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It was 1976, Alberta's economy was booming, and a young electrical engineer from Sydney, Australia, who had migrated to Edmonton via Toronto, had an offbeat business idea.

After working on two major oilsands projects for Bechtel Group, the giant San Francisco-based engineering and construction firm, Mike Duff found himself repeatedly quizzed by project managers on who they should hire.

"More and more, they seemed to be asking for my opinions about people, and how well they'd fit within a particular project or job," says Duff, the low-key founder and CEO of Edmonton-based Design Group Staffing Inc.

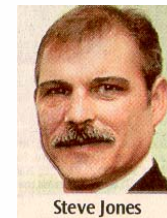
"Well, I didn't know anything about business, and even less about human resources, so I asked a couple of friends if I should go into (the staffing services) business. And they said, 'You? Are you crazy?'"

Fortunately, Duff wasn't put off by his pals' lack of support. After a long holiday in Australia, he returned to Edmonton, rented a \$200-a-month downtown office, and opened for business. Although his phone hardly rang for the first three months, things slowly began to pick up.

Twenty-eight years later, Duff's Design Group is about to announce the biggest acquisition in its history: the purchase of The People Bank, a Toronto-based staffing services firm with annual revenues of \$20 million.



CREDIT: John Lucas, The Journal
Mike Duff



Steve Jones



Damen Ng

The deal, which will be formally announced Monday, will make Design Group Canada's largest privately owned staffing services company, with annual revenues of \$150 million, 210 full-time staff, a contract workforce of 2,100, and 17 branch offices in 12 cities nationwide.

In the Canadian staffing services market, Design Group is now exceeded in size only by major multinationals such as U.S.-based Kelly Services and Manpower Inc., or Switzerland-based Adecco International, all of which trade on the major U.S. stock exchanges.

Toronto-based CNC Global, a specialist in IT staffing services with offices nationwide and 180 full-time staff, generated revenues of \$147 million last year. CNC was recently acquired by two Toronto-based private equity funds, Torquest Partners and Scotiabank Private Equity.

Duff predicts continued growth ahead for Design Group.

"We've got a target of \$200 million in revenues by January of 2007, and pre-tax profit of four per cent," he says.

"So we've only got another \$50 million to add from here, and we've got two years to go. With minimal acquisitions we should be able to make that target, and I hope to exceed it."

Although most of Design Group's growth has come from internal expansion, it has made a series of small acquisitions over the years. But nothing compares to the scale of People Bank, which appears to be a perfect fit.

Design Group wanted to expand in Ontario -- where People Bank already has a big presence -- and People Bank wanted to expand in the West, where Design Group is already a dominant player.

In addition, Design Group wanted to expand beyond the IT and engineering areas, where it's already strong, into areas like office administration, financial services and call centres, where People Bank is a big player.

"It just fit, it really fit like a glove. It would have taken us years to accomplish this otherwise," says Steve Jones, president of People Bank, who was interviewed with Duff Friday at Design Group's Commerce Place head office.

Under terms of the deal, Jones will continue as president of People Bank, which will operate as a separate unit. He'll also join Design Group's executive team, with responsibility for integrating services nationwide.

People Bank, formed in 1981, was a unit of U.S.-based Herzing Colleges, which offers adult education courses across Canada and the U.S. Herzing had been looking to divest People Bank to focus on its primary business.

A merger-and-acquisitions adviser first put Duff and Jones together last November, at Jones's downtown Toronto office. Duff balked at the initial asking price, saying it was far too steep.

But after making some adjustments -- in particular, by excluding People Bank's cash and receivables from the transaction -- the two sides finally came to terms in May. Lawyers for the two parties have spent the past three months finalizing the deal documents.

Although Duff didn't disclose the purchase price, he says Design Group paid about four times pre-tax earnings for People Bank.

Looking ahead, Duff says Design Group is intent on increasing employee ownership in his company to about 20 per cent from the current five per cent. He owns the bulk of the equity, and says he has no interest in pursuing a stock market listing.

Meanwhile, Duff says he and his wife of nearly 30 years, Sharon, have their hands full building their new home on a 40-acre spread south of Edmonton's Windermere Golf & Country Club, where they raise horses.

Yes, the fruits of success are sweet, aren't they?

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