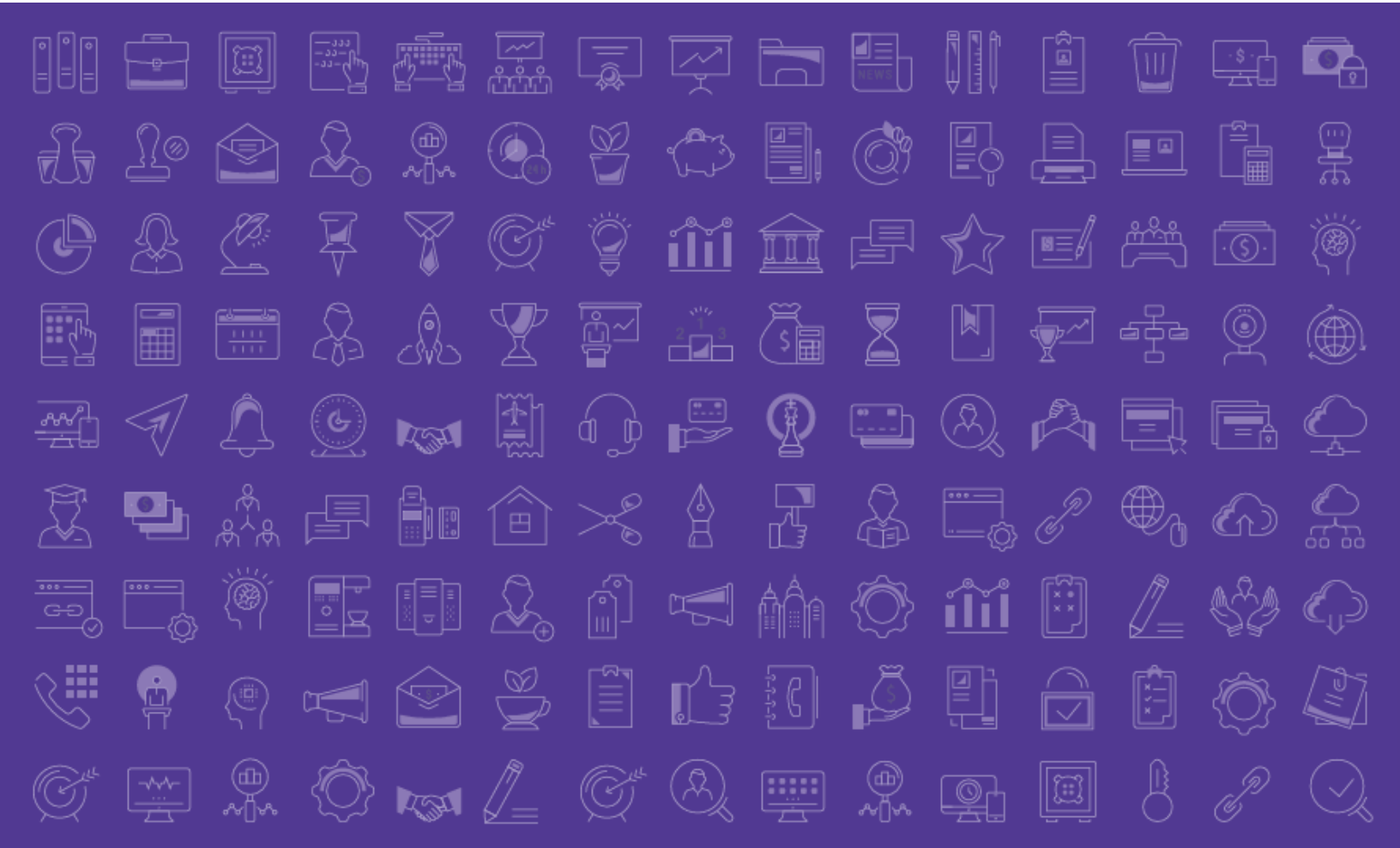


Why Size Matters in Staffing M&A



Size Matters

In the staffing, recruiting, and workforce solutions industry, size isn't just a number—it's a significant indicator of a firm's market value, operational depth, and strategic potential in mergers and acquisitions (M&A). This industry, vital to the U.S. economy, provides indispensable services across all sectors. If you include workers who freelance in the gig economy, it is estimated by SIA that there were 33 million contingent workers in the US in 2021, generating over \$1.7 trillion in revenue.

Staffing firms are the backbone of workforce flexibility and talent acquisition, allowing businesses to adapt to changing market demands efficiently. With at least 20,000 staffing and recruiting companies operating across 30,000+ offices/locations in the U.S., the sector is marked by its extensive reach and diversity. Notably, a significant portion of these firms, approximately 60% of these companies specialize in temporary and contract staffing, highlighting the industry's adaptability.

Despite its expansive growth, outpacing overall economic and employment trends, the staffing industry accounts for only about 2% of the U.S. nonfarm workforce. This paradox underscores the industry's unique position: it is both a giant and a niche player, wielding considerable influence while remaining agile. As the staffing industry continues to thrive, contributing significantly to the U.S. economy and offering unparalleled workforce flexibility, it sets the stage for strategic movements within the market. The changing landscape, marked by firms' quests for growth and competitive advantage, ushers in a critical focus on mergers and acquisitions (M&A), where size and scale become paramount in navigating the complexities of industry consolidation.



The demand for staffing services is evident in the weekly engagement of millions of temporary and contract employees, plus annual full-time hires numbering in the millions. The workforce within this sector is as dynamic as the industry itself, with 73% of staffing employees working full time, closely mirroring the broader workforce's engagement. These employees, often bridging employment gaps or seeking flexible schedules, contribute to diverse fields, from industrial and administrative roles to professional, managerial, and specialized sectors like engineering, IT, and healthcare.

The landscape of staffing firms in the U.S. has seen significant shifts, with the number of large firms — those generating \$100 million or more in revenue — increasing by 21% in 2021. This growth not only reflects the industry's financial health but also its competitive edge, with larger firms commanding higher multiples due to their scale, operational efficiencies, and market reach.

Estimated at \$202 billion in 2023 (down 10% from 2022, a record year) and continuing to evolve and grow, the staffing industry remains highly fragmented. The majority of firms generate less than \$15 million in annual revenue, painting a picture of an industry rich in opportunities yet challenged by its dispersion.

Within the staffing industry, about 80% of agencies are traded for multiples between 3.5 to 5.5 times their adjusted EBITDA. Yet, for the larger players who enjoy broader margins and more extended contracts, the selling price can climb higher. For those surpassing the \$100 million revenue mark, multiples can range from 6 to 8X, and in exceptional cases, even 12 to 14X, especially if they specialize in a niche staffing area.

Considering this, many among the 20,000 staffing firms aiming for the coveted \$100 million revenue target see acquisitions, not just organic growth as a strategic shortcut. By purchasing a company at a 4 or 5X multiple and integrating it, they could significantly boost their own current or future valuation.

Within this environment, firms achieving over \$100 million in revenue not only stand out but also set benchmarks for valuations, often achieving multiples between 6 to 14X, depending on various factors including their specialization and operational metrics.

For staffing firms eyeing growth or contemplating M&A, the path is laden with strategic decisions. From enhancing gross margins and achieving above-industry growth rates to carving out niche service offerings and diversifying customer bases, firms have multiple levers to increase their attractiveness to potential buyers. Particularly for smaller firms, these strategies can significantly impact valuation, offering a route to scale and compete in an industry where size and specialization matter.

As the industry navigates through its complexities, the narrative remains clear: in staffing M&A, size matters. But it's not just about being big—it's about leveraging scale, specialization, and strategic growth to carve out a competitive edge in a market that values agility as much as it does capacity. For staffing firms, the journey from being a market participant to a notable player involves strategic growth, operational excellence, and an eye for opportunities that align with the evolving demands of the workforce and the global economy.

Don't leave your M&A journey to chance. Reach out to us today, give us a call or send a message and let's explore how we can support your goals and ensure a successful transition for your staffing company.



**Proven Track
Record**



**Comprehensive
Consulting &
Valuation Expertise**



**Strategic Buyer
Network and
Marketing**



**Strategic Buyer
Network and
Marketing**



**A Legacy of
Success in Staffing
Industry M&A**

**Sam Sacco 910-769-4057
sam@racohenconsulting.com**

**Brian Kennedy 416-229-6462
brian@racohenconsulting.com**

**Mark Zacha 616-318-7979
mark@racohenconsulting.com**