# Human Capital
# M&A Market Review
# H2 2024

# Introduction

This edition of Gambit's Human Capital Market Review highlights acquirors' continued appetite to pursue premium assets in the sector in H224, despite a period of uncertainty in Q324 prior to the Budget.

Inflation moved steadily towards the government's target in 2024, driving anticipation of further base rate reductions in 2025, creating a more favourable landscape for the Human Capital M&A market.

As investor confidence increases, we expect the Human Capital M&A market to witness a resurgence in investment, particularly among high-growth strategic consolidators and private equity acquirors.

Despite an initial lack of transparency over UK macroeconomic and fiscal policies from the new government, the Human Capital sector is set to benefit from significant tailwinds from proposed investment in high-skill sectors including infrastructure, clean energy, technology, life sciences and advanced manufacturing.

Despite potential commercial pressures associated with the increase in employers' NIC and the National Minimum Wage, UK Government fiscal policy will bolster growth in the Human Capital sector, driving a new wave of consolidation as multinational corporates continue to turn to the M&A market as a way to drive diversification, expand existing client and candidate pools and achieve geographic expansion.

With more favourable market conditions on the horizon, Human Capital business owners should focus on maximising KPIs, including NFI margin % and NFI to EBITDA conversion as well-funded acquirors pursue a 'flight to quality', seeking the most premium and best performing assets in the sector, particularly those that can adapt to the upcoming increases in employers' NIC and the National Minimum Wage.

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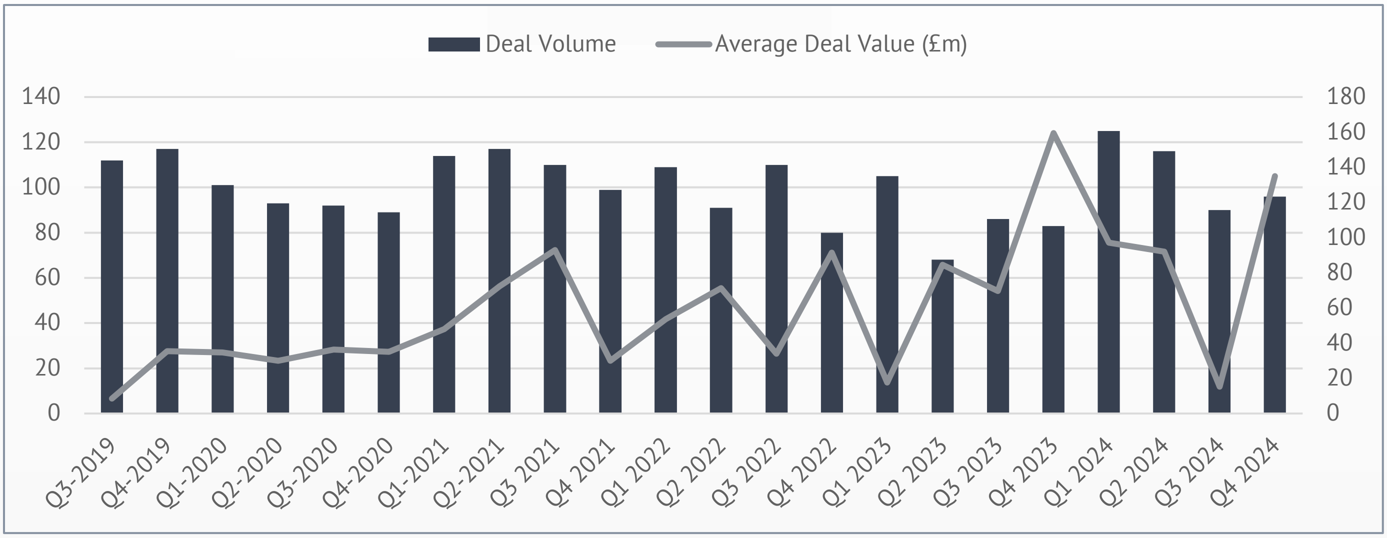
**H224 Summary**

- Human Capital average **deal values increased at a CAGR of 28.1% from H219 to H224,** demonstrating acquirors' continued appetite to pursue premium assets and evidencing resilience in the sector.
- The UK has established its position as a consistent hotbed of activity in the Human Capital M&A market, **representing 19.9% of global deal volumes in H224, second only to the US.**
- Despite a slight slowdown in trading amongst the sector's largest players in H224, **investor confidence was maintained, driving growth in public company EV/EBITDA multiples from H124 to H224,** in anticipation of continued growth in 2025.
- **Q424 saw significant quarter-on-quarter average deal value growth, making it the second highest performing quarter of the past decade,** driven by a resurgence in multinational investor confidence as **geopolitical and macroeconomic uncertainty subsided**.
- UK Human Capital business owners looking to consider their options in 2025 are presented with **a window of opportunity whilst valuations remain strong and investor appetite to acquire premium assets in the sector continues to intensify.**

*"As the UK Human Capital sector continues to demonstrate resilience and sustained growth, underpinned by proposed government investment in key critical sectors, acquirors continue to seek premium assets; a trend expected to continue in 2025".*

# Global M&A: Activity




| Company Name | EV / EBITDA Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 |
|---|---|---|---|---|
| Adecco S.A. (SIX) | 11.1x | 10.4x | 10.7x | 9.4x |
| Brunel International NV (ENXTAM) | 6.4x | 6.2x | 6.6x | 6.8x |
| Gattaca PLC (AIM) | 2.9x | 2.1x | 2.3x | 2.2x |
| Hays PLC (LSE) | 6.2x | 6.2x | 17.4x | 15.4x |
| ManpowerGroup Inc (NYSE) | 13.1x | 13.7x | 14.7x | 12.3x |
| Page Group PLC (LSE) | 7.8x | 7.5x | 8.5x | 7.6x |
| Randstad Holding NV (ENXTAM) | 8.2x | 7.9x | 9.3x | 9.1x |
| Robert Half International Inc (NYSE) | 11.9x | 11.1x | 12.1x | 14.7x |
| Robert Walters PLC (LSE) | 6.0x | 6.4x | 7.1x | 6.8x |
| SThree PLC (LSE) | 5.6x | 5.4x | 4.8x | 3.6x |
| **Gambit Human Capital Index** | **7.9x** | **7.7x** | **9.4x** | **8.8x** |

- Despite a resurgence in deal activity in Q424, H224 deal volumes and average deal values decreased by 22.8% and 18.6%, respectively, relative to H124, driven by investors delaying acquisitions in the lead up to the UK budget and US General Election.
- As investor confidence in the UK market improved in Q424 and the global geopolitical environment continued to recover, acquirors returned to the Human Capital M&A market, driving average deal values to near record highs for the past decade.
- Although 2024 posed challenges to the Human Capital sector, investor confidence was maintained in anticipation of a more favourable environment in 2025, underpinning growth in EV/EBITDA multiples from H124 to H224 in the Gambit Human Capital Index.
- Technology, advanced manufacturing, energy and infrastructure continue to face significant skill shortages, with Human Capital companies servicing these sectors demanding premium placement fees; a trend expected to continue as the UK government targets substantial investment in these key sectors.
- As market conditions continue to improve and base rates remain on a downward trajectory, with further cuts expected throughout 2025, the Human Capital sector is predicted to experience a new wave of M&A activity as competition to acquire premium high-growth assets persists from well-funded acquirors.
- Resilient Human Capital businesses with deep sector experience generating a sustainable level of reoccurring income are attracting strong acquiror appetite, creating strong competitive tension in M&A processes and driving up valuation multiples.

# Sub-Sectors in Focus



## Education

300% | 2%

- Human Capital companies specialising in the Education sector remained a key area of focus in H224, continuing to demonstrate significant resilience to wider market volatility, underpinning a substantial increase in deal volumes.
- The high levels of reoccurring and recurring revenue streams and strong income visibility of Education Human Capital companies is particularly attractive to private equity acquirors, with 75% of all deals in the sector involving private equity.
- The UK government has outlined proposals to recruit 6,500 new teachers by 2027/28 in key subject areas, further increasing the sector's attractiveness to both financial and strategic acquirors, particularly focused on niche providers, such as SEND specialists.

**5.5%** ***Increase in education job postings in 2024, despite wider shrinking job market*** *(Source: CV Library, Jan 2025)*

## IT

73% | 10%

- With the IT sector's continued growth and further integration of advanced IT infrastructures across all aspects of the economy, the demand for skilled IT professionals has remained high, with large corporates willing to pay premium placement fees to source top talent.
- Human Capital companies servicing the IT sector with large active candidate pools, particularly those specialising in an IT staffing niche, remain under the spotlight for acquirors looking to break into a high-growth staffing specialism.
- IT specialist Human Capital sector M&A deal values and volumes are predicted to increase throughout 2025 in anticipation of significant UK government investment in AI and its integration across various markets, further underpinning the growing demand for skilled IT professionals.

**1.5%** ***Estimated UK productivity growth if AI is fully embraced*** *(Source: GOV.UK, January 2025)*

## STEM

200% | 2%

- Despite an easing of acute skill shortages across the wider economy, the STEM sector still faced challenges in filling skills gaps, with large corporates continuing to pay significant placement fees to source skilled candidates.
- High performing Human Capital companies servicing the STEM sector are continuing to attract significant appetite, including from non-Human Capital strategic acquirors looking to internalise their recruitment provisions.
- With continued UK government support for the STEM sector, including investment in large infrastructure projects, skill shortages in the sector are expected to continue, bolstering sustained acquiror appetite for premium Human Capital assets servicing the sector.

**133k** ***Shortage of skilled workers in the UK life sciences sector by 2030*** *(Source: SThree, Jan 2025)*

## General Staffing

42% | 16%

- Despite an increase in general staffing transactions in H124, deal volumes amongst highly diversified recruiters fell in H224 as acquirors become increasingly focused on niche and specialist recruiters servicing high growth sectors.
- Having overcome a period of uncertainty regarding the UK government's fiscal objectives in H224 following the Autumn Budget, investors are showing less appetite to acquire highly diversified recruiters with provisions across a wide variety of sector specialisms.
- As investor confidence begins to return to the UK economy, focused on several key sectors, and the next wave of consolidation is expected, Human Capital business owners looking to consider their options should be wary of overdiversification.

**812k** ***Unfilled vacancies in the UK labour market, down from a peak of 1.2m in May 2022*** *(Source: ONS, Jan 2025)*

% — % change in deal volume from H124 to H224

% — % total deal volume in H224

# Overview of Acquirors

**With significant valuations and rising acquiror appetite, we set out below the key acquiror groups and their current focus areas when engaging with the Human Capital M&A market.**

## Strategic

- Human Capital M&A transactions involving a strategic acquiror remained at 68% in H224, consistent with H124.
- Greater transparency in UK government policy and increasing stability in the geopolitical environment will see investor confidence return to the UK market from strategic acquirors and large multinational consolidators, generating strong competitive tension and driving up transaction multiples.
- Multinational consolidators continue to focus on acquiring tech-enabled market leaders within their sector specialisms as a way to maximise candidate pools, diversify into additional specialisms or achieve further geographic expansion.

## Financial

- Human Capital M&A transactions involving a financial acquiror remained at 32% from H124 to H224.
- Private equity investors remain attracted to the sector due to the high levels of resilience demonstrated during challenging economic periods. With unprecedented levels of funding available, we expect to see private equity increase its M&A activity in 2025, assisted by anticipated reductions in borrowing costs.
- As debt capital markets continue to 'open up', with continued base rate reductions anticipated in 2025, funding structures often used by private equity, including leveraged buy-outs, will become increasingly attractive.

**61%** ***Of UK CEOs said they were optimistic about economic growth in Britain over the next year.*** *(Source: MSN, Jan 2025)*

**$639bn** ***Global private equity and venture capital deal value in 2024.*** *(Source: Private Equity Insights, Jan 2025)*

**62%** ***Of UK businesses report skills shortages.*** *(Source: EdgeWorks, October 2024)*

**$2tn** ***Of 'dry powder' held by global private equity*** *(Source: Global Finance, Dec 2024)*

## Gambit's View

- Having overcome a period of significant uncertainty and opaqueness regarding the UK government's fiscal strategy in H224, the Human Capital M&A market is primed to reach new highs in 2025, particularly amongst market leading providers servicing high growth sectors expected to attract continued government investment, including STEM, IT, healthcare and education.
- With private equity activity remaining strong despite a volatile environment for the Human Capital sector in H224, transactions involving private equity are expected to increase in 2025 as market conditions improve and key areas of growth become increasingly clear.
- Despite an anticipated increase in M&A activity in 2025, the focus for acquirors will be on the most premium assets in the sector, particularly those with leading KPIs, such as productivity, NFI margin and NFI to EBITDA conversion as acquirors pursue a 'flight to quality'.
- Alongside leading financial KPIs, acquirors are continuing to seek Human Capital companies with a significant suite of technologies integrated into their service provisions, particularly those investing in AI and other technology platforms to enhance their capabilities in sourcing and placing candidates.
- Human Capital business owners looking to consider their options in 2025 should focus on enhancing their KPIs, maximising fee earner efficiencies, aligning their service provisions within high growth sectors and ensuring that they are prepared for employers' NIC and National Minimum Wage increases to remain under the spotlight for acquirors.

# Cross Border Activity

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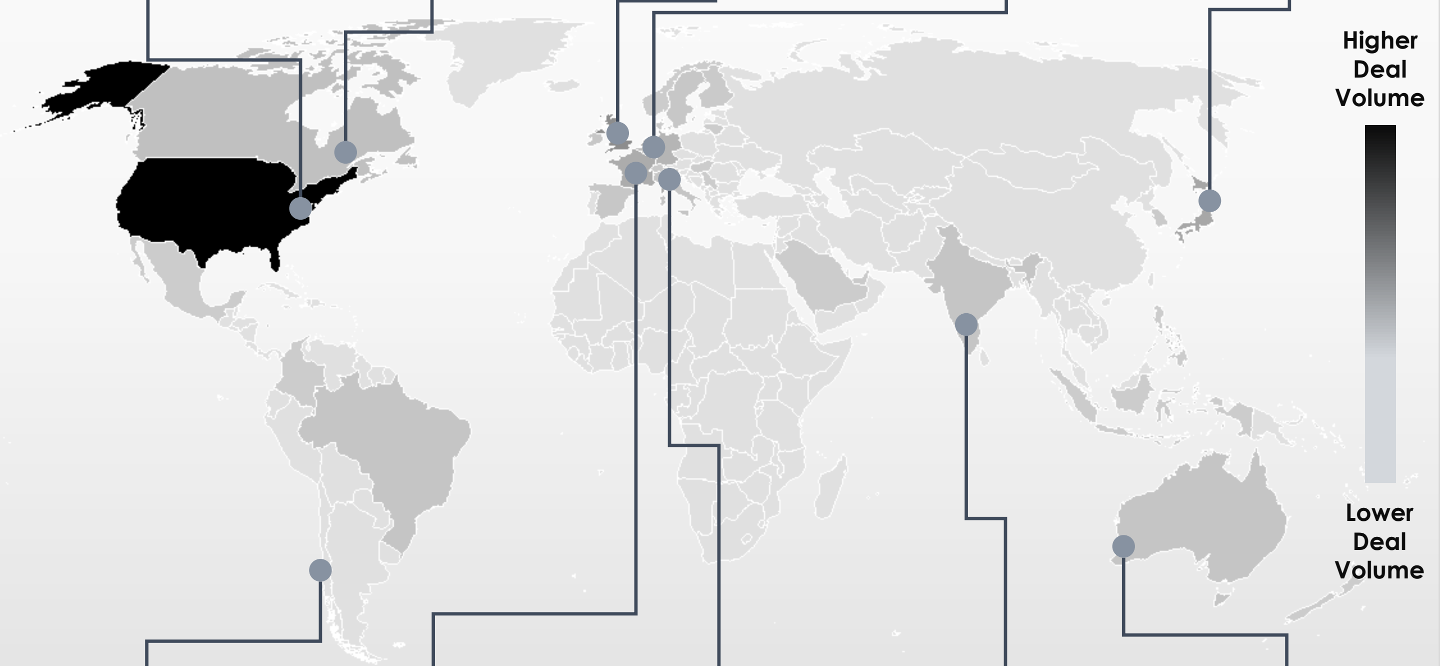
**Four key regions led the Human Capital M&A activity in H224: the US, UK, France, and the Netherlands, representing a combined 65% of global Human Capital M&A Activity**

| | | | |
|---|---|---|---|
| PREMIER PHARMA EXECUTIVE TALENT SOURCING LLC | Has been acquired by | SIRIUS STAFFING | STEM |
| MaxSys STAFFING · CONSULTING | Has been acquired by | agilus Work Solutions | General Staffing |
| VISION for EDUCATION | Has been acquired by | QUAD PARTNERS | Education |
| TMC PEOPLE DRIVE TECHNOLOGY | Has been acquired by | APHEON | IT |
| active CONNECTOR | Has been acquired by | PeopleX | IT |




| | | | |
|---|---|---|---|
| LOTTAWORK | Has been acquired by | EDIPRO VIVE TRANQUILO | Retail |
| energia INTERIM CDI Électricité & CVC | Has been acquired by | actual CONSTRUISONS ENSEMBLE VOTRE TRAVAIL | Executive Search |
| axl Agenzia per il Lavoro | Has been acquired by | Groupe Adéquat | General Staffing |
| ENTHIRE | Has been acquired by | BIG SHYFT | IT |
| APM enabling better lives | Has been acquired by | MDP | General Staffing |

## Key Points in Focus

- With Human Capital M&A average deal values on an upward trajectory heading into 2025, business owners in the Human Capital sector looking at their strategic options are **encouraged to capitalise on the availability of well-funded strategic and financial acquirors poised to drive the next wave of consolidation.**
- The UK Human Capital market has once again reaffirmed its position as a secure and stable location for strategic and financial acquirors to invest, with the **UK accounting for 19.9% of global M&A activity in the sector, placing second only to the US.**
- As levels of competition within the UK Human Capital market continue to increase, **business leaders in the sector should concentrate on enhancing their key KPIs, such as NFI to EBITDA conversion and fee earner productivity**, which are key to attracting premium valuations and appetite from acquirors.
- Human Capital companies that can **embrace the benefits of technological innovation will create differentiation in their candidate and client value propositions,** increasing their attractiveness to both strategic and financial domestic and international acquirors.

## Gambit's Added Value Approach

- Gambit's Human Capital expertise enables us to identify off-market acquisition targets and assess acquiror appetite, whilst our close-knit relationships with the private equity market provides our client base with targeted and unparalleled access to financial investors.
- Gambit's detailed knowledge and insight into the Human Capital market enables us to advise on appropriate valuation metrics and present opportunities with maximum impact to appropriate acquirors, targets and/or funders.
- Part of an integrated sector team within Corporate Finance International, sharing cross-border opportunities, sector trends and insights, underpinning leading transaction credentials in the sector and optimising client outcomes.
- Gambit acts as an extension to senior management teams, with a service that is genuinely partner-led by like-minded business owners, available 24/7 to discuss commercial issues or provide a sounding board, priding ourselves on the strong, long-lasting and collaborative relationships we build with our clients.
- In an increasingly active M&A market, Human Capital business owners should look to utilise experienced corporate finance advisors to support strategic decision making and maximise value realisation, leveraging the strong level of acquiror appetite and unprecedented availability of funding.

**Benefits of Gambit**

- A team of highly experienced specialists
- In depth understanding of key sector drivers
- Focussed on value creation and maximisation
- Access to buyers, investors and targets on a global basis
- Commercial focus and attainment of shareholder objectives
- Significant cross-border capability as exclusive UK shareholder of CFI
- Deal risk minimisation
- 24/7 availability

**Key Services Include**

- Mergers & acquisitions
- Disposals
- Management buy-outs
- Fundraising
- Development capital
- Debt advisory
- Private Equity advisory
- Refinancing
- Succession planning
- Strategic advice

# Gambit Corporate Finance

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## Gambit Corporate Finance

Established in 1992, 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 M&A advice in the Human Capital sector having built up detailed industry knowledge and an enviable track record in deal origination and execution.

**www.gambitcf.com**

## Corporate Finance International

Gambit is the exclusive UK shareholder of CFI, a global partnership of middle-market investment banks and corporate finance advisory firms. With 300 professionals located in 29 offices throughout the world, CFI members specialise in cross-border acquisitions, disposals, capital raising, and related services. CFI have advised on a significant number of staffing sector deals and is ranked number 16 in Europe and 19 globally by Thomson Reuters for transactions valued up to €200 million.

**www.thecfigroup.com**