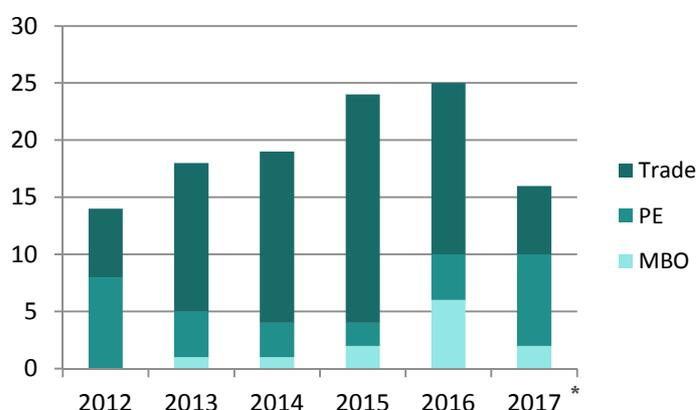


M&A MARKET SNAPSHOT : RECRUITMENT SECTOR

JULY 2017



M&A deal making in the first two quarters of 2017 continues despite a backdrop of economic and political uncertainty



* Figures for 2017 are for the 6 months only to 30 June 2017

- 16 UK recruitment deals in Q1 & Q2 2017
- 50% of deals involved Private Equity

In a period of unrivalled uncertainty caused by Brexit (soft, hard or something else) and the General Election (followed by a far from cohesive coalition), the M&A deal makers could be excused for taking their foot off the gas when considering future investments and acquisitions. However deal activity in the recruitment sector has been resilient with no notable reduction in the volume of deals when compared to 2016.

BDO's 5 year trend analysis of M&A activity in the recruitment sector earlier in the year highlighted the growing trend of both overseas investment into UK recruitment companies and the plethora of Private Equity investors seeking to deploy capital into various sectors (including recruitment). This is typified by the investment Netherlands based H2 Equity Partners B.V. made into Search Consultancy Group Limited in May 2017. This transaction not only secured an exit for their Private Equity investor (Chamonix) but allows the business under its new ownership to accelerate its growth strategy through organic growth and targeted acquisitions.

It's not just Private Equity investors who have been looking to grow their portfolios over the last 6 months; we've continued to see M&A activity from trade acquirers in the sector. One such serial acquirer, Staffline plc, bolstered their presence in Scotland in May 2017 with the acquisition of Brightwork Limited. Under Andy Hogarth's stewardship Staffline have acquired 5 companies (disclosed) in as many years, successfully growing market capitalisation of the group from £51m to almost £350m during this time. It appears that he's struck a winning combination of organic growth coupled with successful integration of acquired assets.

Further afield during the last 6 months we've also seen the inauguration of a new President across the pond. Despite dividing households in the US (not to mention worldwide), the markets have been resilient since President Trump's appointment. In fact compared to last year there has been a notable increase in the volume of deal activity of US based recruitment companies, with Private Equity again playing their part accounting for almost half of these transactions during the period.