

NARROW LABOR MARKET CATALYZES HR & STAFFING M&A ACTIVITY

HUMAN RESOURCES & STAFFING SERVICES SECTOR UPDATE | APRIL 2025



**CAPSTONE
PARTNERS**

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Capstone Partners, a subsidiary of Huntington Bancshares Incorporated (NASDAQ:HBAN), has been a trusted advisor to leading middle market companies for over 20 years, offering a fully integrated range of expert investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company's lifecycle.

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Human Resources & Staffing Services

Narrow Labor Market Catalyzes HR & Staffing M&A Activity

KEY SECTOR TAKEAWAYS

Capstone Partners' [Business Services Group](#) is pleased to share its Human Resources (HR) & Staffing Services report. The HR & Staffing Services sector has experienced robust demand, underpinned by a tight U.S. Labor market and elevated compensation costs. Merger and acquisition (M&A) activity in the space has continued to ascend through year to date (YTD) 2025, with buyers often prioritizing specialized providers serving high-growth end markets. Several additional key sector takeaways are outlined below.

1. Sector M&A activity YTD has risen 9.3% year-over-year (YOY), building upon the transaction volume gains witnessed in 2024.
2. The HR segment drew the lion's share of dealmaking in 2024, supported by an active private strategic and private equity (PE) buyer universe.
3. M&A purchase multiples in the sector have continued to climb as acquirers have demonstrated an appetite to pay premium valuations for outsourced HR providers.
4. The Employment Background Screening Services subsegment has enjoyed strong demand and M&A interest, driven by the widespread adoption of pre-employment screening practices.
5. Equity financing activity in the space has normalized through YTD amid a broader market correction in startup valuations; however, artificial intelligence (AI)-enabled participants have continued to garner growth capital investments at favorable valuations.

Capstone Partners has developed a full suite of corporate finance solutions to help privately-owned businesses and private equity firms navigate through each stage of a company's lifecycle. These solutions include financial advisory services, merger and acquisition advisory, debt advisory, equity capital financing and employee stock ownership plan (ESOP) advisory.

To learn more about Capstone's wide range of advisory services and HR & Staffing Services sector knowledge, please [contact us](#).

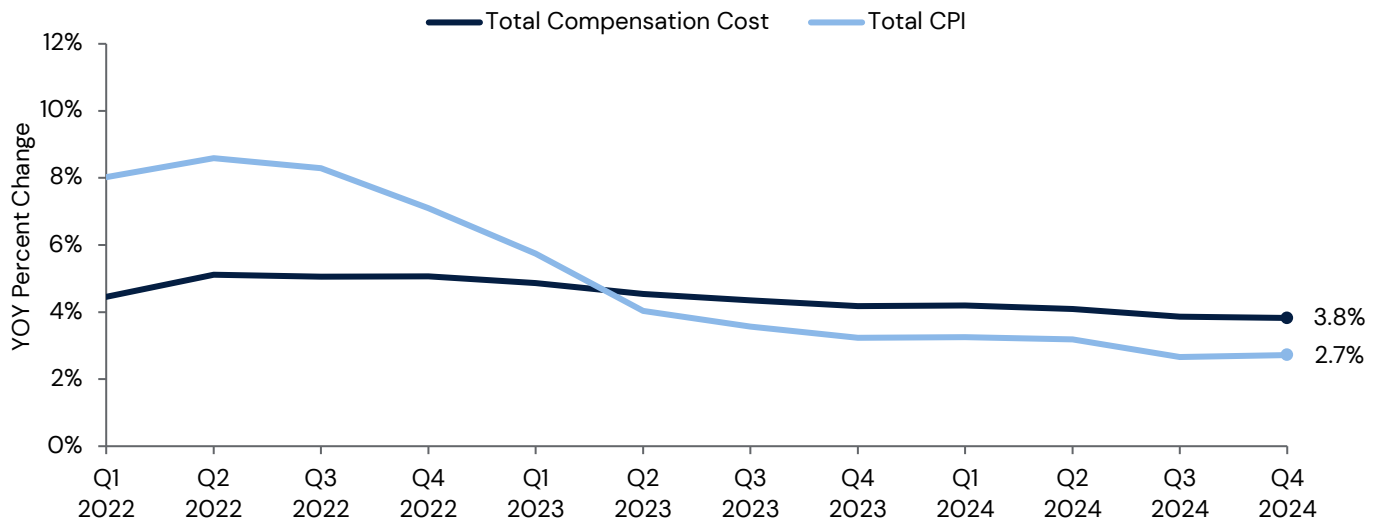
LABOR MARKET TIGHTENS, EMPLOYMENT COSTS OUTPACE INFLATION

The U.S. Labor market has undoubtedly remained tight, creating a demand-rich environment for HR & Staffing Services sector participants. Of note, the U.S. unemployment rate registered a healthy 4.2% in March 2025 and has not exceeded 4.2% since May 2024, according to the U.S. Bureau of Labor Statistics (BLS).¹ In addition, total nonfarm employment rose by 228,000 jobs in March 2025. This Labor market expansion, coupled with historically low unemployment levels, has driven elevated revenue and acquisition opportunities in the sector—particularly for Staffing segment businesses that can alleviate hiring struggles for organizations in search of skilled personnel. Segment leader Korn Ferry (NYSE:KFY) has demonstrated this, capturing a 4% YOY revenue gain in fiscal Q2 2025, according to the company's latest investor presentation.² Korn Ferry attributed its recent revenue growth to an expansion of its Executive Search unit, which yielded the lion's share (30%) of fiscal Q2 revenue.



The HR segment of the market has also experienced robust demand and M&A attention, largely driven by heightened employment costs. Total U.S. compensation cost increased 3.8% YOY in Q4 2024, outpacing YOY growth in the Consumer Price Index (CPI)—a common inflation indicator—during the same period, according to the U.S. BLS.^{3,4} Total compensation cost YOY growth has remained relatively stable over the past three years despite a significant CPI reduction, indicating a sustained heightened cost environment for employers. As a result, many employers have turned to outsourced HR providers to optimize compensation, payroll, and benefits packages. VensureHR, one of the largest privately-held businesses in the segment, has capitalized on this trend namely through inorganic growth strategies. The company and its subsidiaries completed nine acquisitions of compensation- and payroll-focused targets in 2024, compared to just two acquisitions in 2023. While the HR segment is anticipated to remain at the forefront of sector M&A activity, Capstone expects both segments of the market to draw strong buyer interest throughout 2025.

Total U.S. Compensation Cost Remains Elevated Despite Easing Inflation

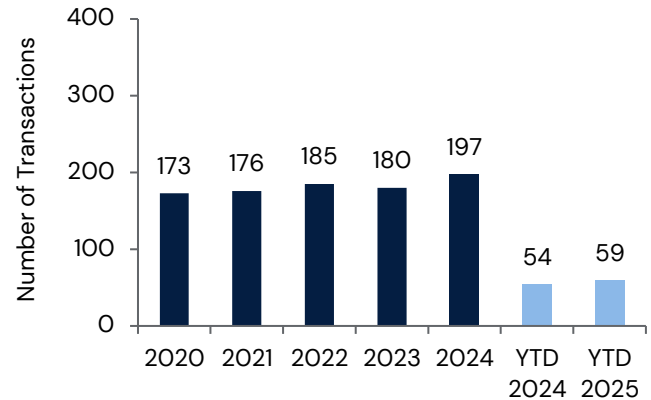


Source: U.S. Bureau of Labor Statistics and Capstone Partners

M&A VOLUME AND VALUATIONS CONTINUE TO ASCEND

The HR & Staffing Services M&A market has remained frothy, with transaction volume continuing to build through the first quarter of 2025. Sector transaction activity in 2024 rose 9.4% YOY to 197 deals. To date, dealmaking in the space has grown 9.3% YOY to 59 transactions. This increase can be attributed to heightened acquisition interest among private strategic and financial buyers, many of which have pursued M&A opportunities to expand both HR and staffing capabilities and capitalize on the growing need for talent retention amid a tight Labor market. Private strategic buyers have comprised the majority (59.3%) of deals YTD, followed by PE add-on transactions (33.9%). Sponsor activity in the space has risen 26.3% YOY to 24 deals YTD as many PE firms have looked to bolster portfolio companies with value-added HR services.

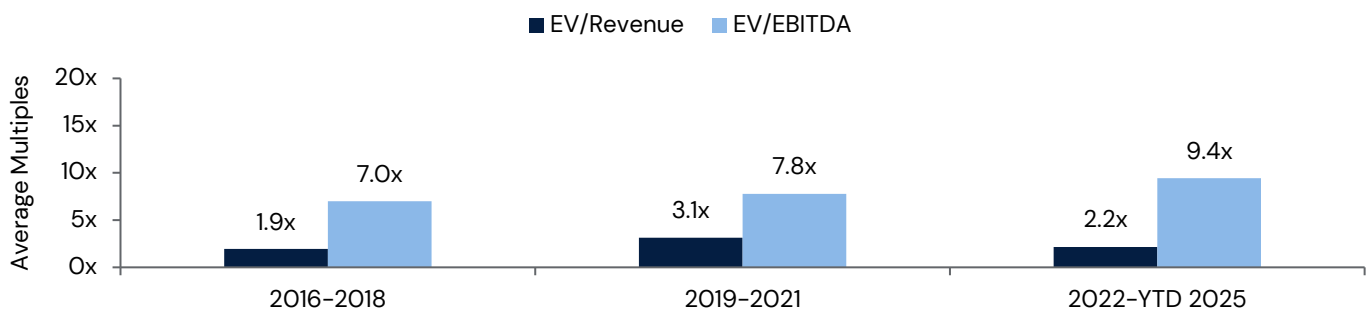
HR & Staffing Services M&A Volume Remains Elevated in Early 2025



Year to date (YTD) ended March 31
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

The HR segment drew significant M&A volume gains in 2024, with dealmaking increasing 55.2% compared to 2023. While segment deal flow YTD has slightly lagged the prior year period, buyers have continued to demonstrate a keen interest in specialized providers catering to high-growth end markets such as Healthcare, Technology, Financial Services, and Industrials. Of note, JER HR Group acquired Quorum Compensation Group in February 2025 for an undisclosed sum. JER HR Group pursued the acquisition to bolster its compensation consulting and survey capabilities in the Chemicals vertical. Compensation consulting service providers have increasingly gained acquirer attention as rising wages and compensation costs have spurred many organizations to reevaluate payroll structures.

HR & Staffing Services M&A Valuation Analysis



Year to date (YTD) ended March 31; Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Valuation Insight

The HR & Staffing Services sector has continued to elicit strong M&A pricing from strategic and financial buyers. Sector M&A multiples from 2022 through YTD 2025 have averaged 2.2x EV/Revenue and 9.4x EV/EBITDA. The average M&A EBITDA multiple in this period has risen more than a full turn compared to 2019 through 2021 (7.8x) and has climbed more than two turns compared to 2016 through 2018 (7.0x). This increase has largely been driven by acquirers' willingness to pay premium valuations for businesses in the HR segment including compensation consulting, background screening, and talent management services providers. Of note, HR segment purchase multiples have averaged 3.0x EV/Revenue and 17.2x EV/EBITDA from 2022 through YTD 2025, far outpacing the broader sector average during the same period.

BACKGROUND SCREENING SERVICES M&A ACCELERATES

The Employment Background Screening Services subsegment has been a particularly bright spot within the HR segment, driven by widespread adoption of pre-employment screening practices and a hypercompetitive U.S. Labor market. Of note, 95% of U.S. employers surveyed conduct some type of background screening, according to the Professional Background Screening Association's (PBSA) latest survey.⁵ Acquirers have increasingly gravitated towards the subsegment to capitalize on recurring demand and gain access to heavily regulated markets such as Healthcare, Government, and Financial Services.

Although the subsegment has comprised a limited portion of total sector M&A, dealmaking in the space rose 133% YOY in 2024 and has continued at a healthy clip YTD. First Advantage's (Nasdaq:FA) acquisition of Sterling Check (Nasdaq:STER) in February 2024 has undoubtedly headlined the subsegment. The transaction marks the largest subsegment deal on record at an enterprise value of \$2.2 billion, equivalent to 3.0x EV/Revenue and 17.2x EV/EBITDA. First Advantage cited complementary employment background screening technology and services across the Healthcare, Transportation, Manufacturing, and Financial Services industries as key rationale for the deal. In addition, the transaction is anticipated to deliver at least \$50 million in run-rate synergies, according to a press release.⁶

Notable Background Screening M&A Deals



In February 2025, Audax Management Company-backed DISA Global Solutions acquired American DataBank for an undisclosed sum. American DataBank provides background screening services and compliance solutions for employers and educational institutions. The transaction marks DISA's sixth add-on acquisition in the Background Screening Services subsegment since it received its investment from Audax in 2022 (undisclosed).



AccuSourceHR acquired Frasco in August 2024. Terms of the transaction were not disclosed. Frasco offers enterprise-level employment background checks, drug testing, and fitness tests for duty physical exams. AccuSourceHR operates an employment screening application for employers, completing five acquisitions in the subsegment over the last three years, according to a press release.⁷

Leading Buyers Targeting Employment Background Screening Services

Capstone has tracked buyers that have been highly acquisitive in the Employment Background Screening Services subsegment, particularly those that have completed notable transactions. For more information on relevant buyers, please reach out to Managing Director [Bob Balaban](#).

Strategic Buyers



Financial Buyers



Source: Capstone Partners



SELECT M&A TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Buyer Type
02/26/25	Lynn Group	Congruity HR	Provides payroll, employee benefits, and HR services.	PE Add-On
02/24/25	Top Shelf Staffing Group	Impact Employment Solutions	Offers recruitment services and an online job platform.	Private Strategic
02/18/25	Quorum Compensation Group	JER HR Group	Provides compensation and HR consulting services.	Private Strategic
02/18/25	Talent Assessment and Development	ForPsyte Talent Assessments	Offers talent assessment and employee engagement services.	Private Strategic
02/13/25	Valerie Frederickson & Company	Buffkin/Baker	Provides executive search and HR consulting services.	Private Strategic
02/11/25	IRIS Consulting	Javelin IT Consulting & Staffing	Offers technology staffing services.	Private Strategic
02/06/25	Aspen Leadership Group	ZRG Partners	Provides executive search services.	PE Add-On
02/06/25	GBQ Talentcrowd	GBQ Partners	Offers technology staffing services.	Private Strategic
02/04/25	American DataBank	DISA Global Solutions	Provides background screening and compliance services.	PE Add-On
02/04/25	Healthcare Staffing Professionals	TrueBlue (NYSE:TBI)	Offers healthcare staffing services.	Public Strategic
02/04/25	LAUNCH Technical Workforce Solutions	Capitol Meridian Partners	Provides technical staffing services to the Aviation industry.	PE Platform
01/30/25	Technology Learning Group	NterOne	Offers HR consulting and job placement services.	Private Strategic
01/28/25	KSA Technology Partners	Swoon Group	Provides 5G recruitment and staffing services.	Private Strategic
01/21/25	career concepts	Keystone Partners	Offers executive search, talent management, leadership development, and HR services.	PE Add-On
01/16/25	Bowlsby Sports Advisors	Elevate Sports Ventures	Provides executive recruitment and career development services for sports organizations.	PE Add-On
01/15/25	Nonprofit HR Solutions	Digital Insurance	Offers HR services for nonprofit organizations.	Private Strategic
01/13/25	CliniSight	LaborEdge	Provides healthcare staffing services.	Private Strategic
01/08/25	AustinPeopleWorks	512Financial	Offers HR recruiting services.	Private Strategic
01/08/25	Columbus Works	Goodwill Industries Of Central Ohio	Provides workforce training and job placement services.	Private Strategic
01/07/25	Professional Benefits Consultants	ALKEME	Offers outsourced HR services.	Private Strategic
01/06/25	Acuity Human Resources	Hill Barth & King	Provides HR consulting services to the Energy, Banking, Manufacturing, and Retail markets.	Private Strategic
01/06/25	Hornet Staffing	GEE Group (NYSEAM:JOB)	Offers staffing augmentation services.	Public Strategic
01/06/25	Pearl Meyer & Partners	Coalesce Capital Management	Provides compensation and HR consulting services.	PE Platform

PE=private equity; Source: Capital IQ, PitchBook, FactSet, and Capstone Partners



BUYER UNIVERSE

Capstone has built relationships with and tracked buyers that have been highly acquisitive in the HR & Staffing Services sector, particularly those that have completed notable transactions. Our sector knowledge and network provides us with unique insights into this buyer universe and the growth drivers for the companies within it. For more information on relevant buyers in your sector, please reach out to Managing Director and Head of Business Services Investment Banking [Bob Balaban](#).

Leading Strategic Buyers



Leading Financial Buyers

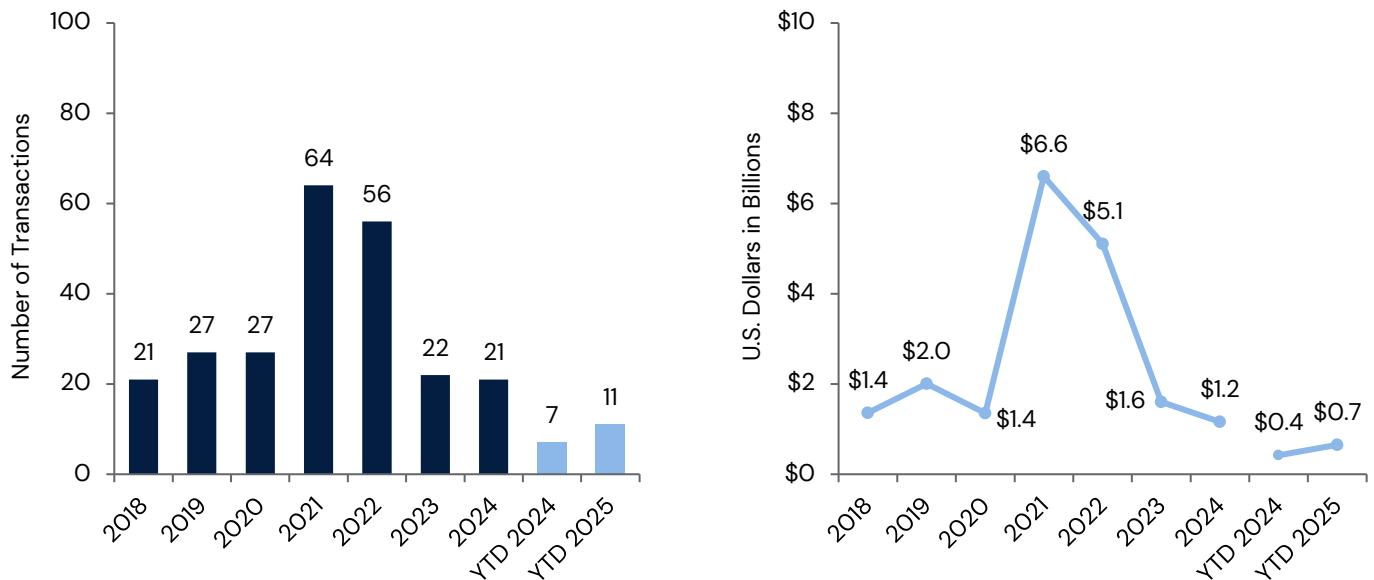


Source: Capstone Partners

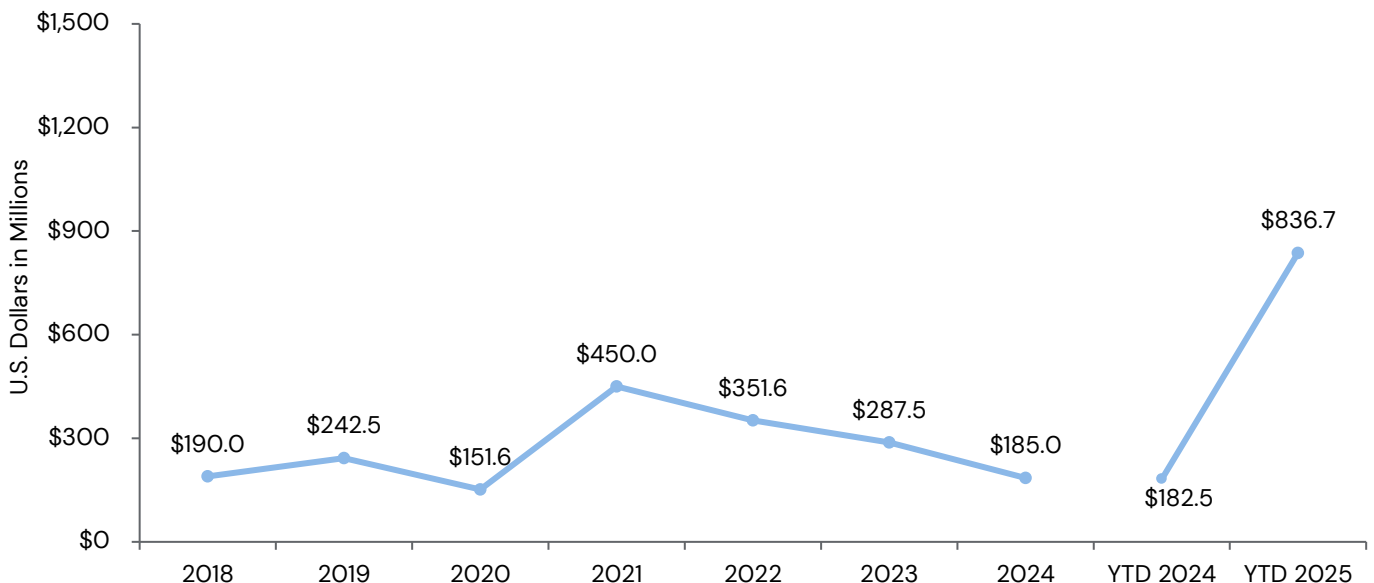
SECTOR EQUITY FINANCING ACTIVITY NORMALIZES

Equity financing activity in the HR & Staffing Services sector continued to normalize in 2024, largely driven by a broader market correction in startup valuations. Total sector growth capital deal value fell 27.4% YOY to \$1.2 billion in 2024, with YTD 2025 levels (\$0.7 billion) slightly outpacing the prior year period. The number of equity financing deals in the space followed a similar trend. Growth equity deal volume declined by one transaction in 2024 and YTD 2025 volume has ticked up YOY. The median pre-money valuation for sector participants moderated in 2024 as growth capital investors increasingly targeted smaller startups with innovative offerings such as AI. While the median pre-money valuation has spiked YTD, this figure has been buoyed by a few later-stage businesses.

Sector Growth Capital Deal Volume and Total Value Dip in 2024, Tick Up in Early 2025



HR & Staffing Services Median Pre-Money Valuation Moderates in 2024, Spikes Year to Date



Year to date (YTD) ended March 31; Data excludes deals less than \$25 million
Source: PitchBook and Capstone Partners

NOTABLE FINANCING ROUNDS



\$115 Million
PE Growth
February 2025

In February 2025, Loxo secured \$115 million in growth funding from PE firm Tritium Partners. Loxo provides an AI-powered talent intelligence and recruitment software platform, empowering organizations with a single system of record. The growth equity investment is expected to bolster the company's AI capabilities and expand its market reach in the U.S. and U.K.



\$100 Million
Series B
January 2025

Mercor raised \$100 million in Series B financing for a post-money valuation of \$2 billion (January 2025). Felicis led the round, joined by existing investors Benchmark and General Catalyst. Mercor develops an AI-enabled hiring platform with a focus on remote work opportunities. With the added financing, Mercor plans to further develop its AI automation capabilities for resume screening.



\$100 Million
Series B/Debt
December 2024

OnPay, a leading provider of payroll, HR, and employee benefits software, secured \$100 million in funding for a post-money valuation of \$450.3 million (December 2024). The financing comprised a \$63 million Series B round led by Carrick Capital Partners and a \$37 million debt facility from MC Credit Partners. The funds are anticipated to accelerate OnPay's go-to-market strategy.



\$28 Million
Series B
September 2024

In September 2024, TeamBridge raised \$28 million in Series B financing for a post-money valuation of \$164 million. The round was led by Mayfield, with participation from existing investors General Catalyst and Abstract Ventures. TeamBridge offers a workforce management platform for hourly staff. The company plans to utilize the funding to scale its enterprise-grade infrastructure and AI roadmap.



\$59 Million
Series D
September 2024

Oyster, a developer of a talent enablement platform, secured \$59 million in Series D funding for a post-money valuation of \$1.2 billion (September 2024). Silver Lake Waterman led the round. With the new funding, Oyster plans to expand its offerings for the remote workforce, furthering its goal of serving as a global, distributed employment provider.



\$45 Million
Series B
June 2024

In June 2024, KarmaCheck raised \$45 million in Series B financing for a post-money valuation of \$220 million. The round was led by Parameter Ventures. KarmaCheck provides technology-based solutions for employment screening and background checks. The additional growth capital is expected to accelerate KarmaCheck's presence in new end markets.

EQUITY CAPITAL MARKETS GROUP

The [Equity Capital Markets Group](#) focuses on raising equity capital financing for growth-oriented companies and is active in the HR & Staffing Services sector. Our team works closely with our Business Services Group to help our clients secure equity capital to fund growth initiatives, recapitalize the balance sheet (often including shareholder liquidity), and to finance M&A transactions.

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PUBLIC COMPANY TRADING MULTIPLES HOLD STRONG

PROFESSIONAL & COMMERCIAL

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	03/31/25	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Adecco Group AG	\$29.89	72.1%	\$5,004.4	\$8,280.8	\$23,954.9	\$1,041.5	4.3%	0.3x	8.0x
ASGN Incorporated	\$63.02	59.6%	\$2,776.6	\$3,676.3	\$4,099.7	\$429.5	10.5%	0.9x	8.6x
Kelly Services, Inc.	\$13.17	52.6%	\$460.7	\$724.7	\$4,331.8	\$129.2	3.0%	0.2x	5.6x
Kforce Inc.	\$48.89	68.4%	\$889.9	\$937.1	\$1,405.3	\$79.4	5.7%	0.7x	11.8x
ManpowerGroup Inc.	\$57.88	73.4%	\$2,705.3	\$3,528.0	\$17,853.9	\$583.8	3.3%	0.2x	6.0x
Randstad N.V.	\$41.29	74.6%	\$7,231.4	\$9,574.1	\$24,973.6	\$834.5	3.3%	0.4x	11.5x
Resources Connection, Inc.	\$6.54	49.2%	\$216.4	\$166.0	\$560.2	\$15.2	2.7%	0.3x	10.9x
Robert Half International Inc.	\$54.55	68.8%	\$5,479.1	\$5,175.1	\$5,795.8	\$294.7	5.1%	0.9x	17.6x
TrueBlue, Inc.	\$5.31	42.4%	\$157.7	\$201.7	\$1,567.4	NM	NM	0.1x	NM
Mean							4.7%	0.4x	10.0x
Median							3.8%	0.3x	9.7x
Harmonic Mean							4.0%	0.3x	8.8x

EV=enterprise value; LTM=last twelve months
\$ in millions, except per share data
NM=Not Meaningful

HEALTHCARE

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	03/31/25	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
AMN Healthcare Services, Inc.	\$24.46	34.9%	\$934.4	\$2,021.5	\$2,983.8	\$307.7	10.3%	0.7x	6.6x
Cross Country Healthcare, Inc.	\$14.89	77.8%	\$488.6	\$410.8	\$1,344.0	\$20.4	1.5%	0.3x	20.2x
Mean							5.9%	0.5x	13.4x
Median							5.9%	0.5x	13.4x
Harmonic Mean							2.6%	0.4x	9.9x

EXECUTIVE & RETAINED SEARCH

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	03/31/25	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Heidrick & Struggles International	\$42.83	87.4%	\$874.2	\$411.4	\$1,098.6	\$127.8	11.6%	0.4x	3.2x
Korn Ferry	\$67.83	84.1%	\$3,503.1	\$3,256.3	\$2,708.8	\$412.5	15.2%	1.2x	7.9x
Mean							13.4%	0.8x	5.6x
Median							13.4%	0.8x	5.6x
Harmonic Mean							13.2%	0.6x	4.6x

Source: Capital IQ and Capstone Partners as of March 31, 2025



HUMAN RESOURCES & STAFFING SERVICES REPORT CONTRIBUTORS

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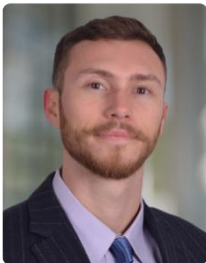
Bob brings more than 25 years of investment banking and operating experience. Bob has served as the lead banker on more than 75 merger and acquisition transactions primarily in the Business Services marketplace. He has also been involved with over a dozen startup companies, including Great Plains Accounting Software, Inc., a software company that was ultimately acquired by Microsoft Corp. as well as InaCom Corp., a distribution company that he helped grow to several billion dollars in annual revenue before it was acquired by Hewlett Packard. He has appeared in numerous national business publications, including the Wall Street Journal and Fortune Magazine and on national television as an expert in mergers and acquisitions.

**Erik Larson**

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Erik Larson is a Director on Capstone Partners' Business Services Team. With more than 15 years of professional experience, Erik has a diverse background working in a variety of industries. Prior to joining Capstone Partners, Erik was an Investment Banking Associate Intern at Morning Glory Capital LLC in Denver, Colorado. He also served as a Managing Director at Deming Center Venture Fund in Boulder, Colorado, where he supported entrepreneurs and startup companies through early-stage investing.

Previously, Erik also gained experience as a Patent Engineer at Holland & Hart LLP and Merchant & Gould P.C., where he wrote patents while working with inventors to identify and best leverage new ideas across diverse technologies. Another of Erik's previous roles was in research physics as a Consultant at the National Institute of Standards and Technology (NIST), where he researched quantum refrigeration and superconducting amplifiers for ground-based telescopes.

**Max Morrissey**

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Max serves as Vice President on Capstone's Market Intelligence Team. He provides M&A insights, proprietary research analysis, and macroeconomic trends for C-suite middle market executives, specializing in the coverage of the Business Services, Financial Technology & Services, and Technology, Media & Telecom industries. Prior to joining Capstone, Max was an analyst at Lab42 Research, a Chicago-based market research firm. During his time at Lab42 Research, he specialized in the development, implementation, and analysis of proprietary research projects for clients in the Business Services, Consumer, Financial Services, Government, and Technology industries.

FIRM TRACK RECORD

Capstone's Business Services Investment Banking Group has represented numerous businesses in the HR & Staffing Services sector. The Business Services Group is highly skilled in deal execution and leverages its extensive buyer and investor relationships and in-depth sector knowledge to provide a favorable outcome on behalf of its clients. Sample recent engagements are outlined below.

 <p>HAS SECURED \$120M IN DEBT FINANCING FROM</p> 	 <p>HAS BEEN RECAPITALIZED BY</p> 	 <p>HAS BEEN ACQUIRED BY</p> 	 <p>HAS BEEN ACQUIRED BY</p> 
 <p>HAS BEEN RECAPITALIZED BY</p> 	 <p>HAS PARTNERED WITH</p> 	 <p>HAS BEEN RECAPITALIZED BY</p> 	 <p>HAS BEEN ACQUIRED BY</p> 
 <p>HAS RECEIVED SENIOR DEBT FINANCING FROM</p> 	 <p>HAS BEEN ACQUIRED BY</p> 	 <p>HAS BEEN ACQUIRED BY</p> 	 <p>HAS BEEN RECAPITALIZED BY</p> <p>A PRIVATE INVESTMENT GROUP</p>
 <p>HAS BEEN RECAPITALIZED BY</p> 	 <p>HAS BEEN RECAPITALIZED BY</p> 	 <p>VALUATION & FINANCIAL ADVISORY</p> <p>ARIES GROUP INC.</p>	 <p>HAS BEEN ACQUIRED BY</p> <p>NORTHERN HEALTHCARE CAPITAL</p>
 <p>HAS BEEN ACQUIRED BY</p> 	 <p>HAS BEEN ACQUIRED BY</p> 	 <p>HAS BEEN ACQUIRED BY</p> 	 <p>HAS BEEN ACQUIRED BY</p> 

CAPSTONE'S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The stage and initiatives of a business often dictate which financial services are in demand. As the bulk of CEOs polled in Capstone's 2024 Middle Market Business Owners Survey indicated growth strategies are a priority for 2025, the lion's share (40.7%) of owners anticipate a need for growth strategy support services. Similarly, 38.1% of CEOs require equity capital advisory services to support operational initiatives and business expansion. Nearly one-third of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, 30.2% of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company's lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed specialty advisory practices to provide financial performance, buy-side, employee stock ownership plan (ESOP), and equity and debt services. All of these capabilities are supported by 12 industry banking groups, an active sponsor coverage group, and a dedicated Market Intelligence Team.

Top Financial Services Required by Business Owners in 2025



40.7%

Instituting a growth strategy



38.1%

Raising equity capital



32.4%

Accounting & audit support



30.2%

Accessing relevant industry research



20.2%

Raising debt capital



19.8%

Corporate restructuring

*Question: Have you ever had, or do you anticipate having, a need for any of the following services?
Source: Capstone Partners' Middle Market Business Owner Survey, Rebased Sample Size (N): 278*



ENDNOTES

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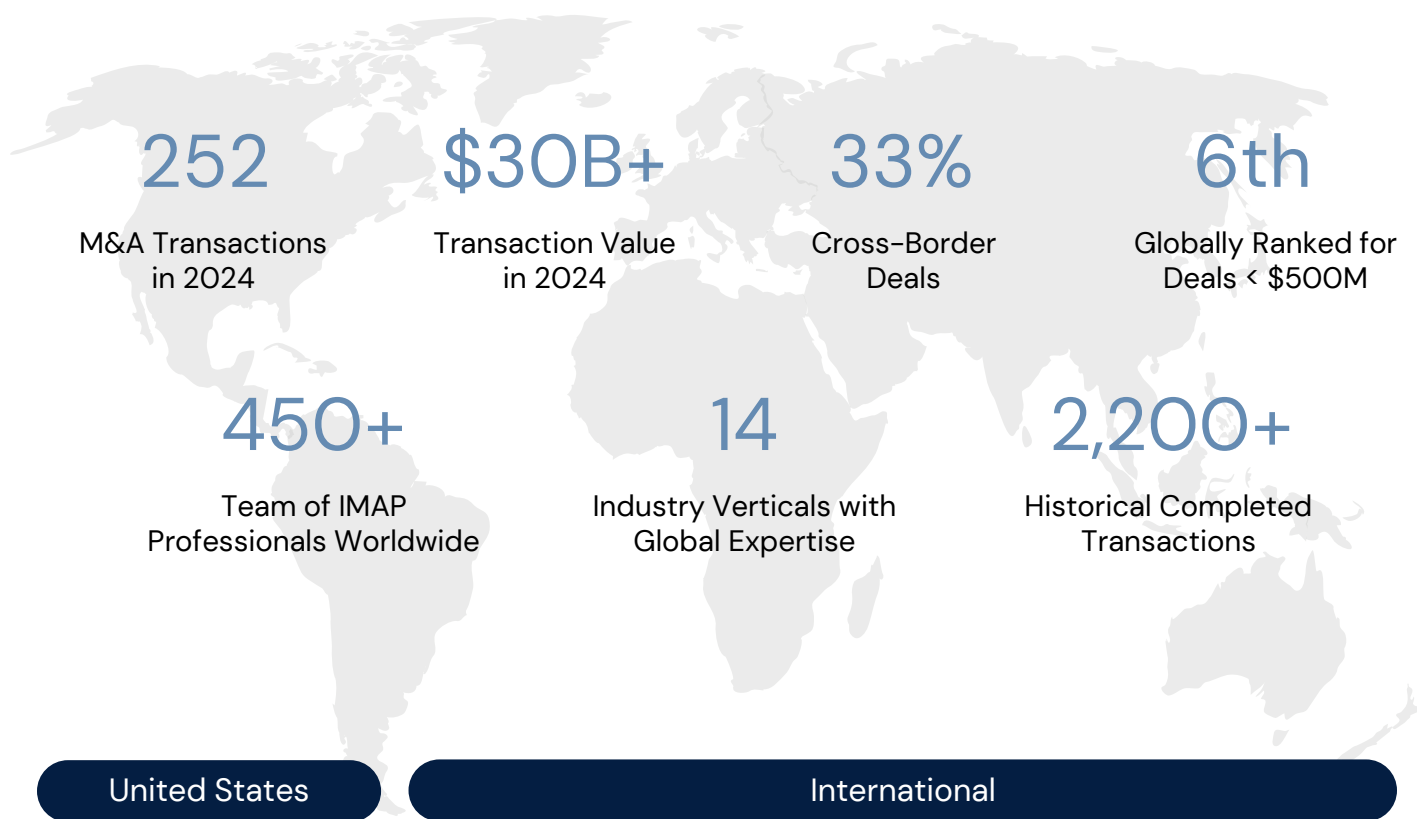
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