



A bright spot on the horizon for the European HR services sector

SPOT ON | HUMAN RESOURCE MANAGEMENT EUROPE | MARCH 2024

“2024 started with indicators signaling that the decline in GDP growth may be bottoming out, after a prolonged period of inflationary pressures that prompted central banks to hike interest rates. The moderate growth environment and restrictive monetary landscape are now hand in hand with weakening inflationary trends. And despite the restrictive monetary policy and low GDP growth, unemployment continued to fall to record lows as a result of tight labor markets. With lower central bank policy rates on the horizon, transaction levels in the mid-market remained relatively high throughout the end of 2023 and into early 2024, while the valuation levels of listed peers have been rising back towards historical averages.”

TOM VAN DE MEIRSSCHE

HUMAN RESOURCES EUROPE SPECIALIST, OAKLINS

MARKET TRENDS

Capturing the mood

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EUROPEAN MACROECONOMIC DEVELOPMENTS & OUTLOOK

The Eurozone economy reported modest to declining real GDP growth throughout 2023, driven by the ECB rising interest rates for 10 consecutive times in a 14-month period in an attempt to counter inflation. The moderate growth landscape and restrictive monetary environment are now accompanied by weakening inflationary pressures. However, it's still too early to declare the definitive end of the high-inflation period. The annual increase in service prices at the end of 2023 was still almost double the ECB's medium-term target of 2%. However, the decreasing inflationary pressure has prompted central banks to halt further rate hikes. As a result, the recent low Eurozone GDP growth trend shows signs of gradually bottoming out, although a restrictive monetary policy and the Chinese real estate crisis will keep growth below potential levels, especially in the first half of 2024. In the second half of the year, lower inflation will allow central banks to reduce their policy rates and allow growth to slowly pick up again. By 2025, growth rates are expected to return to potential levels. Economic indicators are subject to, on the one hand, the war in the Middle East, potentially leading to further disruptions in supply chains and a new energy crisis, and on the other hand, the presidential elections in the USA that may result in a more protectionist approach in the future. GDP expectations for the Eurozone are modest and suggest real GDP growth of 0.5% for 2024, accelerating to 1.3% in 2025.

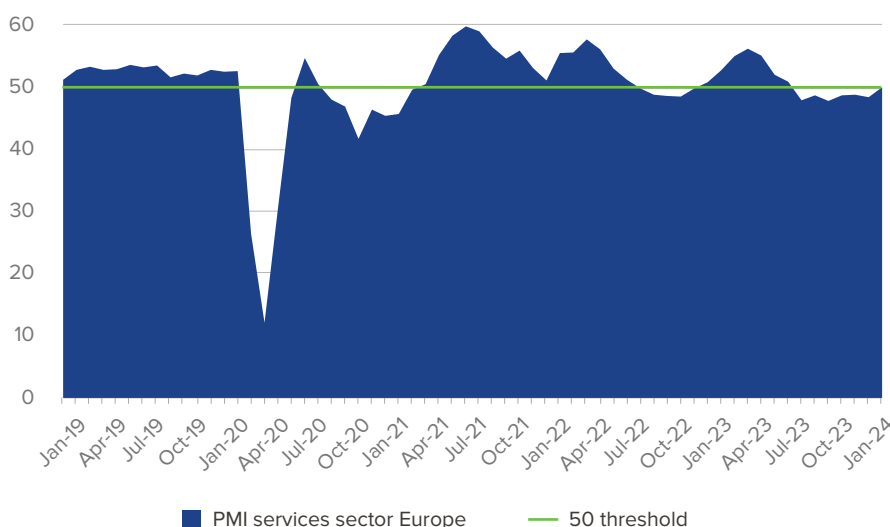
Eurozone business confidence experienced a strong decrease between May and August 2023 then remained low but stable through the end of 2023, indicating a more pessimistic and uncertain economic outlook given the inflationary context, rising interest rates and decreasing modest GDP growth. However producer and consumer confidence seems to be gradually improving. Entrepreneurs are becoming less pessimistic in almost all sectors, while the loss of consumer confidence, which characterized a large part of 2023, reversed in the last months of the year and the trend has continued into early 2024.

Shrinking modest GDP growth throughout 2023, on the back of restrictive monetary policy, shows signs of bottoming out in early 2024



Source: Economic Perspectives January 2024 – KBC Banking & Insurance

PMI services sector — Confidence in European economy picking up slightly

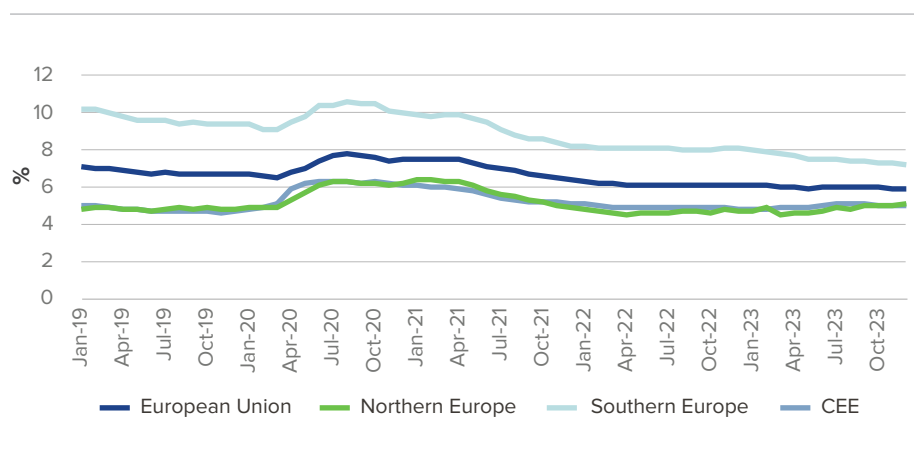


Sources: Eurostat, IMF, Refinitiv

This evolution, combined with a resilient labor market, could signal a bottoming out of poor Eurozone GDP growth. As employment continued to grow slightly along with a cooling of inflation, additional purchasing power was injected into the economy. However, despite the rise in the Services Purchasing Managers' Confidence Index (PMI) towards the 50 threshold that marks the distinction between economic

expansion and contraction in February 2024, the Manufacturing PMI indicator still remains below both its long-term average and the key threshold level of 50. As such, the recovery in confidence is still at an early stage and not yet pointing to a strong economic recovery. In particular, while overall the Eurozone seems set to remain stable, economic developments in major countries such as Germany are tempering expectations.

Unemployment — Eurozone jobless rate hit new low of 6.4% in December 2023



Source: Reuters

The Eurozone labor market is showing strong resilience despite the declining modest GDP growth. Employment continues to grow slowly, and unemployment in the Eurozone fell to a new low of 6.4% in December 2023. The further tightening of the labor market underlines the bloc’s resilience in an inflationary economic environment with a restrictive monetary policy. Over recent years, unemployment has continually decreased but as this decrease starts to slow down, it points to a trend experienced by many HR service companies and their clients, namely that the market is reaching natural full employment.

Note: Quarterly GDP change per region is calculated as the simple average of quarterly GDP growth per country compared to the previous quarter. Unemployment rates per region are calculated as the simple average of each labor indicator per country.



During 2023 and the start of 2024, financial buyers have remained active in the HR market with some notable platform investments being made. As economic forecasts become more optimistic, overall sentiment still reflects uncertainty in light of a potential escalation of the conflict in the Middle East, leading to further disruptions in supply chains, and the presidential elections in the US possibly impacting export sales by European companies. The demographic shift towards an aging population is expected to remain a long-term driver for tight labor markets in Europe. As central banks are expected to loosen their grip on inflation in the second half of 2024, which will allow growth rates to pick up again, we expect M&A activity levels to remain high for the rest of the year.”

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 HUMAN RESOURCES EUROPE SPECIALIST, OAKLINS

Recent M&A activity

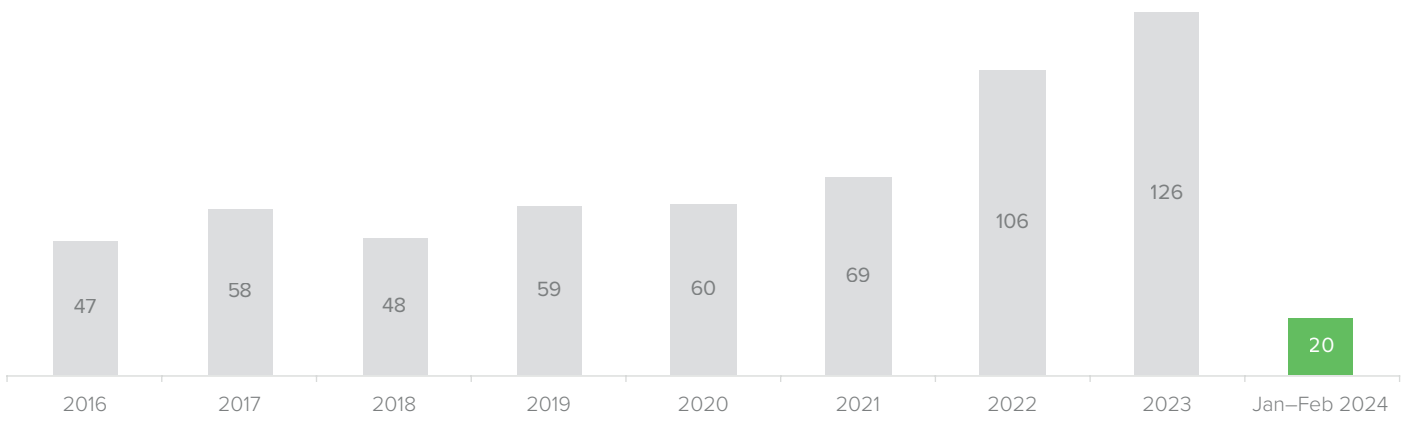
STRONG M&A ACTIVITY IN THE HR SECTOR ACROSS EUROPE

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 market throughout 2022 and early 2023, resulting in continuing deal activity by both financial and strategic

buyers. During the rest of 2023, M&A activity showed resilience despite macroeconomic headwinds. On the back of renewed investor optimism that the sector will continue on its growth path, and expectations that central banks will loosen their grip on inflation, M&A activity in the HR sector picked up towards the end of 2023 and in early 2024.

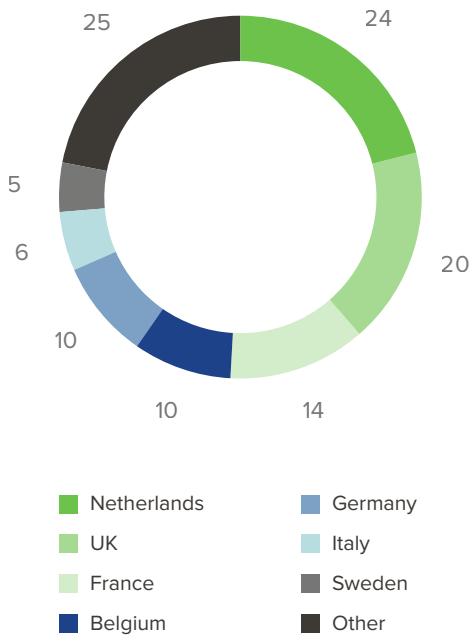
The interest of private equity funds in the sector has remained strong with some notable platform investments made in the second half of 2023 and first months of 2024. Significant M&A activity has been seen in project sourcing activities, which are characterized by higher profitability and longer-term client engagements than interim staffing services.

M&A activity showed robust deal flow throughout 2023 and has started strongly in 2024

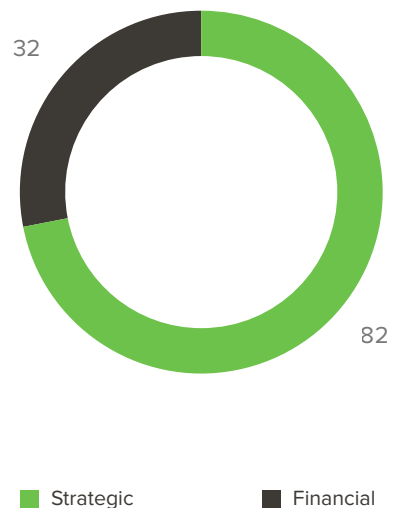


Source: Mergermarket

Geographic split by target country (Apr 2023–Feb 2024)



















Investor type split (Apr 2023–Feb 2024)














Source: Mergermarket

Source: Mergermarket

SELECTED M&A TRANSACTIONS (APR 2023–FEB 2024)

Date	Target	Buyer	Target Country	Description
Feb-24	Solid Talent	Planet Group		Belgium-based consultancy company providing staffing solutions
Feb-24	Motmans en Partners	Glowi Group		Belgium-based provider of recruitment, selection and talent development facilities
Feb-24	Australasian Recruitment	Home Recruitment		UK-based professional job placement and recruitment company
Feb-24	Morson Group	Onex Corp		UK-based recruitment agency offering engineering, consultancy and training services
Feb-24	A-Staffing Group Sweden	Job Solution Sweden		Sweden-based company offering staffing services
Jan-24	At Work	F2A		Italy-based human resources company
Jan-24	ATG Europe	Pauwels Consulting		Netherlands-based provider of consulting, IT and engineering services
Jan-24	I-Talent Solutions	Vitec Software Group		Netherlands-based provider of career and human resource management, reintegration, and training
Jan-24	Tech Tribes	NPM Capital		Belgium-based provider of IT consulting, digital strategy and software development
Jan-24	Just On Business	Openjobmetis		Italy-based recruitment agency
Dec-23	Softmachine System	SD Worx NV/Protime		Spain-based HR-Software developer
Dec-23	Openjobmetis	Groupe Crit		Italy-based recruitment agency
Dec-23	Alphyr	Andera Partners		France-based provider of online recruitment services
Dec-23	Impellam Group	HeadFirst/ Morefield Group		UK-based provider of staffing and outsourced people-related services
Dec-23	Xamera	Helix Kapital		Sweden-based staffing agency that provides job placement services for the IT and finance sectors
Nov-23	Blue Holding	Glowi Jobs		Netherlands-based supplier of facility services and personnel solutions
Nov-23	Kelly Services Management	Gi Group		Switzerland-based provider of staffing services

Date	Target	Buyer	Target Country	Description
Nov-23	Fit Professionals of Finance	Quoratio		Netherlands-based staffing specialist
Oct-23	Openium	House of HR/ Rtone		France-based software company engaged with specialized in mobile applications development/strategy consulting
Oct-23	Team Eiffel	TowerBrook Capital Partners		Netherlands-based provider of integrated consulting and project delivery, outsourcing and interim professional services
Oct-23	LIMES International	Activpayroll		Netherlands-based mobility, tax, HR advisory, and payroll management company
Oct-23	Optimax Henkilöstöratkaisut Oy	Staffpoint		Finland-based company engaged in personnel hiring and other personnel services
Oct-23	Enginear	Copus Group		Netherlands-based recruitment agency focusing on engineers and other technical profiles
Oct-23	Segers Select	Copus Group		Belgium-based recruitment agency focusing on transport and logistics sector
Oct-23	Neotalent	Conclusion		Portugal-based recruitment agency
Oct-23	Easy Life	Glowi Jobs		Belgium-based service voucher company
Oct-23	Gavdi Poland	SD Worx Group		Poland-based HR services provider
Sep-23	WeCare Holding	Capio		Denmark-based psychologist a primary care and temporary healthcare staffing operator
Sep-23	Tax Consult HR Tax & IM	Moore Belgium		Belgium-based company focussing on HR Tax & International Mobility solutions
Sep-23	Finance Club	Projective		Netherlands-based staffing company providing finance professionals
Aug-23	Impact	Talentus		Belgium-based staffing group focusing on technical profiles
Aug-23	Daten Management Service	Avedon Capital Partners		Germany-based process outsourcing company
Jul-23	GrupoUno	Randstad		Spain-based logistics and outsourcing company for marketing services
Jul-23	Galan Groep Beheer	House of HR Cohedron		Netherlands-based management consultancy
Jun-23	EasyCare	World of Talents		Germany-based HR services firm focusing on medical and nursing professionals

Date	Target	Buyer	Target Country	Description
Jun-23	SD Worx Group	CVC Advisors		Belgium-based company providing payroll processing and human resource services
Jun-23	Forprof	NextStage		France-based training services provider specialized in teacher recruitment testing
Jun-23	Pauwels Consulting	Andera Partners		Belgium-based provider of consulting, project management, and recruitment services
Jun-23	Ariad Group	Sisu Group/ NedWorks		Belgium-based digital consultancy & staffing firm
Jun-23	Koenigstein Beratungsgesellschaft für EDV-Dienstleistungen	De Staffing Groep		Germany-based IT recruiting consultancy
May-23	Broadbean Technology	Veritone		UK-based job posting and applicant tracking software company
May-23	Caretowork	DELTA Equity Partners		Netherlands-based human resource consulting firm
May-23	VERCIDA Consulting	Hays		UK-based Diversity, Equity & Inclusion advisory organisation
May-23	Nurse & Co	Planet Group		Belgium-based staffing agency for the health sector
May-23	Hackajob	Volition Capital Foresight Group AXA Venture Partners		UK-based operator of an online marketplace applicable during recruitment processes
Apr-23	Investigo	Beijing Career International		UK-based recruitment agency providing of interim and permanent recruitment solutions

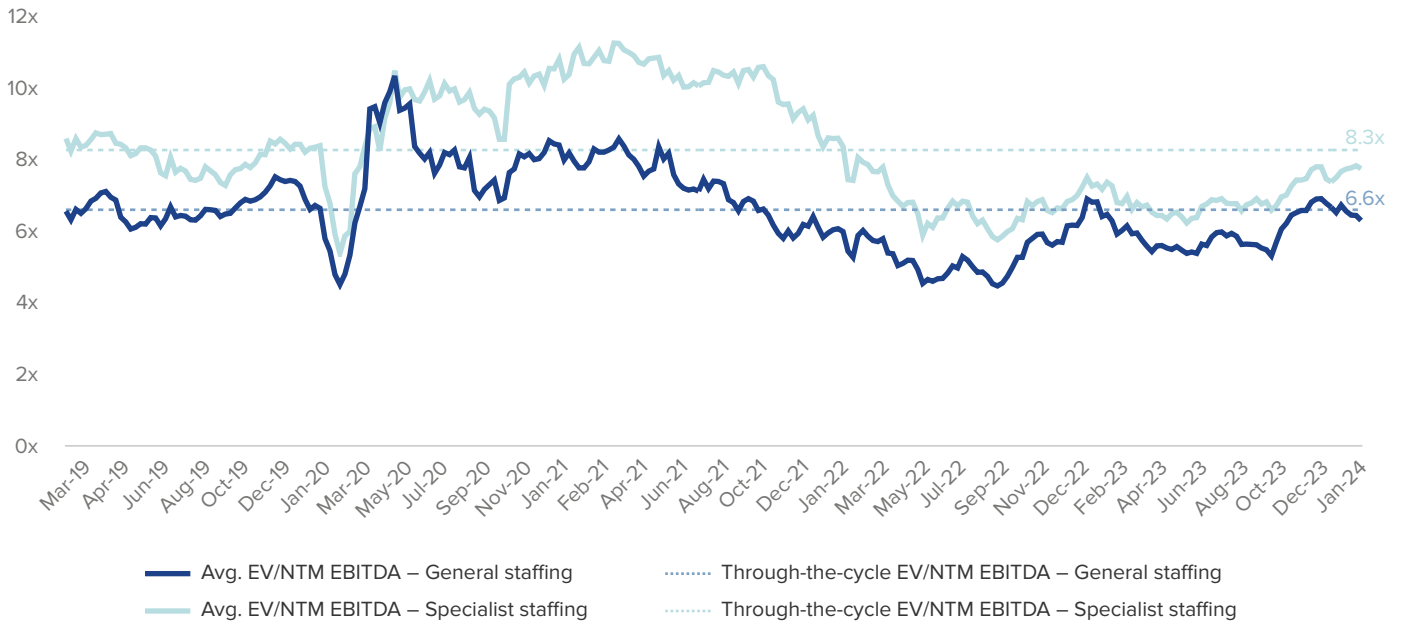
Source: Mergermarket



Valuation trends

Valuation levels of publicly listed peers continue to recover towards historical valuation averages

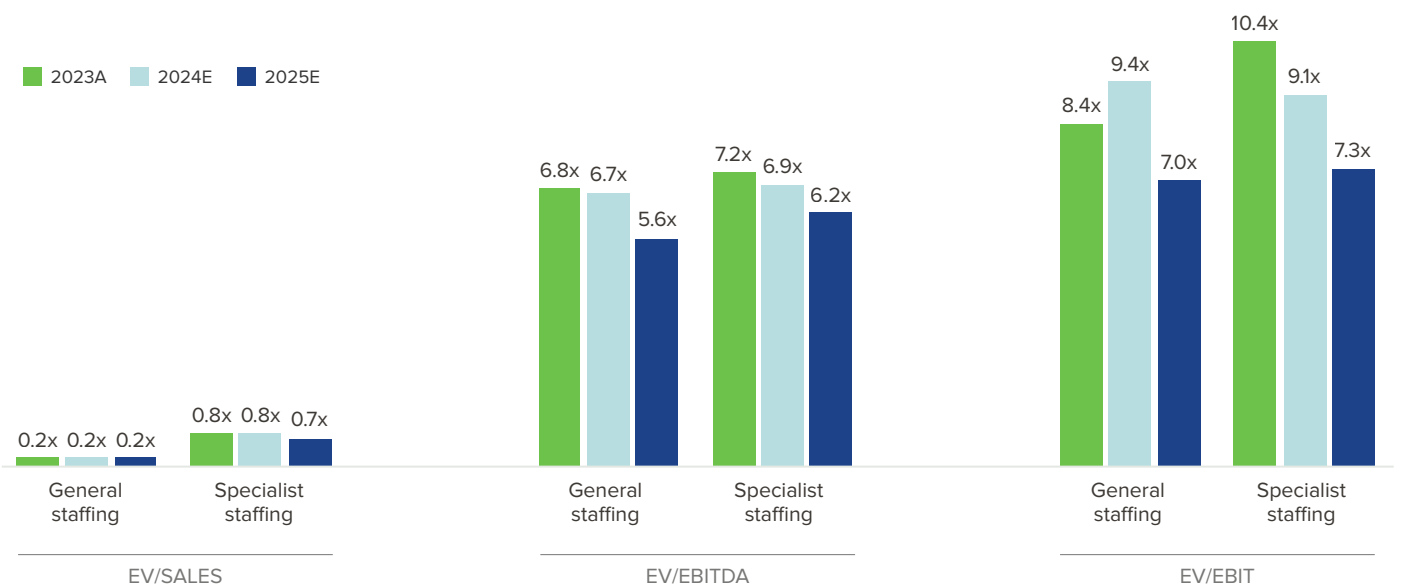
EV/NTM EBITDA*



Source: Thomson Reuters Eikon

*Note: NTM = next 12 months

EBIT(DA) multiples for 2024E and 2025E reflect sector optimism that growth will continue in 2025



Source: Thomson Reuters Eikon

Case study

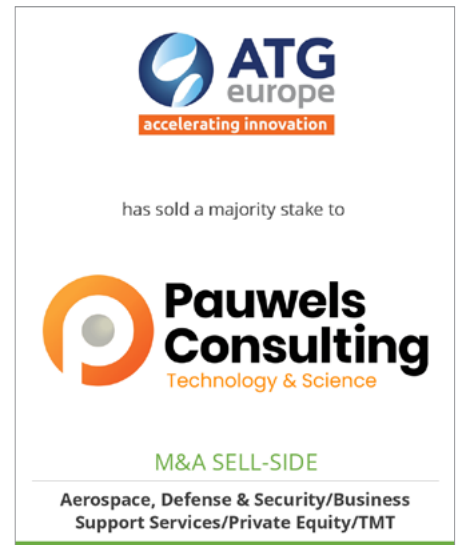
ATG Europe & Pauwels Consulting, a partnership for future innovation.

ATG Europe, a pan-European provider of high-end professional consulting, IT and engineering services for the space and nuclear fusion domains, has agreed to sell a majority stake to Pauwels Consulting, a prominent player in science and technology consulting.

The transaction will create immediate synergies for both enterprises, combining ATG Europe's strong foothold within European public procurement and Pauwels Consulting's focus in B2B sectors. The combination allows Pauwels Consulting to instantly expand its service offering towards the aerospace and big science sectors, whereas ATG Europe can strongly benefit from Pauwels Consulting's expertise in civil engineering and project management capabilities. In addition, by combining forces both sides have identified ample opportunities to conduct ground-breaking pharmaceutical research, such as drug development and testing in zero-gravity environments. The combined group will house approximately 2,000 highly skilled consultants. Established over 50 years ago, ATG Europe has decades of experience and a proven track record

of successfully securing contracts from reputable European agencies and commercial high-profile clients in the aerospace and big science sectors. The company provides professional consulting, IT and engineering services mainly for the European space and nuclear fusion domains, with a strong geographical foothold throughout Europe. In addition to its array of services, ATG Europe is actively engaged in the development of cutting-edge technologies, such as its proprietary composite structures tailored for the NewSpace sector, solutions in thermos-elastics, virtual reality experiences and other value-added engineering services. ATG Europe currently employs approximately 450 consultants and is headquartered in the Netherlands.

Founded in 1999 by its CEO Bert Pauwels, Pauwels Consulting has achieved a leading market position as a consulting conglomerate addressing the life sciences, IT and engineering sectors. The Pauwels Consulting group consists of, among others, Science@Work, 4people, Vandycke & Partners, Ormit, Developers.nl and Openweb, boosting a dynamic team of over 1,500 consultants. Backed by Andera Partners, Pauwels Consulting is further



consolidating its Belgian leadership and significantly enhancing its footprint in the European market, evidenced by the history of discerning acquisitions and the announced acquisition of ATG Europe.
































Oaklins' team in the Netherlands acted as the exclusive M&A sell-side advisor to the shareholders of ATG Europe. Oaklins' team in Belgium provided essential intelligence. This transaction emphasizes our strong track record and expertise in the high-end engineering and consulting sectors.

“We are particularly pleased with the outcome of the transaction, creating multiple synergies and benefits that will undoubtedly enhance our strategic position, and look forward to capitalizing on the new opportunities that lie ahead. Oaklins' strategic guidance and unwavering commitment, combined with their deep industry knowledge, were instrumental in navigating the complexities and ensuring the success of this pivotal transaction.”

GIAN CARLO COLETTA
CEO, ATG EUROPE

Our track record

A selection of Oaklins' experience in the HR industry.

 <p>has sold a majority stake to</p>  <p>M&A SELL-SIDE Aerospace, Defense & Security/Business Support Services/Private Equity/TMT</p>	 <p>has sold</p>  <p>to</p>  <p>M&A SELL-SIDE Business Support Services/Construction & Engineering Services</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services</p>	 <p>HR Tax & International Mobility</p> <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Private Equity</p>
 <p>has acquired</p>  <p>from</p>  <p>M&A BUY-SIDE Business Support Services/Private Equity</p>	<p>Reflekt</p> <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Healthcare/Private Equity</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Private Equity</p>	 <p>has been transferred to an</p> <p>Employee Ownership Trust</p> <p>M&A SELL-SIDE Business Support Services</p>
 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Private Equity</p>	<p>HARTMANN'S:</p> <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Private Equity</p>
 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/Private Equity</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Construction & Engineering Services/Healthcare</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Business Support Services/TMT</p>	 <p>has been acquired by management along side</p>  <p>M&A SELL-SIDE Business Support Services/Private Equity</p>

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- 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 managing 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. Relevant transactions include the sale of ATG to Pauwels consulting, the sale of Tax Consult HR Tax & IM to Moore, the acquisition of Impact by Talentus, the sale of Pragmatics to World of Talents and the sale of Advipro to Normec.



United by a strong belief that we can achieve the extraordinary. Oaklins is a global team of 800+ financial advisory professionals in 40 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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