



European HR services see high M&A deal volume in 2022

SPOT ON | HUMAN RESOURCE MANAGEMENT EUROPE | NOVEMBER 2022

“So far, 2022 can be regarded as the year that inflation returned to Europe — more rapidly and to higher levels than many expected. The reasons include supply chain issues in 2021 and early 2022, high energy prices and, of course, the conflict in Ukraine, which has further aggravated inflationary pressures. Despite this, unemployment fell up to September as a result of hot labor markets, aggravating the war for talent. Even though 2022 has brought uncertainty to HR businesses and M&A activity in the sector, mid-market transaction levels remained high until September. Recent events in the European energy market seem to have put a dent in economic forecasts and, consequently, post-summer M&A activity, providing for low visibility in deal activity for the rest of the year.”

TOM VAN DE MEIRSSCHE
HUMAN RESOURCES EUROPE SPECIALIST, OAKLINS

MARKET TRENDS

Working through

An overview of the latest macroeconomic developments in the European labor market, and future expectations.

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INTERVIEW

Inside word

We hear from the chairman of HR solutions provider Moment Group about the HR services market in the Nordics and the company's growth ambitions with Axcel, a Danish private equity group.

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VALUATIONS AND M&A

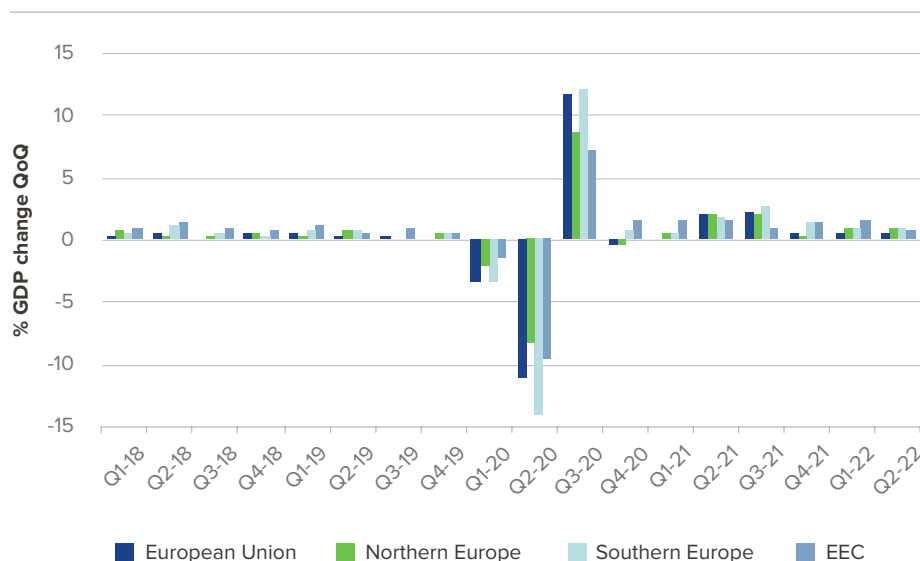
Summing up

Take a look at recent M&A activity, which has remained strong this year, and valuation trends in the European HR sector.

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EUROPEAN MACROECONOMIC DEVELOPMENTS & OUTLOOK

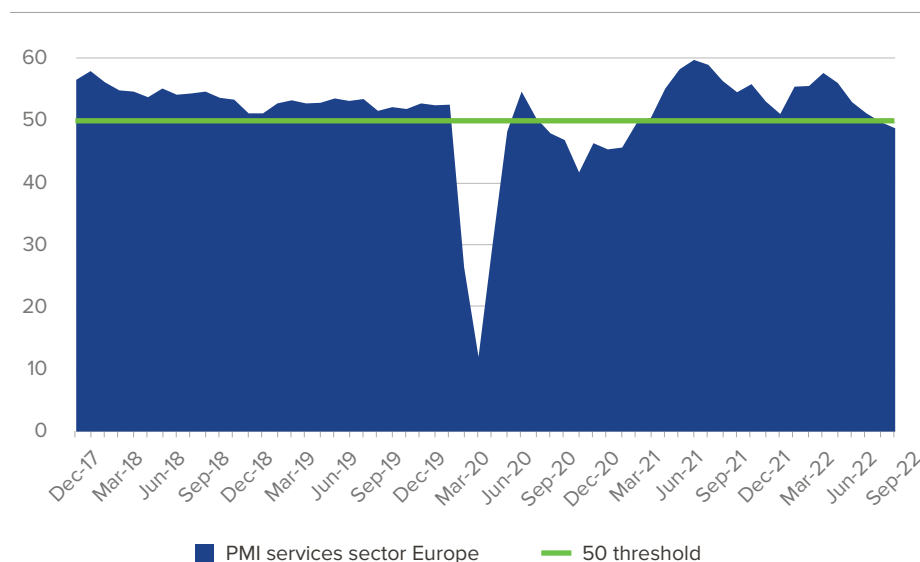
Steady but declining GDP growth across Europe, no signs of recession yet



Sources: Eurostat, IMF, FactSet

Earlier this year, European gas prices rose to unprecedented highs as Russia suspended the supply of gas through the Nord Stream 1 pipeline indefinitely. These prices are still hovering at levels that are triple or quadruple what they were per MWh a year ago, and prolonged high energy prices could have serious consequences for European industry and consumers. Leading indicators suggest Europe is facing a solid slowdown in growth over the next two quarters into 2023, but do not point to a deep recession for now. GDP expectations for the eurozone suggest real GDP growth of 2.9% in 2022, slowing to 0.3% in 2023.

PMI services sector — Eurozone exposed to macroeconomic instability



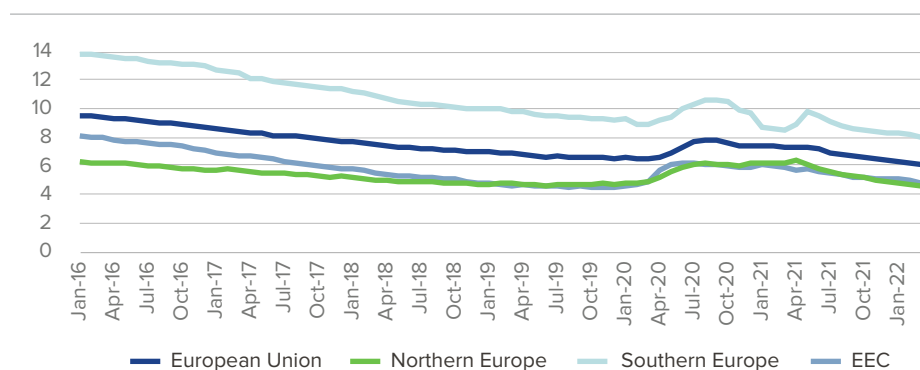
Sources: Eurostat, IMF, FactSet

After the swift economic recovery during 2021 from the COVID-19 outbreak the previous year, the European economy has experienced some headwinds, starting with global supply chain issues as a result of the pandemic and, more recently, the Russia-Ukraine war that has sparked an energy and inflation crisis. While business confidence was still peaking in the first quarter of 2022 and through May, PMI figures since the start of the summer have been steadily drifting off, falling to levels below 50 in August and September and indicating that business leaders are pessimistic about the outlook for European business services. While we are still far from some of the levels seen during the COVID-19 crisis, it remains to be seen how long the economy can weather this storm before entering into a recession.

Note: Quarterly GDP change per region is calculated as the simple average of quarterly GDP growth per country compared to the previous quarter.

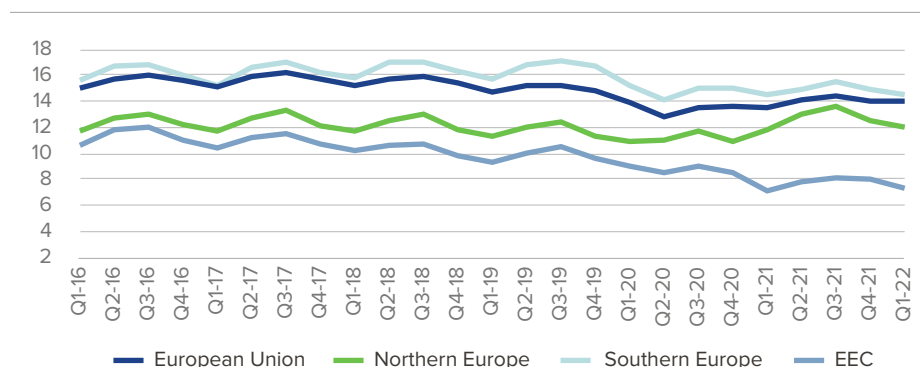
TRENDS IN EMPLOYMENT ACROSS EUROPE

Unemployment (in percentage)



Source: Eurostat

Temporary work rates (in percentage)



Source: Eurostat



Source: Eurostat

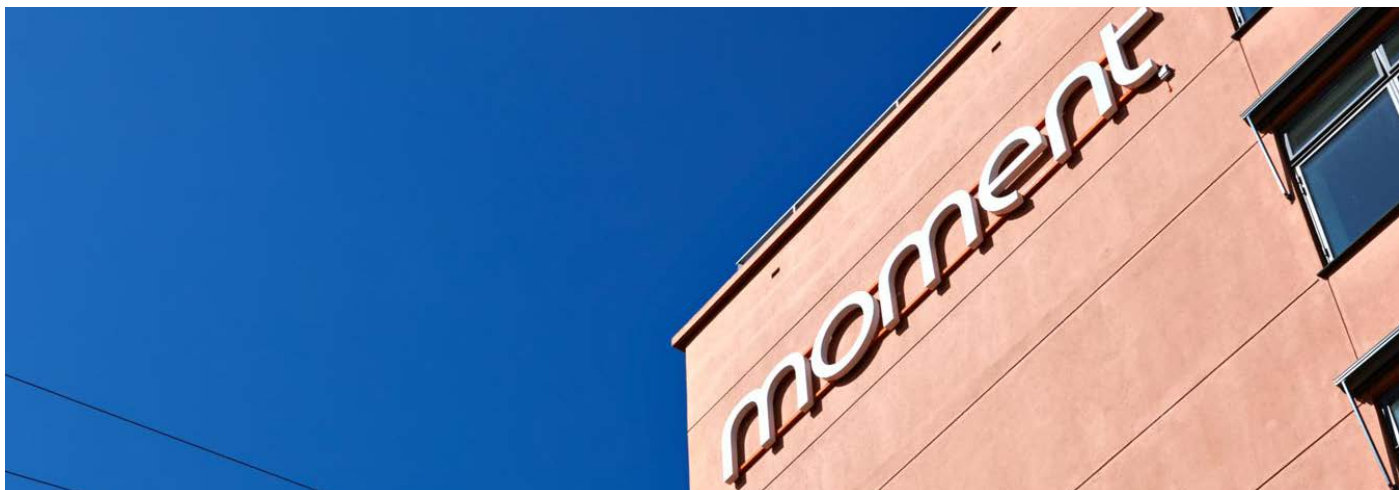
Note: Unemployment and temporary work rates per region are calculated as the simple average of each labor indicator per country.

At the start of 2022, the number of unemployed in the eurozone fell below 11 million for the first time, an all-time low that represents 6.2% of the labor force and underlines the resilience of the bloc's labor market. At the same time, this recent decrease in unemployment is now slowing down, which seems to point towards a trend experienced by many HR services companies and their clients, namely that the market is reaching natural full employment. The EU faces both a difficult winter and the threat of recession, so the unemployment rate is likely to rise from now on, even if short-term work schemes cushion the blow.

Temporary work rates remained relatively flat in Q1 2022 compared to the previous year, except in the EEC region. With an increasing scarcity of labor, more people were able to obtain a permanent employment contract at the cost of temporary work. As such, the temporary staffing sector continues to be challenged when it comes to attracting sufficient candidates for flexible work solutions — this means that a key enabler for growth is increasingly found in getting voluntarily unemployed people back to the labor market.

In the third quarter of 2021, the number of recent job starters aged 20–64 in the EU (people who had started their current job in the previous three months) was close to 8 million, which represents an increase of 7% compared with the second quarter of 2021 (7.4 million). Men accounted for slightly more of these recent hires: 4.1 million against 3.9 million women.

Looking at distribution by occupational groups (according to ISCO), it is clear that the distribution of recent job starters did not follow the pattern for total employment in the third quarter of 2021. While economies were continuing to rebound from COVID-19, some occupations saw a higher level of hiring than others, such as service and sales workers, and elementary occupations. In contrast, there was a lower proportion of job starters among managers.



Spotlight — Moment's view on HR services in the Nordics

moment

Moment Group is a leading cross-Scandinavian staffing solutions platform owned by Axcel, the Danish private equity group, and its management team. Moment is active in Denmark, Sweden and Norway with its temporary staffing solutions focused on particular niches: finance, office work and logistics. In 2022, the group expects to generate DKK 2.5 billion (US\$330 million) in sales, and aims to grow towards DKK 5 billion (US\$670 million) over the coming years through a combination of organic growth initiatives and targeted acquisitions in the Nordics. Jeff Gravenhorst is chairman of the board of directors at Moment Group. He brings over 20 years of experience in senior executive positions, most recently 10 years as Group CEO of ISS Group.

Q&A

Which factors attracted Axcel to invest in the Scandinavian temporary staffing and recruitment market? And how did the investment in TeamVikaren/ PersonaleBørsen, Protamp and Moment, which thereby created the Moment Group, fulfil this investment strategy?

Jeff Gravenhorst: The Scandinavian temporary staffing market is a large, fragmented and structurally growing market. We see it as still being in the earlier stages of its development, so there is ample room for increased use of flexible workforce solutions in the form of temporary workers. To successfully offer workforce solutions and meet client demands, we believe it's essential to have a good understanding of our clients' industries for the different segments in which we are active. In that respect, there is a lot to learn across the different markets within the Nordics.

Therefore, the investment thesis is to stimulate organic growth and further reinforce this through targeted M&A by buying into dedicated temporary staffing providers for niches. In doing so, Moment Group operates under several brand names, specialized and aligned per segment, rather than per country. However, at the center of

the whole M&A strategy is the aim to improve how we meet client needs.

We look at M&A by country, based on the local value proposition and how possible add-ons can provide additional value to the offering. For instance, we have a particular interest in digital and value chain propositions, among other cross-border solutions for our international customers.

What have been the major contributions from Axcel on the journey to date?

Jeff Gravenhorst: Since its entry in 2021, Axcel has accelerated the consolidation in Moment's markets. While some of the large staffing players are also active in the Scandinavian market, Moment is the leading Nordics player providing specialized sector services across the region.

In the execution of the consolidation strategy, the Axcel team is deeply involved in bolt-on acquisitions and forms an inherent part of the M&A processes, together with a corporate M&A manager who was onboarded shortly after Axcel's entry. Apart from involvement in the M&A processes, Axcel brings industry knowledge to the board of directors by tapping into its widespread business network.

At Moment, among other ways that is done through my experience at ISS as well as through Per-Arne Gulbrandsen, who was formerly CEO of Adecco Nordics. Axcel lays out the plans for its value creation system via active board representation, i.e. “How do we build the backbone and how do we go to market?” This ranges from operational improvement to optimizing legal structure and identifying priorities for our digitization strategy.

How would you describe the HR services market in the Nordics and how does it compare to the rest of Europe? Do you see particular differences with other European regions?

Jeff Gravenhorst: The Nordics are generally characterized by a relatively smaller presence of unions compared to mainland Europe. The labor market in the Nordics is characterized by closer relationships between employers and employees, and thus has fewer conflicts. As it's a relatively immature staffing market, it's also still relatively new terrain and it requires a good understanding of local market characteristics to be successful in the region. As I said earlier, within the Nordics there are also notable differences to be mindful of. For example, in Norway we hire our employees with permanent contracts and sell a talented temporary workforce to clients, ranging from short-term to longer-term assignments. In Denmark, on the other hand, there is the interim staffing model, whereby we only hire candidates for a specified assignment.

Which synergies can you realize from being active cross-border in the different Nordic countries?

Jeff Gravenhorst: Today, most of what we do is still local. Through targeted initiatives, we have achieved some good cases of cross-Nordic selling lately. We see several opportunities within the Nordic markets to improve this further. There is a desire from clients to unify supply and reduce the number of staffing partners.

By leveraging our digital platform we are able to meet this demand, without losing sight of keeping the local flavor, of course. An important advantage is that the level of English is generally good, which allows for collaborating with English-speaking candidates from foreign countries and thereby bypassing some labor shortages. In this context we have set up recruitment offices in Eastern Europe for, among others, our construction sector operations. But rather than just setting up offices, this requires additional expertise in terms of legislation, hosting the workers with accommodation, etc.

Digitalization is rapidly impacting the HR services sector. How is this trend affecting your company and how are you tapping into the opportunities this creates?

Jeff Gravenhorst: A proprietary digital platform was one of the key assets for Axcel to initially invest in Moment. Further digitization is one of our main strategic pillars — think of both internal systems and external systems relating to client and candidate interactions. The digital interface when you meet candidates as a client needs to be much more embedded in the value chain. Examples include digital planning of recruitment schedules, automating candidate preferences and increasing automation of the matchmaking process. Eventually the goal is to have much more digital matchmaking. For our digitization strategy, we opt for combining both third-party solutions and proprietary tools.

The war for talent is very present in Europe, and the Nordics are no exception to that. How are you positioning yourself with Moment Group to cope with this phenomenon? What are your expectations for the future when it comes to scarcity of supply in the Nordics job market?

Jeff Gravenhorst: To broaden the pool of potential candidates, we have opened recruitment offices outside of the Nordics (mostly in Eastern Europe

for the moment). As well as that, we have a distinct brand positioning with candidates as the local market leader, as we've been present since 1997 and have a reputation for providing students and young graduates with interesting opportunities for their first learning experiences. We consider our candidates to be employees, and not just temporary workers to fill one specific role, so it is critical to be considered the most attractive employer. Because we care a lot about our candidate satisfaction, we keep track of regular candidate satisfaction scores. We are also considering tapping into the inactive part of the labor force, for example offering 10-hour (per week) types of assignment to provide a gradual reintegration trajectory into the labor market.

What is the long-term ambition and goal for Moment Group?

Jeff Gravenhorst: When Axcel entered as an owner in 2021, the company made DKK 500 million (US\$67 million) in sales. This has grown to DKK 2.5 billion (US\$330 million) today, and we have the ambition to increase it to DKK 5 billion (US\$670 million). Growth will come from a combination of organic growth and M&A, whereby the acquired businesses should create higher organic growth by unlocking cross-selling synergies. Throughout our growth, we also strive to remain the responsible labor provider of choice for both candidates and clients.

What's next? Further consolidation? Is your ambition to expand your service offering into adjacent activities, e.g. project sourcing?

Jeff Gravenhorst: Our preferred option is to buy white spots. That can be through new segments or new countries, albeit remaining within the Nordics. We can consider some bolt-on acquisitions for obtaining more volume as well, but the priority is on white spots. In terms of activities, for the moment we remain focused on temporary staffing.

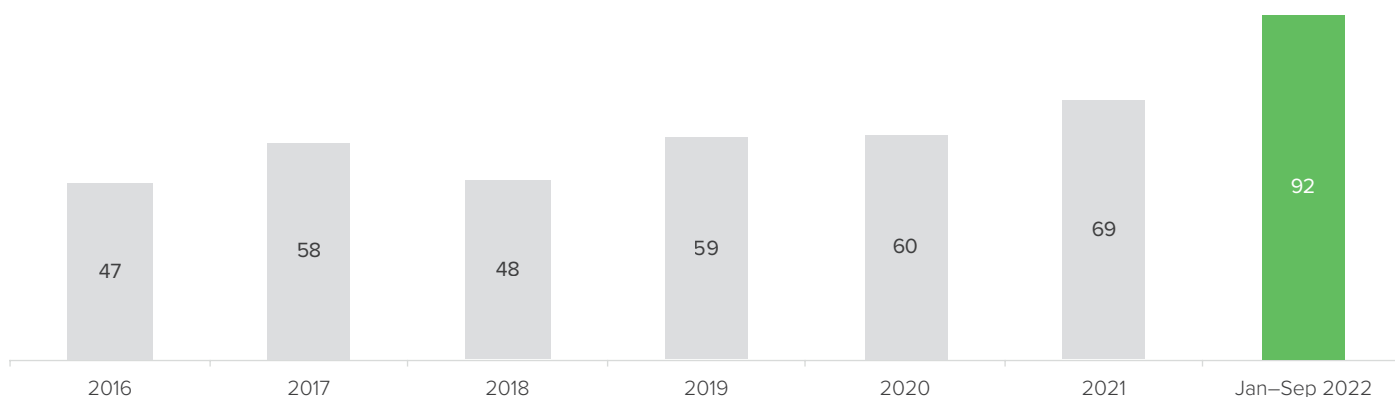
Recent M&A activity

The strong rebound of the HR sector after the COVID-19 crisis in Europe quickly spurred M&A activity in the continent's HR services industry. 2021 and the first half of 2022 continued to see a very high deal flow from both

financial and strategic buyers. Private equity funds have shown particular interest in the sector, as seen by a high number of entries with the acquisition of platform investments, as well as continued buy-and-build strategies.

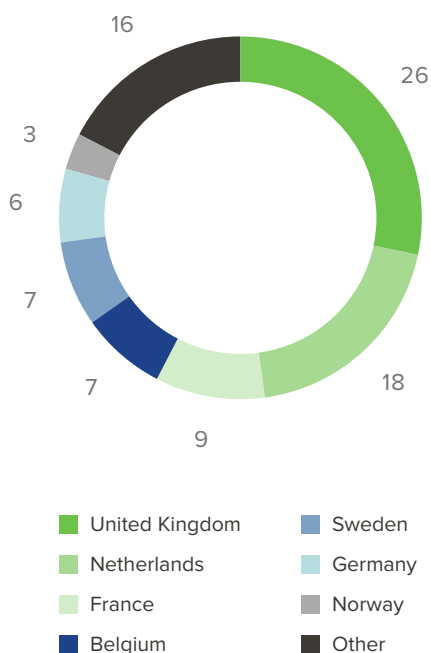
Notably, M&A activity is increasingly focused on project sourcing activities, which are characterized by higher profitability and longer-term client engagements compared to interim staffing solutions.

M&A activity has remained high despite economic uncertainty



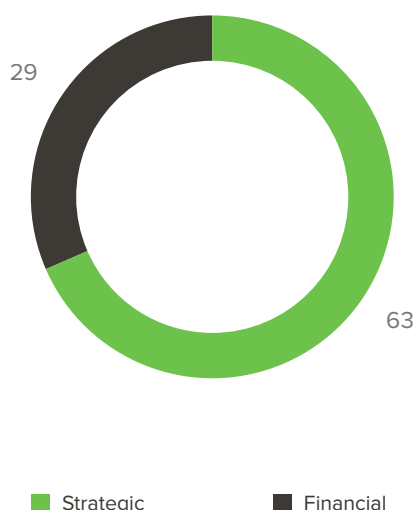
Source: Mergermarket

Geographic by target country (Jan-Sep 2022)















Source: Mergermarket

Investor type split (Jan-Sep 2022)















Source: Mergermarket

SELECTED M&A TRANSACTIONS

Date	Target	Buyer	Target Country	Description	Valuation			
					EV (€m)	EV/Sales	EV/EBITDA	EV/EBIT
Sep-22	Science at Work International B.V.	Pauwels Consulting		Laboratory and science recruitment organization for MLO to PhD talent for permanent and temporary work	N/A	N/A	N/A	N/A
Sep-22	Jobbatical LLC	Consortium of investors, including Inventure Oy, Union Square Ventures		Internet recruitment agency	N/A	N/A	N/A	N/A
Sep-22	Locum Doctors	House of HR N.V.		Germany-based healthcare staffing company	N/A	N/A	N/A	N/A
Aug-22	Runtime	Umani Agency		Providers of temporary staffing and direct placement solutions in the Belgian market.	N/A	N/A	N/A	N/A
Jul-22	SourceBreaker	Bullhorn, Inc.		SourceBreaker is a rapidly growing provider of AI-driven search and match technology to recruitment agencies in the UK. SourceBreaker's solutions help recruiters identify the best talent across internal and external databases	N/A	N/A	N/A	N/A
Jul-22	HRPRO	SD Worx Group		HR tech company, producer of software for optimizing and managing HR processes	N/A	N/A	N/A	N/A
Jul-22	Advipro	Normec Group		Belgium-based specialist in project support, testing and consulting for projects in pharmaceutical, biopharma, medical and high tech sectors	N/A	N/A	N/A	N/A
Jun-22	Vind N.V.	Falcon Fund		Belgium-based company that provides recruitment services	N/A	N/A	N/A	N/A
Jun-22	Hartmanns AS	ACTIEF Group		Denmark-based provider of personnel services	N/A	N/A	N/A	N/A
Jun-22	ResQ AS	A.P. Møller - Maersk AS		Norway-based company providing safety and emergency preparedness training services	24.8	N/A	5.3x	N/A
Jun-22	softgarden e-recruiting GmbH	Grupa Pracuj S.A.		Germany-based provider of recruitment and HR management software	117.6	0.8x	N/A	N/A
Jun-22	Business HR Solutions Ltd.	Marlowe plc		UK-based provider of HR services	7.1	2.3x	10.2x	N/A

Source: Mergermarket

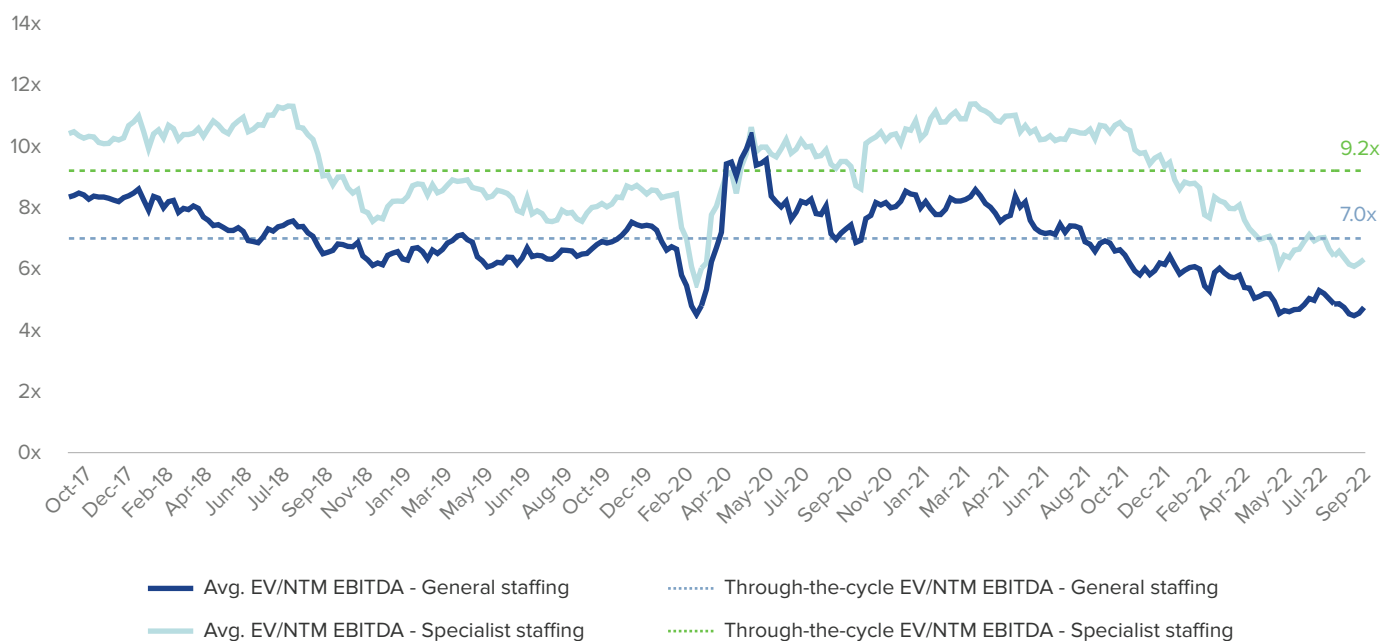
Date	Target	Buyer	Target Country	Description	Valuation			
					EV (€m)	EV/ Sales	EV/ EBITDA	EV/ EBIT
Jun-22	Multiverse Group Ltd. (12.94% stake)	Consortium of investors, including Index Ventures SA, Lightspeed Venture Partners		UK-based provider of online services for apprenticeship opportunities and training	N/A	N/A	N/A	N/A
May-22	Dolmen Engineering	NIRAS		Engineering consultancy specializing in the execution of projects in the life sciences industry, from feasibility analysis and conceptual design, project execution and management to commissioning, qualification and validation	N/A	N/A	N/A	N/A
May-22	House of HR N.V. (55% stake)	Bain Capital		Belgium-based provider of human resource management services	2,800	1.3x	10.6x	N/A
May-22	Investigo Limited (10% stake)	Beijing Career International Co., Ltd.		UK-based recruitment agency providing interim and permanent recruitment solutions to blue chip companies and SMEs	116.5	0.6x	N/A	N/A
Apr-22	BE-Consult BV	House of HR N.V.		Provider of professional training, certification and other services	N/A	N/A	N/A	N/A
Apr-22	Jobzone AS	Jobs and Talent		Privately owned, Norway-based workforce solution company	62.2	N/A	N/A	N/A
Apr-22	Insitu	Management		Insitu's activity is to provide qualified and expert employees to its clients for specific positions in IT, finance, HR and quality management. The group has five branches, most of which operate in the south of France. Insitu has 120 employees and more than 200 consultants	N/A	N/A	N/A	N/A
Mar-22	Huapii B.V. (80% stake)	SD Worx Group		Software company with focus on skill training and talent performance software	N/A	N/A	N/A	N/A
Mar-22	Cegos S.A.	Existing management; Bridgepoint Development Capital Limited		France-based company engaged in providing vocational training and professional development services	229.7	1.2x	8.5x	N/A
Mar-22	Finance Recruitment Sweden AB	Partners Alliance Invest AB		Engaged in recruitment and interim appointments in finance, banking and finance	5.2	N/A	N/A	N/A
Mar-22	Umanis S.A.	CGI Group Inc.		France-based company engaged in the provision of IT services, primarily consulting, engineering and outsourcing	362.4	1.5x	12.9x	17.8x
Jan-22	SOLCOM Unternehmensberatung GmbH	House of HR N.V.		Germany-based company engaged in providing recruiting services to IT specialists and engineers	200	1.2x	10.0x	N/A

Source: Mergermarket

Valuation trends

In the past two years, valuations have seen a rapid upturn after the initial impact of the pandemic, followed by a gradual decrease that now seems to be reversing once more.

EV/NTM EBITDA*



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Tom leads Oaklins' human resources team in Europe and is a director at Oaklins KBC Securities in Belgium. He has established high-level contacts with market consolidators, such as House of HR, Proman, Randstad and Brunel, and he advised on the sales of Arcq to House of Talents, and of t-groep to Gilde Buy Out.

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