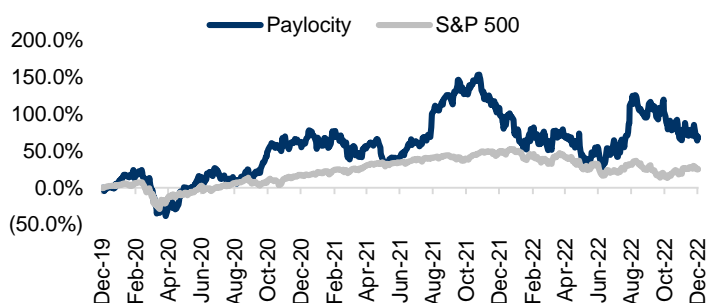
Public Market Overview (\$ in millions, except per share data)

Stock Price (as of 12/8/22)	\$204.76			
52 Week High / Stock Price %	276.88	74.0%		
52 Week Low / Stock Price %	152.01	134.7%		
Market Value	\$11,399.8			
Enterprise Value	\$11,409.7			
	2019	2020	2021	2022E
Revenue	\$519.0	\$585.0	\$731.0	\$953.0
% Growth	0.2%	12.7%	25.0%	30.4%
EBITDA	75.0	82.0	98.0	252.0
EBITDA Margin %	14.5%	14.0%	13.4%	26.4%

Select Transaction History

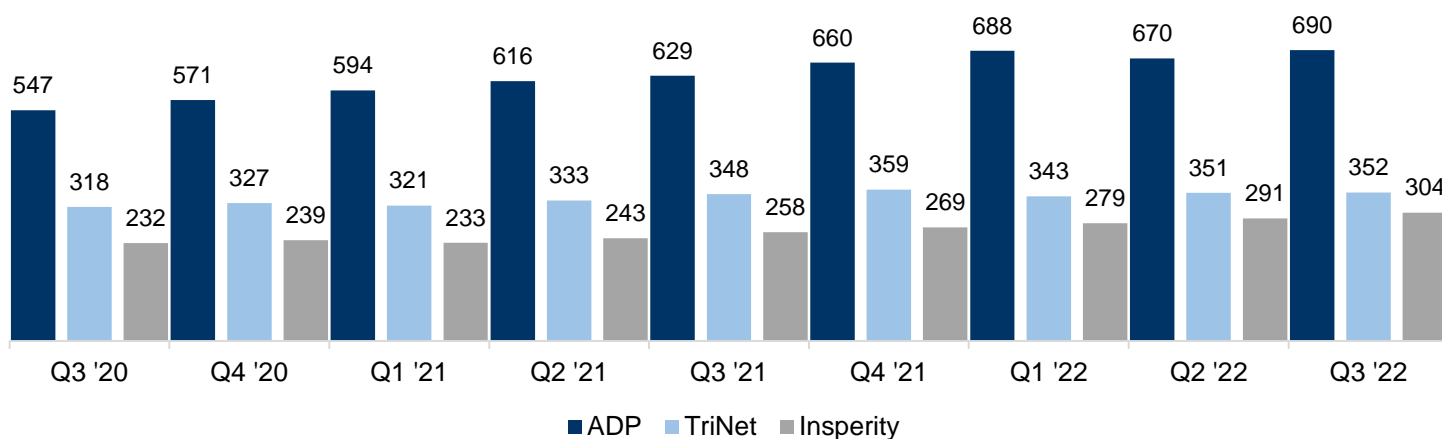
- January 2022 – **Cloudsnap** – Provider of an Integrated Platform-as-a-Service solution allowing developers to build software applications with functionality from third-party services
- August 2021 – **Bluemarble Payroll** – Provider of cloud-based payroll software with tax and human resources services

3-Year Stock Price Returns

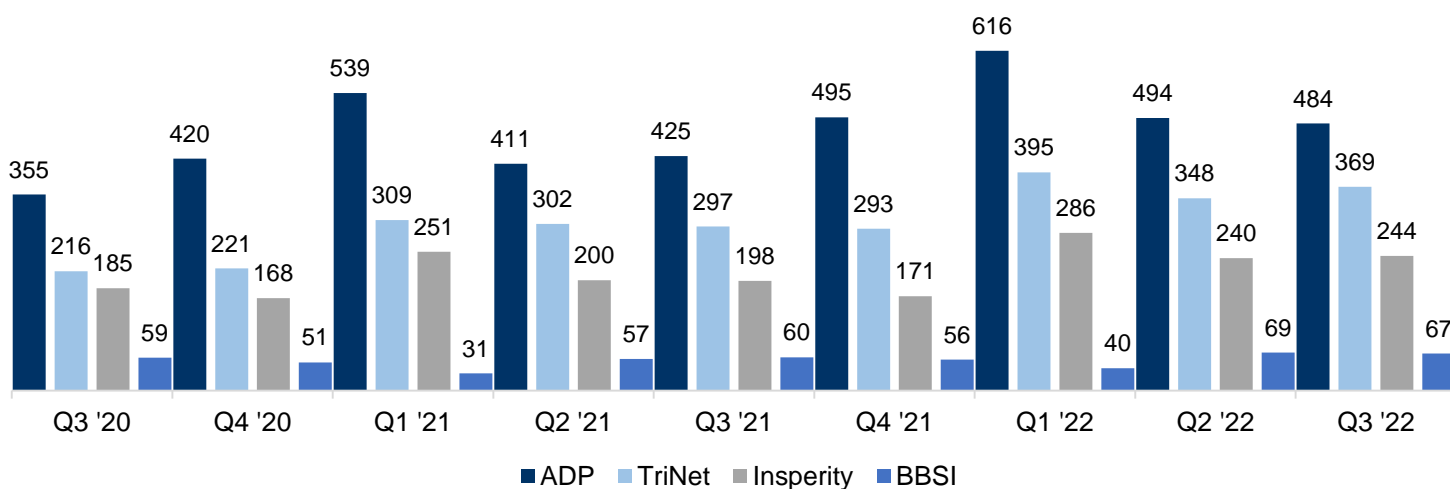


PEO Indicators

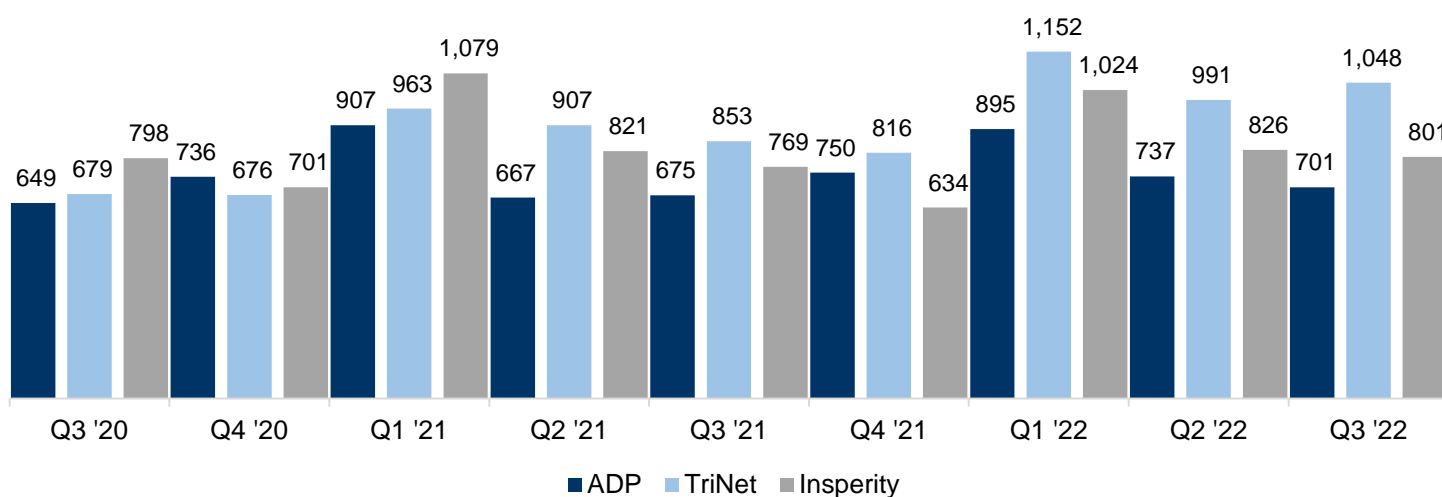
WSE Trends (in 000s)



Net Revenue (\$ in millions) <sup>(4)</sup>

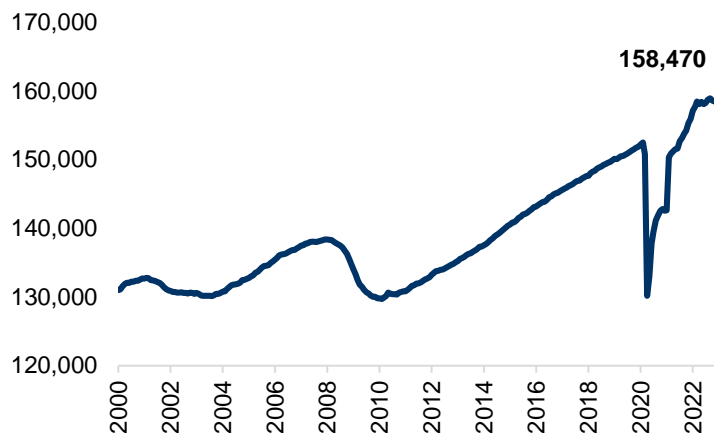


Net Revenue per WSE (\$ in actuals)

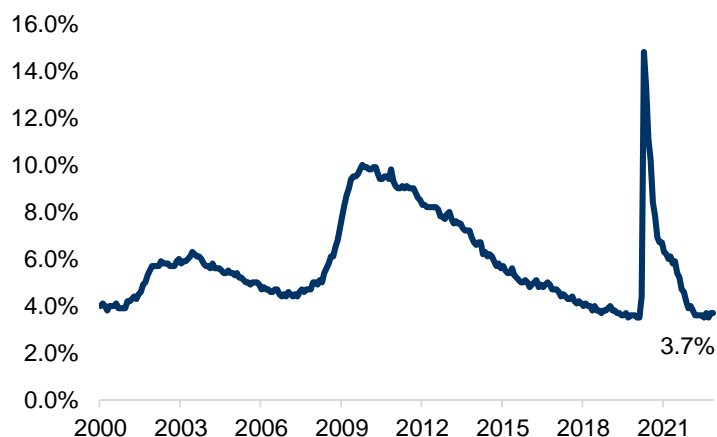


Economic Indicators

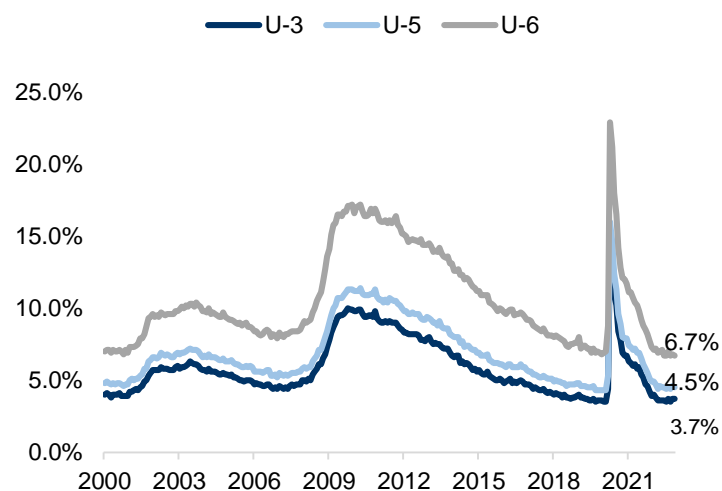
Employment Level (U-3) <sup>(5)</sup>



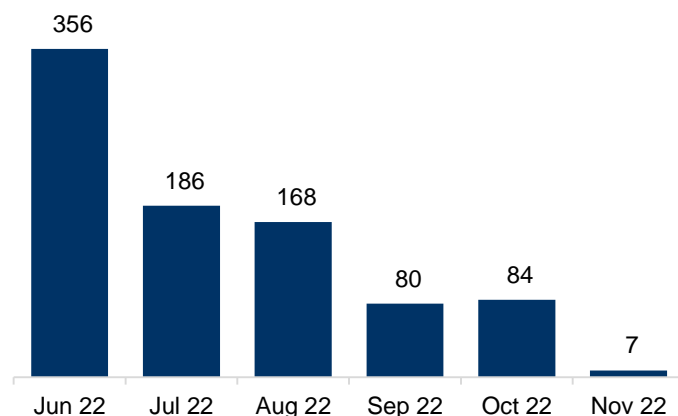
U.S. Unemployment Rate (U-3) <sup>(6)</sup>



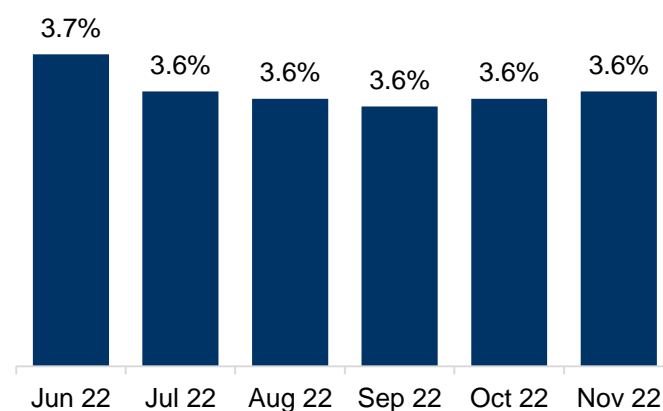
Labor Underutilization <sup>(7)</sup>



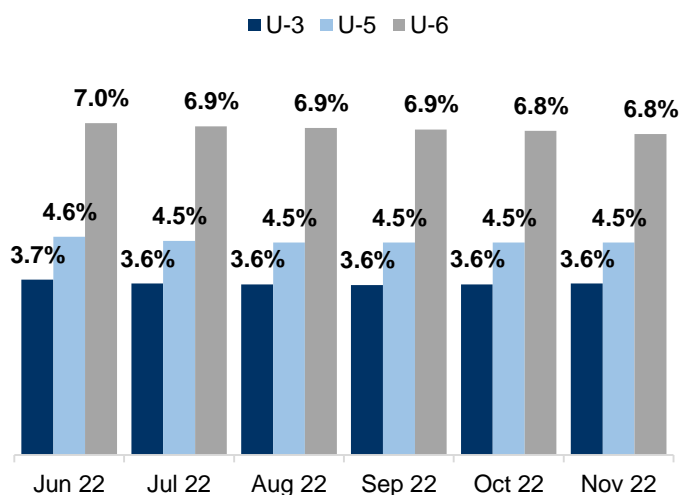
Avg. Change in Employment (Trailing Six Months) <sup>(5)</sup>



Trailing Six Month U-3 Rate <sup>(6)</sup>



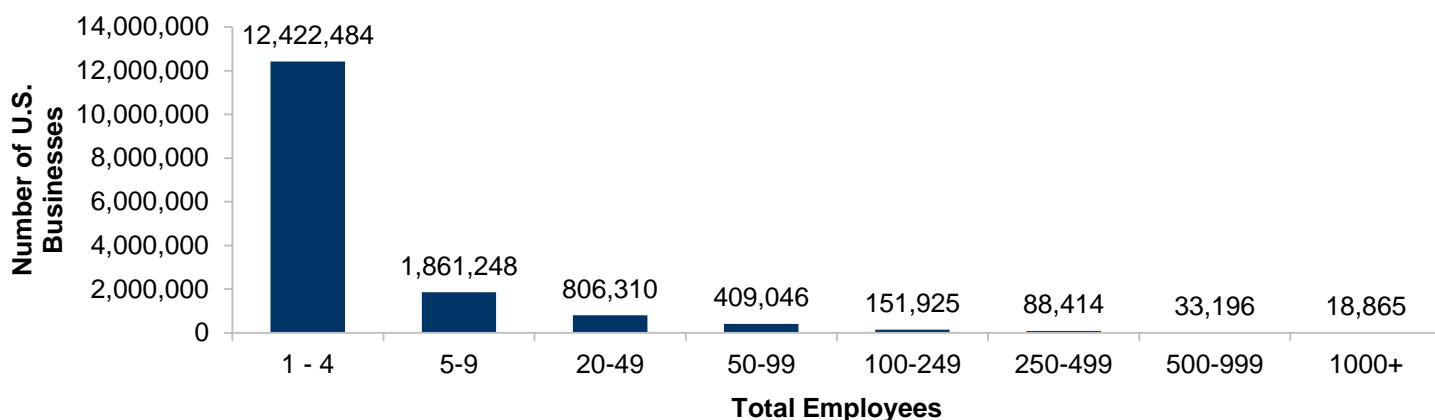
Trailing Six Month Labor Underutilization <sup>(7)</sup>



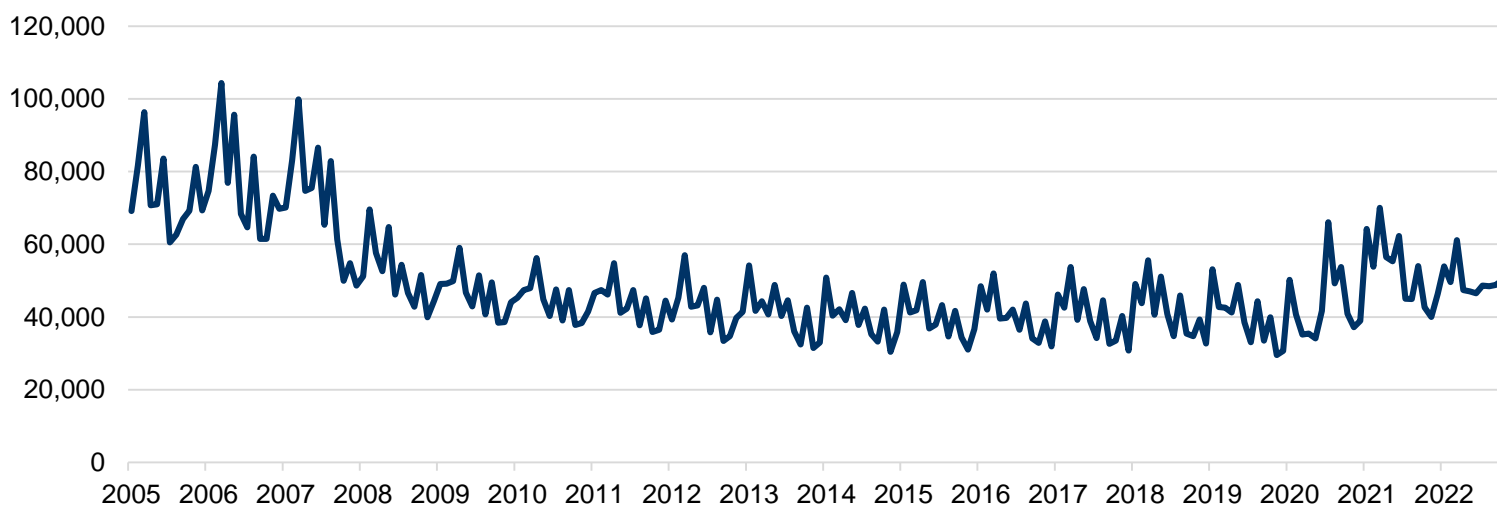


Economic Indicators (Cont'd)

U.S. Companies by Employee Size <sup>(8)</sup>



Monthly New Business Formations with Planned Wages <sup>(9)</sup>



Unemployment Rate & Index Pricing Comparison <sup>(10)</sup>



Indicates a U.S. recession

## Recent M&A and Strategic Commentary



"Currently, there's an unusual dynamic in the labor market with a significant level of unfilled openings in a tight labor market, unlike any pre-recession period we've seen. In our view, this dynamic may moderate the level or delay layoffs to some degree in the event of a recession in the near future. Historically, a recession has also affected our sales effort somewhat, with SMBs hesitating to make changes or investments in difficult economic times. This has had an effect on our sales efficiency in previous recessions. And we believe that we have enough experience with economic ups and downs and lessons learned that we can take steps designed to position us well to execute in the event of another downturn."

- **Paul Sarvadi, Chairman & CEO, October 31, 2022**



"Specifically for us, labor is still strong. As long as labor is strong, our clients are still looking for tools to employ, to hire and to manage that labor. We have this other little weird thing happening to us, which is really fantastic, which is interest rates are rising. Typically, when interest rates are rising, the economy is slowing, and that's obviously what the intent of the Fed is. But right now, we're at this point where we're getting a big tailwind from interest rates, and it doesn't feel like that's going to change again in the near term. It doesn't mean that rates won't stop increasing, but if rates stop increasing, for example, like in the spring of '23, and they stay there, it's a home run for ADP."

- **Carlos Rodriguez, CEO, October 26, 2022**



"We are always on the hunt and I think the valuations have not caught up on the private side from what we have seen. With our cash position, we're well-positioned to take advantage of M&A opportunities that come up no matter if we enter a recession or if there's a drop in valuations. I think a repricing will happen because there's a lot of cost cutting and much more conservative approaches to things [for buyers] to get themselves better positioned to make sure they don't lose so much on the valuation."

- **Martin Mucci, Chairman & CEO, June 29, 2022**

"I think the appetite is still there. I think valuations are still high, but we'll see if they catch up and come down some and get more realistic. You know, we've always been able to use M&A not only for growth from a product perspective, but I mean actually adding to the technology."

- **Martin Mucci, Chairman & CEO, September 28, 2022**























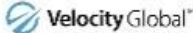



















"On the PEO environment, we're seeing companies looking to go from a fixed cost model with a larger insight team to a variable cost model where they can attach a cost per employee, and that will adjust up or down, based on the demand over the next year or two. There's certainly some reticence in what's going to happen over the next 18 months, as I'm sure you understand. In the HRIS model, what I'm seeing is it is not growing as quickly. We still have positive change in existing in the PEO model."

I don't have the exact numbers on the HCM model, but I can tell you it is growing less quickly than the clients on the PEO model. From an overall standpoint, the customer base remains strong. I think that the days of very rapid hiring are over for the short term, which, in some ways, helps from a retention standpoint. So, overall, a pretty strong environment on both sides, and I believe the tale will be told early in the new year as new customers come on board and they finalize their business plans for 2023."

- **Burton Goldfield, President & CEO, October 25, 2022**

Select Payroll & PEO M&A Transactions

Date	Target	Acquirer / Investor	Date	Target	Acquirer / Investor
November 2022			August 2022		
November 2022			August 2022		
November 2022			August 2022		
November 2022			June 2022		
October 2022			May 2022		
October 2022			May 2022		
September 2022			May 2022		
September 2022			May 2022		
September 2022			April 2022		
September 2022			March 2022		

Select Payroll & PEO M&A Transactions (Cont'd)

Date	Target	Acquirer / Investor	Date	Target	Acquirer / Investor
March 2022		 G&A Partners Time to grow. Riverside.	October 2021		CERIDIAN
March 2022			October 2021		GENERAL  CATALYST
February 2022			October 2021		
February 2022			September 2021		
January 2022		 PrestigePEO™ TRISPAN™	September 2021		
January 2022	 		September 2021		
January 2022			September 2021		
December 2021			August 2021		
December 2021		CERIDIAN	August 2021		
November 2021			August 2021		 PrestigePEO™ TRISPAN™

Select Payroll & PEO M&A Transactions (Cont'd)

Date	Target	Acquirer / Investor	Date	Target	Acquirer / Investor
August 2021		T.RowePrice® SANDS CAPITAL Fidelity and others	April 2021		CERIDIAN
July 2021		Accel	March 2021		CERIDIAN
July 2021		Velocity Global™ FFL PARTNERS	March 2021		GREENOAKS CAPITAL PARTNERS
June 2021		stripes EMERGENCE slack fund AVID VENTURES	February 2021		
June 2021		TriNet	February 2021		
June 2021		PEOPLE2.0	January 2021		connect slack fund EMERGENCE and others
June 2021		gusto	January 2021		CoADVANTAGE® AQUILINE CAPITAL PARTNERS LLC
June 2021		UKG	January 2021	XMI	G&A Partners Time to grow. Riverside.
April 2021		Vensure Employer Services STONE POINT CAPITAL	January 2021		TRISPAN®
April 2021		FFL PARTNERS	January 2021		PLAYFAIR Capital TRUESIGHT VENTURES



## Recent DSP PEO Transaction



Delancey Street Partners is pleased to announce that Fusion Employer Services, LLC (“Fusion” or the “Company”) has been acquired by Engage PEO (“Engage”). Delancey Street Partners served as exclusive financial advisor to Fusion, managed a competitive process, and negotiated the terms of the transaction.

### About Fusion Employer Services

Fusion Employer Services ([www.fusionemployerservices.com](http://www.fusionemployerservices.com)) is a professional employer organization (“PEO”) providing HR solutions to small and mid-sized businesses. Based in Lawrenceville, NJ, the Company has deep roots in the New Jersey market and a reputation for high-quality specialty services, including payroll and tax, human resources management, a full range of benefits, 401(k), and workers’ compensation.

Founded in 2006, the Company has developed an ingrained customer-centric and employee-centric culture. After the transaction, Fusion will retain its brand name and become an Engage company. Fusion’s employees will remain, as well as its offices.

### About Engage PEO

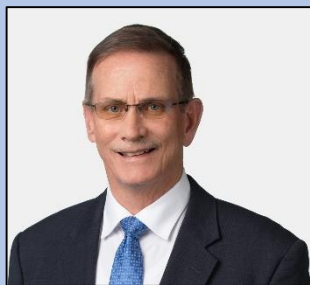
Engage PEO ([www.engagepeo.com](http://www.engagepeo.com)) delivers comprehensive HR solutions to small and mid-sized businesses nationwide, sharpening their competitive advantage. Comprised of the industry’s most respected veteran PEO executives, certified HR professionals, and attorneys, Engage provides hands-on, expert HR services and counsel to help minimize cost and maximize efficiency for stronger business performance. Engage’s superior service offering includes a full range of payroll technology and tax administration, employer compliance, health and workers’ compensation insurance products, advanced technology, and risk management services as part of an extensive suite of HR services.



“Fusion has well-established local expertise and demonstrated ability to deliver solutions to the New Jersey market. Fusion is a natural fit for us because of its customer-centric and employee-centric culture. I am delighted to welcome Fusion’s clients and staff to Engage.”

- Jay Starkman, CEO of Engage PEO

Big Ideas: Q&A with Brian Nugent



Brian Nugent represents employers throughout the United States in labor and employment matters, as well as corporate formation, contracts, unemployment taxation, and M&A. His focus includes advising human capital and human resources outsourcing companies such as professional employer organizations (PEOs) and temporary staffing companies, that frequently retain him to assist with all of their legal and regulatory needs, including forming the legal entities, licensing in more than 40 states, client service agreements, employee handbooks, workers' compensation insurance, benefits and general employment matters. He is also frequently retained to represent buyers and sellers in transactions in the employment outsourcing industries, and has been retained

on a number of occasions to assist buyer's counsel with the particular due diligence issues in these industries.

Currently working at Akerman LLP, Brian is a member of the NAPEO legal advisory committee and a member of the National Staffing Association.

**DSP:** Hi Brian, thanks for sharing your perspectives with our DSP readers. You have a long and successful law career with a focus on human capital business models, and in particular PEO and staffing providers. What's the genesis of your focus and what do you enjoy most about working in these areas of human capital?

**BN:** Early on in my career (mid 90s) I wanted to work as a litigator and was practicing in Tallahassee, FL. While doing commercial litigation work, a close friend of mine from undergraduate school (FSU) became the CFO of a company called Outsource International, Inc., which was a temporary staffing firm. At this time, the PEO industry was in its infancy and was still referred to as "employee leasing". This was also around when Florida passed its first licensing statute in the PEO industry. As a young, aggressive lawyer looking to build a book of business I was intrigued by companies that could disrupt traditional employment models. So, when asked if I was interested in doing legal work for Outsource International, I said yes – even though I knew practically nothing about temporary staffing or alternative employment business models. About three years later my friend became the CEO.

I joined Outsource International as their Chief Legal Officer ("CLO") less than a year before the company went public. I moved to Deerfield Beach, Florida and aided in a very large roll up strategy (25 acquisitions) of staffing firms. During this period, and after Outsource International went public, the company decided to form a PEO as a wholly owned subsidiary named Synadyne. Interestingly, Synadyne retained Fred Davidson who also wrote the initial code of the PEO technology provider PrismHR. Synadyne was effectively the incubator for what is PrismHR today, which is the PEO payroll software that today is the predominant operating system used in the PEO industry. Before I left Outsource International in 2000, I led the team that sold that subsidiary. I really enjoyed my experience as the CLO because I learned about all of the business issues the company was facing as a member of the executive team.

In 2000, I went on to be the CLO for Advantech Solutions, which was a pure-play PEO with approximately 22,000 WSEs. The senior management alongside me was truly second to none and I gained a very deep operational understanding of the PEO industry, which to this day gives me a unique perspective in my legal advisory role. During this period, I also became very involved with the National Association of Professional Employer ("NAPEO"), and I developed a national reputation for providing legal advice to the PEO and staffing industries as well as operational advice to such companies.

After about 3.5 years at Advantech, I decided to start my own law firm to focus on alternative employment business models / industries, which included PEO and temporary staffing. In this role, I prided myself on approaching all legal situations from a business / operational perspective to understand the value proposition of each company, which tremendously helped in building my practice. A key part of my early success in launching my law practice was securing three engagements where the companies (one temporary staffing and one PEO) retained me as their outsourced General Counsel and I operated as if I was "down the hall", available to respond to all legal and business issues that arose.

I was and still am seeking new opportunities and with the operational approach I take, even as outside counsel, I believe I have built a very differentiated practice.

## Big Ideas: Q&A with Brian Nugent (Cont'd)

**DSP:** As you mentioned, I think many of our readers know this but PEOs are a co-employment model and some of our readers may remember this space being referred to as “employee leasing”. You’ve been one of the top legal advisors in the PEO industry for a long time. Give our readers a brief lesson of how you have seen the PEO model evolve over time.

**BN:** Think about this – in 1996 I was sitting at the first ever legal advisory meeting for NAPEO in Colorado Springs where the actual term “co-employment” was coined. The term “employee leasing” no longer accurately described the actual co-employer relationship, and the term “joint employment” was not an accurate description of the relationship either. In this arrangement, there isn’t a joint responsibility for employment, but rather an allocation of responsibilities between the PEO and its client. Thus, the advent of the term “co-employment” to describe a true PEO arrangement.

It was also important to distinguish PEO, or co-employment, from temporary staffing. In fact, the American Staffing Association was, and still is, steadfast in making it clear in PEO licensing statutes, that a temporary staffing business is not the same as a PEO and is exempt from licensing. The key distinction is that in staffing, the primary role of the staffing company is to supply employees to a client in order to supplement the client's existing workforce (sometimes a “temp-to-perm” arrangement). A PEO, on the other hand, does not actually supply employees to its clients. It “joins at the hip” with an employer and its existing workforce, and then allocates employer responsibilities to manage that workforce with the client. The client continues to manage and control their workforce and the PEO provides discreet services to assist the client in managing that workforce in a co-employer arrangement. In the early days many times the primary sales driver was a lower workers’ compensation insurance. This meant that PEOs were targeting blue and gray collar businesses to save them money on workers’ compensation because as a PEO you can aggregate a lot more payroll and get discounts based on that payroll. At the time, the target client size for PEOs an average of 10-20 employees, maybe 30, and that is still applicable today.

Outside of the insurance plans, there was often only “lip service” given to the HR services a PEO delivers but this has been the largest evolution within PEOs, particularly as technology has evolved to manage a larger amount of employees throughout the entire employee lifecycle from open enrollment to terminations. Today, a PEO needs to be able to manage multi-state operations, remote employees, workers’ compensation, unemployment claims, workplace misconduct, and claims, all benefits, etc. from one platform that is as no-touch as possible.

To be clear, today the stickiness of clients can still be driven by lower workers’ compensation rates, and at times more favorable health insurance rates, but a bigger driver now is the ability of the client to outsource its non-core functions to a “one-stop-shop” portal for all administration and management which includes more robust HR offerings. Vendor management and efficiency, which frees up management to focus on revenue generating and client facing activities, is a very big deal.

**DSP:** What are some of the top legal issues today that PEO providers need to understand?

**BN:** Fundamentally, this depends on the maturity of the PEO. In the initial stages, the PEO must make sure that all processes are implemented including having the right client service agreements, secured banking relationships, setting up workers’ compensation, being able to provide a basic level of HR, etc.

As a PEO evolves and gets big enough to have a master health plan, for example, there is a much longer list of items to check off such as complying with ERISA laws and not just state insurance laws. Then, being a multi-state employer you need to be well-versed in every state because a PEO grows as each client expands into new states and hires new employees. For example, an Oklahoma-based PEO client may suddenly expand and hire employees in New York and California and the PEO must be prepared to handle such an expansion and guide the client on new compliance issues, including state specific licenses, updated contracts, updated certificates of insurance, verifying that insurances are available in those states, complying with leave and wage-based laws peculiar to those states, etc. The compliance checklist expands exponentially as a PEO grows and you must make sure you have the right internal and / or external expertise. Having the right consultants can allow a PEO to set up 401(k) and formulate health plans properly. If you have an insurance agency that shares common ownership with the PEO, you must understand the rules around receiving commissions on group benefit plans sponsored by the PEO. Remember, every state has its own regulations / obligations. Importantly, your IT system has to be able to handle this scale of payroll and offerings. Finally, the company’s cybersecurity must be buttoned up. Many argue that PEO providers are just as much data companies as they are human capital companies - so protecting that data is critical.

## Big Ideas: Q&A with Brian Nugent (Cont'd)

**DSP:** The PEO industry landscape is very bifurcated. There are many small or regionally-focused PEOs with under 10,000 WSEs and then a few very large providers such as ADP's TotalSource, Paychex Oasis, Insperity, TriNet, etc. This dynamic, combined with a lot of private equity capital to invest, leads to a lot of consolidation. You've advised many of the leading PEOs driving that M&A activity on both the buy-side and sell-side.

Here's a two-part question: i) what is the biggest thing a PEO should do to ready itself for a sale process, and ii) what are the most prominent PEO-specific issues that tend to surface in selling a PEO?

**BN:** What's unique about my background is that when I started my career in the PEO industry I was focused more on operations rather than M&A. Even as the in-house lawyer, we would use outside counsel for M&A advice but it provided me with "on-the-job" training on how to execute transactions, and being in-house counsel, I saw the transactions from both an operational and legal perspective. When I started my own firm, there was not just an opportunity but a need for focused M&A advisory in this industry. For someone who has been in-house and understands operations like employment and compliance, it has enabled me to experience first-hand the business issues that PEOs could face in a sale process. This allows me to provide M&A legal advice with the business issues at the forefront.

For a PEO owner to be ready for a sale process they must simply being prepared for what is going to be the intensity of the overall diligence process. There are nuances for PEOs which I just mentioned in terms of the complexity of the regulations that PEOs must follow and track as they are constantly changing. Notable issues to be aware of are how each state impacts licensing requirements, client service agreements, employment laws, insurance issuance laws, and ensuring cybersecurity and cyber insurance is very buttoned up. In my experience, only the larger firms have a handle on all these issues – and even then it can still be "messy" in the due diligence phase.

Another issue is what I previously mentioned about PEOs owning or having shared control over agencies. When establishing these agencies, their sole purpose is to provide workers' compensation insurance to clients. Remember, most PEOs cannot attract a healthcare provider to write a "master" health plan that would be sponsored by the PEO. Therefore, the PEO is forced to arrange healthcare and benefits through policies sponsored by each client but administered by the PEO, which is much less efficient. That being said, even small PEOs can usually secure a master workers' compensation insurance policy. Thus, the commonly owned agency can legally (subject to some state insurance laws) collect commissions on premiums paid on the PEO master worker's compensation policy, and from client health plans that the agency is the broker of record for. As a PEO grows, it usually wants to convert its healthcare offerings to a plan sponsored by the PEO, which is where rules change as to the ability of the agency to collect commissions on such a plan. Under ERISA, which governs health plans, commissions paid to a commonly owned agency are likely "prohibited transactions" and can create serious liabilities for the PEO plan sponsor if not handled properly. This issue can be fixed but it should be done as soon as possible because every buyer will want to explore such commission payments.

**DSP:** Brian, you are in a unique position to share some insight between the relationships of PEO and payroll providers relative to the newer industry development of the global employer of record model which is attracting a lot of attention these days.

**BN:** Well first, as an attorney, allow me to bring some definitional clarity around these business models. A PEO involves a co-employment relationship, is defined in approximately 40 states, and requires licensing in those states. PEOs are technically the "employer of record" but embrace a co-employer relationship with its client. On the other hand, an EOR is not defined and is primarily derived from a form of employment relationship that grew out of temporary staffing outside the United States. I am not aware of any statutory definition of EOR. That being said, it is a term that I am seeing much more lately, and the arrangement deployed under that acronym differs from company to company. The "devil is in the details" between a PEO and EOR – in some operations, companies advertised as an EOR are in reality a PEO while others may not be.

Pure payroll providers deliver services without being the "employer of record" – they provide the services under each client's Federal Employer Identification Number ("FEIN"), which is a less efficient model albeit usually less expensive. What's been interesting to me is seeing the cross-selling opportunities between traditional payroll companies, such as ADP and Paychex, with their respective PEO divisions, TotalSource and Oasis. These companies have done a great job using the core payroll offering as a feeder to upsell the PEO model. This is a very natural step and way to capture more client spend. Conversely, there are some contradictions – I don't see as many PEO providers intentionally providing traditional ASO services unless, for example, the PEO's insurance plan doesn't cover the industry of a potential client.

## Big Ideas: Q&A with Brian Nugent (Cont'd)

Today, while the PEO offering is fundamentally more compelling than payroll-only providers, in my view, advances in technology have made the payroll-only offering much more efficient to deliver. For example, consider all of the very efficient ways to deliver self-service functionality for the SMB payroll market. In this way, the newer technology-focused platforms have a big advantage over the older payroll platforms. As we add to the business model equation the global EOR model, the question still remains of what *actually* are they – are they global payroll providers or global "long-term staffing companies" now entering the U.S. market from overseas? We're seeing the emergence of both models but more frequently a global PEO-like model with few providers attempting to build a true global payroll engine. That's very hard and a more future state objective.

Outside of the U.S., an EOR must comply with many local laws applicable to employers. Beyond being the FEIN employer of employees at client companies, there is not a clear uniform definition. In many countries, an EOR is treated as a temporary staffing company. In the U.S., an EOR cannot take the position of being an extension of temporary staffing because as an assignment becomes long term, it may meet the statutory definition of a PEO which would trigger licensing requirements in most states. When you begin to peel back the offerings that EORs provide, they follow the traditional co-employment model of having the employer (the company's client) direct an employee's day-to-day activities and set their wages but the EOR will provide the benefits and HR-related services such as compliance which begins to sound very similar to a PEO model.

As of today, in the U.S., there is not a standard definition of what an EOR is and how it is different than a PEO. It will be interesting to see how this gray line is discussed and solved. From an M&A advisory perspective, this means EOR operators must understand that they may be subject to all of the regulatory and compliance complexities that a PEO faces and, if so, should ensure they are meeting the requirements. That's the lawyer in me speaking, of course.

Time will tell how this all shakes out.

**DSP:** Let's end on a personal note. Brian, you've had a great and successful career. What are you most proud of?

**BN:** I am most proud of creating and building my practice to this level. Early on in my career, I had opportunities and resources but I needed to be fearless to say yes to opportunities, even if I did not know much about it, and learn quickly -- most of the time it was on my own nickel and time. Looking back, to have the courage to go in-house was both frightening and exciting. All of my experiences and now being at Akerman gives me lots of satisfaction professionally – I am able to work with outstanding clients and businesses I thoroughly enjoy while still taking on very rewarding pro bono work. In my personal life, I am very thankful to be in a position where I still remain very active in the lives of all of my children.



**Brian, as a “closer look” give the DSP readers a few Personal Fun Facts about yourself...**

**Birthplace & Where You Grew Up:**

I was born in Newark, New Jersey but moved down to Miami, Florida when I was about 5 and grew up there

**First Job:**

I had a summer job at the Department of Parks and Recreation for the city of Hialeah, Florida

**Memorable Vacation Spot:**

I took my entire family back to Athlone, Ireland (I'm 100% Irish) where my grandparents grew up – I took them back to my family's house, met many first cousins, and my kids actually went back there to work during the summers

**Favorite Restaurant:**

The Albion Inn on the Mendocino Coast of California

**Musician or Artist You Like:**

Jimmy Buffet!

**Favorite Sports Team & Why:**

Go Seminals! I've lived in Colorado for 18 years and I still have season tickets

**Last Book You Read:**

“The 2% Way” by Myron Rolle – a true and inspirational story for sure

**Little Known Fact:**

I was the intramural champion in Olympic competitive badminton at FSU










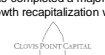






**My Golden Rule:**

*Integrity is only tested when the tide is low and always, always, always act with integrity when nobody is looking*

*Thanks Brian!*

Recent Transaction Experience

Business Services & Technology

 has been acquired by  a portfolio company of  Advisor to Seller	 has been acquired by  Advisor to Seller	 has completed growth equity financing with  Advisor to GLOBO	 has been acquired by  Advisor to Seller
 a portfolio company of  has completed a majority growth recapitalization with  Advisor to RIVS	 has been acquired by  a portfolio company of  Advisor to Seller	 has completed a majority recapitalization and growth equity financing with  Advisor to Seller	 has been acquired by  Advisor to Seller

Healthcare

 has received an investment from  Advisor to Herspiegel	 has acquired  Advisor to Buyer	 has been acquired by  a portfolio company of  Advisor to Seller	 has received an investment from  Advisor to Deerfield
 has merged with  a portfolio company of  Advisor to Pyxa	 has completed a majority recapitalization with  Advisor to Emmes	 has been acquired by  a portfolio company of  Advisor to Seller	 has been acquired by  Advisor to Seller

Industrial & Industrial Technology

 has acquired  Advisor to Buyer	 a portfolio company of  has been acquired by  Advisor to Seller	 a portfolio company of  has completed a senior debt financing with  Advisor to FST Technical Services	 has divested Seven D - Southern Division to  Advisor to Seller
 has completed a senior debt financing with  Advisor to Crystal Steel Fabricators Inc.	 a portfolio company of  has been acquired by  Advisor to Seller	 has been acquired by  Advisor to Seller	 has divested RELIABILITY TEST PRODUCTS to  Advisor to Seller Fairness Opinion

Infrastructure

 has been acquired by  a portfolio company of  Advisor to Seller	 has been acquired by  a portfolio company of  Advisor to Seller	 a portfolio company of  has been acquired by an entity formed by  Advisor to Seller	 a portfolio company of  has been acquired by  Advisor to Seller
 has been acquired by  Advisor to Seller	 a portfolio company of  has been acquired by  Advisor to Seller	 has completed a debt recapitalization with  Advisor to Easton Coach Company	 has been acquired by  Advisor to Seller

Delancey Street Partners

Delancey Street Partners is an independent, industry-focused investment bank. We serve CEOs, Entrepreneurs, Shareholders and Boards of Directors of high growth and middle market private and public companies. Our services include strategic advisory, capital raising and independent board advice. We advise on sell-side and buy-side M&A, growth capital financings and recapitalizations. Our focus sectors include Healthcare, Business Services & Technology, Industrial & Industrial Technology, and Infrastructure.

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All other transactions effectuated through Delancey Street Partners, LLC

## Footnotes

1. Source: Staffing Industry Analysts, The US Gig Economy 2021 Edition.
2. Source: CapitalIQ and public SEC filings. All financials are calendarized based on a December 31<sup>st</sup> year end.
3. Excludes Ziprecruiter.
4. DSP defined the Net Revenue for each firm to be most similar to each other based on the information available in public SEC filings. Net Revenue for Insperity is defined as “Gross Profit” which is calculated as gross billings, less WSE payroll costs, benefit costs, payroll taxes, and workers’ compensation costs. Net Revenue for ADP is defined as “PEO Services” revenue less zero-margin benefits pass-through costs consisting of payroll taxes, workers’ compensation, and state unemployment taxes. Net Revenue for Paychex is defined as “Service Revenue” net of pass-through costs billed and incurred including payroll wages, payroll taxes, federal and state unemployment insurance, certain health benefit insurance, benefit premiums and costs related to their guaranteed cost benefit plans. Note, direct costs related to workers’ compensation and certain benefit plans where Paychex retains risk are recognized as cost of service revenue rather than as a reduction in service revenue. Net Revenue for TriNet consists of Professional Service Revenues (“PSR”), including fees charged to clients for processing payroll-related transactions on behalf of clients, access to HR expertise, and employment and benefit law compliance services and other HR-related services, and Insurance Service Revenues (“ISR”) which consists of insurance-related billings and administrative fees collected from clients and withheld from WSEs for workers’ compensation insurance and health benefit insurance plans provided by third-party insurance carriers. Note, this excludes all HCM-related revenue. Net Revenue for BBSI is “Gross Profit” which is calculated net of payroll costs, payroll taxes, and workers’ compensation costs.
5. Source: Federal Reserve Bank of St. Louis.
6. Source: Bureau of Labor Statistics. U-3 rate defined as total unemployed persons as a percent of civilian labor force. Data is seasonally adjusted.
7. Source: Bureau of Labor Statistics. U-5 rate defined as total unemployed persons, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force. U-6 rate defined as total unemployed persons, plus all persons marginally attached to the labor force, plus total persons employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force. Data is seasonally adjusted.
8. Source: NAICS Business Counts by Company Size. Note that 1,750,814 are uncoded records and excluded from the presentation.
9. Source: U.S. Census Bureau Business Formation Statistics as of November 12, 2022.
10. Source: CapitalIQ and the Federal Reserve Bank of St. Louis. Note, represents the period July 1, 2001 to November 30, 2022 and the U-6 unemployment rate.