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Human Capital M&A Market Review

H1 2025

Introduction

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Human Capital M&A Accelerates

The H125 Human Capital Market Review highlights a strong upturn in M&A activity in the sector, with a surge in deal volumes and deal values reaching new long-term highs.

Continued reductions in interest rates, a more lender-friendly debt market, and persistent skill shortages across high-growth sectors are driving sustained demand for premium assets in the sector, with the UK leading the way.

Whilst the regulatory environment remains highly dynamic, the UK Human Capital sector continues to offer relative stability to acquirors seeking diversification into the sector, further regional expansion or talent pool enhancement.

With consolidation accelerating and competition from strategic and Private Equity acquirors intensifying, Human Capital business owners are encouraged to focus on enhancing KPIs, driving efficiencies and aligning with high growth niches to stay firmly on the radar of multinational buyers.

Geraint Rowe
Partner, Human Capital

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Partner, Human Capital

H125 Highlights

28.3% CAGR increase in deal values from H120 to H125, demonstrating acquirors' continued appetite to pursue premium assets and evidencing resilience in the sector.

15.8% Of global Human Capital M&A deal volumes involving a UK target, further establishing the UK's position as a hotbed of activity in the sector.

12.4% Increase in deal volumes from H224 to H125, driven by the sector's continued growth, particularly amongst niche providers operating in candidate short sub-sectors.

74.2% Of Human Capital M&A in H125 involving a strategic acquiror, with an influx of non-Human Capital strategics completing deals to internalise their staffing provisions.

"Following several periods of depressed Human Capital M&A activity, investors are beginning to re-enter the market, driven by a stabilisation in regulation, an uplift in growth projections and the UK's demonstrable resilience to wider market headwinds, a trend we expect to continue into 2026".

Global M&A Activity

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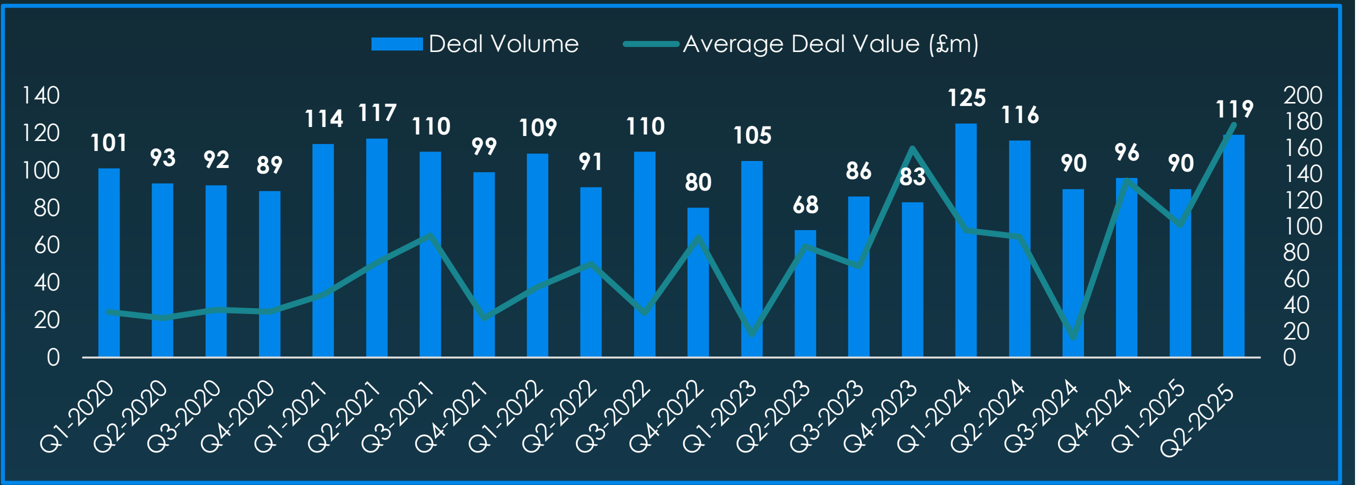
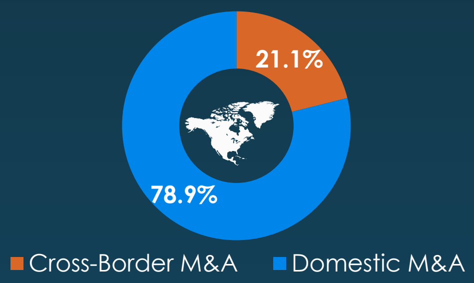
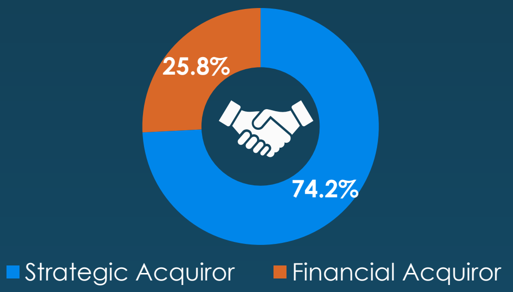
Human Capital M&A Ramps up as Investor Confidence Increases



H125 Human Capital M&A Highlights





The UK remained a dominant force in the global Human Capital M&A market, with 15.8% of all transactions in the sector involving a UK target in H125.

Recruiters operating in the IT sector remained a pivotal driver of H125 Human Capital deal volumes, accounting for 10.0% of all transactions in the sector in H125.

Following a subdued H224, Human Capital M&A volumes rebounded to near long-term highs, with rising average deal values pointing to sustained growth into 2026.

As blue-chip consolidators 'on-shore' their staffing provisions and global Private Equity look to de-risk US centric portfolios, cross-border M&A activity in the sector has increased by 5.0% from H224 to H125.

Key Takeaways

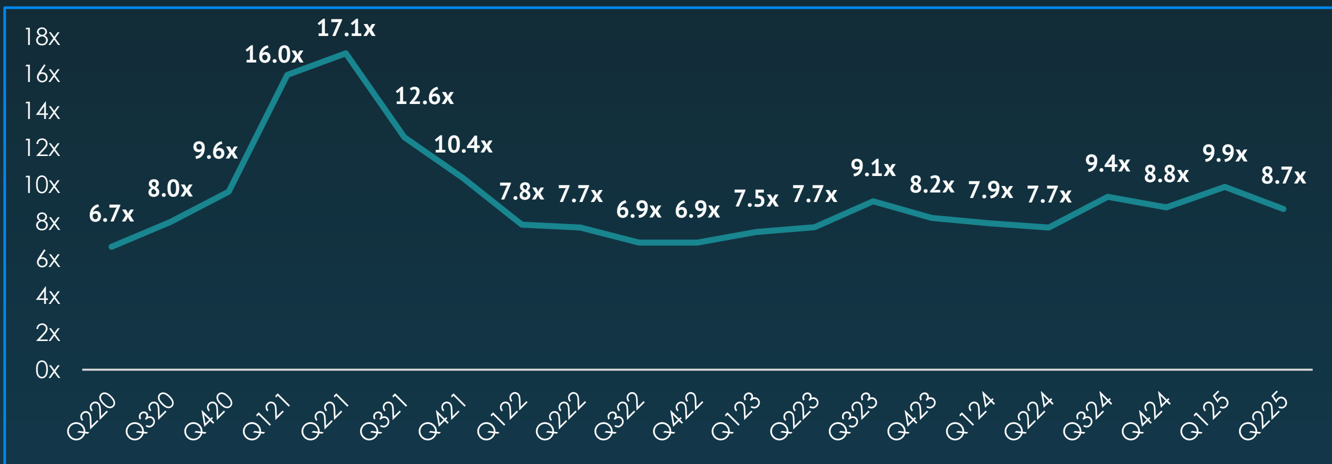
1 **With headwinds subsiding, particularly in the UK market, and base rates continuing on a downward trajectory, likely with further cuts into 2026, the Human Capital sector has entered a new wave of consolidation in H125.**

2 **Well-capitalised acquirors are expected to intensify the race for premium high growth assets operating in resilient sub-sectors, setting the stage for a highly competitive dealmaking environment, underpinning further growth in average deal values and supporting strong multiples.**

3 **Human Capital business owners exploring their options in H225 are encouraged to capitalise on a highly competitive M&A market, with valuation multiples on an upward trajectory and the UK firmly under the spotlight for well-capitalised multinational acquirors.**

Gambit Human Capital Index

Human Capital Stocks See Valuations Slide – But With Volatility Easing, Investors Are Finding Steadier Ground



Company Name	EV / EBITDA			
	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Adecco S.A. (SIX)	10.7x	9.4x	10.1x	10.3x
Brunel International NV (ENXTAM)	6.6x	6.8x	7.9x	7.0x
Gattaca PLC (AIM)	2.3x	2.2x	2.0x	2.4x
Hays PLC (LSE)	17.4x	15.4x	24.0x	20.9x
ManpowerGroup Inc (NYSE)	14.7x	12.3x	8.6x	7.6x
Page Group PLC (LSE)	8.5x	7.6x	9.1x	7.6x
Randstad Holding NV (ENXTAM)	9.3x	9.1x	14.8x	12.1x
Robert Half International Inc (NYSE)	12.1x	14.7x	12.1x	10.6x
Robert Walters PLC (LSE)	7.1x	6.8x	6.4x	5.1x
SThree PLC (LSE)	4.8x	3.6x	4.0x	3.4x
Gambit Human Capital Index	**9.4x**	**8.8x**	**9.9x**	**8.7x**

Key Trends

EV/EBITDA multiples increased from 9.1x to 9.3x from H224 to H125

Volatility continues to subside as the global macroeconomy enters calmer waters

Companies operating in defensive sub-sectors continue to demand premium multiples

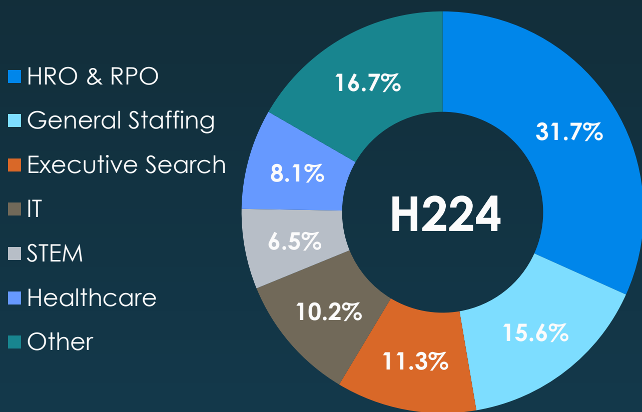
Key Takeaways

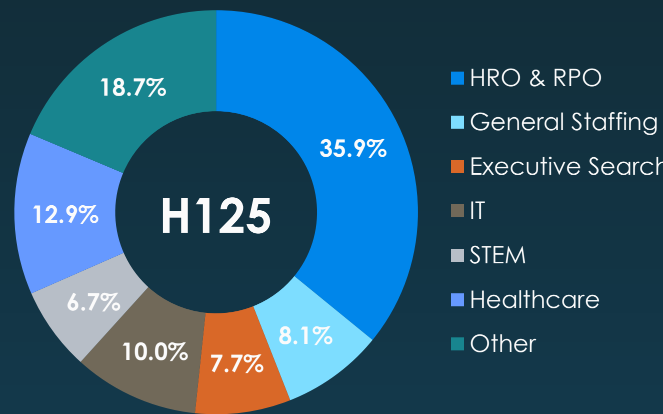
1. **Despite continued resilience amongst mid-market Human Capital companies throughout H125, large, less dynamic firms are beginning to suffer the impact of the ever-changing market, facing reductions in profitability and fee earner productivity.**
2. **Although publicly listed recruiters are facing tough trading conditions across the globe, investors continue to exhibit strong confidence in the sector's prospects and are prepared to pay significant premiums to acquire the leading providers in the open market.**
3. **Publicly listed leaders, primarily those operating in blue-collar sectors, are seeing strong NFI growth, particularly in the UK market, providing investor confidence of a market recovery throughout the remainder of 2025.**

Sub-Sectors In Focus

Human Capital M&A Acquirors focus on High-Growth Sub-Sectors

Sub-Sector M&A Deal Volumes





↑ 17%	STEM
↑ 150%	Industrial
↑ 67%	Hospitality
↓ 80%	Healthcare
↓ 41%	General Staffing
↑ 11%	IT
– 0%	Education
↓ 14%	Executive Search
↓ 27%	HRO & RPO

Sub-Sectors in Focus

STEM

The STEM staffing sector is experiencing substantial acute skill shortages, driving appetite from non-human capital strategic acquirors looking to internalise or 'onshore' their recruitment provisions. With continued UK Government support for the sector, skill shortages are expected to persist, bolstering sustained deal flow in the sector.

HRO & RPO

In the face of mounting technological disruption and rapid innovation in AI-driven HR systems, large blue-chip companies are beginning to internalise their HR and staffing provisions, driving fears of pricing pressures and margin erosion across the HRO & RPO market, prompting acquirors to take a cautious approach to M&A activity.

IT

Amidst a rise in the adoption of emerging and critical technologies, including AI and machine learning, combined with ongoing skill shortages, IT recruiters with access to strong active candidate pools are experiencing unprecedented growth and demand, fuelling sustained appetite for M&A among well-prepared sector leaders.

Acquiror Overview

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Strategic Acquirors Command a Growing Slice of Human Capital Deal Activity

Strategic

- Human Capital M&A transactions involving a strategic acquiror increased in H125 to 74%, compared with 68% in H224
- A large proportion of the growth in strategic dealmaking in the Human Capital sector in H125 has been underpinned by non-Human Capital acquirors completing deals in the sector to internalise their staffing provisions, driving efficiency growth
- Multinational consolidators continue to focus on acquiring tech-enabled market leaders within high-growth sub sectors as a way to maximise candidate pools, diversify into additional specialisms or achieve further geographic expansion

Financial

- Human Capital M&A transactions involving financial acquirors fell by 6% from H224 to H125, accounting for 26% of all transactions
- Although overall transaction volumes increased in H125, the proportion of Private Equity-led deals declined, not due to reduced sponsor activity, but because of a marked increase in strategic acquisitions, despite Private Equity appetite remaining strong
- Although markets expect further base rate cuts, Human Capital business owners should remain aware of a recent uptick in CPI inflation since Q424, potentially leading to a slowdown in rate cuts, tempering Private Equity activity in the sector

47% **Of UK CEOs cite skill gaps as a barrier to emerging technology adoption** (PwC, Jan 2025)

30% **Of LPs plan to increase their Private Equity allocations in the next 12 months** (McKinsey, May 2025)

71% **Of CEOs are planning to adjust their supply chain operations given current trade policy uncertainty** (Deloitte, May 2025)

10% **Uplift in executives expecting increases in the availability of funding from Q424 to Q125** (FLA, April 2025)

Key Takeaways

1. **Having overcome significant uncertainty in H224, the Human Capital M&A market was re-ignited in H125 and looks poised to sustain growth throughout the remainder of the year, particularly among market-leading providers in high-growth, government-backed sectors such as STEM, IT, and Education.**
2. **Despite a decline in the proportion of Private Equity activity in H125 within the Human Capital sector, market conditions are continuing to improve, with overall transaction volumes rising significantly as strategic investors seek premium growth opportunities, efficiency gains and operational synergies.**
3. **Beyond strong KPIs, acquirors are targeting Human Capital firms utilising AI and advanced technology platforms to supercharge candidate sourcing and placement and are beginning to tighten their due diligence procedures when engaging in the Human Capital M&A market.**
4. **Ahead of 2026 Employment Rights Bill reforms, Human Capital business owners should maximise KPIs, boost productivity, and focus on growth sectors. Anticipating changes like day-one dismissal rights and minimum hours guarantees is key to staying compliant and attracting acquiror appetite.**

Regulatory Environment

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The Global Regulatory Environment Remained Highly Dynamic in H125, With its Targets Firmly Set on the Human Capital Sector

Global Regulatory Timeline

January

EU Digital Operational Resilience Act

- DORA came into force, requiring financial firms to manage ICT risks and report incidents.
- **Businesses utilising outsourced HR tech or payroll systems must ensure resilience and vendor compliance.**

US Antitrust Enforcement

- Andrew Ferguson appointed to Head of the FTC[1], signalling a shift in M&A scrutiny.
- **M&A transactions involving US headquartered companies will involve reduced regulatory scrutiny, facilitating enhanced deal making.**

February

EU AI Act – First Provisions Apply

- Bans on emotion recognition and other high-risk AI systems came into effect.
- **Companies using AI in recruitment or employee monitoring must audit systems to ensure compliance with updated regulations.**

FTC HSR Filling Rule Changes

- Expanded M&A disclosure rules came into force, requiring more stringent HSR[2] filings.
- **Large M&A transactions in the US market could potentially face longer lead times and increased regulatory complexity.**

March

Reciprocal and Sectoral Tariffs

- Announcement of significant changes to US tariff policy to address trade imbalances.
- **Human Capital companies operating in affected sectors are advised to remain vigilant whilst global tariffs remain volatile.**

Savings & Investments Union Strategy

- The latest strategy aims to transform the EU's financial landscape by mobilising domestic savings into productive investments.
- **EU companies will have access to diversified lending options and investment support.**

April

Major Immigration Reform

- UK Government initiated major immigration reforms, impacting staffing practices.
- **UK Human Capital companies with candidate pools containing a large number of non-UK nationals should seek contingency measures.**

Regulatory Growth Action Plan

- The UK Government committed to simplifying regulation and supporting innovation.
- **Human Capital firms can expect reduced compliance burdens and increased support for digital HR solutions.**

May

Equality Targets Mandate

- Large employers are now required to set and report gender equality targets.
- **HR teams must integrate these targets into workforce planning and ensure transparent reporting.**

'Stop-the-Clock' Directive

- The EU delayed ESG reporting deadlines for SMEs and large firms via formal directive.
- **This gives Human Capital departments more time to prepare workforce data systems and ESG disclosures.**

June

Strengthened Antitrust Enforcement

- China introduces intensified scrutiny of M&A transactions ensuring fair market competition.
- **M&A transactions involving China domiciled companies are subject to increased levels of 'red tape', driving increases in deal lead times.**

Data (Use and Access) Act

- New legislation updates UK GDPR and transitions open banking oversight to the FCA.
- **Human Capital companies handling sensitive employee data must revise governance protocols to meet updated standards.**

[1]*Federal Trade Commission*
[2]*Hart-Scott-Rodino Act*

Global Deal Activity

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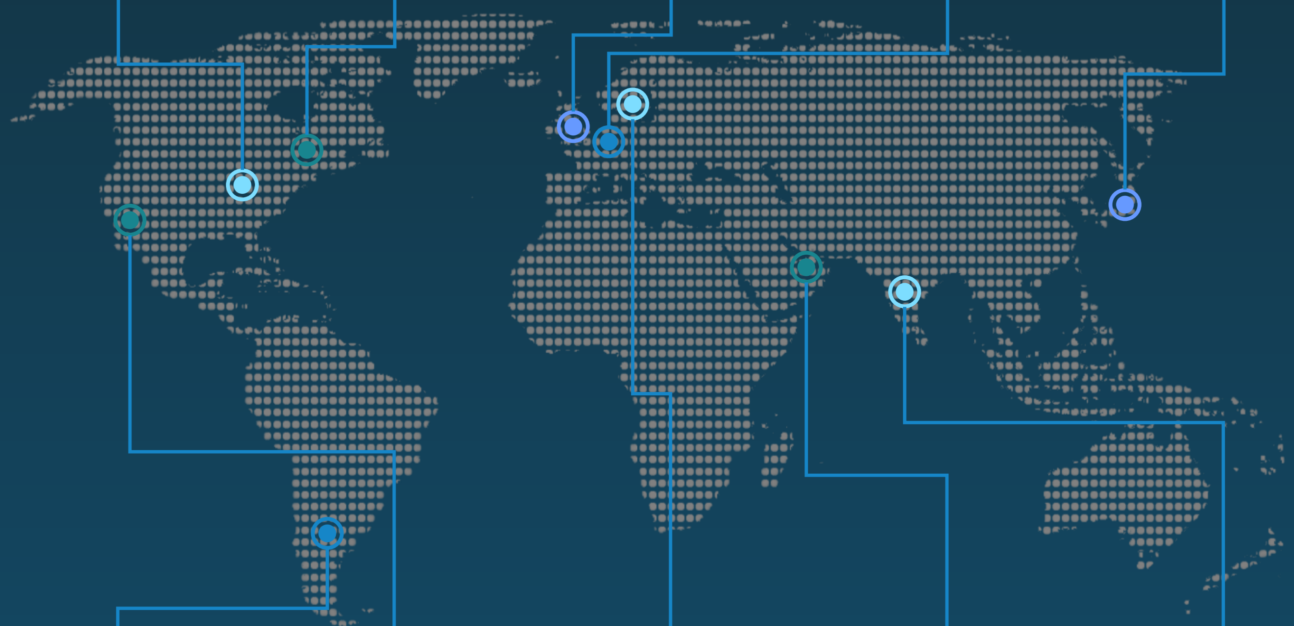
The UK represents 15.8% of Global Human Capital M&A, Second only to the US, Reaffirming its Status as a Prime Investor Hub



Paycor	Has been acquired by	PAYCHEX	HRO & RPO
FLExE Recrutement Placement	Has been acquired by	GOODJOB	Healthcare
axonmoore	Has been acquired by	CorpAcq CORPORATE ACQUISITIONS & INVESTMENTS	Executive Search
	Has been acquired by	itzu	Logistics
Epigno	Has been acquired by	EUCALIA	Healthcare
INFOCONTROL	Has been acquired by	Achilles	HRO & RPO
PTS ADVANCE	Has been acquired by	morson group	Infrastructure
HR PROFESSIONAL directory	Has been acquired by	YES HR	Hospitality
RP & Partners	Has been acquired by	smooth PROFESSIONAL SERVICES	IT
peoplestrong	Has been acquired by	Goldman Sachs	General Staffing

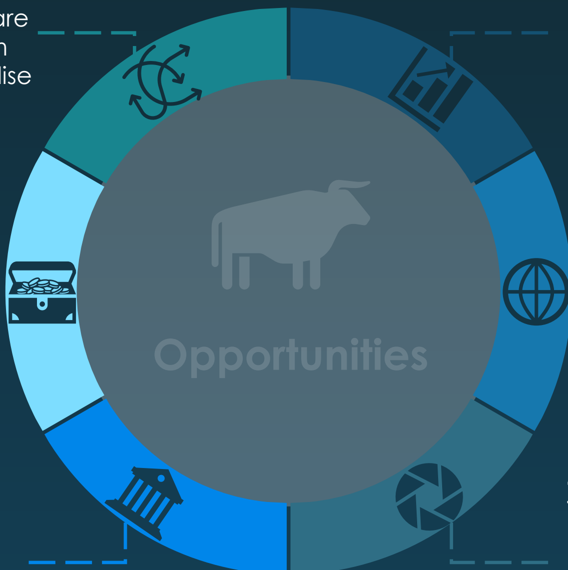
Opportunities & Threats

Navigating the Promise & Peril of the Global Human Capital M&A Market

Backwards Integration
Human Capital companies servicing skill short sub-sectors are seeing increased appetite from trade buyers looking to internalise their recruitment processes.

Dry Powder
Having stockpiled cash reserves throughout turbulent economic periods, Private Equity are deploying dry powder into the Human Capital sector as economic volatility subsides.

UK Fiscal Spend
Human Capital firms servicing the advanced manufacturing, clean energy and digital sectors will see KPI growth as skill shortages intensify under the UK Government's Modern Industrial Strategy.



Availability of Leverage
As debt capital markets continue to 'open up', acquirors are re-entering the Human Capital M&A market, driving valuation growth.

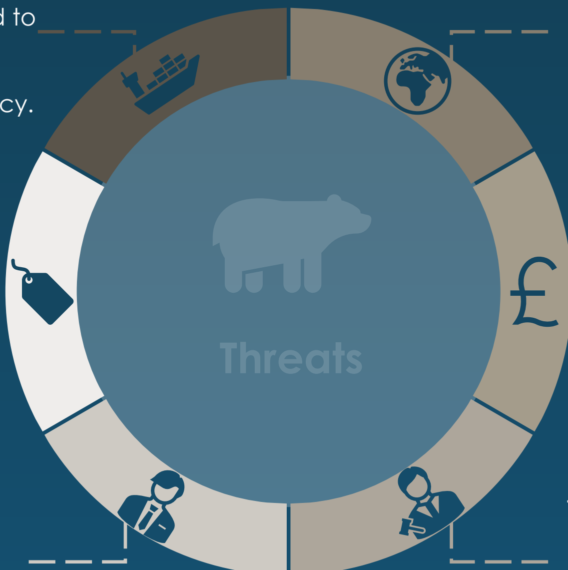
Cross Border Activity
The UK Human Capital sector continues to be a hotbed of activity amongst global acquirors seeking high performing assets within the UK's globally recognised Human Capital market.

Technological Enhancement
Human Capital companies that are quick to adapt and integrate innovative technology are delivering leading KPI growth and securing increased attention from acquirors seeking high margin assets.

Trade & Tariffs
Human Capital companies operating in sub-sectors exposed to trade regulation should remain vigilant, particularly given uncertainty around US trade policy.

Rates & Inflation
Whilst UK interest rates continue to move in a positive direction, volatile inflation rates are driving concerns over a potential slowdown in base rate reductions, risking delayed M&A activity and softening appetite.

Labour Market Shifts
Against a backdrop shifting working cultures and the rise of work from home, Human Capital acquirors are continuing to seek targets with strong adaptability.



Geopolitical Risk
Despite ongoing negotiations, the Russia / Ukraine war and the conflict in Gaza is prompting some acquirors to pause their global M&A strategies.

Currency Fluctuations
With continued strength in sterling relative to other major global currencies, acquisitive UK Human Capital companies are seeing relative increases in the costs of completing cross border acquisitions, primarily in the US market.

Regulatory Environment
Despite an easing in regulatory uncertainty, Human Capital companies should remain vigilant to the upcoming Employment Rights Bill and Autumn Budget.

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Gambit Anticipates Strong Growth in Human Capital M&A as Market Momentum Builds

Key Points in Focus

With global Human Capital deal volumes increasing by 12.4% from H224 to H125, Human Capital Business owners looking to consider their options are urged to seize opportunities from well-capitalised acquirors during the new wave of sector consolidation.

As competition in the UK Human Capital sector intensifies, business leaders should focus on enhancing KPIs, such as fee earner productivity and NFI to EBITDA conversion to secure premium valuations and acquiror appetite.

The UK has once again reaffirmed its position as a secure and stable location for Human Capital investment, with the UK capturing 15.8% of global M&A activity in the sector, second only to the US.

Human Capital companies embracing innovative technology will differentiate their candidate and client value propositions, increasing their attractiveness to strategic and financial acquirors, both domestic and cross-border.

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 genuine partner-led service by like-minded business owners, available 24/7 to discuss commercial issues or provide a sounding board, priding ourselves on strong, long-lasting and collaborative relationships.

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 funding availability.

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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 28 offices throughout the world, CFI members specialise in cross-border acquisitions, disposals, capital raising, and related services. CFI has advised on a significant number of staffing sector deals and is ranked number 18 in Europe and 27 globally by Thomson Reuters for transactions valued up to €200 million.
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