Human Capital Market – November 2022 Update

Despite macroeconomic headwinds, the UK Human Capital market continues to demonstrate significant levels of resilience and both acquirer and funder appetite for quality proposals remains robust.

Skill Shortages

- The UK labour market is currently 'tight', with demand for candidates outstripping supply. This continues to be a key factor in driving resilience in the sector, despite a slowdown in wider UK macroeconomic growth.
- The buoyant prevailing labour market in the UK is a noticeable outlier in comparison to other European countries, driving increased appetite from international acquirers for domestic assets, particularly those servicing candidate scarce sub sectors such as Healthcare, IT and Construction.
- **Acute skill shortages are facilitating premium placement fees, enhancing the profitability and resilience of Human Capital companies during a period of macroeconomic uncertainty, driving appetite from acquirers who remain active, well-capitalised and eager to engage in M&A activity.**

Legal & Regulatory Environment

- Uncertainty caused by the scrapping of the repeal of IR35 caused a degree of turbulence in the sector last month, however, it appears that the legislation will remain in place for at least the medium term.
- The Harpur Trust vs. Brazel Supreme Court ruling announced in July 2022 has significant implications, particularly for recruitment firms that generate a high proportion of NFI from temp placements and will become a focal point of acquirer's due diligence processes going forward.
- **The UK continues to offer one of the most flexible regulatory environments globally, although careful consideration of key related issues with advisors during the transaction planning stage is critical to minimise execution risk and optimise value realisation.**

UK Macroeconomic Environment

- Inflationary pressures continue to drive anticipation of further interest rate rises, causing a heightened sense of urgency to complete transactions before rises take place, while the cost of debt remains relatively low.
- The comparative strength of major global currencies relative to Sterling is expected to draw further attention to the UK Human Capital M&A market as international acquirers look to increase their UK footprint.
- **While the current macroeconomic landscape continues to evolve and debt markets 'tighten', demonstrably resilient Human Capital companies will continue to attract appetite from both acquirers and funders, who continue to actively seek out quality, well prepared proposals.**

Gambit is an independent corporate finance advisory firm specialising in advising private and public companies on mid-market transactions in the UK and overseas. With offices in London and Cardiff, Gambit is widely recognised as a market leader in the provision of corporate finance advice to the Human Capital sector, having built up detailed industry knowledge and an enviable track record in deal origination and execution.

Gambit's dedicated Human Capital team has deep relationships with investors, vendors and acquirers and we understand the key issues and trends that drive M&A activity in the sector and how our clients' businesses are affected.

If you would like to arrange a call to discuss the current M&A market, the opportunities facing the Human Capital sector and how these relate to your business, please contact a member of our team.

Geraint Rowe, Partner
geraint.rowe@gambitcf.com
07899 928 029

Simon Marsden, Director
simon.marsden@gambitcf.com
07796 441 330

Michael Dunn, Manager
michael.dunn@gambitcf.com
07548 759 579

William Haggaty, Analyst
william.haggaty@gambitcf.com
08456 435 500