



10 Important Transactions in PEO History

You could ask 50 PEO folks which transactions have most affected the PEO landscape and you'd get 50 different lists. Some of the examples below are lessons and some are warnings, just like our experiences in life...

1993—Investments in Staff Leasing, Vincam, and Administaff
Craig Capital bought into Staff Leasing in November 1993. Greylock Investors invested in Vincam and BT Capital invested in Administaff at about the same time. These investments by professional outside money validated the industry and brought it out of the mom and pop era. All of these investors invested with an eye to an exit. If you look at the companies at the time, they were all smallish (Staff Leasing had about 14,000 worksite employees and about 14 sales offices), Vincam was based primarily in Miami, and Administaff was barely out of Houston. The same three companies are the big three in the industry today, except that Vincam is the core of ADP TotalSource.

Richard Goldman,
Chief Operating Officer
Birkman International, Inc., Houston, Texas

1994—Kelly Purchases Your Staff



Your Staff, Inc. (Woodland Hills, California) was the result of a 1991 merger between Gordy Brown's and T. Joe Willey's employee leasing firms.

In 1994 Kelly, a staffing firm, bought Your Staff and changed the name to Kelly Staff Leasing. No other major acquisitions occurred through the years with the company. Though put on the market for a short while in 2005, Kelly Staff Leasing is still owned by Kelly today. This transaction launched a decade of M&A activity because Brown



and Willey were early pioneers and trendsetters. After the merger, Willey and Brown went their separate ways. Willey went on to become the first consultant to PEOs, a charter member of the National Staff Leasing Association (now NAPEO,), the co-founder of the first PEO software (PayPlus), and the author of 13 books about the PEO industry. In 2005, Willey retired and sold his consulting firm, The Aegis Group, to PEO Network.

Carrie Aaron, President
PEO Network, Inc., Durham,
North Carolina

1996 and 1997—Vincam, Staff Leasing, and Administaff Go Public

These pure-play publicly traded companies blazed many trails for PEOs that followed in their steps. Vincam Human Resources went public in 1996 and Staff Leasing (now Gevity) and Administaff went public in 1997.

Carrie Aaron



Administaff completed its IPO in early 1997, a time when our industry sector was just beginning to blossom. This is one of the most important events in the last 10 years because Administaff is still today considered one of the great leaders in our industry. Even in difficult times, the company persevered, and it continues to perform at outstanding levels. Administaff is included on Fortune's list of America's Most Admired Companies and is included in the InformationWeek list of leading technology innovators. Most recently, Administaff reported a 68.6 percent increase in its third quarter income for 2006, indicating a "solid execution of our proven business model" per Paul J. Sarvadi, chairman and CEO of Administaff.

Wanda Silva, President
Silva Capital Solutions, Inc.,
Kennesaw, Georgia

The second flurry of activity in the '90s that validated the industry was when these three

companies went public in 1997. All were underwritten by major-name investment houses and showed great returns for their investors and founders. This was a peak for these companies and the industry in general, and it's taken almost a decade to get back to these valuations and the positive momentum that was underway in the late '90s. The hardening workers' comp market from 1999 to 2001, 9/11, the recession, and tightening underwriting standards in health insurance generally put a damper on the growth rates.

Richard Goldman

Note: Although it is not a public transaction, around the same time, in August 1996, Paychex, Inc., purchased NBS' 9,000 employees for \$150 million.

1997—NovaCare Purchases Employee Services

The Boyd family of Florida owned Employee Services during the 1990s. The accidental drowning of the president, Burr Boyd, spurred a sale at the height of PEO valuations to healthcare company NovaCare in 1997. NovaCare Employee Services made many acquisitions and was later purchased by the venture arm of Fidelity. The roll-up was called HR Logic. This transaction was important because of the huge number of internal staff members who left and launched their own PEOs—a number to rival the ventures of Staff Leasing/Gevity's ex-staffers.

Carrie Aaron

1998—ADP Acquires Vincam

Vincam Human Resources was the second acquisition by ADP and the combined companies are called ADP TotalSource. Vincam went public in 1996 and ADP acquired it in 1998. This transaction caused many other large corporations to look at PEO acquisitions. More internal staff made it through this transaction than any other merger or acquisition to date. Typically, the management and staff turn over quickly in mergers and acquisitions. Some key staffers are still at ADP TotalSource today.

Carrie Aaron

In the mid-1990s, there was not a "home" for PEO or HRO services on Wall Street.

There was not an industry category for "administrative services" or "outsourced business services." So a bright CEO by the name of Carlos Saladrigas was asked to present in the "healthcare services" sector—they did not know where else to put him. When ADP (now ADP TotalSource) purchased Vincam in 1998, it proved that: PEO services was an exciting and respected business, a golden child on Wall Street; it was an industry that could command premium prices; and PEO was of such prestige to be purchased by a well respected public company such as ADP. ADP TotalSource survives today as a leader in the industry.

Wanda Silva

1998—Employee Management Merges with Payroll Transfers

2004—Gevity Purchases EPIX

The merger of Tampa-based Payroll Transfers, Inc. and Employee Management, Inc. of Woodbridge, New Jersey, in 1998 formed EPIX. As one of the early PEO transactions, this merger positioned the newly defined company to become one of the largest east coast PEO providers heading into the new millennium. In March 2004, Gevity HR Inc. purchased EPIX. At that time, EPIX had 2,100 clients and 30,000 worksite employees. This added a substantial workforce group to Gevity, as it continued to transition the company and senior management from the Staff Leasing model to a new and exciting Gevity HR strategic plan and evolution. Today, Gevity is a leading provider of "comprehensive in-sourced employment management solutions that help small and medium sized businesses."

Wanda Silva

1999—Selective Insurance Buys Modern Employers/Genesys Merges with SES

Selective Insurance purchased Modern Employers, Inc. in 1999. Many PEOs copied its model of using independent insurance agents as "bird dogs" to identify qualified PEO prospects.

Carrie Aaron

The combination of Genesys Corporate Services and Simplified Employment

Services, Inc. in 1999 formed one of the largest PEOs in the country during 1999, and they were certainly the largest in the Midwest. At the time of the merger, they housed 2,457 clients and 39,000 worksite employees. SES is not a surviving entity in the PEO industry.

Wanda Silva

2000—Mucho.com Merges with TEAM America 2001—Team Mucho Buys Professional Staff Management, Inc.

Founded in 1986, Team America Corporation blazed a very rapid acquisition trail, adding seven PEOs and 8,400 worksite employees in 12 months. In June 2000, the combined companies of Mucho.com and TEAM America had a valuation of approximately 70 million. In March 2001, TEAM America purchased Professional Staff Management, Inc. of South Jordan, Utah. This acquisition added substantial experience to the TEAM America group and was one of the largest transactions of that year. TEAM America attempted to complete a transaction with Vsource but was unable to do so, and therefore is not one of the surviving PEO entities.

Wanda Silva

2001—Amfinity Purchases Paradyme

Paradyme Human Resources Corporation was one of the largest companies in the Southeast, based in South Carolina. With the combination of these companies, Amfinity Business Solutions served 600 companies and 10,000 worksite employees. Amfinity later sold to Presidion Solutions. Mirabilis Ventures purchased Presidion in 2004.

Wanda Silva

2006—General Atlantic Invests Majority Stake in TriNet

The most recent transaction with industry impact is the majority stake General Atlantic made with TriNet in 2006. Other large venture capital firms are looking at PEO investments as a result of this landmark transaction.●

Carrie Aaron