

JULY 2019

# M&A MARKET SNAPSHOT

## Recruitment Sector



## THE RECRUITMENT MARKET REBOUNDS IN TERMS OF GROWTH AND M&A ACTIVITY WHILST UK COMPANIES LOOK OVERSEAS FOR GROWTH

After a period of sharp decline in Q4 of 2018 we've seen a stabilisation and also slight rebound in growth of both the FTSE All Share Index, and the BDO Recruitment FTSE Index.

The significant negative influence of a potential impending Brexit in Q4 2018 appears to have waned in the early part of 2019, as the prospect of a 29th March Brexit came and went. Although not helped by continued uncertainty around Brexit, a Tory leadership contest and a global spat between the US and China, we've started to see UK recruitment firms return to growth, including outperformance (as has been the case historically) against the FTSE All Share Index as a whole.

Against this backdrop M&A activity in the UK has maintained momentum with deal volumes similar to those experienced in 2018 (if not slightly ahead). Although deal flow has remained constant, 2019 figures have confirmed a development we've been picking up anecdotally for the last 12-18 months, this being a trend towards overseas expansion by UK companies, both organically (i.e. setting up new offices from scratch) and also through acquisition of overseas recruitment companies. The latter is illustrated in the diagram to the right, which shows that despite deal volumes being generally consistent in 2018 and 2019, only 35% of deals in the six months to 30th June 2019 involved a UK vendor, compared to 91% in the 12 months to 31st December 2018.

### BDO RECRUITMENT FTSE INDEX

BDO FTSE LISTED RECRUITMENT FIRMS VS. FTSE ALL-SHARE INDEX JAN-18 TO JUN-19

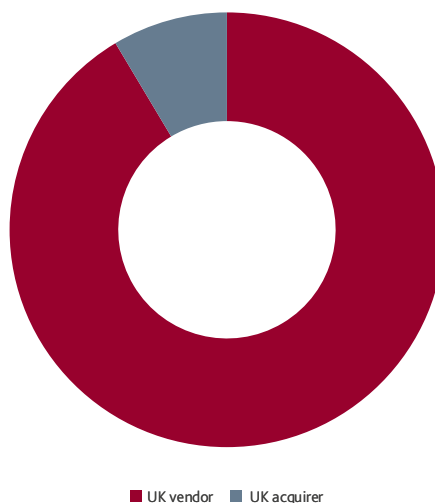


Source: MarketIQ, mergermarket and BDO research

### TRANSACTIONS INVOLVING UK COMPANIES

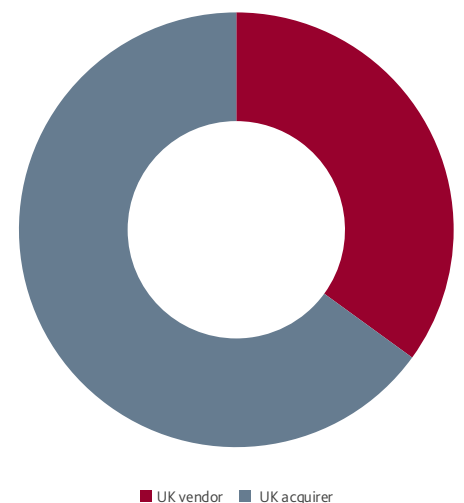
12 MONTHS TO 31/12/2018

6 MONTHS TO 30/06/2019



■ UK vendor ■ UK acquirer

TOTAL DEAL POPULATION - 35



■ UK vendor ■ UK acquirer

TOTAL DEAL POPULATION - 20



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