

Recruitment M&A H1 2025 snapshot

Growing interest in recruitment
technology

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Growing interest in recruitment technology

The rise of AI and automation

Whilst skill shortages and macro economic uncertainty continue to persist, firms are turning to technology to revolutionise how they identify, attract and hire talent. These technologies are replacing traditional methods in areas such as candidate screening, analytics for job matching and career support. These tools, often powered by AI help to streamline hiring processes and are improving the overall candidate experience.

It is unsurprising that deal volumes have remained fairly static, against a backdrop of political and macro uncertainty. Some key themes include a continued interest in bolt on acquisitions and a significant increase in venture capital into tech platforms/software.

For those acquirers who are accepting of the recent sustained levels of market fluctuations being more akin to 'the norm' are the ones capitalising on the opportunities still present in the M&A market.

Our review of the recruitment capital markets against the FTSE 250 shows how volatile the market has been. Whilst last year we noted a level of stability, since then we've seen new government policies take effect and wider challenges hit such as Trumps Tariffs, the decline in market capitalisation over the 6 months to June 25 hit as big as 27%, slightly recovering by the end of the month to 19%.

The downturn is expected to continue for at least the short term which may lead to further declines in like-for-like revenues for recruiters. However, those that can maintain good levels of productivity and deliver efficiencies now, alongside a clear M&A strategy, we believe, will be best positioned when the markets recover.

During H1 we have seen an increase in unemployment levels from 4.6% to 4.7% and a slowing in annual rate of pay growth. As we enter the second half of 2025 and at the time of writing, the Bank of England has cut interest rates from 4.25% to 4.0% amid concerns about the strength of the UK economy and its growth prospects.

These measures along with some market tailwinds could bring growth back to the sector. Despite the challenges, there remains a level of cautious optimism given the industry has experienced similar periods in years gone by.



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Stable deal volume despite macro challenges

Volume underpinned by Recruitment Platform/Software and IT deals

2025 deal volume review

The M&A market in the first half of 2025 has been challenging, however, this hasn't stopped deal activity nearly equalling the volume achieved in 2024. Whilst this may come as a surprise given current market unrest, acquirers are still finding ways to get deals done accepting that market conditions are likely to remain unpredictable for the foreseeable.

Early indications and historical patterns suggest deal volumes in H2 may not reach the levels seen in 2024 which benefitted from a surge in activity pre-Autumn budget.

Fiscal rule changes such as the NIC increase which came into affect in April 2025 have created an immediate increase to employment costs which businesses are having to navigate, this may dampen growth in the sector in the short term and investment appetite may not fully return until the full impact is known.

Appetite for technology

Whilst we continue to see deals in a broad range of sub-sectors, recruitment platform/software deals are on the surge at the half year stage with 18 deals so far, surpassing 2024's total of 17.

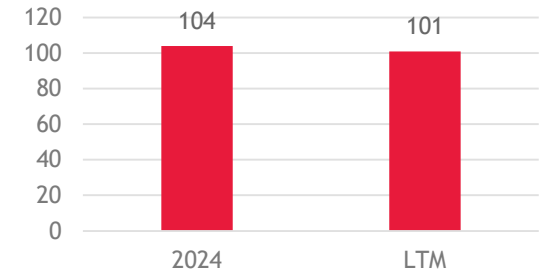
IT deals (seven) have also surpassed 2024 volume (six) with two of those deals being EOT's. Whilst EOT's continue to make up only a minority of total deals, they are gaining recognition as a way of preserving a company's values and culture at the same time as rewarding the team that have helped grow the company and provide an exit route for the founders.

Two notable deals in the recruitment platform/software space were:

TalentMapper Limited: Operator of an AI-based talent management platform received £2m in venture capital from new investors Haatch Ventures LLP and Mercia Ventures.

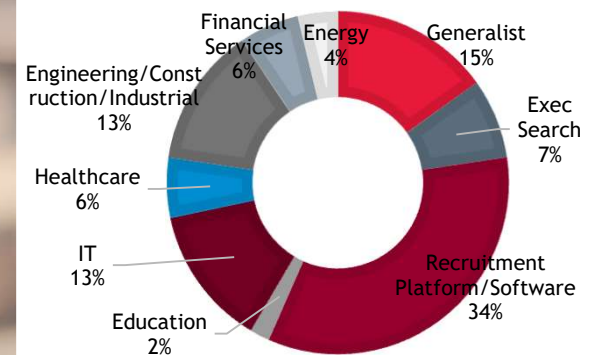
Occupop: An online recruitment software and applicant tracking system provider based in Dublin was acquired by Cezanne HR. The integration will enhance Cezanne's recruitment capabilities, providing customers with an end-to-end solution.

Recruitment sector deals with UK involvement



Source: CapitalIQ, Mergermarket, Mark to Market, Pitchbook

2025 H1 sectors



Source: BDO Analysis

The UK continues to attract investment from a diverse set of overseas buyers but is still dominated by UK trade acquirers

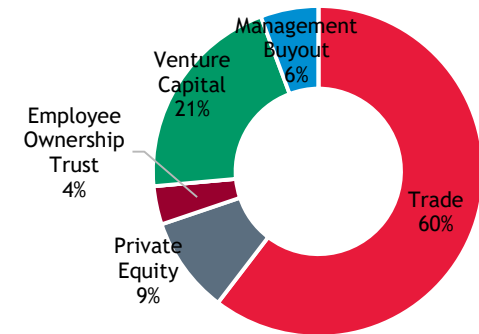
Trade still dominates but Venture Capital is growing

Unsurprisingly, trade acquirers are still the most popular exit route, however, the gap has narrowed since 2024 amidst the rise of Venture Capital deals. Whilst much smaller than traditional M&A deals, the VC market has been hot on recruitment technology due to the rapid growth in tech adoption and innovation across the whole recruitment life cycle from candidate screening to AI-powered career guidance and salary benchmarking. Funding is predominantly from the UK, however, UK investors may co-invest with overseas investors too.

Buy and build interest continues

Several deals in the year have been part of a wider long term growth strategy, examples include:
 Taskmaster Resources, the UK industrial staffing firm backed by Adama Capital acquired RE Recruitment, the blue- and white-collar staffing solutions firm. The deal is part of a buy-and-build strategy within the blue-collar sector and increases the groups national service delivery capability.
 Morson Group, one of the UK's largest staffing firms, continued their international growth strategy with the purchase of PTS Advance, the engineering staffing firm based in the US.

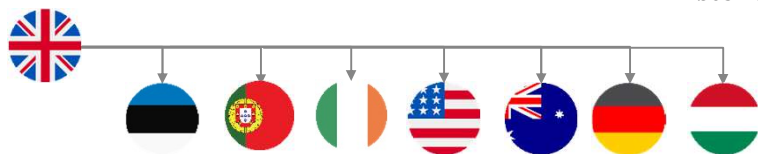
2025 H1 - UK deals by type



UK seeks international inorganic growth

The UK continues to expand into international markets for strategic acquisitions, with a more diverse geography of deals completed in 2025 compared with last year. For example, we've seen Damia Group acquire Landing.Jobs in Portugal through its Portuguese subsidiary, to extend its presence in the competitive tech recruitment space.

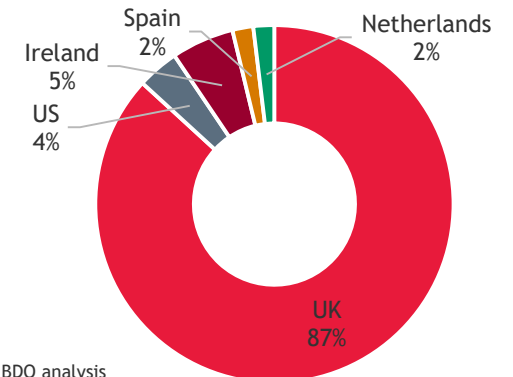
UK companies' overseas investments H1 2025



Diversification of overseas investors into UK

Of the deals involving a UK recruitment business, c.87% of the transactions were concluded with a UK acquirer whilst c.13% came from overseas.
 Historically, the US had been a key investor into the UK, however, in 2025 there has been a more diverse pool of geographies investing into UK assets. This is indicative of a widening reach of attractive UK recruitment businesses.

2025 H1 - Acquirer geography



Source: BDO analysis

Notable deals

Axon Moore

Axon Moore, the recruitment consultancy for C-Suite leaders secured a majority investment from CorpAcq, the UK based investment firm. Axon Moore joins CorpAcq’s portfolio as its second recruitment firm, alongside Strategic Resources.

Earlier this year, CorpAcq secured investment from European private equity firm TDR Capital to support future acquisitions.

Hernshead Group

Hernshead Group, the Engineering and Technology recruitment firm has been fully acquired by its founder Tom Johnson, successfully completing a buyout of fellow Shareholder and Director, Lord Sugar, to take full ownership of the company. The business plans to expand its international presence as part of a new ten-year growth strategy.

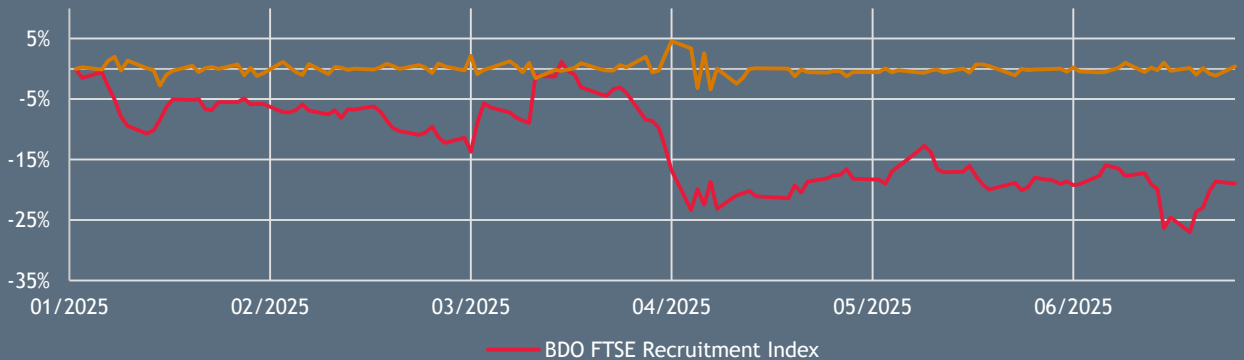
BDO FTSE recruitment index

The BDO FTSE Recruitment Index (‘Recruitment Index’) has fallen by c.19% since the start of 2025, as a result of ongoing market and tariff uncertainty coupled with the increase in UK employers NIC from 13.8% to 15% effective from 6th April 2025. Firms are experiencing a higher cost base and lower conversion rates from offers to placements, with the latter a sign of macro-economic uncertainty and lower overall client and candidate confidence in the job market. The downward spike on 19th June 2025 was likely due to Hays Group announcing a like-for-like net fee reduction of 9% YoY in Q4.

At the time of writing the UK jobs market has continued to weaken with unemployment rates increasing to 4.7%, the highest level in four years whilst job vacancies have been falling continuously for three years. This likely contributed to the decision to cut the Bank of England base rate to avoid a further slowing down of the recruitment market.

Firms are still expecting challenging market conditions to remain throughout 2025 but are focusing more on back-office efficiencies and productivity enhancements whilst the market recovers.

BDO Recruitment FTSE Index vs FTSE 250 Index



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