M&A REVIEW

RECRUITMENT

FEBRUARY 2022

IDEAS | PEOPLE | TRUST

BDO

HIGHLIGHTS

GLOBAL DEALS STEADY 82 IN 2020

WITH A TOTAL OF **82** deals completed

THERE WERE **40** Deals with UK bidder/target in 2021

UP FROM 21 IN 2020 AND ABOVE THE PREVIOUS PEAK IN THE LAST DECADE OF **36** in 2018

ALL FTSE RECRUITMENT FIRMS
FINISHED 2021 AHEAD OF THEIR STARTING POSITION FOR THE YEAR

UK RECRUITMENT REVENUE RECOVERED TO
£16.8BN SO NOW ABOVE PRE-PANDEMIC LEVELS

ANNUAL GROWTH OF **5.8%** FORECAST OVER NEXT FIVE YEARS

AVERAGE EV/EBITDA MULTIPLE IN 2021 FINISHED THE YEAR AT **13.42x**

SUSTAINED INVESTMENT ACTIVITY WITH PE ACCOUNTING FOR **25%** OF ALL UK DEALS

INTRODUCTION
M&A in the recruitment sector

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Welcome to the 2022 edition of our annual M&A recruitment report.

It's hard to believe another year has flown by, and what a 12 months it has been. At the time I wrote the introduction to last year's report we were entering 2021 with a degree of cautious optimism, having seen a level of recovery following the initial sharp downturn caused by the pandemic. However, I'm not sure many of us would have predicted the boom in M&A activity that we've seen during 2021.

To put this 'boom' into context, BDO research showed overall deal activity in the UK reached 2,782 transactions during 2021. This represented an increase of 42% on 2020 levels and, more notably, is the strongest level of activity since 2008. Consistent with previous years, this overall UK deal activity has been reflected within the UK recruitment market, with a marked increase in UK recruitment deals during 2021. Indeed, 2021 deal volume, with 40 UK deals, surpassed by 11% the previous high over the ten years we have tracked, of 36 in 2018.

In terms of deal trends, recruitment platforms/software deals continue to grab the headlines in a world which has quickly pivoted to an increasingly online and remote working environment. However, beyond this and the anticipated continued presence of deal activity involving IT/healthcare recruiters, there has been a marked uptick in activity for recruitment agencies in more traditional industries such as engineering, construction and industrial. It's also pleasing to report, despite the adversity and potential barriers caused by the global pandemic and Brexit, that the UK remains a country of key interest for overseas acquirers and investors.

As in previous years, selling to a trade acquirer or bringing on board a private equity investor continue to be the most common forms of divestment for recruitment owners. Although a number of recruitment businesses have put Employee Ownership Trust structures in place over the last few years, these appear to be out of favour, at least during 2021.

Beyond the deal activity, we also consider some of the wider economic trends in this year's report, and how these are impacting upon the sector. Indeed, there appears to be a number of factors at play as firms not only recover from the global pandemic but also respond to other challenges ranging from remote working, the full impact of Brexit, unwinding of the furlough scheme and the 'Great Resignation', to name but a few.

A significant contribution towards stability and growth during the last 12-18 months has undoubtedly come from the Government's swift implementation of The Coronavirus Job Retention Scheme ('CJRS' or 'furlough' as we're more commonly used to hearing). However, as with any scheme underpinned by a relatively complex mechanism for calculation, the propensity for errors is high; as such my colleague, Robert Woodward, considers the extent that these claims will come back to haunt companies in the future.

As I sat here writing this foreword, I've just finished reading a due diligence report on Environmental, Social and Governance (or 'ESG') in relation to a private equity led transaction. It's fair to say that ESG is becoming an increasingly important area of focus for investors and acquirers, and I expect this to continue into the future. ESG has always been at the heart of matters for ESG-focused investment firms, however, it is now becoming commonplace for more mainstream funds, so ignoring and/or playing lip service to these issues is no longer an option.

As the economy re-emerges, altered by the impacts of the pandemic and with raising workplace emphasis on wellbeing, 'the culture" of an organisation and job satisfaction, recruiting and retaining people with the right skills to deliver on business strategies has become increasingly difficult and expensive. We also include in this report some of the results of a literature review BDO has recently commissioned in relation to various aspects of 'reward', for businesses to take into consideration when it comes to attracting and motivating their workforce.

And so it's at this point that we consider what will the future hold for 2022 and beyond? It's fair to say that 2021 exceeded all expectations, so we start 2022 with real momentum and a strong platform from which to grow. Beyond the deal community there also appears to be a general sense of optimism from recruitment agency owners and management teams that growth looks set to continue, with the majority of sectors in the UK now recovering and/or showing signs of further growth. The optimist in me anticipates that the M&A environment will continue to thrive, with many factors pointing towards this being the case. However, this bullishness should as ever be cautioned by external events and influences which might come into play to de-rail this activity in future months (e.g. recent downgrading of recruitment stocks, IMF reducing UK growth prospects, inflation and interest rate rises etc.). As such, we cautiously look forward to the rest of the year and trust that 2022 promises to be another 'boom' time for M&A.

UK RECRUITMENT MARKET
The industry in 2021

THE MARKET

After a challenging period of uncertainty for all businesses and sectors, 2021 produced a strong recovery for much of the UK market, with the recruitment sector echoing, if not over-performing, the same trend.

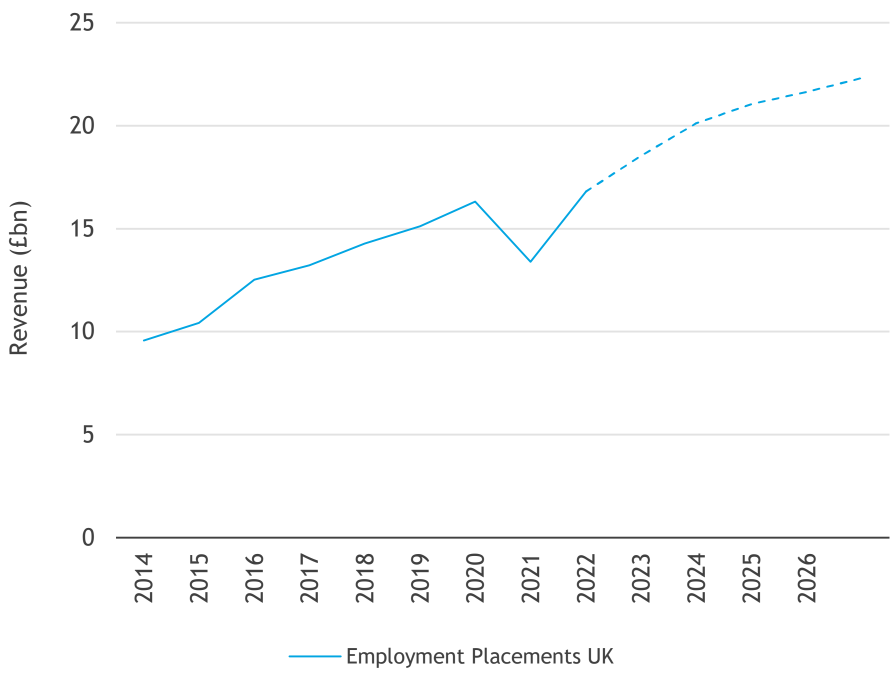
Disruption caused by the economic slowdown following the pandemic, led to an 18% decline in employment placement revenues to c£13.4bn in 2020, however by the end of 2021 they had recovered to £16.8bn, which Is higher than the level pre-pandemic.

It is likely that government support has helped protect the economy and somewhat reduced the impact of the pandemic. This has delivered a period of economic recovery, leading to higher levels of business confidence and a swift recovery in the number of job vacancies across a number of sectors (which we discuss in more detail overleaf). The recruitment sector has of course benefitted from the increased demand in placement opportunities.

The industry has responded rapidly to new ways of working with the digitisation of many processes - resulting in an increased use of recruitment platforms and software. This should mean recruiters are now much better placed to weather further economic uncertainty, as the UK continues its recovery from both the Brexit and COVID-19 disruptions, although it will be interesting to see the effect of remote working practices and digitisation now that global travel restrictions are lifting and the requirements of Brexit are becoming clearer.

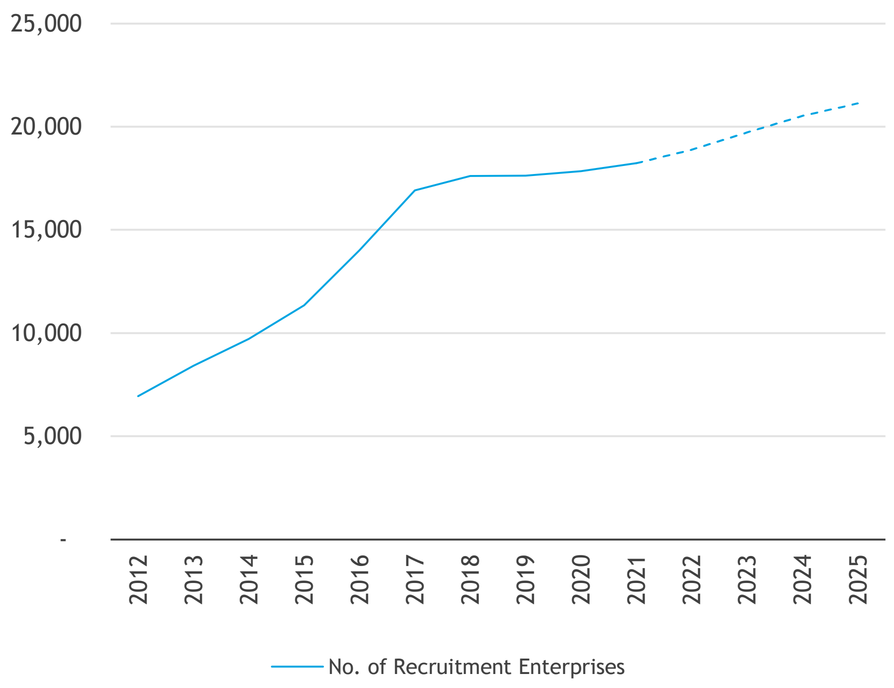
Looking ahead, recruitment industry revenue is expected to continue its strong recovery, with forecast revenues of £21bn+ within the next five years, a growth rate of 5.8% p.a, albeit downgraded slightly from the 6.6% p.a. forecast at the end of last year.

Figure 1: UK industry revenue with FY22-26 Forecast



Source: IBISWorld 2022

Figure 2: Number of UK Recruitment Enterprises in existence with forecast



Source: IBISWorld 2022

OPTIMISM IN THE SECTOR

As noted in the chart opposite, since 2012 there has been a significant rise in UK recruitment enterprises from c.6,900 to around c.18,200 in 2021, with this trend looking to continue at least until 2025.

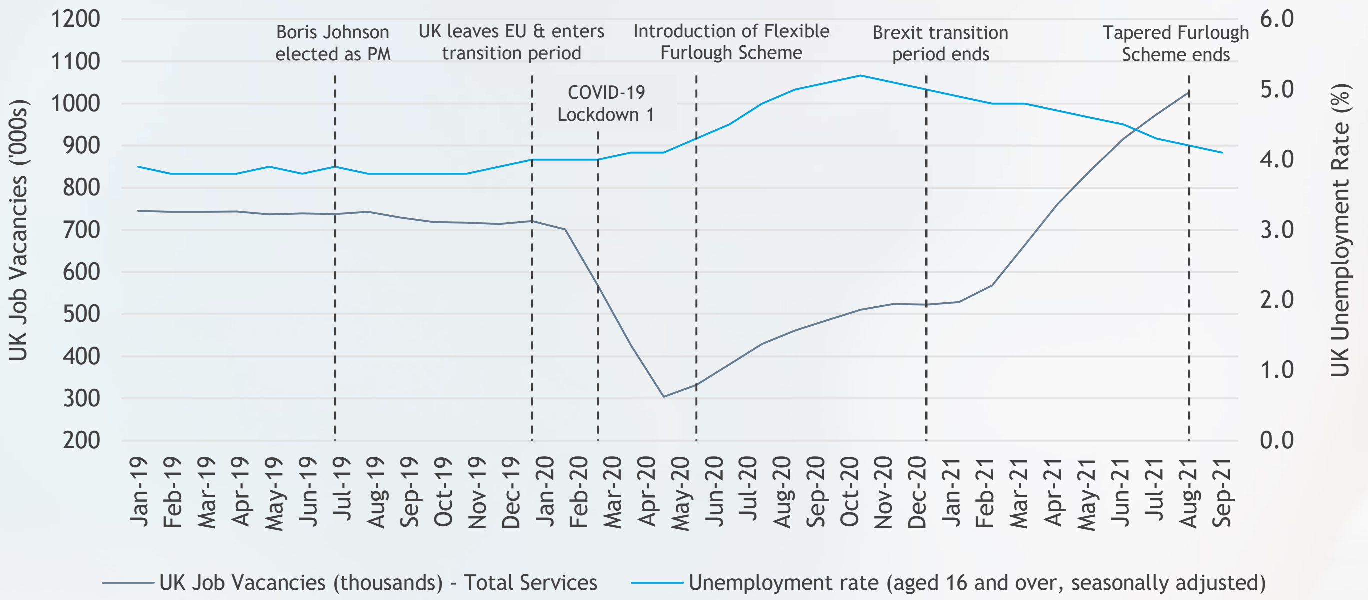
The continued growth highlights the entrepreneurial workforce present within the industry and reflects their continued optimism in the market for years to come.

This is also a trend that is in line with the ‘Great Resignation’ phenomenon, a rise in self-employment as a result of the pandemic (discussed further overleaf). This is likely to stimulate the industry, creating a number of vacancies as more and more businesses look for talent and thus increasing the demand for recruitment agencies to tap into.

However, industry profitability is forecast to fall over the next five years as competition rises (IBISWorld, 2022).

UK RECRUITMENT MARKET
The industry in 2021

Figure 3: UK Unemployment & Job Vacancies Timeline (2019 - 2021)



Source: ONS 2021

There are a number of external market drivers that have an impact upon the recruitment sector.

Key metrics include:

- Business confidence, which is itself driven by significant events that occur in the UK and the wider economic landscape
- Rates of job vacancies
- Unemployment rates.

We have compared the Business Confidence Index in the UK, an economic indicator, produced by global policy forum the OECD, which provides information based upon opinion surveys on developments in production, orders and stocks of finished goods in the relevant market (OECD, 2022, see fig. 4), with these other key metrics to see the impact of external events in the years leading up to 2021.

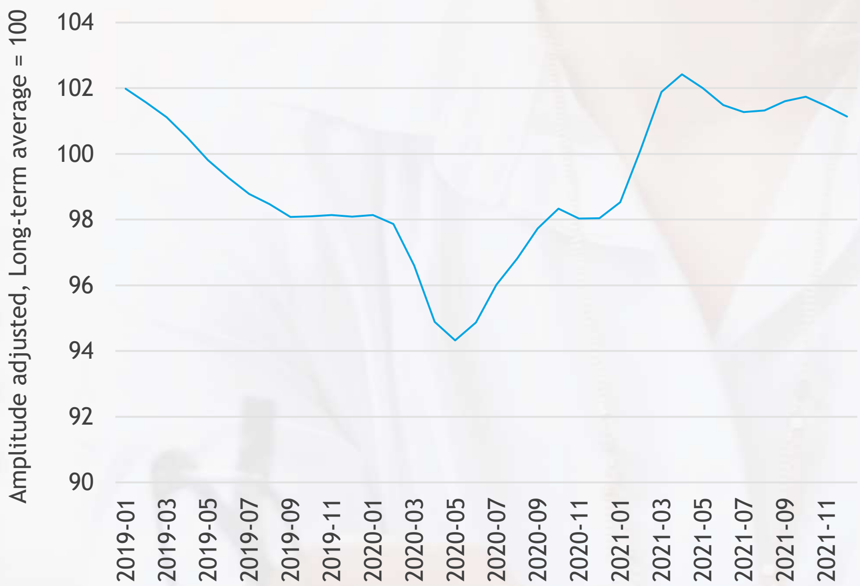
From 2016 the UK unemployment rate was gradually falling, dropping from 4.9% at the time of the Brexit referendum in June 2016, reflecting the loss of some European workers, to a low of 3.9% by March 2019. Over the same period, there was also slow growth in job vacancies in the UK from c670,000 at the time of the referendum to c740,000 by March 2019. The Business Confidence Index shows business confidence declining over this period, reflecting a period of great uncertainty about the result of the referendum and Britain's ongoing relationship with the EU.

Following tensions around the way in which the Brexit deal had been handled, in July 2019 Boris Johnson was elected as Prime Minister. This was seen as ending this time of uncertainty, and steadying the decline in business confidence, albeit at a low level, before the UK entered the transition period in January 2020. Up to this point, unemployment rates and job vacancies had stayed mostly flat, with a slight increase in the unemployment rate to around 4.1% and a slight decrease in the number of job vacancies to around c720,000.

A marked drop in business confidence is evident as a result of COVID-19, which struck our shores in Q1 of 2020, triggering a national lockdown and a period of immense insecurity for both British and global business. The result was a significant drop off in UK job vacancies to a low of around 300,000 in May 2020, as businesses slashed their recruitment plans.

Unemployment rates, as would be expected, also began an upward trend, with the peak unemployment rate of 5.2% coming six months later in November 2020.

Figure 4: UK Business Confidence Index (BCI)



Source: OECD 2022

The relatively low rise in unemployment rates, (remaining well below historical levels of 11-12% in the 1980s), can be explained by the introduction of the job retention scheme by the Chancellor shortly after the national lockdown announcement in March 2020. Businesses did put recruitment on hold but delayed decisions around redundancies as potential cash flow issues were relieved slightly by the furlough scheme (as well as government loan schemes), with flexible furlough introduced by June 2020.

Business confidence began to rise again from its low-point at around this time, as did the number of vacancies.

Yet the end of the furlough scheme, which may have dented business confidence, has not resulted in a anticipated spike in unemployment. In fact, unemployment has fallen consistently since January 2021.

In addition, as the Brexit transition period ended and the economy has recovered from the impact of the pandemic, the levels of UK job vacancies have risen sharply, to record highs of over 1.2 million, over 400,000 more than pre-COVID-19 levels. Reports abound of employers struggling with a shortage of skilled workers and offering inflated wages or starting salaries.

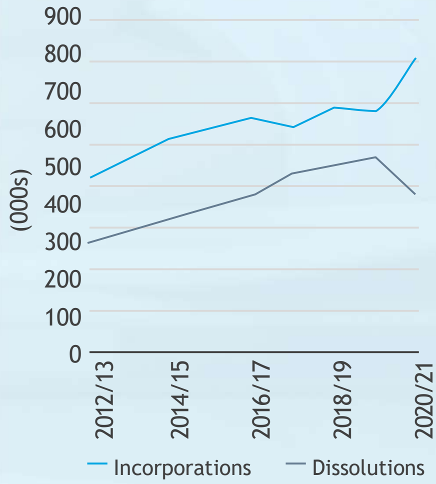
Shortages can be ascribed to a reduction in migrant workers due to Brexit and the pandemic. Recruitment in healthcare and hospitality sectors as well as driver numbers have been particularly affected.

THE GREAT RESIGNATION

Yet shortages can also be put down to the increased level of "economically inactive" workers, with the ONS reporting that this is around 400,000 higher than pre-pandemic levels. Reasons for this rise include the impact of "long Covid", students deciding to remain in education, and decisions to take early retirement.

Another cause is the 'Great Resignation' and associated rise in self-employment - a result of a shift in attitudes in some of the UK workforce, choosing to leave their current roles and 'go it alone'. The effect of this can be seen from the record incorporations noted since 20/21 (see fig 5). In fact, the number of payrolled workers is now above pre-pandemic levels, but this has been driven most recently by a rise in the number of part-time workers.

Figure 5: UK incorporations and dissolutions from 2012 to 2021

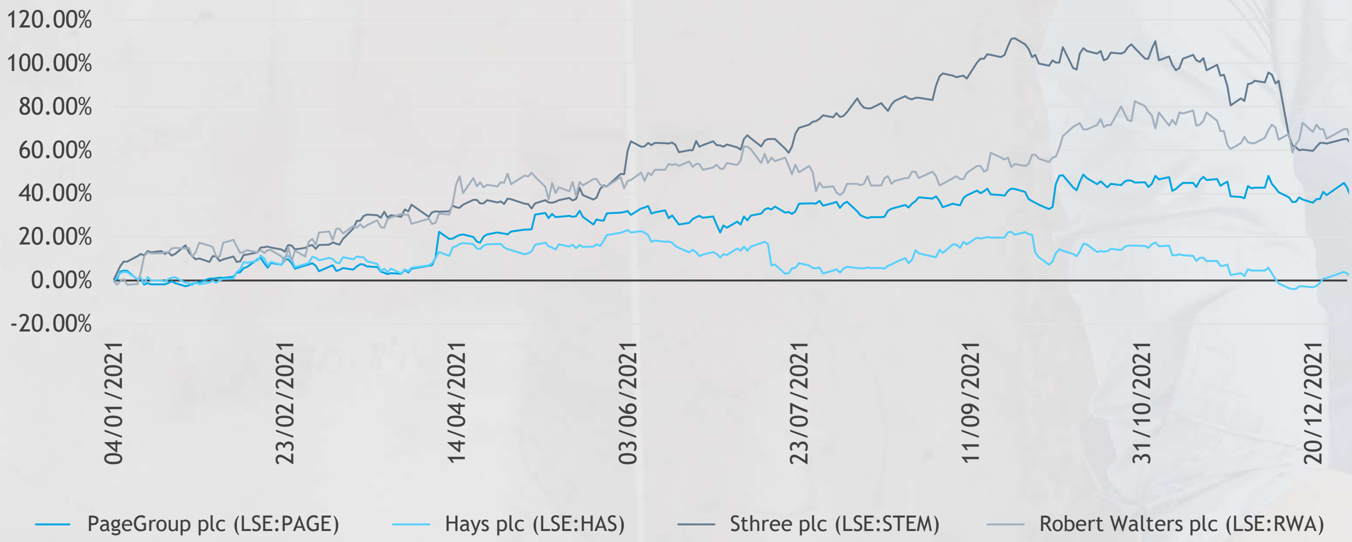


Source: Companies House 2021

UK RECRUITMENT MARKET
Capital markets

Tracking the performance of the four largest recruitment firms (by market capitalisation) listed in the UK on the capital markets can give an indication of the general investment sentiment around the recruitment sector.

Figure 6: FTSE listed recruitment companies performance in 2021



Source: Capital IQ, 2021

Over the seven years pre-pandemic, the FTSE listed recruitment firms consistently outperformed the wider market in terms of growth of market capitalisation – however they were all hit significantly by the effects of COVID-19. Throughout 2021 they have all made substantial recoveries, with SThree plc seeing the most impressive increase, reaching peak growth of 111% (September) in comparison to the start of the year.

In June, SThree plc, which focuses on science, technology, engineering and maths-related roles, reported that second-quarter fees rose 22%, reflecting a “very strong underlying performance with sustained improvements in new deal activity and contractor retention rates” (Sharecast News, 2021). This positive news was reflected in the growth in the firm’s market capitalisation, as following the announcement SThree plc reached a 60% gain on the index for the first time.

In August, PageGroup plc announced that it had swung to an interim profit and also declared a special dividend, since then the firm went on to further gains into Q3 before announcing a record quarter in Q4, accounting for its impressive index gain since January 2021.

Generally, the index recovery of all the FTSE listed recruitment companies has been impressive, as their average index (weighted by market capitalisation) finished the year ahead of the overall UK FTSE All Share Index. In Q4, gains were down for both SThree plc and Hays plc although both Page Group plc and Robert Waters plc saw a steady increase through Q3 and Q4.

All FTSE listed recruitment companies ended the year higher than their January index, reflecting the strong recovery throughout the sector, and evidencing strong investor sentiment and an optimistic outlook for the industry.

The average Enterprise Value (EV) to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple overall rose slightly during the year 2021, with a peak noted in the summer months.

Figure 7: 2021 BDO FTSE listed recruitment firms average EV/EBITDA multiple

Source: Capital IQ

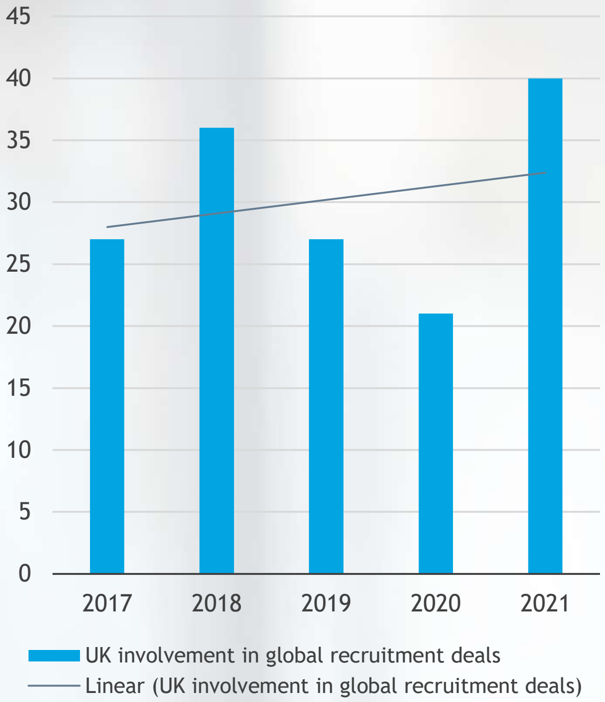
Against the backdrop of lower multiples noted in 2020 compared to recent years, it is perhaps no surprise that valuations began to rise as government restrictions eased in the spring of 2021. What may be surprising however is the trend thereafter, with the weighted average multiples of the BDO FTSE listed recruitment firms soaring to a peak during 2021 of over c.23x (Jun-21). This peak at the start of summer is perhaps a result of the rapid rise in vacancies during the same period, evidenced further by the drop in unemployment rates to c4.5% from the previous peak in the last five years of c5.2% (Nov-20). The sector seems to have benefited immensely from the increased labour demand resulting in the 'hiring spree' that occurred through 2021 as restrictions and economic uncertainty eased.

Towards the end of the year, valuations began to soften, perhaps reflecting the drop in business confidence as the tapered furlough scheme came to an end in September 2021. The IMF also cut its UK growth forecast to c4.7% amidst various additional factors such as labour supply issues and rising inflation rate. It seems these macro-economic factors have had an impact upon the valuation multiples in the sector, however it is important to note that these remained above 13x at the year end.

M&A ACTIVITY

Review of UK involvement in global deals in 2021

Figure 8: 2021 UK Involvement in global recruitment deal volume (buyer or seller)



Source: BDO analysis

Figure 9: PCPI Total UK M&A Deals

Source: BDO Analysis

BOOM IN UK DEALS ACTIVITY

UK deal activity in the recruitment sector in 2021, where the bidder or vendor was from the UK, has seen its strongest volume in over a decade, up an astonishing 90% to 40 completions (2020, 21 deals). This is an increase of 11% above the previous peak before the pandemic (2018) and indicates a booming UK M&A market in the sector.

This trend is not isolated to the recruitment sector however, as big increases in deal activity can also be seen in BDO's Private Company Price Index (PCPI) report for 2021, showing c.2780 total deal completions involving UK parties, up 42% on the previous year and up around 8% on peak pre-pandemic levels of activity over the last decade (2018, c.2570 deals).

UK recruitment businesses have proven to be an attractive place for investment for both private investors and trade buyers, with c.93% of the UK deals involving a UK target. In comparison, only c.83% of the UK deals had a UK bidder, reflecting the global interest in UK targets.

Although this level of activity currently shows no sign of abating, it would be sensible to assume that the M&A environment might enter a period of stabilisation following a certain amount of pent-up deal activity being released as the effects of the pandemic settle.

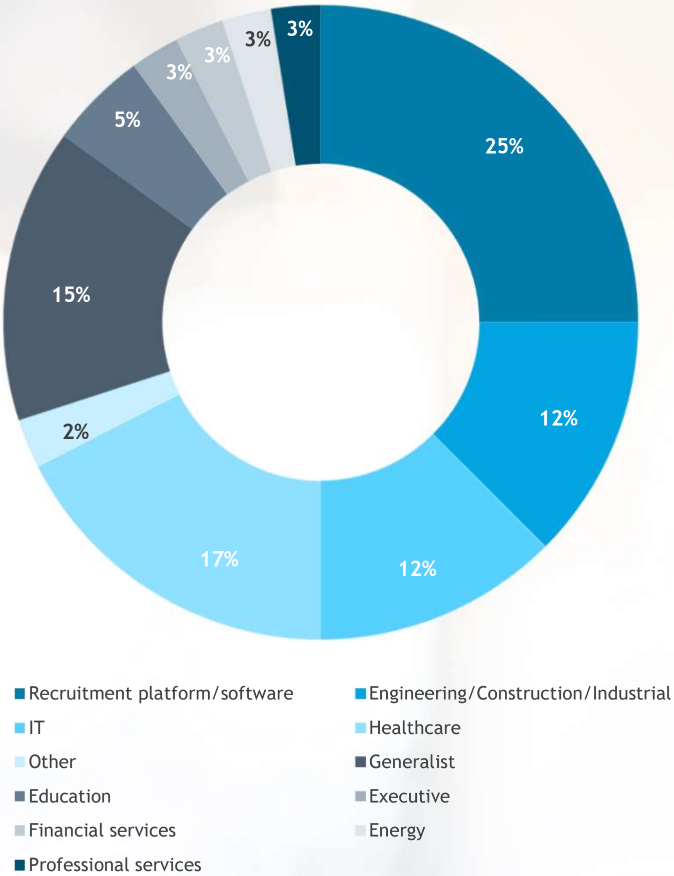
MARKET DRIVERS IN THE RECRUITMENT SECTOR

As well as other factors behind raised deal activity across sectors, such as funding liquidity, there are other drivers specific to the recruitment industry. These include factors arising from recent and ongoing changes in labour requirements as a result of changing behaviours due to the pandemic, such as fluctuating demand in healthcare, retail and hospitality sectors. Growing interest in recruitment software/platforms is reflecting changing working practices and expectations. Firms have considered acquisitions to increase diversification across sectors and geographies as well as for economies of scale as a response to the uncertainties of the pandemic.

A scarcity of candidates in many sectors, particularly of skilled or temporary workers, is another driver of acquisition activity, in order to acquire access to a wider candidate book. As investment increases in businesses developing recruitment platforms, acquisitions of more traditional recruitment firms are helping to populate those platforms with candidates and clients, to leverage the benefit of the technology and provide an ability to scale.

TRANSACTIONS BY SECTOR

Figure 10: 2021 UK-involved Recruitment sector deals by vendor sector



Source: BDO analysis

RECRUITMENT PLATFORM/SOFTWARE

There has been a significant increase in the proportion of deals within the recruitment platform / software space (25%), up from 14% in 2020, with a total of ten vendors in this sub-sector in comparison to three deals in 2020. This is a reflection of the continued digitisation of the industry, with Mintel noting that "*developments in the use of digitisation in the sector are likely to galvanise the use of AI, as a shift in favour of online practices will speed up the development and adoption of the technology for candidate search and screening in the near term*" (Mintel, 2021). Of the ten deals noted in this sector, half of these involved PE, such as the investments into Odro Limited (May-15) and Hinterview Limited (Dec-21), both UK-based technology firms that provide video interviewing and engagement software to the recruitment sector.

HEALTHCARE

In our report on 2020 deals, we noted that global healthcare recruitment deals were up versus the previous year by 50%, demonstrating their popularity for acquirers amidst the backdrop of COVID-19. In the UK, this trend was similar, with the proportion of 2020 healthcare M&A deals increasing significantly to around 20% share of all UK - involved deals. Representative of the slow transition into a post-pandemic market, this dropped slightly to 17% in 2021 but still highlights the continued interest that investors have for the sector. An example of a deal in this space was the investment into London-based talent provider to the life sciences sector, Meet Recruitment Limited, which secured an investment from PE firm NorthEdge in Sep-21.

ENGINEERING / CONSTRUCTION / INDUSTRIAL

Deal activity in this sub-sector corresponds heavily to movements in the UK Business Confidence Index (BCI) (see page 6), such that higher levels of recruitment into this industry sector directly reflects higher confidence levels. As per the BCI, confidence surged in Q1 and Q2 of 2021 which mirrors the number of deals in the sector which were all completed in H1. An example was the acquisition of Bromak Limited, a UK-based provider of candidates to the house building and construction sectors. This was a trade deal, with the UK-based recruitment acquirer, Fawkes & Reece Limited, increasing their employee count to over 110.

IT

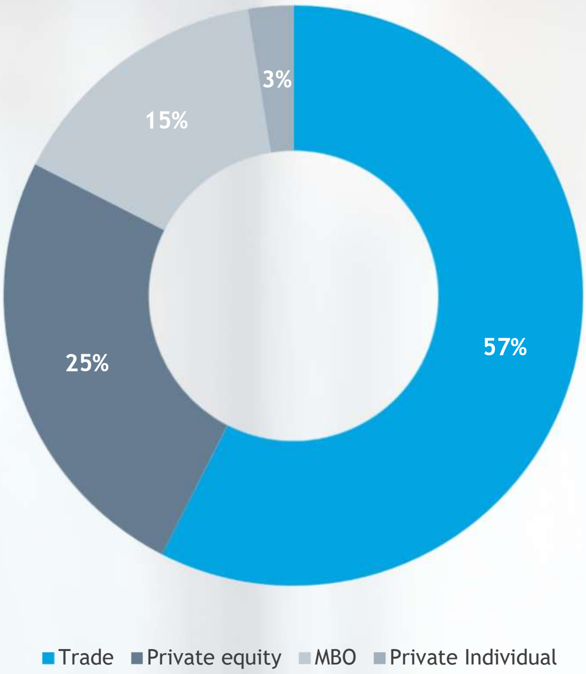
M&A activity and investment into the IT recruitment sector continued during 2021. A prime example of this was the investment in Kubrick Group by UK based PE house, Bowmark, in November 2021. Kubrick has trained and deployed close to 1,000 graduates into data, AI and cloud engineering roles at approximately 100 blue chip clients.

M&A ACTIVITY

UK Involvement in global deals review 2021 (continued)

TRANSACTIONS BY BIDDER TYPE

Figure 11: 2021 UK Involved recruitment deals by bidder type



Source: BDO analysis

WHO ARE THE ACQUIRERS

Private equity investment has continued to play an active role in UK recruitment deals this year and accounted for a quarter of all deals where there is UK involvement, down from a third in 2020. Although this level is down on 2020 in % terms, in absolute terms there has been a marked increase of 43%, to ten PE backed deals in the recruitment sector for 2021.

This reflects the deployment of private equity dry powder, which was at record levels in 2020 (c.£1.7tn per Mergermarket and Dechert, Dec 2020), into companies that positioned themselves well to bounce back quickly once the markets fully reopened. Examples are deals such as Kubrick and Meet Recruitment, as noted on the previous page.

There was also a significant increase in acquisition activity by trade buyers, up 188% on 2020 levels to 23 total deals with UK involvement. This increase can to some extent be attributed to firms reverting back to a less cautious reserves strategy, from the situation where much of the industry chose to heavily protect their reserves during the pandemic to ensure sufficient capitalisation to weather any future uncertainty.

This was demonstrated by MCG Group and their buy and build strategy in Q4 of 2021, acquiring Sixth Sense Trading Limited in Oct 2021 and RPI International in December 2021. This acquisitive drive seems set to continue, with the recent announcement of the acquisition of Jenrick Group in Jan 22, and comprises part of MCG Group's five-year plan, which sees the company on a growth trajectory through organic growth and expansion by acquisition.

During the period we also note the absence of any EOT transactions during 2021 after a relative flurry of activity in recent years. Whether this is indicative of a longer term direction of travel remains to be seen, however anecdotally this avenue of divestment is still very much one that is being considered by owners and founders up and down the country.

There are a number of overseas trade buyers that have an interest in the UK market, with a total of seven overseas buyers of UK businesses in the recruitment sector during 2021.

US / CANADA

Bullhorn Inc, the cloud-based software provider for the recruitment industry based in Boston, US, has acquired cube19, the UK-based provider of analytics and reporting solutions for the global staffing industry. Bullhorn Inc is a portfolio company of Insight Venture Management LLC.

NORWAY

Keystone Academic Solutions AS, the Norwegian provider of web marketing services to the higher education sector, has acquired Uni-Quest Ltd, the UK based provider of student engagement, conversion, and retention services.

Uni-Quest offer a digital student engagement service that aims to optimise student conversion and success through a unique combination of people, platform and process.

SWEDEN

Viking Venture's portfolio company Humly has acquired Simply Supply Ltd., the UK-based childcare and educational recruitment specialists.

Humly are an app-based supply teacher recruitment agency platform seeking to improve and disrupt the current teacher recruitment model.

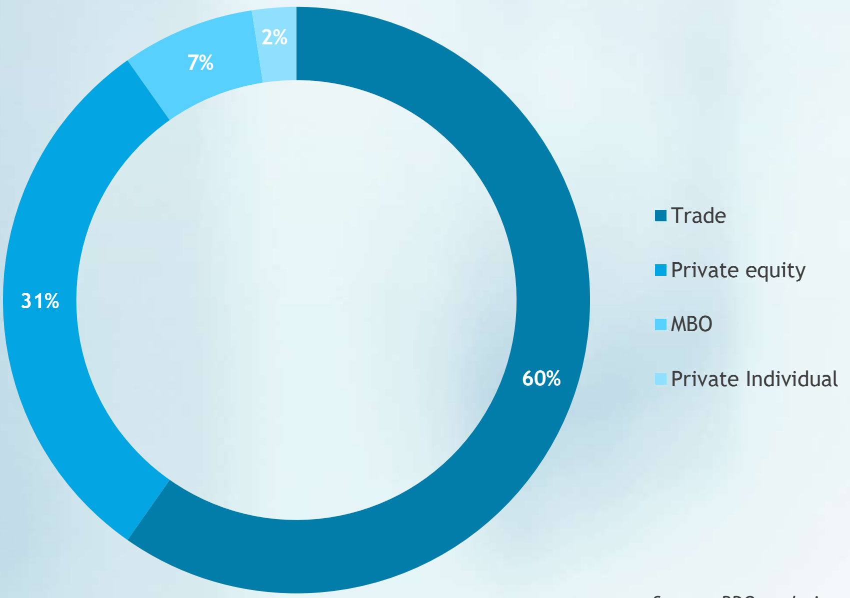
NETHERLANDS

Brunel International NV, the Netherlands based holding company of companies engaged in recruitment of specialised professional personnel, has acquired a 72% stake in Taylor Hopkinson, the United Kingdom based recruitment agency for renewable energy, providing an exit for private equity firm Sea Equity Ltd.

M&A ACTIVITY
Global deal review 2021

TRANSACTIONS BY BIDDER TYPE

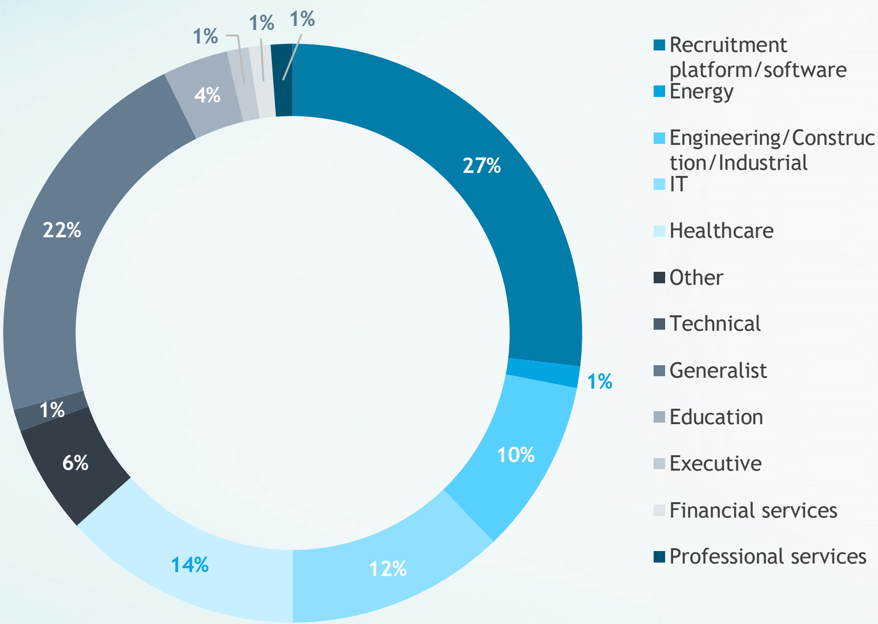
Figure 12: 2021 Worldwide recruitment deals by bidder type



Source: BDO analysis

TRANSACTIONS BY SECTOR

Figure 13: 2021 Worldwide recruitment deals by vendor sector



Source: BDO analysis

GLOBAL M&A DEAL REVIEW

Generally, the global M&A market for the recruitment sector has not seen as strong a recovery as that of the UK market, with the total number of deals completed in 2021 (82) level with 2020 (also 82). Deal volume has mainly been driven by the US & Canadian market whose pre-pandemic deal figures by vendor location in 2019 (44) were still double the number of deals completed within the recruitment sector for 2021 (18).

Although global deal volume recovery is lagging behind the UK's, the split by bidder type highlights similarities across the global and UK markets. Trade buyers are again maintaining the top spot in terms of acquisition activity with a total number of 49 deals for 2021 (60%) and private equity following with 31% of total deals (compared to 25% of UK deals).

Globally, the most active sub-sector within recruitment is also recruitment platforms / software, with 27% of the overall deals occurring in this area. This is in line with trends towards digitisation noted in the UK recruitment sector.

A larger proportion of transactions involved generalist agencies (22%) compared to the UK's 15%, where we've tended to see this segment squeezed in recent years as acquirers and investors in the UK have increasingly focused their efforts and attention towards specialist or niche operators. We anticipate that the role of the pandemic has been to exacerbate this trend, with particular interest within growing and/or recessionary resilient markets such as healthcare and technology.

HUMAN CAPITAL IN THE SPOTLIGHT

The business viewpoint

In recent months BDO has been conducting regular surveys of C-suite management of medium-sized UK businesses across various sectors*, to better understand their changing experiences and outlook.

Our most recent survey in November 2021 revealed these insights around businesses' relationships with their employees, and concerns around recruitment.

HIGH PRIORITY ISSUE

Over 29% are making investment in job creation and upskilling employees their no.1 focus to support growth in 2022.

Over 50% see restructuring the workforce as a top priority for the next 3 months. **25%** will include making redundancies.

CHANGING HUMAN CAPITAL LANDSCAPE

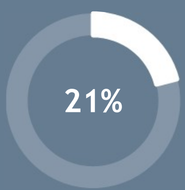
Following the last two years of disruption caused by COVID-19, Brexit and supply chain problems:

25%	have permanently reduced the number of employees
24%	rely on a greater percentage of domestic workers
23%	have more flexible working practices e.g. remote working and working hours
22%	have introduced new or improved conditions to attract and retain staff

FINANCIAL CONCERNS

- **30%** foresee reducing staff as a result of increased costs from the impact of higher inflation, and 29% will need to increase pay
- Recent employment legislation is throwing up concerns - **38%** cite IR35 claims or CJRS (furlough) legislation as their main taxation headache.

LONG TERM THINKING



21% are working towards transfer of ownership to staff as their preferred exit strategy for the business.

STAFF SHORTAGES

Lack of access to staff ranked highly alongside issues expected to impact on the business over the coming year.

30%	of respondents expected recruitment shortages to impact their ability to offer the usual range of products and services in December 2021
81%	have permanently reduced the number of employees
24%	see it as a financial priority to Improve staff remuneration packages to aid retention/recruitment.

** Bimonthly survey of 500 medium-sized businesses (defined as businesses with revenue between £10-£300m). These firms represent the economic engine of the UK, contributing £1.3tn and 8 million jobs. The survey was conducted by Censuswide on behalf of BDO in November 2021.*

For the result of our latest survey click here (or visit www.bdo.co.uk)

WILL YOUR FURLOUGH CLAIMS COME BACK TO HAUNT YOU?

The coronavirus job retention scheme

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The Coronavirus Job Retention Scheme (CJRS) scheme was implemented in a very short timeframe. The mechanism for claiming a CJRS grant was complex, and was also changed as time went on so that effectively there were four versions of the scheme. Understandably, many businesses in all sectors were focused on cash flow and securing a grant rather than the detail of their claim, so it is almost inevitable that unintentional mistakes were made.

One of the consequences of the speed with which the CJRS was introduced was that the supporting guidance was published after the scheme had started, with the legislation underpinning it coming out even later than that. The guidance and legislation evolved quickly, with many changes being made, not always with much fanfare, and with quirks and anomalies developing, and many businesses are now finding errors in their claims.

One such quirk relates to recruitment agencies claiming CJRS. It requires that not only did the furloughed employee need to have been on the agency's books, and have appeared on a payroll submission to HMRC, in the period 6 April 2019 to 19 March 2020 but, due to the PAYE regulations specific to agencies, the furloughed employee also must have been paid by the agency at least once in the three months immediately preceding them going on furlough.

This additional clause was only added to the legislation published over a month after the scheme was announced, and crucially, this piece specific to agencies was never added to the guidance. It is therefore possible that this condition was not factored into claims at the time and indeed may not have been picked up unless as part of a detailed review of each claim made.

This issue is becoming increasingly relevant for businesses thinking of a transaction in the near future. With substantial claims, and potential penalties of up to 100% where HMRC subsequently discover an error with the claim, CJRS claims investigations feature heavily in due diligence exercises involving organisations that have claimed under CJRS, due to the potential size of any contingent liability. Added to this is the reputational aspect of the claim, again a point to consider in the context of a transaction.

For claimants not currently going through or considering a transaction, a review of any claims is still highly recommended because the amounts received and entitled to must be reported on the claimant's business tax return. Any discrepancies between the amounts received and in particular the amounts entitled to will be taxable on the claimant. Errors subsequently identified by HMRC in reporting of the amounts claimed will be subject to penalties, as is the case for other identified tax return errors.

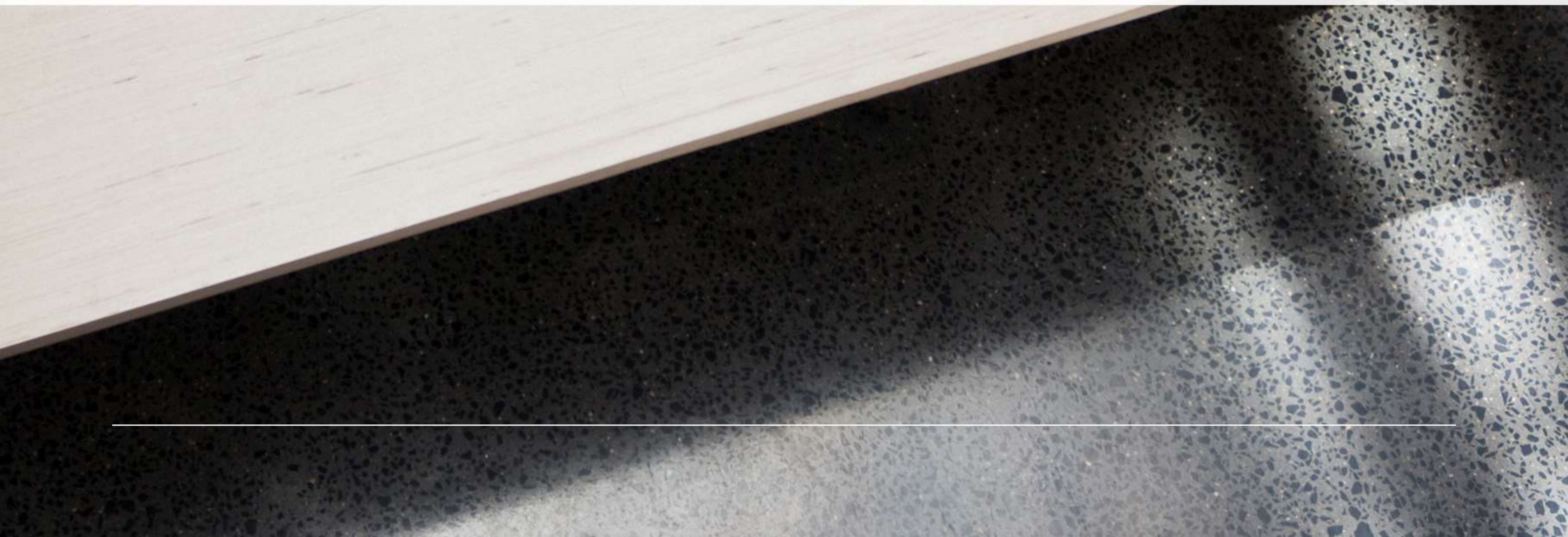
Separate to enquiries on tax returns, HMRC enquiry activity into claims made and amounts received under CJRS not only continues but is increasing. To date the focus has been on fraudulent claims, with a number of prosecutions already resulting. According to HMRC's estimates, approximately 10% of the £70bn claimed under CJRS was incorrect, whether deliberate or innocent error, and therefore HMRC has set up a specialist investigation unit staffed by around 300 inspectors to review CJRS claims. Its focus is on high value claims and where claims could feature errors, for example due to anomalies in the legislation and guidance which are not readily identifiable.

We have extensive experience of assisting and reviewing claims in the context of ensuring they are correct for corporate tax reporting purposes, as part of due diligence and also as support during HMRC enquiries. Our bespoke review tool can be used to tailor any review to meet the needs of the business; it can range from a high level risk review to a detailed analysis and sampling of past claims delivering a report that can be followed by a remedial action plan.

The CJRS has been a lifeline for many, but dealing with claims has been stressful and time consuming: getting your claims reviewed now could ensure that past errors don't come back to haunt your business in the future.

The HMRC activity on CJRS reviews is also part of the wider and increasing HMRC focus on the area of worker engagement. HMRC has recognised that, as alternative labour supply models, from agencies to umbrella companies and platforms in the gig economy, have proliferated in recent years especially since the IR35 reforms, the risk of businesses failing to meet their compliance obligations has increased rapidly.

As part of its ongoing enquiries around this area, HMRC has recently published a call for evidence on umbrella companies, principally from businesses engaging with umbrella companies, asking questions around what labour supply chain due diligence is being carried out by those businesses. Recruitment businesses have attracted HMRC attention for several years now and this doesn't look like diminishing any time soon.



ATTRACTING AND MOTIVATING THE WORKFORCE

How do pay and reward affect employee outcomes?

As the economy emerges from the COVID-19 pandemic, recruiting and retaining people with the right skills to deliver on business strategies has become increasingly difficult and expensive.

The 'Great Resignation' has affected many businesses, and the increasing emphasis on wellbeing, 'the culture of an organisation', and job satisfaction has meant that the way most business leaders think about their workforce has had to change beyond all recognition in the last two years.

The pandemic has changed how many workforces operate, and many businesses have taken the opportunity to re-evaluate their flexible working practices. Expectations have changed when it comes to the 'work/life balance', and hybrid working policies are becoming popular in industries where possible.

Businesses have also re-evaluated the usage of premises - considering downsizing, reconfiguring existing space or looking for better quality space - and for many, spend on technology has typically increased to support remote working and improvements in productivity.

Another feature of recent years has been the growing awareness of Diversity and Inclusion as a key aspect of the workforce. Many businesses are already reporting on gender pay gaps. Businesses understand that they will have to demonstrate a proactive approach to improving the diversity of their workforce and how they are promoting equality and inclusion.

Finally, there is no part of any business that is not having to consider Environmental, Social and Governance issues - the "ESG agenda". Governments, as well as stakeholders such as employees, clients, customers, investors, and shareholders, will all expect every business to articulate how it is contributing, including in the context of their workforce, with more consideration being paid to areas such as green finance, investing, and pensions.

There are some common tools that most businesses will have at their disposal as they seek to build and/or maintain the workforce they need. Each of these pay and reward levers will have distinct cost implications and will impact employees and the whole workforce in different ways. In addition, both monetary and non-monetary rewards are positively linked with employee retention and it is the presence of both reward systems that yields a positive impact on retention.

It is clear, however, that offering the right mix of pay, rewards and benefits to attract the right candidates and to maintain a motivated workforce has become more complicated. CEOs, CFOs, and Heads of People/HR are having to rethink how they can use these monetary and non-monetary levers in the most effective and cost-efficient way to build and maintain a workforce that can sustainably deliver growth and success.

Rethink

From the start of COVID-19 we had many conversations with clients around these issues. Many business leaders were focussing internally, evaluating the expected impact of the pandemic and, for many, rethinking their future strategies. A key part of this debate, and high on the people agenda was financial and non-financial reward and how to balance them. We had conversations with businesses whose incentive plans and bonus schemes were underwater and required a fresh start, as well as with those that had managed to achieve strong growth despite these challenges and had accelerated to returns above expectations. The common question posed across the board was: how do we make best use of our reward strategy to get the outcome we are looking for?

So that we could better answer the question, we commissioned The Behavioural Insights Team (BIT) to conduct a literature review of the evidence related to the structure and design of pay and reward, as well as non-financial rewards. This resulted in a hugely in-depth and interesting report into a wide range of aspects of reward, many of which we would assert have not been fully considered by employers who have had a colossal amount to tackle over the past two years.

Some of our findings are summarised overleaf:

To find out what BDO's Rethink framework can do for your business, get in touch with us, or visit www.bdo.co.uk/en-gb/rethink

ATTRACTING AND MOTIVATING THE WORKFORCE

How do pay and reward affect employee outcomes?

Rethink

SALARY

Pay is an important, but not the most important, factor in employee wellbeing; factors such as stress at work and work-life balance are equally, if not, more important, as well as each employee's individual motivations.

There is also an interesting set of differences when assessing the demographics of employees. For example, younger employees place a higher value on pay than older employees.

Employees are more satisfied with their job and pay if they feel that their peers' earnings are similar to their own, and that both their salary and the process by which this salary is determined are fair, clear, and transparent. UK regulations were brought in during 2017 to reduce and eventually eliminate the current gender pay gap. Being transparent about available salaries, and whether negotiation is possible, will also help ensure women receive fairer pay.

BONUSES

Our report found that bonuses are most effective at the level at least 25% of an individual's salary. Employers should consider making bonuses available to all employees to facilitate retention. The higher the proportion of employees that are awarded a bonus, the more likely this is to have a positive effect on employee retention.

Employers may have waived or deferred bonuses during the COVID-19 pandemic, a move that was commonly seen at least at the start, as businesses looked to preserve cashflow by reducing their wage bill and perhaps in wanting to avoid using the Coronavirus Job Retention Scheme. Some employers offered instead an enhanced salary package for when the business recovered, for example, a share option scheme for senior staff or a new 'phantom share plan' (mirroring share values but paid in cash) or performance-related bonus scheme for all employees, with an eye on employee retention.

There are several share plans that can be used to offer tax savings to both employees and employers. For example, for options issued under the Enterprise Management Incentive (EMI) scheme (the most popular tax-advantaged share option plan available in the UK), the company can claim corporation tax relief on the difference between the market value of the shares at exercise and the option price paid.

PAID ANNUAL LEAVE

As most of us are aware, expectations around paid annual leave differ greatly from country to country. More paid leave is not always better when it comes to job satisfaction. The relatively new trend of offering 'unlimited' annual leave may not increase job satisfaction, and can backfire in that it reduces the amount of annual leave taken overall. Our report recommends that managers should make sure everyone is clear about their company's annual leave policy, and should use 'role modelling' to ensure that it is part of their business culture to be expected to utilise this paid leave.

PENSION CONTRIBUTIONS

Our report found that employer pension contributions are a benefit that is greatly valued by employees, particularly for attracting talent, and it is well worth ensuring that as an employer you understand how to maximise your employees' pensions and emphasise them in job postings.

Again, our report found that demographics are particularly important here. Emerging evidence suggests that mention of generous employer pension contributions in job adverts may attract older workers.

There is again a 'gender pension gap', with women having lower average private pension wealth, and therefore lower income in retirement, than men. This is driven by a range of factors, with differences in pension participation rates between men and women broadly mirroring the gender pay gap which suggests that women may change their saving behaviour around the time they become mothers, usually in their thirties.

ATTRACTING AND MOTIVATING THE WORKFORCE

How do pay and reward affect employee outcomes?

Rethink

COMPANY OWNERSHIP

The employee-owned business sector in the UK is growing because employee-ownership is proving to be a durable and successful business model, and is a highly beneficial route to consider for high-growth companies. Employees in employee-owned businesses tend to be more entrepreneurial and committed to the company and its success, and employee-owned businesses tend to be better at recruiting and retaining talented, and having committed staff.

There is a range of share and incentive plans that can be used to achieve benefits for your business and employees, including an Employee Ownership Trust (‘EOT’), a special form of employee benefit trust introduced by the Government in September 2014 to encourage more shareholders to set up a corporate structure like the John Lewis model. The incentive for owners is that the Government introduced very generous tax breaks to encourage shareholders to move to an employee-ownership model.

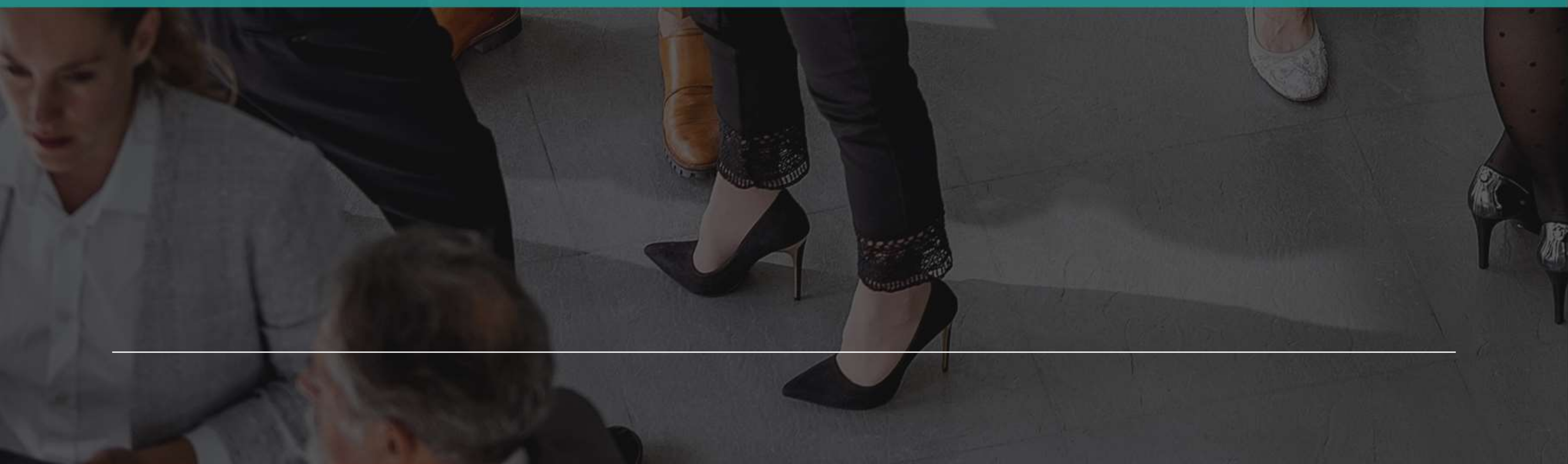
However, it is important to consider whether an employee-owned structure is right for the business and its long-term strategy. Even if employee ownership is not right, organisations could consider implementing just three basic actions to increase employee involvement: i) encourage management to share financial information with all employees, ii) give all employees the right to participate in the decision-making, and iii) treat everyone the same (e.g. by calling all employees ‘partners’, for example).

FLEXIBLE WORKING

One of the most impactful changes stemming from the COVID-19 pandemic was a large percentage of the UK working population being asked to work from home, and the ongoing impact on working norms and expectations remains to be seen. Our research found that the proportion of jobs advertised with flexible working options was low - at 22% previously - but this data is likely to have changed recently particularly in 2021 when we witnessed more employers openly promoting their flexible working policies particularly in industry or even national press.

Today, a common question businesses face is, can employees continue to work from anywhere - extending the new prospect of more agile work arrangements into the future - and do employers wish to support this? Many employees want to continue working remotely at least part of the time, but businesses will need to work out what they can accommodate and adapt accordingly, managing the tax implications, compliance issues and other risks of employees working from home, at home or whilst overseas.

Flexible working appeals to both men and women, and is a proven way to attract more senior female applicants. It is associated with higher job satisfaction, employee retention and wellbeing.



ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REWARDS

ESG actions and goals are increasingly expected to make an organisation attractive to new recruits and help job retention, particularly with young talent, yet they must be authentic, sponsored, actioned and felt, so need to be thought through in the round, If not, employees will question their trust in the firm.

There is limited research so far on the impact of ESG rewards on employees. However, younger employees may be more likely to apply to and continue working for companies that focus on reducing their carbon footprints, so it is worth highlighting what your company is doing to support climate change in both external (to attract) and internal (to retain) communications. There is also report of increasingly “people wanting a job with purpose”, especially from Generation Z.

Including ESG goals within incentive schemes and/or linking ESG metrics with executive pay, can be powerful ways to drive change and is something investors are increasingly looking for, but boards and management need to tread carefully; factors such as performance criteria relevant to the company and resource for accurate measurement of performance need to be carefully considered.

COMPANY CULTURE AND RECOGNITION

Company culture is a pivotal factor in attracting and retaining employees. Relevant factors include: culture and values; career opportunities; quality of senior management; work-life balance; and compensation and benefits, all of which contribute to overall company culture.

Recognition, also, is crucial for job satisfaction and retention. Employees are more productive and happier in the workplace when they are thanked for their hard work. Bonuses are a key part of recognition but are not the only factor to be considered.

Positive client feedback has a significant impact on employee retention and it is beneficial if it is freely and plentifully distributed to employees. This can be integrated in the form of gratitude slots in meetings, sending positive feedback around the office, or even gifting employees with small financial rewards to be spent on others in their team. Recognition is most effective when it is public, from people whose feedback matters and is communicated at timely moments (e.g. monthly performance meetings).

For our full report on Pay and Reward, and our decision framework, which creates a simple reference guide for the key findings and recommendations, please click here (or visit www.bdo.co.uk). We can also help with gender pay reporting, share schemes and incentive plans, pensions or pensions tax relief, and the taxation, risk and compliance issues around remote working, and with guidance on ESG issues.

THE ESG AGENDA
What does this mean for a recruitment business?

Environmental, Social and Corporate Governance (ESG) issues are becoming an increasingly important area of consideration for businesses, and the recruitment sector is no exception.

ESG concerns, or the evaluation of a firm's responsible behaviours towards social and environmental factors and sustainable development goals while making its profits, can affect every aspect of a business' operations.

With the effects of the government's COP26 pledges to be net-zero by 2050 looming, many companies have already made commitments for climate related achievements and include an ESG strategy within their business. Other events of recent years have clearly fast-tracked and highlighted wider dimensions of ESG, such as the importance of local supply chains through to the ability to attract and retain the right workforce in a competitive market. In addition to this, businesses increasingly view Equality, Diversity, and Inclusion (EDI) as a key element in their growth plans.

The growing demands of a wider range of stakeholders, particularly investors and a more discerning consumer, are driving the need for greater consideration and transparency around the wider ESG agenda, however, the ongoing increase in regulation has also been the stick for many in terms of the actions undertaken to date.

Whilst many have a strategy and have assessed risks and opportunities, there is a long way to go for others who have not started considering such actions or indeed those who believe it is not relevant. In some cases, meaningful action regarding ESG still remains limited, with businesses confused about what is expected of them, or worried about the potential impact such actions could have.

ESG matters	It doesn't undermine our business	It strengthens our business	Slow thinking & Swift action
A Work In Progress	Grounded in commerciality	Society sets the bar	License to operate, permission to succeed
More than just carbon	Full of dilemmas	Challenging metrics required	We won't do this alone

WHY IS AN ESG STRATEGY IMPORTANT?

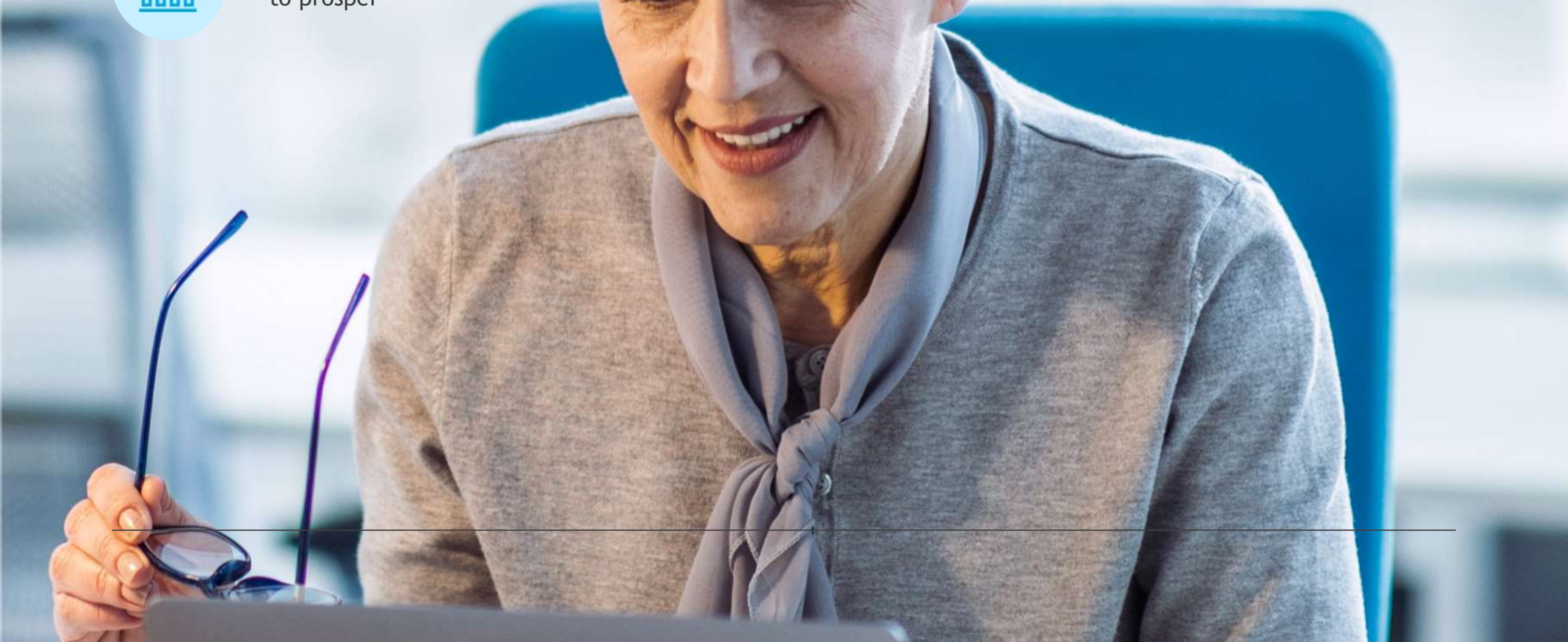
If directors are open to change and adopt a strong ESG strategy, many possibilities arise, such as:

- Access to new revenue contracts (if not denial of new or loss of current ones)
- Attractive to employees and candidates (particularly Generation Z)
- Improved productivity and reduced operating costs
- Staff retention and improved job satisfaction rates
- Access to a wider pool of finance providers
- Social license to prosper

Of course, there are costs, both financial and in time spent, in putting a strategy in place, and it can be difficult to put a figure on the benefits to prove that ESG-related efforts result in value. However, investors and PE firms have an interest in the transition of the economy to a low carbon, green one, and want to invest in businesses which are ethical and with green initiatives at heart to align with the new sustainable investing ethos. Also, such investors like lower risk when it comes to reputation. Reputation goes a long way in the recruitment sector, and bad press will have great negative impact on this. Good ESG practices give a recruitment firm an opportunity to improve its standing in the marketplace and access to positive PR, and an improved market valuation can result.

Reflecting this, we are increasingly seeing ESG issues high on the list when it comes to due diligence investigations prior to sale or investment in a business, with wide-ranging questions concerning matters such as: client satisfaction and associated risk of litigation; bribery and corruption or whistleblowing events; energy use, savings and procurement; waste management and recycling practices; vehicle use and carbon footprint calculations; community engagement; data security; governance policies and reporting; and levels of focus specifically around ESG issues. Enquiries are in depth around diversity and inclusion behaviours, health and wellbeing, and HR policies, particularly around 'people' businesses.

Regulation and reporting compliance is of course a further important reason for focus in these areas. Some reporting needs to happen as a legal requirement, but some may be undertaken solely to improve reputation.



THE ESG AGENDA
What does this mean for a recruitment business?

ENVIRONMENT

While Environmental, Social and Governance (ESG) initiatives are not solely focused on environmental factors, the drive towards net zero is putting ESG in the spotlight even more so than in previous years. The UK Government has enshrined net-zero by 2050 within law and there is pressure on businesses to press ahead on their net-zero journey. And it is worth noting that the E in ESG goes beyond climate change, to include e.g. natural capital, biodiversity, and habitat loss.

As a 'people' business which tends to be desk-based, the recruitment industry does not tend to have a major environmental impact in comparison to, say, manufacturing - mainly the office carbon footprint and staff travel, both of which having been substantially reduced over the last two years.

However, small changes in the operation of offices could make a huge difference to the ‘E’ of ESG without the need for significant investment. This could include improving recycling rates, discouraging use of single-use plastics, moving towards paperless operation and reducing printing, and changing energy suppliers to green suppliers, leading to the business operation becoming more environmentally sustainable.

SOCIAL

It is easy for professional services businesses to focus on the ‘E’ of ESG, so businesses often forget the social aspect needs to be looked at too; this entails the framework by which a company manages its relationships with its employees, suppliers, customers and the communities it operates in.

Some social issues to consider:

- As people powered businesses, issues like Equality, Diversity and Inclusion are key
- Staff wellbeing, especially given our new ways of working during/post pandemic
- HR practices, such as career development, health and safety, grievance procedures
- Citizenship – enabling your people to be the best citizens they can, such as encouraging staff to undertake charity or community work by offering days of leave for this purpose
- Cyber security, particularly ensuring the security of personal data
- Welfare considerations, good relationships and ethical business practices in relation to candidates and clients.

GOVERNANCE

The third component of ESG, Corporate Governance, refers to the framework of rules, practices and procedures by which organisations are directed, managed and operated.

Governance issues for review could include: the composition and diversity of the board and executive pay; business ethics and competitive behaviour; ensuring legal and regulatory compliance; risk and business resilience; robust accounting systems and tax transparency; and communication of company policies, as well as overseeing progress against the business' overarching ESG strategy.

The growing importance of ESG combined with increased reporting requirements on companies means that ESG strategies are increasingly being linked to overall business objectives. The extent to which firms can do so is likely to reflect their company size. As we have seen previously with Equality, Diversity, and Inclusion (EDI) for example, where companies are more likely to have a specific owner if they are a larger business, for smaller firms, responsibility tends to lie within senior leadership, and often an MD, CEO or equivalent.

Some companies are considering introducing ESG targets or KPIs within their business. Subject matters can range from CEO tenure, proportion of female executives, and five-year employee growth, to carbon footprint. Once again, the ambition and complexity of these targets are likely to differ, dependent on business size. The growing importance of ESG has led to some companies going even further on their ESG commitments and linking executive pay to ESG performance.

Other companies are taking bolder measures to report on ESG related matters, for example, energy and carbon reporting, diversity, or modern slavery. For some, such reporting requirements are required by law. Gender pay gap reporting is required by businesses with 250 employees or more and modern slavery reporting is tied to turnover and other criteria. There will also be requirements around mandatory disclosures on climate-related risks such as the Task Force on Climate-Related Financial Disclosures' recommendations, initially at least for large businesses. Others will be reporting voluntarily, and we have seen this with gender pay gap reporting and more recently ethnicity pay gap reporting.

Reporting ESG data can only truly take place if the information is captured in the first instance. Putting appropriate processes in place for capturing or monitoring relevant key data sets is another important consideration for the business – keeping track of data required and different measuring standards can add to business complexity and an increasing compliance burden.

THE POSSIBLE PITFALLS

Authenticity is vital in a company's approach to ESG. Where positive ethical or green behaviours can improve a business' reputation and make it attractive to employees and clients, it is important to 'walk the talk' - if a business says it is taking action, but fails to follow through and be transparent, or touts its new initiative while ignoring the wider picture ('greenwashing'), then important trust and goodwill will be lost.

The ESG elements also have to work together and be considered in the round – it could actually be detrimental to offer employees a CSR day where their workloads are beyond capacity, or to promote electric car use while senior execs are taking many long-haul flights. It is important to have embedded a robust governance process to consider ESG issues to ensure clarity and buy-in across the business, and to avoid this type of unintended adverse consequence.

THE ESG AGENDA
What does this mean for a recruitment business?

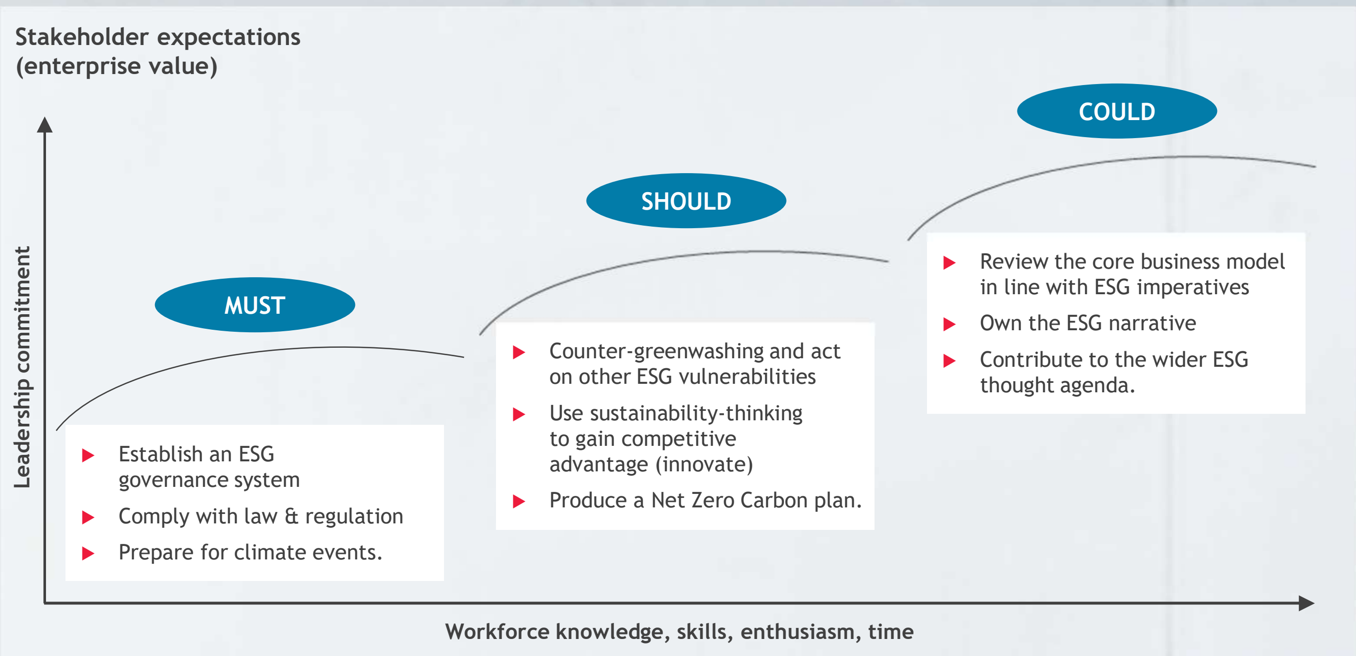
MUST, SHOULD, COULD

There is little doubt that ESG will be an area of increased focus for businesses in the coming year as the pace of change of adoption increases; it is a diverse and all-encompassing issue, but failure to take action now is no longer an option.

It will take some thinking to get ESG embedded in a manner fit for purpose and appropriate for the business' size and budget. Good advice would be to think through the impacts of the business and declare your intentions to reduce them, and then say what you're going to do and when by, and how it will be measured - and then stick to it.

There is opportunity too for those keen to be leaders in these areas, in embracing ESG as an ideology to drive strategy, and owning the narrative, rather than just as a reporting requirement.

Those businesses that are already progressively factoring ESG concerns into their operation will be best prepared as ESG guidance moves ever towards mandated regulation in the future, whilst also being able to capitalise on the reputational, value growth and competition opportunities arising along the path of their business' ESG-forward journey.



Graphic extracted from 'Creating and embedding an ESG Strategy' webinar by speaker Tim House, Internal Consulting Group: https://www.youtube.com/watch?v=2FEXZQ65vDU&feature=youtu.be

Webinar series: ESG & leading change in professional services

ESG is real priority for BDO and in autumn 2021 we hosted a series of three webinars to start discussion with our clients in the professional services industry on this agenda.

We covered the importance of ESG in the sector, creating and embedding an ESG strategy, and the 'why' of reporting and tracking long term progress.

You can listen to our events here (or visit ww.bdo.co.uk).

LISTED RECRUITMENT COMPANIES

COMPANY NAME	DESCRIPTION
Adecco Group AG (SWX:ADEN)	Adecco Group AG and subsidiaries provide worldwide human resource services.
ASGN Incorporated (NYSE:ASGN)	Provides professional staffing and IT solutions in technology, digital, creative, engineering and life sciences fields across commercial and government sectors, United States and international.
Empresaria Group plc (AIM:EMR)	Empresaria Group plc provides staffing and recruitment services, United Kingdom, Continental Europe, the Asia Pacific, and the Americas.
Gattaca plc (AIM:GATC)	Gattaca plc provides contract and permanent recruitment services in the private and public sectors.
Hays plc (LSE:HAS)	Hays plc, a recruitment company, Australia, New Zealand, Germany, the United Kingdom, Ireland, and international.
Impellam Group plc (AIM:IPEL)	Impellam Group Plc provides staffing, human capital management, and outsourced people-related services, United Kingdom, Ireland, North America, mainland Europe, Australasia, New Zealand, Singapore, and the Middle East.
Kelly Services, Inc. (NasdaqGS:KELY.A)	Kelly Services, Inc. and subsidiaries, provides workforce solutions to various industries, international.
ManpowerGroup Inc. (NYSE:MAN)	ManpowerGroup Inc. provides workforce solutions and services, Americas, Southern Europe, Northern Europe, and the Asia Pacific Middle East region.
PageGroup plc (LSE:PAGE)	PageGroup plc provides recruitment consultancy and support services.
Robert Walters plc (LSE:RWA)	Robert Walters plc provides professional recruitment consultancy services, international.
RTC Group plc (AIM:RTC)	RTC Group PLC, provides recruitment services, United Kingdom and international.
Staffline Group plc (AIM:STAF)	Staffline Group plc provides recruitment and outsourced human resource services, and skills training and probationary services, United Kingdom.
SThree plc (LSE:STEM)	SThree plc provides permanent and contract specialist staffing services to information and communication technology, banking and finance, energy, engineering, and life science sectors.

MARKET CAP (£'m)	NET DEBT (£'m)	EV (£'m)	REVENUE (£'m)	EBITDA (£'m)	EV/REVENUE	EV/EBITDA
7,772	793	8,569	17,636	617	0.5x	10.1x
381	-42	339	549	38	0.6x	8.9x
22	16	44	319	10	0.1x	2.6x
26	-20	6	539	7	0.0x	0.7x
2,397	-256	2,141	5,930	150	0.4x	10.9x
108	42	150	2,144	16	0.1x	6.0x
591	-117	474	3,377	55	0.1x	6.0x
3,798	-88	3,762	13,178	242	0.3x	7.6x
1,426	-41	1,386	1,488	82	0.9x	11.7x
8,556	343	8,905	18,429	586	0.5x	11.9x
342	-47	295	1,078	38	0.3x	5.5x
6	2	8	89	2	0.1x	3.8x
30	43	73	988	-3	0.1x	NM

Source: Capital IQ 2022

SELECTION OF UK RECENT DEALS

DATE	TARGET	BIDDER
Jan-21	Highams Recruitment	Sanderson Solutions Group
Jan-21	Team Medical (Southampton) Limited	Bespoke Health & Social Care Limited
Feb-21	FindAUniversity Ltd	Keystone Academic Solutions AS
Mar-21	BuzzHire	Winward Holdings
Mar-21	Genesis Personnel	Geg Capital
May-21	10 Select B.V.	nGAGE Specialist Recruitment Limited
May-21	Simply Supply Ltd.	Humly Edtech AB
May-21	Odro Ltd (30% Stake)	Business Growth Fund plc
May-21	Bromak Limited	Fawkes & Reece Limited
Jun-21	Stride	Liquid Friday
Jul-21	MTrec Ltd	Existing Management
Sep-21	Meet Recruitment Ltd	NorthEdge Capital LLP
Sep-21	Marlin Green Limited	K2 Partnering Solutions Ltd
Oct-21	Uni-Quest Ltd	Keystone Education Group
Oct-21	Cornwallis Elt Ltd	Morson Group Limited
Nov-21	Kubrick Group	Bowmark Capital
Nov-21	Hunter Healthcare Resourcing Limited	Existing Management; Agathos Management LLP
Nov-21	Opus Talent Solutions Limited	Graphite Capital Management LLP; Existing Management
Dec-21	Walter James	ZRG Partners
Dec-21	Hinterview	Calculus Capital
Dec-21	RPI International	MCG Group Holdings Ltd

INDUSTRY CLASSIFICATION	TARGET BUSINESS DESCRIPTION
Professional services	UK based insurance recruitment service and recruitment service provider as well as involvement within wealth management recruitment.
Healthcare	Nursing agency providing in-house training, recruitment, nurse lead assessments and care planning based in the UK.
Recruitment platform/software	Based in the UK, a provider of online postgraduate student recruitment platform.
Recruitment platform/software	UK based company that is involved in providing a recruitment platform, short term staffing, staffing platform and staffing portal.
Engineering/Construction/Industrial	UK based head hunting, hr consulting, human capital agency, human resources agency, recruitment agency, recruitment firm, specialist recruitment company.
Generalist	Staffing and recruiting company based in the Netherlands.
Education	Childcare and educational recruitment specialists based in the UK.
Recruitment platform/software	Developer and provider of video interviewing and engagement software to the recruitment industry based in the UK.
Engineering/Construction/Industrial	Provider of candidates to the house building and construction sectors based in the UK.
Recruitment platform/software	Provider of graduate jobs, hiring platform, job search portal, recruitment platform, staffing and recruiting based in the UK.
Engineering/Construction/Industrial	Provider of recruitment and training services based in the UK.
Healthcare	Talent provider to the life sciences sector based in the UK.
IT	Contract IT recruitment company based in the UK.
Education	Provider of student engagement, conversion, and retention services based in the UK.
Financial services	Recruitment company for financial services, digital and media and legal sectors based in the UK.
IT	Next-generation technology consulting group based in the UK.
Healthcare	Healthcare recruitment company based in the UK.
IT	Developer of talent strategy from attraction, recruitment, performance management and retention to succession planning based in the UK.
Executive	London-based executive search firm based in the UK.
Recruitment platform/software	Video platform provider for the recruitment sector based in the UK.
IT	Provider of access to leadership and technology talent globally, supporting its clients to identify the international leadership and technology talent based in the UK.

Source: BDO Analysis

BDO MERGERS & ACQUISITIONS

BDO UK

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BDO UK

18 OFFICES

390 PARTNERS
6,130 STAFF

95% OF OUR CLIENTS WOULD RECOMMEND US[1]

2020/2021 RESULTS:
REVENUES[2] UP 11% TO £731m

1. Client Listening Programme (2019)
2. Gross Revenues for BDO LLP

BDO CORPORATE FINANCE UK

435 COMPLETED DEALS IN 2021

WITH A TOTAL DEAL VALUE OF £46bn

68% PRIVATE EQUITY DEAL INVOLVEMENT

57% OF OUR DEALS ARE CROSS BORDER

ONE OF UK'S MOST ACTIVE ADVISERS*

AN AWARD WINNING CORPORATE FINANCE BUSINESS

200 CORPORATE FINANCE PROFESSIONALS IN THE UK

* #1 Financial Due Diligence provider in the UK – Mergermarket UK Accountant league tables 2021 (deals to £200m)
#1 Financial adviser by deal volume in the UK and Ireland - Experian 2020 UK M&A and adviser league tables
#2 Financial Due Diligence provider globally – Mergermarket global accountant league tables 2020

BDO GLOBAL

BDO INTERNATIONAL

US$11.8 billion
2020/2021 REVENUE
A YEAR ON YEAR INCREASE OF 10.8%[1]

167
Countries

1,720 Offices
97,000 Staff

1. At constant exchange rate.

BDO CORPORATE FINANCE INTERNATIONAL

2,020 COMPLETED DEALS IN 2021
WITH A TOTAL DEAL VALUE OF $128.6bn

36% PRIVATE EQUITY DEAL INVOLVEMENT

26% OF OUR DEALS ARE CROSS BORDER

ONE OF THE MOST ACTIVE ADVISERS GLOBALLY*
2,500 CORPORATE FINANCE PROFESSIONALS
120 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

*1st most active M&A Advisor Globally – Pitchbook league tables 2020
1st most active Advisor & Accountant Globally 2020 – Pitchbook league tables 2020
2nd leading Financial Due Diligence provider Globally – Mergermarket global accountant league tables 2021

FOR MORE INFORMATION:

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