

AMP Quick Facts

BG Staffing, Inc. (NYSE-MKT: BGSF)

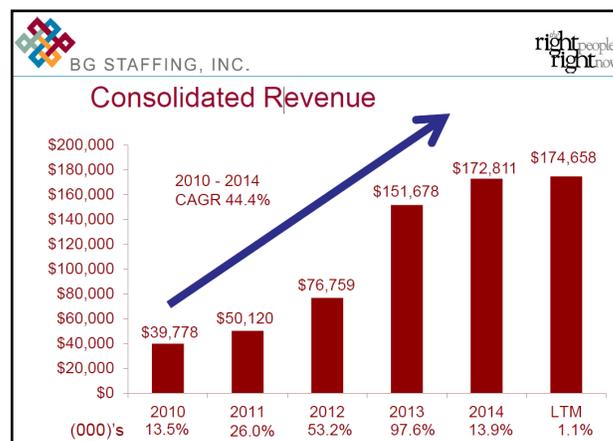
Services
Staffing & Outsourcing Services



NYSE MKT:	BGSF
Last Price: June 16, 2015	\$11.20
Fiscal Year:	12/31
Sector:	Services
Industry:	Staffing & Outsourcing Services
Market Cap:	\$73.81M
Shares Outstanding:	6.608M
Float:	4.58M
52 Week High:	\$13.00
52 Week Low:	\$7.01
Current Revenue:	\$174.6M
Dividend:	8.9%
Insider Ownership:	18.0%
Avg. Daily Vol. (3 M):	7,014

BG Staffing, Inc. (NYSE-MKT: BGSF or the Company) is a national provider of temporary staffing services that serves three industry segments: Commercial, Multifamily, and Professional Staffing.

- The Commercial segment provides temporary workers primarily to distributions and logistics costumers needing a flexible workforce in Illinois, Wisconsin, New Mexico, Texas, Tennessee, and Mississippi. This segment accounted for \$18.6 million (45%) in revenue for the first quarter ended March 29, 2015.
- The Multifamily segment provides temporary front office and maintenance workers to various apartment communities, in Texas and other states, via property management companies responsible for the apartment communities day-to-day operations. This segment accounted for \$7.8 million (20%) in revenue for the first quarter ended March 29, 2015.
- The Professional Staffing segment provides temporary workers on a nationwide basis for IT customer projects, and finance and accounting demands in Texas and Louisiana. This segment accounted for \$14.5 million (35%) in revenue for the first quarter ended March 29, 2015.



In early 2014, BGSF completed the process to become a publicly traded company and was traded on the OTC Markets. The Company subsequently up-listed to the NYSE Market.

History

BGSF initially provided temporary staffing services to customers with Light Industrial requirements in the Midwest. In 2009, the Company hired veteran staffing industry leader, L. Allen Baker, Jr. as its CEO and has benefited from his experience in mergers, acquisitions and integrations. Baker began to execute a diversification strategy (in both skillsets offered and geographies served).

Acquisitions and Performance

On February 23, 2015, the Company acquired substantially all of the assets of D&W Talent, LLC for an initial cash consideration paid of \$8,500,000 and contingent consideration of \$3,500,000 based on the performance of D&W for the three years following the date of acquisition. Management has made four other accretive acquisitions, including BG Staffing (price \$3M) Extrinsic LLC (price \$9.9M), American Partners (price \$13.23M) and InStaff Holding Corporation (price \$10M). All of these acquisitions have been successfully integrated.

Since 2010, the Company has grown revenue from \$39.8 million to \$172.8 million, representing a four-year CAGR of 44.4%. Over the same period, its adjusted EBITDA grew at a four year CAGR of 58.6%.

BGSF management generates growth both organically and via acquisitions within the U.S. The Company continues to grow its operations in its current markets, and expands into new markets with the industries that it currently services. By industry segment, we believe that management will likely focus its efforts on growing its higher margin Professional Staffing business.

The Company carefully evaluates acquisition opportunities, purchasing only when the target company meets its strict financial, geographic and skill set diversification criteria. For this reason, it is impossible to estimate the timing or how many acquisitions BGSF will make in a given year. Due to the recent acquisition of D&W, we estimate that 2015 revenues will likely exceed the \$200 million mark.

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Dividend Strategy

In 2007, Michael and Robert Taglich, principals of Taglich Brothers, a full service brokerage firm specializing in the microcap segment of the market, led a group to acquire the Company and remain as significant debt and equity stakeholders in shares of BGSF. They believe in issuing dividends in their companies as a key strategy to retain shareholders and protect the shareholders' investment. Other Taglich Brothers associated companies that incorporate the same dividend strategy include Air Industries Group (NYSE MKT: AIRI) with a 5.7% dividend yield and Orchids Paper Products Company (NYSE MKT: TIS) with a 6.0% dividend yield.

Investment Positives

- U.S. Staffing Industry is estimated to reach \$140 billion by 2016.
- Experienced management team with 18% insider ownership
- Proven Business model operating in diversified segments.
- Listed on NYSE MKT in Oct 2014.
- Closed a \$9.4M PIPE in Dec 2014 and a \$7.0M financing in May 2015.
- Filed \$60M S-3 shelf registration statement.
- May 2015 raised dividend to \$0.25.
- BGSF will be ringing the closing bell on the NYSE on August 7, 2015

Why are BGSF shares trading at a deep discount?

Although there are no perfect comps for BGSF, two of the major publicly traded staffing companies in the U.S. include Robert Half International (NYSE: RHI) and On Assignment (NYSE: ASGN). Shares of RHI trade at 1.56x sales and 13.2x EBITDA. Shares of ASGN trade at 1.07x sales and 10.8x EBITDA. In comparison, shares of BGSF are trading at 0.42x revenue and 6.2x adjusted EBITDA.

BG Staffing made the decision to go public by filing Form S-1's with the SEC to become a fully reporting company, as opposed to the conventional IPO process that relies on investment bankers to raise capital. As a result, there is little trading volume in the shares despite the Company's impressive operating track record and very attractive dividend yield. Further, institutional investors are staying away despite the strong fundamentals due to the illiquidity in the shares. As investors begin to learn the story, we believe trading volumes will increase, opening up the door for institutional interest and sell-side research coverage in shares of BGSF. We believe that level of increased institutional ownership along with the initiation of research coverage will help drive multiple expansion in the stock reflecting the Company's underlying fundamentals.

Investment Conclusion

BGSF has a five year track record of growth, both organic and via accretive acquisitions. The Company has a strong balance sheet (current ratio of 1.74) that was recently strengthened with a \$9.4 million equity financing in December 2014 and a \$7.0 million equity financing in May 2015. As discussed above, shares of BGSF are trading at 0.42x revenues and 6.2x adjusted EBITDA. It is paying a quarterly \$0.25 dividend that translates into an annual dividend yield to BGSF investors of 8.9%. We also believe that the Company will attempt to grow the dividend over time. This is a unique and very attractive situation for investors who seek to exposure to growth along with equity income at a compelling market discount. As the Company continues executing on its strategy, we believe that BGSF will be a very attractive M&A target for a large billion dollar staffing company such as Robert Half International or On Assignment.



BG STAFFING, INC.

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