IDEAS | PEOPLE | TRUST

M&A REVIEW

RECRUITMENT

FEBRUARY 2019

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UK Ranked No.1 globally for M&A transactions in the recruitment industry recording 32 in 2018

Sustained investment into the UK with **25% of UK transactions involving an overseas buyer**

21% decrease in the number of global M&A deals in 2018 from 2017, with a **total of 92 deals** completed

Despite falling from September onwards, the **average EV/EBITDA multiple was 10.4x**, ahead of the 2017 average of 9.9x

11% increase in deals into the online portal and recruitment software sectors

INTRODUCTION

M&A in the recruitment sector

The UK recruitment sector remains attractive to investors despite the economic uncertainty surrounding Brexit.

Welcome to our annual M&A review of the Recruitment sector.

These are interesting times, and the sector is facing many challenges - market disruptors such as new technology, investing to maintain relevance in the market, and of course, uncertainty in the current political climate.

Yet the market continues to grow, albeit momentum is predicted to slow over the next five years. UK industry revenue is expected to expand at a compound rate of 0.1% to £12.4bn in 2024.

The number of global M&A deals has dropped by 21%, but the sector remains active with attractive recruitment assets continuing to be acquired by others in the trade at a steady rate; it remains to be seen whether this continues into 2019, considering the marked drop in multiples at the end of the year. Unsurprisingly, there is an increase in the proportion of deals in the sector that are technology related.

Private equity has continued to view the sector favourably – deal numbers have returned to 2016 levels from the exceptionally high activity in 2017, but there is still appetite for assets from a 'buy & build' perspective, and those with strong management teams with clear growth plans in growing end markets.

Against this backdrop and reflecting the availability of debt finance, the rise in interest in alternative forms of lending has been a notable recent trend in the sector.

In the UK, unemployment rates are unprecedented, being at an all time low, despite many firms halting their recruitment plans in the short term while key investment and strategic decisions are made.

Low unemployment rates coupled with the UK skills shortage means recruiters are increasingly having to add value to employers in their search, using innovative methods in order to source the right candidate.

However, the weakening of the pound has helped to sustain overseas investment into the UK market. Worthy of note is that the UK was ranked No.1 globally in 2018 for number of transactions, up by over 50% from the previous year and overtaking the US.

So taking account of the underlying labour markets, innovation in the sector and the ever evolving funding landscape, we review some of the drivers behind the key M&A trends in the market. We also, of course, take a look at the impact of Brexit.

Finally, I welcome the contributions of Ashley Lawrence, Sanjeev Chopra and Kanesh Kilosia, industry insiders, who have shared some of their views on the market and what lies ahead.

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UK RECRUITMENT MARKET

The industry in 2018

The UK recruitment market remains resilient despite the uncertainties of Brexit.

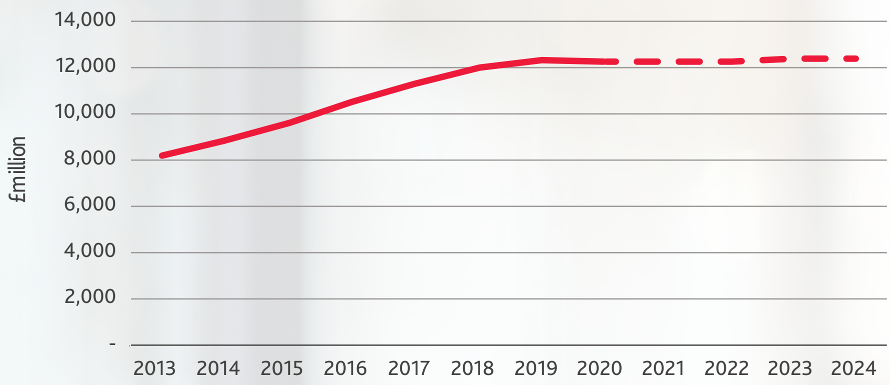
THE MARKET

The UK recruitment market has continued to grow throughout 2018 with a total revenue of £12.3bn. This represents a growth rate of 2.8% – a much slower rate than levels we've seen in the preceding five years.

UK employment levels continue to defy gravity. The number of people in work in the three months to October 2018 was 79,000 higher than during the previous three-month period, with BDO's Employment Index, which tracks businesses' hiring intentions, rising by 0.59 points to 115.24. These findings suggest that the UK labour market has not run out of steam, despite the slowing economy and ongoing preoccupation with Brexit.

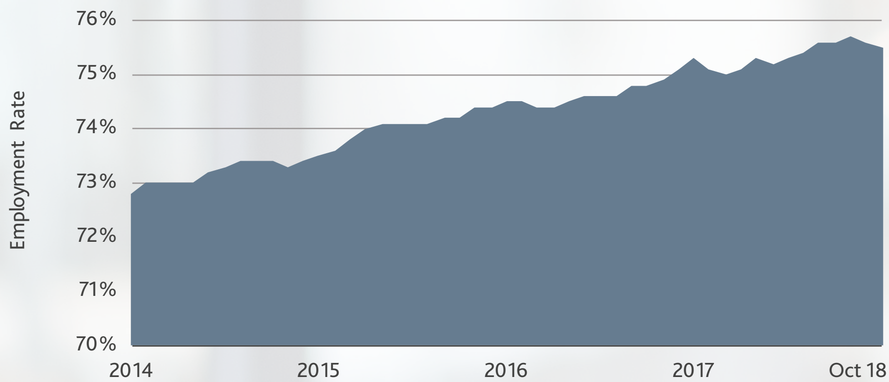
Industry revenue is expected to expand at a compound rate of 0.1% over the next five years to £12.4bn. Factors contributing to this reduced rate include the delayed expansion of many businesses due to muted business confidence, public-sector job cuts and a reduction in demand from the financial services sector.

Figure A: UK Recruitment Market



Dashed line represents forecast figures
Source: IBISWorld

Figure B: UK Employment Rate



Source: Office for National Statistics

UK RECRUITMENT MARKET

Capital markets

UK listed recruitment businesses continue to outperform the general market in 2018.

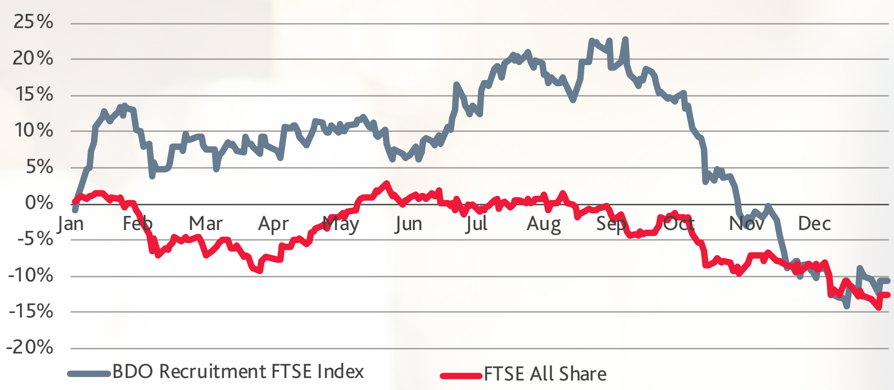
Capital markets are able to provide a view on the general investment sentiment around the recruitment sector. The BDO Recruitment FTSE Index comprises listed recruitment firms in the UK that represent the overall market. This has been compared to the FTSE All-Share Index by aggregating the recruitment share prices and rebasing to the start of 2018.

The BDO Recruitment FTSE Index has performed strongly and has continued to outperform the wider market in terms of capital growth, which is consistent with the past five years. At the end of 2018, the BDO Recruitment FTSE Index had contracted by 11% from the beginning of the year, clearly impacted by the economic uncertainty facing the UK as it edges closer to 29th March with the path ahead still unclear.

Peaks and troughs have been present in both share price growth and multiples, highlighting the volatility of the recruitment sector to macro-economic factors. This can be evidenced particularly from September onwards as the UK crossed the six-month mark prior to its departure from the EU. Since then, the turbulent political climate, including resignations, anger over the backstop terms to prevent a hard border in Ireland and the vote of no confidence have all contributed to the FTSE posting its worst annual decline in a decade.

Despite falling from September, the average Enterprise Value (EV)/ Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple overall for the year 2018 averaged at 10.4x, which is ahead of the 2017 average of 9.9x. However, from the start to the end of the year it showed a staggering decline of 26%.

Figure C: BDO FTSE Listed Recruitment Firms vs. FTSE All-Share Index in 2018



Source: Capital IQ

Figure D: BDO FTSE Listed Recruitment Firms Average EV/EBITDA Multiple

Source: Capital IQ

UK RECRUITMENT MARKET

Key trends

There are three key factors that will shape the market over the coming years. These factors will impact the growth of the industry and have a subsequent impact on M&A activity.

01

BREXIT

As we get closer to the UK's exit from the EU, with uncertainty over what future trade with Europe and what immigration law may look like, business confidence has been dented.

This uncertainty has contributed to many businesses delaying their recruitment plans and indeed re-evaluating their business strategies, with many considering relocation overseas. Public sector job cuts coupled with a reduction in demand from the financial services sector have directly impacted the demand for recruiters and restricts opportunities.

Furthermore, the country is less attractive to foreign workers, which contracts demand for recruiters.

02

TECHNOLOGY

The industry has benefited significantly over recent years from technology, and the trend towards digitalisation is showing no signs of slowing.

Yet, despite the presence of online job-search websites, recruiters are still relevant due to the personalised nature of their services, and they need to ensure they deliver value to the business by correctly identifying the right candidate.

However, recruiters are using technology to save time and enable more targeted leads to be pursued. Technology has given greater access to passive candidates, which if approached at the right time can be an invaluable resource. An example is LinkedIn's Talent Pipeline, which allows recruiters to track and follow talent leads and monitor these passive candidates in the market.

03

UK POOL OF LABOUR

Three in five firms reported the skills shortage had increased in the last year, with over half expecting it to get even worse.

With unemployment at a 40 year low of 4.1% and net migration from the EU dropping to a 4 year low, UK businesses continue to be affected by a lack of available talent. This has led to greater costs for employers as they are offering higher salaries and spending more on recruitment fees and temporary staff.

Recruiters who can target the right candidates will undoubtedly be successful in this period, especially fulfilling senior positions which are highly sought after in these unprecedented times.

96% of HR professionals and recruiters say Brexit has impacted their hiring strategies

AI and 'chatbots' have saved 75% of companies' time

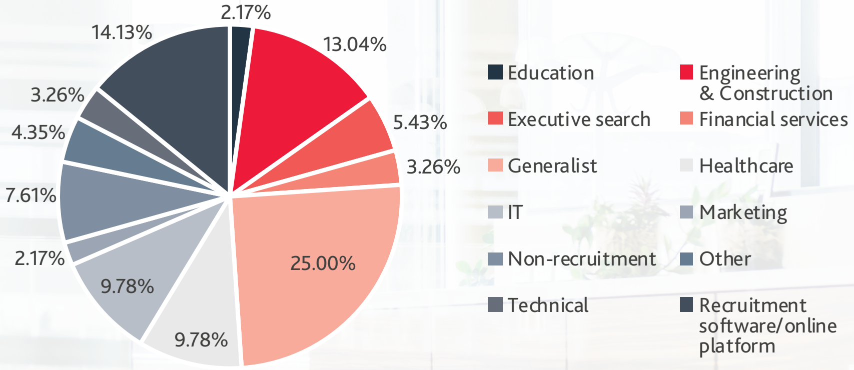
30% average fall in number of applicants per vacancy

Source: IbisWorld and CIPD

M&A ACTIVITY

Global deal review 2018

Figure E: 2018 Worldwide Recruitment Deals by Vendor Sector



Source: MergerMarket
* Other relates to sectors with only one transaction in the year

A number of recruitment firms have diversified operations and acquired non-recruitment businesses, often software/technology enabled, gaining synergies from vertical integration and reflecting the level of competition in the market.

Although lower in overall terms, the IT and healthcare sectors continue to generate significant deal flow globally.

From 2017's 4% of deal activity to 15% in 2018, the trend towards investment in technology continues with the level of deals relating to online platforms and recruitment software showing no sign of slowing.

There was notable uptake in M&A activity involving specialist providers in the engineering and construction sector, demonstrating the continued importance of traditional industries in the UK and wider global economy.

Global deal activity dropped by 21% from 116 deals in 2017 to 92 deals in 2018. In the UK deal acitivty reached a five year high at 32 transactions, with the UK overtaking the US in terms of deal volume.

25% of UK transactions involve an overseas buyer.

TRANSACTIONS BY COUNTRY

The US and UK continue to be the most active regions in the recruitment market for mergers and acquisitions, with 17 and 32 transactions respectively in 2018.

The US remains driven by the healthcare sector with 26% of total 2018 transactions being in this area. This continues to be a result of consolidation in the market and institutional investors attracted to the strong returns. However, there has also been an increase in investment in recruitment software and platforms, representing 21% of all transactions. This highlights the importance the industry is attaching to these assets.

Deal activity in the UK has seen an increase in the engineering, industrial and technical sectors, reflecting the skills shortage in these areas, where investment should be focused.

PRIVATE EQUITY AND ALTERNATIVE FUNDERS

Private equity involvement in 2017 was exceptionally high, doubling from 2016 investor levels. Private equity funding is still prevalent but has reverted back to volumes seen in 2016. There has been an increase in debt availability and, in addition to traditional debt packages, the market has evolved to provide alternative options such as unitranche debt.

The use of unitranche debt has been evident in the sector and in March we saw Beechbrook Capital, a specialist UK fund manager, provide a unitranche loan to Leathwaite, the global human capital specialist with offices in London, New York, Hong Kong and Zurich. This investment will help Leathwaite accelerate its worldwide expansion, launch new business streams and invest in proprietary technology, whilst also providing equity to develop and attract talent.

M&A ACTIVITY

Investment patterns

TECHNOLOGY

Firms have continued to invest in technology and place high importance on keeping up to date with the latest digital platforms. The number of tech-related transactions in the sector has almost tripled as firms seek to obtain a competitive advantage. We have seen a number of firms consolidating, or acquiring a small business in the past couple of years, especially domestically where software may be easily integrated.

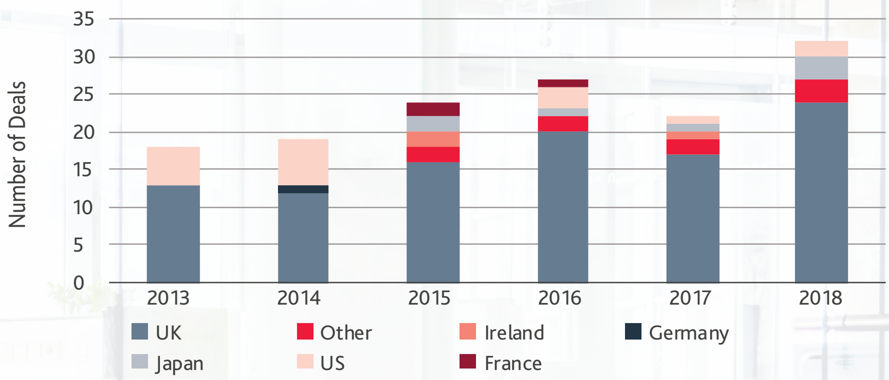
One example is the acquisition of Jobscience Inc and its talent relationship management system by Bullhorn Inc. Bullhorn benefits from expanded capabilities as part of its Salesforce offerings, including best-of-breed VMS integration and middle office solutions.

UK MARKET

The total number of transactions in the UK has reached a five year high of 32, demonstrating continued growth in demand for UK recruitment assets.

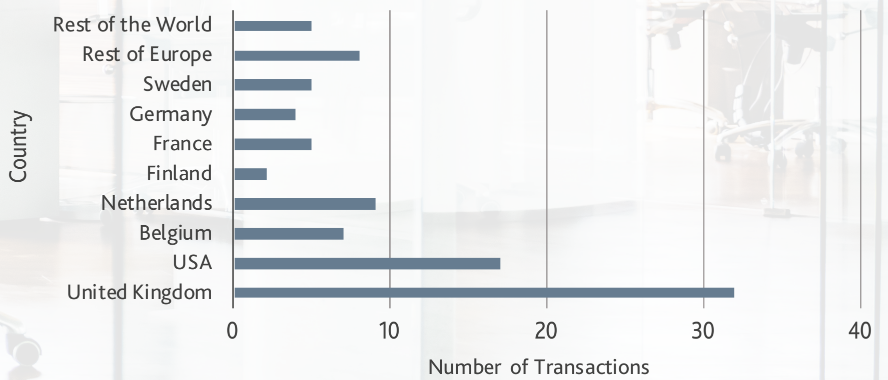
Interest from outside the UK remained strong through 2018 and increased from 23% in 2017 to 25% in 2018. This highlights that despite uncertainty, investment is still attractive due to low unemployment levels, skill shortages in positions that need filling (ultimately at a higher cost), and also due to the low exchange rate of sterling which has made UK assets attractive to global investors seeking undervalued opportunities.

Figure F: Investment into the UK by Country



Source: MergerMarket

Figure G: Global Deals by Country



Source: MergerMarket

RECRUITMENT INSIGHTS

2018 – How was it for you?

We spoke to some operators with different focuses in the industry and asked them for their views on the market in 2018 and what lies ahead.

ASHLEY LAWRENCE
CEO | TRINNOVO RECRUITMENT GROUP

Key sectors: digital, finance & banking, life sciences
Permanent vs temporary split: 40:60
UK vs ROW income: 90:10

SANJEEV CHOPRA
GROUP FINANCE DIRECTOR | AMORIA BOND

Key sectors: IT and engineering
Permanent vs temporary split: 25:75
UK vs ROW income: 30:70

KANESH KHILOSIA
CEO | ARMSTRONG CRAVEN

Key sectors: tech, financial services, healthcare/life sciences, consumer, industrial
Permanent vs temporary split:
More focused on research and pipeline planning for high end permanent positions
UK vs ROW income: 15:85

Q: What has trading been like for you in the last 6-12 months?

Ashley: We've had a really positive 12 months, revenue and net profit have both had fantastic growth, which is partly a result of increasing our headcount by circa 50%. We've been successful in expanding our presence in Ireland, and also Germany and the Netherlands, due to client demand. However, the UK remains our focus.

Sanjeev: Across the group trading has been strong. We've grown in many sectors and across many geographies. IT has been particularly impressive reflecting the growth in the technology sector, and we've benefitted from this in the finance and banking sector. Technological development and automation has contributed towards growth in our Asia and EU markets. Not surprisingly, the UK offices haven't performed as well comparatively given the current political climate, but have still experienced double digit growth. Q1 will certainly be an indication of how the rest of the year will turn out.

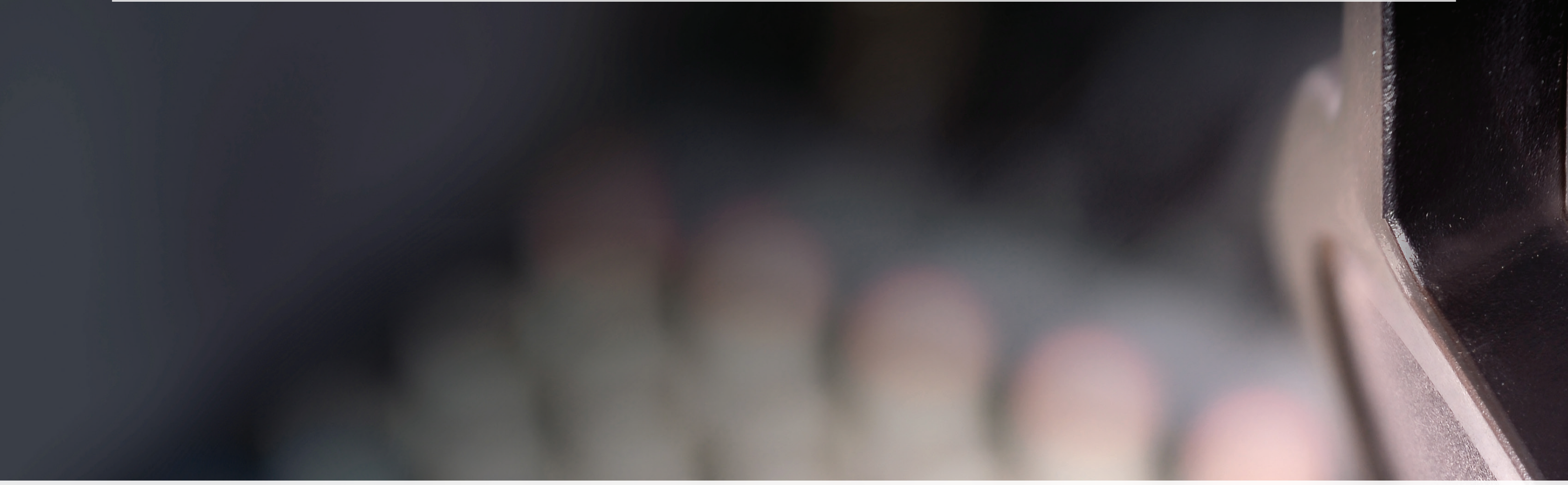
Kanesh: There has been positive growth in the underlying business over the last 12 months with all sectors performing, albeit not to the level we would have liked. The latter half of the year was more turbulent with a number of clients changing in direction for various reasons, both internal and external, whether it be profit warnings, restructuring, or wider economic uncertainty. Although we work with global businesses, Brexit is certainly a contributing factor to this market disruption and has affected the strategic agenda of clients.

Q: What has appetite in the market been like for support with funding?

Ashley: We spoke to a number of funders around 12 months ago. There was lots of interest and we found there was significant support there and indeed funds were available. We continue to use Sonovate, specifically aligned to contract recruitment agencies, so they understand us and we work well together.

Sanjeev: We've always found we've never struggled for support from funders and feel confident this will continue for the foreseeable future. There seems a willingness in the market currently, and funders appear to have a good appetite. There is some cheap money in the market from alternative lenders, but we may see this dry up soon with Brexit pending. It's definitely important to have a good relationship with a funder in order to ride out any unforeseen issues due to this.

Kanesh: Our investors continue to have a strong appetite in supporting the future of the group. Where a genuine opportunity exists it is important that investment is made and our goals are definitely aligned here.



Q: What has been the biggest impact of Brexit on the business so far?

Ashley: If you asked me six months ago, I wouldn't have said there were many changes. However, more recently we've seen clients looking at other locations outside of the UK, particularly Dublin, Germany and Netherlands. Dublin has been attractive to our banking and technology sectors, but whether the infrastructure is strong enough to support this remains to be seen.

Sanjeev: Since the referendum, we've seen real fluctuations in demand due to the uncertainty. Clients have tried to delay recruitment plans and projects until they couldn't hold off anymore, so we saw a big uplift in 2017 after the slow down in the second half of 2016 post referendum. The biggest impact for us personally is on our growth and investment strategy. We have focussed our efforts more overseas where growth is stronger and our clients have more certain recruitment strategies.

Kanesh: The biggest impact has been clients delaying decision making and being more cautious. However, we've seen differences in responses as some clients have continued to build the pipeline, taking a longer term view and being more future focused. We've also seen contingency planning and in these uncertain times, high talent is even more desirable.

Q: Are you seeing technology disrupt the industry?

Ashley: Technology is definitely something we invest in if it allows our consultants to be differentiated and add value. In the space we operate in, technology hasn't been a huge disruptor as we target the top 5% of candidates who are the harder to reach talent and aren't actively looking for jobs, not those who can be traced via technology as searching for jobs on Google. I view technology as a tool for recruiters to save time and approach more candidates, not as a replacement for human input.

Sanjeev: There's a lot of talk about automation and robot recruiters, but I've not seen the impact of this primarily due to the higher end sectors we operate in. We add value by finding niche applicants with particular skills for a one off job or project. A computer simply isn't capable of doing that – YET! However, adapting to technological change is par for the course for recruiters.

Kanesh: The speed, quality and accuracy at which we can deliver through technology is definitely high on our agenda and something we have seen some benefit from already. Technology continues to affect the sector but balanced with the continued need for a human element as we work with senior talent, where valuable career conversations are important. So, it's definitely a positive for us.

Q: What does the next 12 months look like?

Ashley: We continue to invest in our branding and offline events which generate a return in the more medium- to long-term. We are beginning to see the benefits of this now and developing our customer relationships will continue to be key. We also have a training and development academy which has had significant investment. Our retention rate continues to improve and all employees are aligned with our culture and values. This is something we will continue to focus on.

Sanjeev: Growing our European and Asia markets is a key focus and we are very positive about the next 12 months. For the UK market, much rests on March 2019 and indeed any decision will likely have implications beyond 2019 in terms of business confidence and investment plans. Despite this, the global economy continues to grow and it is important we remain agile and adapt to these changes quickly.

Kanesh: There is no doubt about the uncertainty in the market, but we benefit from some very strong client relationships and will look to continue to build these. We expect to see stronger growth in our international markets.

Q: What is the secret to success in the current climate?

Ashley: One factor we are always mindful of is client concentration and remaining balanced. This means we review and assess our client portfolio to limit our exposure at any one time. Furthermore, being in the right sectors is important. We are scalable and in lucrative sectors such as life sciences, digital and tech, and predominantly search for the top tier candidates. Our history of successes and client satisfaction means we are in a great place to continue this into the future.

Sanjeev: Finding niche markets and being able to adapt quickly is key. We are well placed here as some of the larger players can't move quickly enough, but equally research and upfront work needs to be done ahead of time to protect our brand. Our industry is all about the people, and we heavily invest in people development to ensure we have the best talent pool. As a result our retention and productivity rates have improved.

Kanesh: Investing in new technology is important to keep ahead of competitors and to deliver the high quality, responsive service our clients have come to expect. Also, being proactive and reacting to a client's needs and demands as they change over time is key to developing long term relationships.

INNOVATIVE RECRUITMENT

Why not try something different?

HEINEKEN AND 'THE CANDIDATE'

The search was for an intern for their event and sponsorship marketing team who would be following the UEFA trophy as it toured the world. Heineken were keen to recruit the right person who could react in 'unusual circumstances'. The interview involved the candidate providing medical assistance to the interviewer as they pretended to black-out, rescue an employee from the roof during a fire drill and many more obscure situations!

Heineken reported an increase in traffic to their HR sites of 279%, as well as a 317% rise in CVs submitted after the campaign launch.

MCDONALDS AND SNAPCHAT

McDonalds targeted their 16-24 year old demographic to hire 250,000 employees in Australia and the USA.

The 'Snaplication' requires a 10 second video from the applicant, to showcase why they would be a good employee. The snap acts as more of a recruiting tool rather than an alternative to the application itself, so users are directed to a digital careers hub where they can complete a more conventional online application. This innovative approach helped to attract candidates who may not otherwise have applied.

KFC AND VIRTUAL REALITY TRAINING ESCAPE ROOM

Trainees are tasked during the game to learn the five key steps of making the KFC signature chicken, including inspecting, rinsing, breading, racking and frying.

This is also a cost-saving training method, as 10 minutes going through the VR simulation is the equivalent of a 25 minute hands-on training session, so this innovative approach could well save both time and money in the future.

APPLE AND THEIR SECRET JOBS

Apple's quest for the best technical talent led them to go the extra mile and hide the job advert within their website. The posting said 'Hey there! You found us. We are looking for a talented engineer to develop a critical infrastructure component.' This definitely wasn't the usual advert on a careers listing page. However, the stunt backfired when it was found by a US journalist who was analysing information that was sent from iPhone apps to advertisers. After the journalist revealed the secret job advertisement on Twitter, it was soon removed by Apple. Although it didn't manage to get them their perfect hire, it certainly got them attention.

SNAPCHAT

Snapchat used their own app to recruit.

With tech companies struggling to find the appropriate level of talent, many companies look to poach from competitors. Snapchat created a location specific filter for the vicinity of the Uber HQ and had a filter saying 'Is this place driving you mad?', alongside a picture of a taxi and the Snapchat logo looking frustrated.

This may be a little underhand, but it is certainly a novel way to get yourself noticed.


ONES TO WATCH
BLUE OCTOPUS
Software allows tracking of the recruitment process for a fixed fee and acts as an alternative to traditional recruitment firms by bringing the process in-house with external support.
BROADSTONE
Broadstone connects security companies with permanent and flexible temporary staff via a marketplace app using algorithms for fast, simple and bespoke hiring.
CAROO
The 'Airbnb' of recruitment!
Formed by leading brands including Adidas and The HutGroup, the app matches tech, digital and creative talent to jobs.
COOPLE
This on-demand job platform connects companies with people looking for flexible work - think Deliveroo or Just Eat. This is the largest platform in Europe.
GRAD TOUCH
A revolutionary agency specifically for graduates placing emphasis on matching their personality to the right job. They give insight into the firm including the environment and pay-transparency.
HIRING HUB
Provides an online portal for employers to post a job and approve agencies to act on their behalf. The successful agent will earn the fee.
STOP GAP
Won awards for Best Place to Work. Mission to disrupt the market and offer quality service via collaboration with employees. They promise to refund fees if a candidate is subsequently unsuitable during their probation period.
THE SQUARE
Award winning app which views itself as the LinkedIn for construction hiring, utilising technology to improve the hiring/job searching process in the construction sector.
TALENT LYFT
This software imports candidates from online platforms to a database and allows to filter by applicable candidates. Also acts as a tracking process.

LISTED RECRUITMENT COMPANIES

COMPANY NAME	DESCRIPTION
Adecco Group AG (SWX:ADEN)	Switzerland-based company that provides human resource solutions to businesses and organizations
ASGN Incorporated (NYSE:ASGN)	US-based diversified professional staffing firm providing flexible and permanent staffing solutions in specialty skills
Cpl Resources plc (ISE:DQ5)	Ireland-based employment placement company
Empresaria Group plc (AIM:EMR)	UK-based international specialist staffing group
Gattaca plc (AIM:GATC)	UK-based engineering recruitment firm
Harvey Nash Group plc	UK-based company engaged in providing recruitment and outsourcing services
Hays plc (LSE:HAS)	UK-based provider of recruitment consultancy services
Hydrogen Group Plc (AIM:HYDG)	UK based recruitment specialist and provider of talent management, outsourcing and consulting services
Impellam Group PLC (AIM:IPEL)	UK-based company providing staffing solutions and outsourced people-related services
InterQuest Group plc	UK-based company engaged in the staffing businesses in the information and communications technology sector
Kellan Group plc	UK based recruitment services provider to the hospitality, leisure and service industries
Kelly Services, Inc. (NasdaqGS:KELY.A)	US-based provider of staffing solutions that include temporary staffing services, staff leasing, outsourcing, vendor on-site and full-time placement
ManpowerGroup Inc. (NYSE:MAN)	US-based company engaged in providing workforce solutions and services such as recruitment and assessment, career management, outsourcing, workforce consulting, and training and development, including training courses and leadership development solutions
PageGroup plc (LSE:PAGE)	UK-based company operating under four key brands: Page Executive, Michael Page, Page Personnel and Page Outsourcing. Focus is on specialist areas of the market, including industry sectors and job functions
Prime People Plc (AIM:PRP)	UK based provider of recruitment and training services
Randstad NV (ENXTAM:RAND)	Netherlands-based provider of staffing services
Robert Walters plc (LSE:RWA)	UK-based recruitment group
RTC Group plc (AIM:RTC)	UK-based company focussing on white and blue collar recruitment providing temporary, permanent and contingent staff to a broad range of industries and clients in both domestic and international markets
Servoca Plc	UK based provider of specialist outsourcing solutions to police forces, local and national government, law firms and corporate
Staffline Group plc (AIM:STAF)	UK-based company engaged in providing services in staffing, outsourcing, training and employability
SThree plc (LSE:STHR)	UK-based recruitment company
Trust Tech Inc. (TSE:2154)	Listed Japan-based company engaged in providing engineering staffing , subcontracting and outsourcing services

Source: Capital IQ January 2019

MARKETCAP (£M)	NET DEBT (£M)	EV (£M)	REVENUE (£M)	EBITDA (£M)	EV/REVENUE	EV/EBITDA
6,120.9	1,117.8	7,257.3	21,469.2	974.4	1.3x	7.3x
2,264.2	884.4	3,148.7	2,501.9	274.2	0.3x	11.5x
141.6	-21.8	119.9	471.6	16.6	0.1x	7.2x
35.3	12.2	54.6	362.0	12.5	0.2x	4.4x
34.2	40.9	75.1	667.5	15.0	0.3x	5.0x
96.6	32.2	128.8	927.0	15.8	0.4x	8.1x
2,053.1	-122.9	1,930.2	5,753.3	256.5	0.3x	7.5x
20.0	-1.3	19.0	137.6	2.1	0.3x	9.8x
287.3	79.1	366.5	2,203.9	52.7	0.1x	7.0x
-	4.5	-	136.0	2.9	0.3x	-
-	3.1	-	22.6	0.9	0.9x	-
641.3	-10.1	631.3	4,386.6	86.1	0.4x	7.0x
3,195.9	314.7	3,577.9	17,665.2	746.6	0.2x	4.8x
1,407.0	-87.0	1,319.9	1,450.0	137.5	0.2x	9.6x
9.0	-1.8	7.5	24.2	2.3	-	3.2x
6,452.4	1,280.2	7,740.3	21,371.6	984.2	0.1x	7.9x
390.1	-24.8	365.2	1,228.9	50.0	-	7.3x
7.3	6.0	13.3	77.7	2.0	0.8x	6.7x
-	2.3	-	80.2	4.3	0.3x	-
325.9	36.9	362.8	1,011.0	42.7	0.1x	8.5x
343.6	6.2	349.8	1,179.5	49.1	-	7.1x
425.9	-27.9	399.1	524.2	38.2	0.2x	10.4x

SELECTION OF RECENT UK DEALS

DATE	TARGET	BIDDER	TRANSACTION VALUE (£M)
Dec-18	Trac Systems Limited	Civica Group Limited	-
Dec-18	Intec (UK) Limited	NRL Group Ltd.	-
Nov-18	Henlow Recruitment Group Limited	nGAGE Specialist Recruitment Limited	-
Oct-18	CER Staffing Solutions Limited	Castlerock Recruitment Group Ltd	-
Oct-18	Grafton Recruitment Limited	Gi Group SpA	-
Oct-18	Passionate About People Limited	Staffline Group Plc	-
Sep-18	EMR Search & Selection Limited	IPE Capital Ltd	-
Sep-18	Henderson Scott Limited	Search Consultancy Group Limited	-
Aug-18	Quattro Group Holdings Limited (75% Stake)	Trust Tech Inc.	7
Aug-18	Harvey Nash Group Plc (74.74% Stake)	DBAY Advisors Ltd	81
Jul-18	AndersElite Limited	Morson Group Limited	-
Jul-18	Grafton Recruitment Limited (Northern Ireland); Grafton Recruitment Limited (Republic of Ireland)	Staffline Group Plc	-
May-18	Baltimore Consulting	Management Vehicle	-
May-18	Alexander Mann Solutions Limited	OMERS Private Equity Inc	820
Apr-18	Phaidon International	Quilvest	-
Apr-18	Investigo Limited (52.5% Stake)	Beijing Career International Co., Ltd.	25
Mar-18	Leathwaite	Beechbrook Capital	-
Mar-18	Endeavour Group Limited	Staffline Group Plc	-

Source: Merger Market January 2019

SECTOR CLASSIFICATION	EV/EBITDA	TARGET BUSINESS DESCRIPTION
Recruitment software/online platform	-	UK-based specialist e-recruitment software provider
Engineering & Construction	-	UK-based provider of recruitment, training, and consultancy services
IT	-	UK-based QuantTech recruitment company
Education	-	UK-based company engaged in providing public sector temporary and permanent recruitment services across education, healthcare and social care
Generalist	-	UK-based provider of recruitment services to private and public sector clients
Engineering & Construction	-	UK-based provider of staffing solutions to aerospace, energy, automotive, construction logistics and general manufacturing sectors
Marketing	-	UK-based recruitment company
Executive search	-	UK-based provider of executive search and recruitment solutions in technology
Engineering & Construction	-	UK-based staff dispatching service company
Generalist	14.2x	UK-based company engaged in providing recruitment and outsourcing services
Technical	-	UK-based company engaged in providing staffing and recruitment services
Generalist	-	Ireland-based provider of recruitment services; UK-based provider of recruitment services
Other	-	UK based specialist in public sector recruitment - local government, NHS, education
Generalist	16.4x	UK-based recruitment process outsourcing firm
Generalist	-	Global staffing group covering banking and financial services, science, technology, engineering and procurement
Generalist	9.5x	UK-based recruitment agency providing of interim and permanent recruitment solutions to blue chip companies and SMEs
Executive search	-	Global human capital specialist, including executive searches. Offices in London, New York, Hong Kong and Zurich
Engineering & Construction	-	UK-based group engaged in the provision of temporary and permanent placement services

WHAT NOW?

A new economy

The UK economy is at a crossroads. New technology, new international relationships, new markets and new politics are all contributing to uncertainty for UK businesses.

To enable the UK to move in the right direction with confidence, we need to see the emergence of a 'new economy' – an economy which helps the UK thrive post-Brexit by making the most of its mid-sized entrepreneurial businesses, by balancing growth by sector and by region, and by ensuring open and simple access to world markets and global talent.

To create a truly sustainable and balanced 'new economy' which works for everyone, there are three pieces of the jigsaw that policymakers must fit together:

1. The Government must make the most of its currently overlooked and undervalued entrepreneurially-minded mid-sized businesses
2. It must balance growth by region and by sector
3. Despite Brexit, the UK must ensure open and simple access to world markets and global talent and make the UK an attractive destination within which to invest.

Just after the referendum, BDO put forward 22 policies aimed at doing just this. We spoke to clients, business groups, policy-makers and our own people to find out what challenges were front of mind and what ideas they would prioritise.

We are now focusing on the top five policies that we believe are key to developing a 'new economy'.

On the page opposite, we have cited one of these policy areas that aims to address the UK skills gap, an issue that continues to create serious challenges and costs for employers.

For more information and to view our top five policies, visit our website www.neweconomy.bdo.co.uk

POLICY: SUPPORT BUSINESS GROWTH BY TACKLING THE SKILLS GAP

People and skills are at the heart of the 'new economy'. For the UK to thrive in a post-Brexit world and compete globally, we need a trained, highly skilled and diverse workforce. However, skills shortages are constantly cited by various sectors including manufacturing and technology.

There is no 'quick fix', but we recommend a number of incremental changes such as the below to ensure the workforce is fit for future challenges and developments:

1. Address the skills gap for high-growth businesses by extending childcare support for one– to four–year-olds

It is vital that the economy makes the most of its talented people, and creates supported routes to employment, particularly for parents returning to work following an extended period of childcare.

There is currently a gap between the end of paid parental leave and the start of financial support with childcare costs, as support only covers three-to four-year-olds for 570 hours, normally taken as 15 hours for 38 weeks of the year. This gap can drive highly talented individuals out the workforce, whilst contributing to the skills gap and lack of diversity.

The CBI has called for expanded childcare support to bridge the gap between maternity/paternity leave and school age - projected to cost £2bn, but would provide a much needed pipeline of talent to support our future growth.

2. Harness the potential of high-quality apprenticeships

The Apprenticeship Levy and Government vision for three million apprenticeships is certainly commendable. However, we would like to see policy-makers ensure apprenticeships are synonymous with quality and deliver the skills employers require:

The focus of apprenticeships should be broadened to retraining existing members of the workforce.

The Government target for people starting apprenticeships should instead focus on delivering qualified apprentices.

The Ofsted assessment system should give some weight to the number and quality of apprenticeship places secured by schools alongside the numbers of those who have gone onto university.

3. Reinstate the two-year post-study work visa

The UK continues to experience a skills gap in the manufacturing and tech industry, and should reinstate the visas to foreign postgraduates in STEM (science, tech, engineering, maths) subjects.

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BDO UK

16 Offices
350 Partners
4,600 Staff

97% OF OUR CLIENTS WOULD RECOMMEND US [1]

2017/2018 RESULTS:
REVENUES[2] UP **8.5%** TO **£464m**

MERGED FIRM REVENUES **£590m** estimated

1. Client Listening Programme (December 2018 BDO LLP)
2. Gross Revenues for BDO LLP

#1 UK M&A Adviser by deal volume

BDO CORPORATE FINANCE UK

428 COMPLETED DEALS IN 2018
WITH A TOTAL DEAL VALUE OF **£21.8bn**

50% PRIVATE EQUITY DEAL INVOLVEMENT

30% OF OUR DEALS ARE CROSS BORDER

ONE OF UK'S MOST ACTIVE ADVISORS*

AN **AWARD WINNING** CORPORATE FINANCE BUSINESS

200 CORPORATE FINANCE PROFESSIONALS IN THE UK

*3rd leading DD provider in the UK – Mergermarket league tables 2018

BDO GLOBAL

BDO INTERNATIONAL

US$9 billion
2017/2018 REVENUE

A YEAR ON YEAR INCREASE OF **8.3%**

162 Countries
1,600 Offices
80,000 Staff

BDO GLOBAL CORPORATE FINANCE

1,440 COMPLETED DEALS IN 2018

WITH A TOTAL DEAL VALUE OF **$81.4bn**

36% PRIVATE EQUITY DEAL INVOLVEMENT

28% OF OUR DEALS ARE CROSS BORDER

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AN **AWARD WINNING** CORPORATE FINANCE BUSINESS

2,000 CORPORATE FINANCE PROFESSIONALS

100 COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

*4th leading DD provider – Mergermarket global accountant league tables 2018
5th leading M&A advisor - Thomson Reuters mid-market Europe 2018 Financial advisor

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