



# European HR services prove resilient in M&A

SPOT ON | HUMAN RESOURCE MANAGEMENT EUROPE | JULY 2023

“2023 started with persistent inflationary pressures, which led central banks to hike interest rates up in an attempt to control price increases. Despite these headwinds and restrictive monetary policy, unemployment continued to fall to record lows as a result of tight labor markets, further aggravating the war for talent. Additionally, M&A activity in the HR sector is showing resilience, with transaction levels in the mid-market staying relatively high through the end of 2022. However, with economic forecasts becoming less optimistic, more and more players in HR services are seeing lower business activity, which in turn is being reflected in the sector’s M&A activity levels. Uncertainty is the key determining factor at play for the moment, and we expect it to govern M&A activity for the rest of the year.”

**TOM VAN DE MEIRSSCHE**  
HUMAN RESOURCES EUROPE SPECIALIST, OAKLINS

## MARKET TRENDS

### Capturing the mood

We review the recent European economic landscape, looking at inflation, GDP and business confidence, among other themes.

02

## HR SECTOR

### Inside word

The Eurozone has enjoyed good news in terms of HR in the past few months, with significantly low levels of unemployment, although it continues to face certain challenges.

03

## M&A AND VALUATIONS

### Staying strong

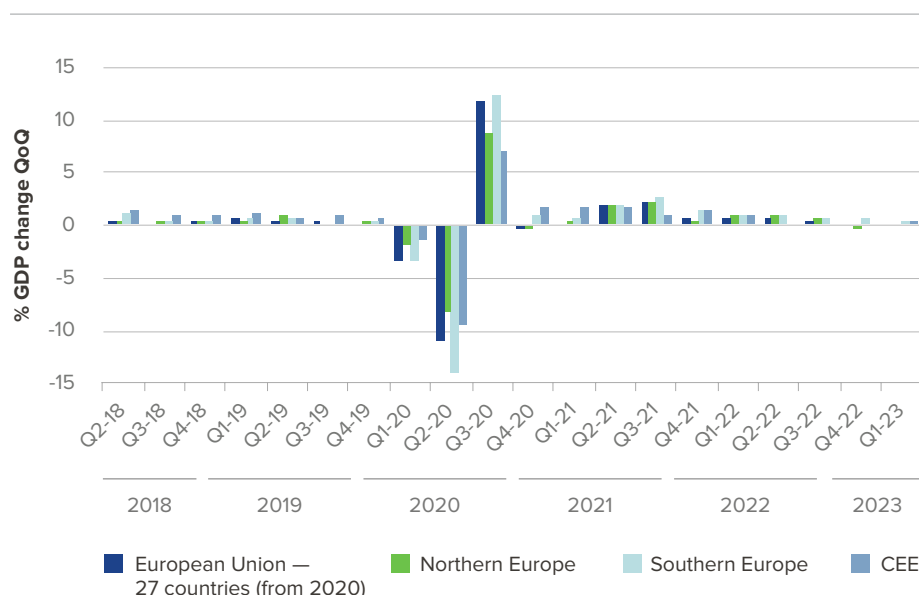
Economic uncertainty has not dented the buoyancy in European HR M&A activity, with transactions particularly popular in project sourcing.

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## EUROPEAN MACROECONOMIC DEVELOPMENTS & OUTLOOK

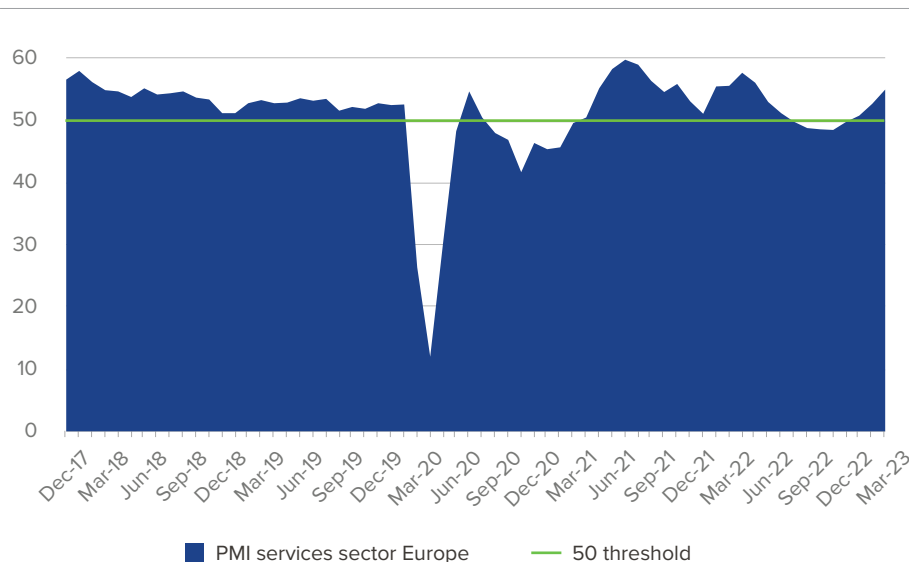
### Modest GDP growth in Q1 2023 on the back of macroeconomic headwinds and restrictive monetary policy



Source: KBC Bank & Verzekering

The European economy experienced macroeconomic headwinds in 2022 and early 2023, with central banks hiking interest rates to battle inflationary pressures. Energy prices in the Eurozone decreased for a fourth consecutive month in March 2023, driven by a decrease in demand due to weather conditions. Headline Eurozone inflation in March notably fell on the back of this trend. Despite this, concerns regarding Eurozone inflation continue as core inflation (excluding energy and food) remains high due to persistent inflation in the service economy. Mixed economic indicators show the contrasting impact of, on the one hand, falling energy prices and a reopening Chinese economy and, on the other, the negative consequences of central banks battling inflation. GDP expectations for the Eurozone are modest and suggest real GDP growth of 0.8% in 2023, accelerating to 1.1% in 2024.

### PMI services sector — Eurozone becoming increasingly optimistic regarding economic outlook



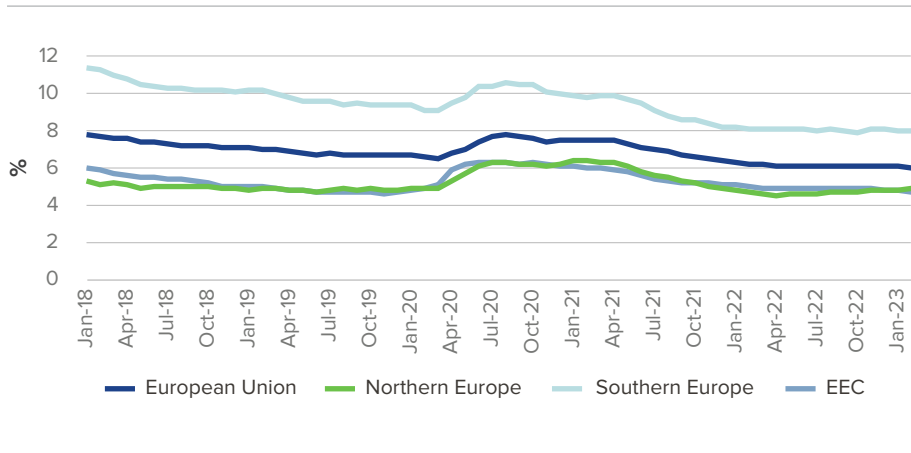
Sources: Eurostat, IMF, Refinitiv

Eurozone business confidence started a prolonged decrease in the summer of 2022, indicating a pessimistic and uncertain economic outlook given the inflationary context and rising interest rates. With the easing of the European energy crisis, PMI figures bounced back sharply to 55 in March this year. This points to a strong increase in confidence in the business services sector and optimism in terms of economic outlook. Beyond the business service sector, however, this PMI figure needs to be nuanced as broader economic confidence indicators point to a more conservative stance on economic outlook. While headline inflation has been decreasing in 2023, purchasing power remains under pressure due to rising food prices. What's more, the central bank's interest rate hikes are expected to increasingly impact consumption and investment decisions. These two factors could further hamper the recovery of consumer confidence, which in turn influences the outlook of the business services industry.

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

**EXTENSIVE GOVERNMENT MEASURES HAVE LARGELY PROTECTED EMPLOYMENT**

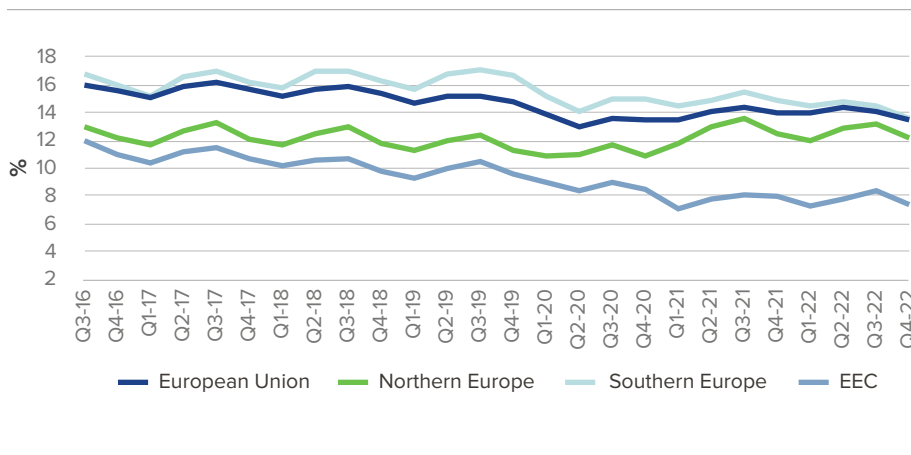
**Unemployment: Eurozone jobless rate hits record low of 6.5% in March 2023**



Source: Reuters

The number of unemployed in the Eurozone fell to a new low of 6.5% in March, despite only modest economic growth. This is the lowest level since Eurostat started compiling employment figures in April 1998. The further tightening of the labor market underlines the bloc's resilience in an inflationary economic environment with a restrictive monetary policy. However, this decrease in unemployment is now slowing down, which seems to point towards a trend experienced by many HR service companies and their clients, namely that the market is reaching natural full employment.

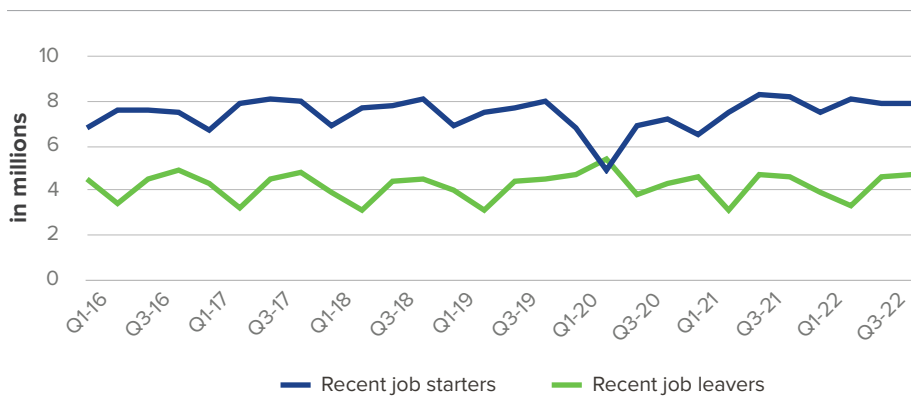
**Temporary work rates**



Source: European Commission

Temporary work rates remained relatively flat in Q4 2022 compared to the previous year; the exception was Southern Europe, which suffered a decline. Overall, temporary employment is still slightly below pre-COVID-19 levels. 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.

**Job starters and leavers in the European Union**



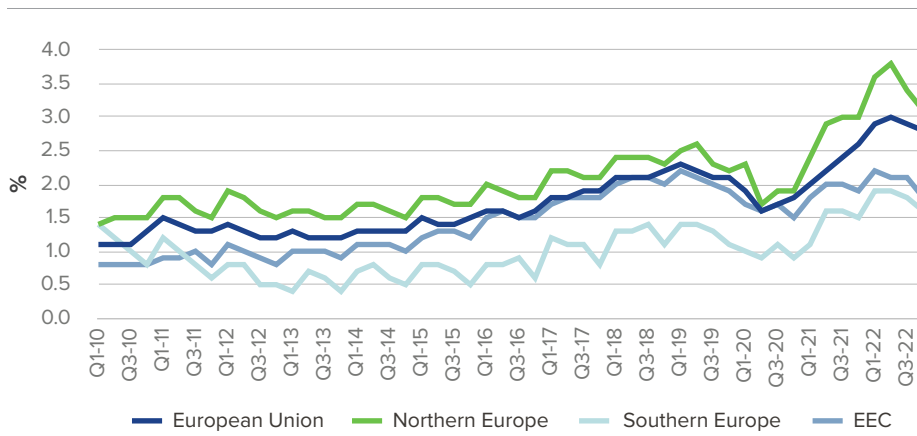
Source: Eurostat

In the fourth quarter of 2022, the number of recent job starters in the EU (people who had started their current job in the previous three months) was close to 8.0 million, which represents a YoY decrease but a slight increase compared with the third quarter of 2022 (7.9 million). Female job starters accounted for slightly more of this YoY decline.

For the same period, the labor slack, the unmet need for work as a percentage of the labor force, decreased slightly in the fourth quarter of 2022 to 11.5%, compared to 11.6% in the third quarter.

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

Job vacancy rates



Source: Eurostat

Job vacancy rates declined slightly in the fourth quarter of 2022 compared to the previous quarter, except in Northern Europe and the EEC region where the decline was more pronounced. Overall, job vacancy rates remained flat compared to the fourth quarter of 2021 but higher than pre-COVID-19 levels. Over the historical period, job vacancy rates were on the rise until 2020, when they slipped due to the COVID-19 pandemic. In line with the wider economic rebound, job vacancy rates recovered sharply in 2021 and 2022. However, the uncertain economic outlook and modest economic growth of recent times are hampering further growth in this area.



# Recent M&A activity

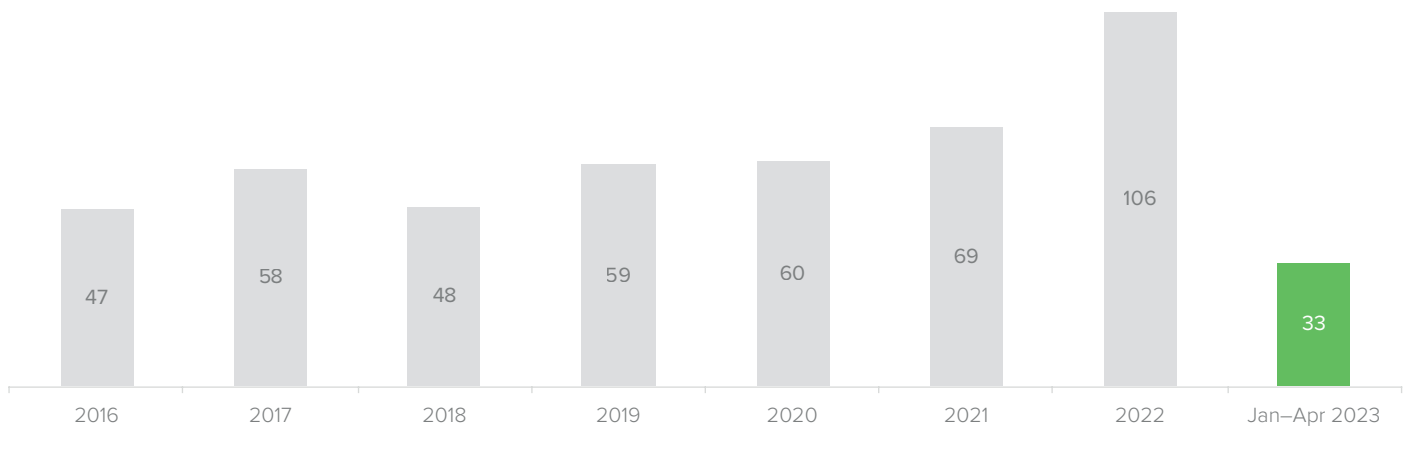
## VERY STRONG M&A ACTIVITY IN THE SECTOR ACROSS EUROPE

The strong rebound of the HR services sector after the COVID-19 crisis in Europe also quickly spurred M&A activity in this industry. The rebound persisted

during 2022 and the first quarter of 2023, resulting in continued deal activity from both financial and strategic buyers. Private equity fund interest in the sector is a trend that has remained strong. However, platform investments slowed down in early 2023.

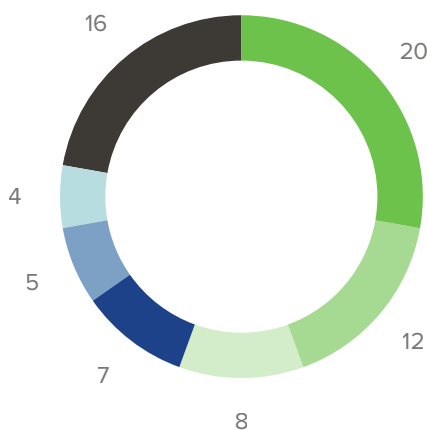
Notable M&A activity can be found in project sourcing activities, which are characterized by higher profitability and longer-term client engagements compared to interim staffing.

## M&A activity remains high despite economic uncertainty



Source: Mergermarket

## Geographic by target country (Oct 2022–Apr 2023)



- United Kingdom
- Netherlands
- France
- Switzerland
- Germany
- Norway
- Other

Source: Mergermarket













## Investor type split (Oct 2022–Apr 2023)



- Strategic
- Financial

Source: Mergermarket

## SELECTED M&amp;A TRANSACTIONS (OCT 2022–APR 2023)

Date	Target	Buyer	Target Country	Description
Apr-23	Office People Personalmanagement	H.I.G. Capital		Germany-based recruitment agency
Mar-23	Swisslinx	De Staffing Groep BV; Axiom Partners		Provider of talent acquisition solutions
Mar-23	Reflekt Helse	Arano Group		Staffing agency operational in the health sector
Mar-23	Kernel	Existing Management; Three Hills Capital Partners		A multi-brand, multi-niche, high-quality recruitment ecosystem
Mar-23	Runtime Group	Synergie		Germany-based company that provides temporary employment services
Mar-23	Capita Resourcing Ltd; Thirty Three Group Ltd; Capital HR Solutions Ltd	Inspirit Capital		Employment agency and employment business; Advertising agency; Provider of human resource consulting services
Feb-23	SD Worx Group	CVC Advisers		Belgium-based company engaged in providing payroll processing and human resource services
Feb-23	pluss Personalmanagement GmbH	House of HR		Germany-based temporary staffing company
Feb-23	Pragmatics	House of Talents		Recruiter of finance and control professionals
Jan-23	Ariemi AS	Assemblin		Staffing and recruitment services for the construction and civil engineering segments, as well as for industry
Jan-23	Impellam (regional specialist staffing businesses in the UK and healthcare staffing business in the UK, Ireland and APAC)	Twenty20 Capital		Regional specialist staffing businesses of Impellam including the firms of: Tate, Blue Arrow Group, Chadwick Nott and Career Teachers
Jan-23	Welcome to the Jungle	XAnge Capital SA; Cipio Partners GmbH; Bpifrance SA; Blisce US LLC; Revaia Ventures		France-based publisher of a recruitment portal for jobseekers and recruiters
Jan-23	4people beheer	Pauwels Consulting		Company specializing in civil engineering, technical recruitment, staffing, consulting, construction and energy services

Source: Mergermarket

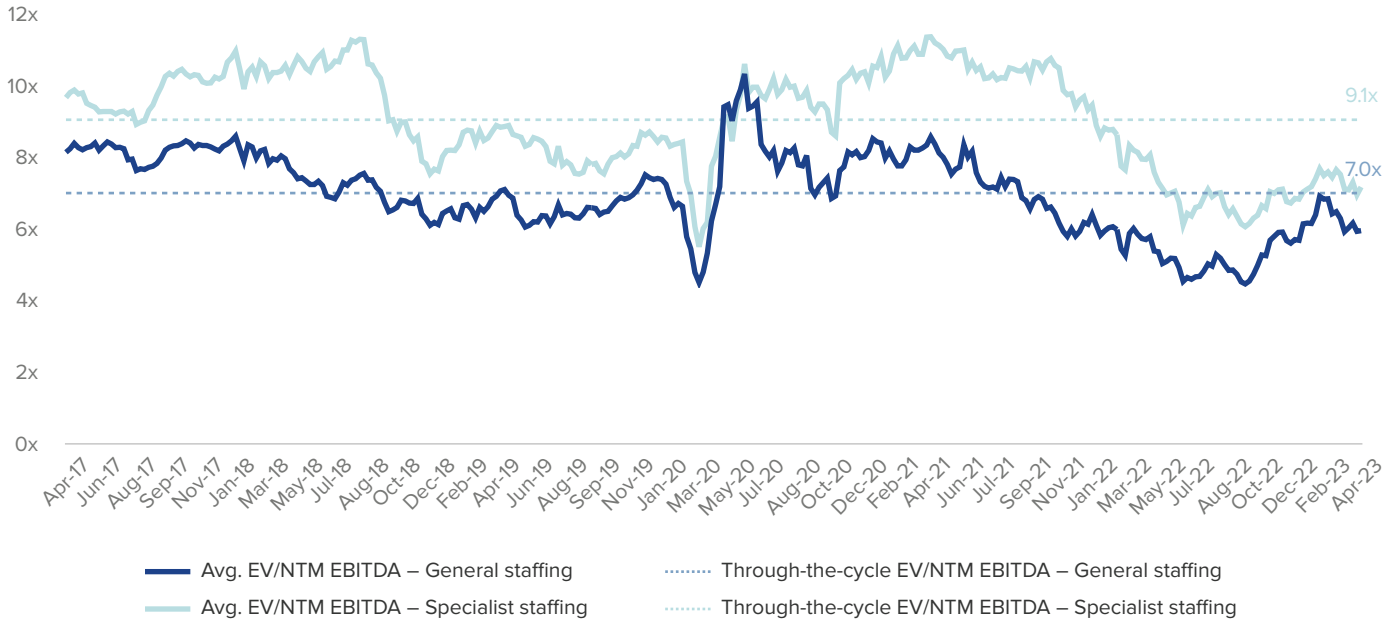
Date	Target	Buyer	Target Country	Description
Jan-23	Solantis SAS	Anywr		Solantis is a leading recruitment firm for IT professionals in France, offering recruitment processing outsourcing and headhunting services to its clients
Dec-22	YER Nederland	Inflexion Private Equity Partners		Netherlands-based specialized secondment and recruiting agency
Dec-22	OK Job	Groupe CRIT		Switzerland-based temporary work and recruitment agency
Dec-22	HeadFirst	IceLake Capital		Netherlands-based provider of human resource services
Dec-22	Seven Stars	Axiom Partners		Netherlands-based interim staffing services for IT professionals
Dec-22	Jobtech	Oltre Venture Srl; Lumen Ventures		Digital employment agency
Nov-22	The People Group	Antea Participaties		Netherlands-based company engaged in providing high-quality interim and consultancy services in the area of purchasing
Nov-22	CHO-Time	Existing Management; KKA Management GmbH		Germany-based provider of outsourcing services in the field of customer service and sales
Nov-22	Agium	House of HR		Provider of expertise and solutions in the areas of finance, control, project management, recruitment, selection and ERP
Nov-22	RSM Stockholm AB; RSM Goeteborg	View Group; View Ledger AB		Company offering accounting and payroll services; Company offering accounting services
Oct-22	Workplanit	Labour Power Comapny		Netherland-based employment agency
Oct-22	Intunor	ECIT		Norway-based company specialized in business process outsourcing and, through its subsidiaries, engaged in providing accounting services, payment services, financial management, recruitment services, HR consulting and digitalization of its customers' services

Source: Mergermarket

# Valuation trends

Publicly listed peers continue to trade below historical average valuations.

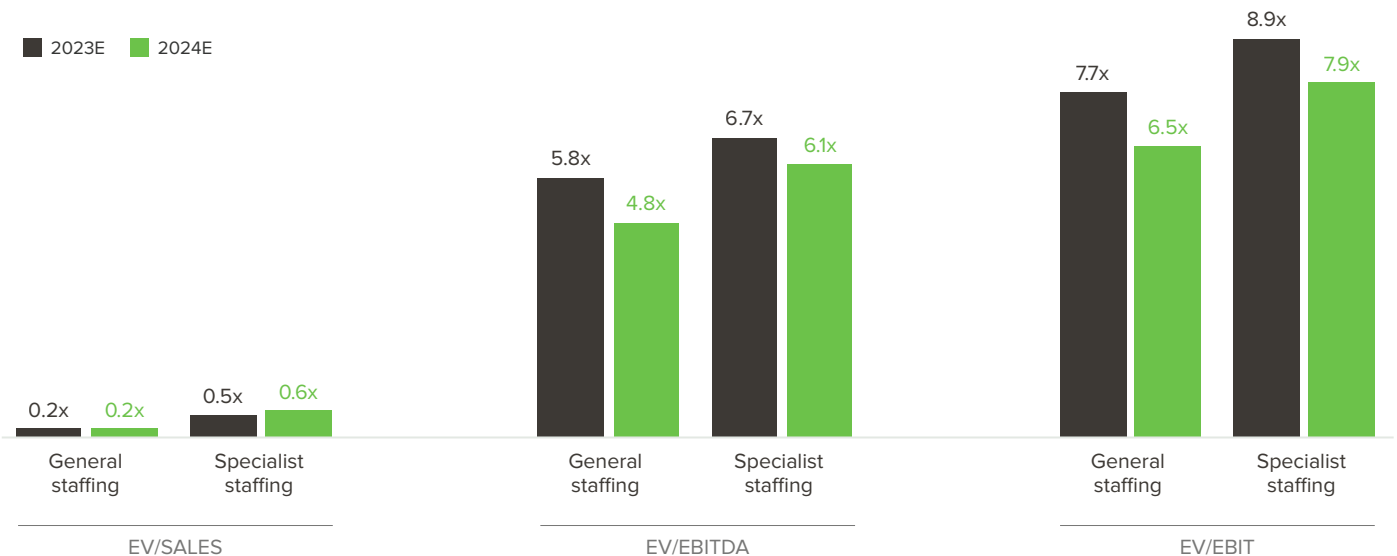
## EV/NTM EBITDA\*



Source: Thomson Reuters Eikon

\*Note: NTM = next 12 months

## EBIT(DA) multiples for 2023E and 2024E reflect pessimism in the market



Source: Thomson Reuters Eikon



# Case studies

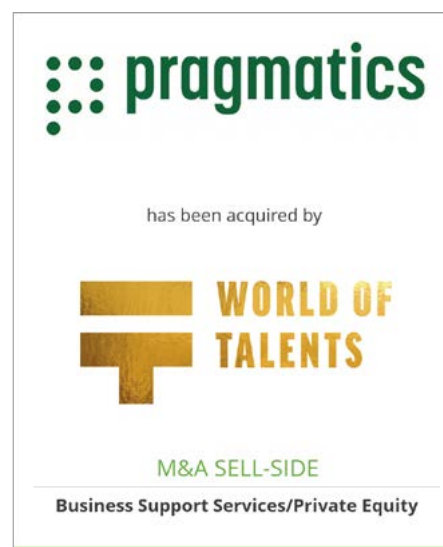
## **Pragmatics, a Netherlands-based leading provider of interim finance consultants, has been acquired by World of Talents.**

World of Talents is the holding company for House of Talents in Belgium and The Human Network in the Netherlands, an international HR group with a focus on profiles that are scarce and in high demand. By joining forces, Pragmatics and World of Talents will accelerate growth in the market for financial talent.

Founded in 2010, Pragmatics has become a well-recognized brand, providing interim finance consultants in the fields of business control, accounting and reporting, governance, risk, and project and change management. Pragmatics employs higher vocational or university-level finance consultants and provides them to a broad client base that is diversified across multiple industries.

Founded in 2008, World of Talents has developed into an international, fast-growing and specialized HR platform, operating primarily in Belgium through House of Talents and in the Netherlands through The Human Network. World of Talents comprises specialized companies active in outsourcing, interim employment, and recruitment and selection, jointly accounting for more than 2,500 active employees in Belgium, the Netherlands, France and Germany. The focus is strictly on bottleneck professions with structural and increasing demand. World of Talents is a portfolio company of Baltisse, a Belgian private equity firm.

Oaklins' team in the Netherlands acted as the exclusive sell-side advisor to the shareholders of Pragmatics. This transaction emphasizes our strong track record and expertise in the HR sector. The team in Belgium supported the transaction.

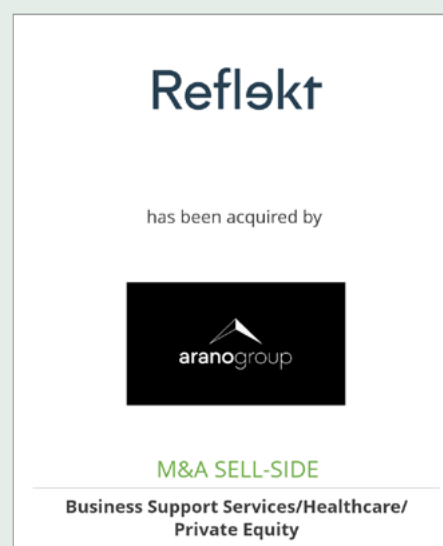


## **The private shareholders of Reflekt Helse AS have sold 100% of their shares to Arano Group, a German healthcare service group.**

Reflekt Helse is a Norwegian healthcare staffing agency providing temporary healthcare workers to both public and private clients. The company covers the full circle from identifying and recruiting qualified healthcare candidates to outplacement and advisory services within the working environment. The majority of the candidates are fully licensed nurses, also including those with specialized nursing degrees. The company has a strong and experienced advisory team (in-house staff), and a stable workforce with low turnover.

Arano Group is active in temporary staffing for skilled healthcare professionals in Germany, Austria and Switzerland. Via its multi-brand strategy, the group provides care personnel, technical assistants and midwives to hospitals and nursing homes, as well as doctors to healthcare institutions.

Oaklins' team in Norway acted as strategic and financial advisor to Reflekt Helse. The team in the Netherlands introduced the buyer and supported the transaction.



# Our track record

A selection of Oaklins' experience in the HR industry.

 **biopharma group**  
has sold

 **crowthorne**  
Laboratoire and Microflow


to

 **Normec Group**

M&A SELL-SIDE  
Business Support Services/Private Equity

**Reflékt**

has been acquired by

 **aranogroup**

M&A SELL-SIDE  
Business Support Services/Healthcare/Private Equity

 **LITECAD**  
Energy Industries

has been acquired by

 **TSG**


M&A SELL-SIDE  
Business Support Services/Energy/Private Equity

 **pragmatics**


has been acquired by

 **WORLD OF TALENTS**

M&A SELL-SIDE  
Business Support Services/Private Equity

 **Solantis**

has been acquired by

 **anywr**

M&A SELL-SIDE  
Business Support Services/Private Equity

**Vespa Capital**


has sold

 **Cleeven**

to

 **GNP**

M&A SELL-SIDE  
Business Support Services/Private Equity/TMT

 **KEA**

has been transferred to an

Employee Ownership Trust


M&A SELL-SIDE  
Business Support Services

 **COGNOS HR**


has been acquired by

 **Resourcing Edge**  
*Sharp people, sharp solutions.*


M&A SELL-SIDE  
Business Support Services

 **vero.**


has been acquired by

 **accurate.**

M&A SELL-SIDE  
Business Support Services

 **SourceBreaker**


has been acquired by

 **Bullhorn**


M&A SELL-SIDE  
Business Support Services/Private Equity

**HARTMANN'S**


has been acquired by

 **ACTIEF GROUP**  
a portfolio company of *epike*


M&A SELL-SIDE  
Business Support Services/Private Equity

 **Advipro**


has been acquired by

 **Normec**

M&A SELL-SIDE  
Business Support Services/Private Equity

 **DOLMEN ENGINEERING**

has been acquired by

 **NIRAS**

M&A SELL-SIDE  
Construction & Engineering Services/Healthcare

 **Skelia**  
EXTENDING YOUR ENTERPRISE

has been acquired by

 **Nortal**


M&A SELL-SIDE  
Business Support Services/TMT

 **insitu**


has been acquired by management alongside

 **irdi soridec**  
CAPITAL INVESTISSEMENT  
MULTICROISSANCE  
SOCIÉTÉ DE CAPITAL INVESTISSEMENT  
DE LA MARQUE POPULAIRE OCCITANE

M&A SELL-SIDE  
Business Support Services/Private Equity

 **NOLAN PARTNERS**  
19 years of expertise in Executive Search & Spies

has been acquired by

 **excelsports**

M&A SELL-SIDE  
Business Support Services

# Deep local roots, global commitment

Oaklins brings you opportunities from across the world and we meet you with our expertise wherever you are

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- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

Human resources Europe is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become one of the most experienced M&A advisors in the human resources sector, with a large network of relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for human resource companies.

If mergers, acquisitions, or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.



✉ **TOM VAN DE MEIRSSCHE**

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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.

**United by a strong belief that we can achieve the extraordinary.** Oaklins is a global team of 850+ financial advisory professionals in 45 countries providing M&A, growth equity, ECM, debt advisory and corporate finance services to support entrepreneurs, corporates and investors in reaching their goals.

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