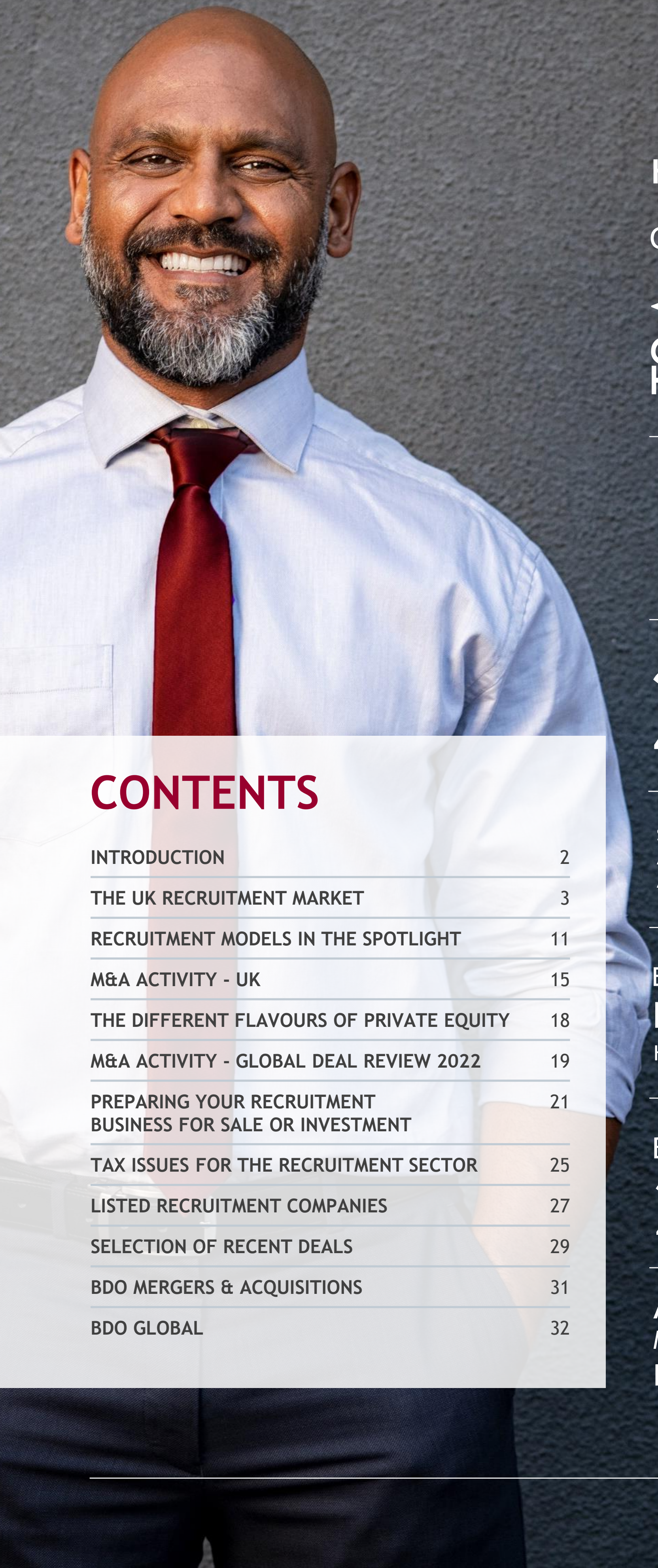
ANNUAL M&A REVIEW

# RECRUITMENT

FEBRUARY 2023

IDEAS | PEOPLE | TRUST

BDO



# CONTENTS



## HIGHLIGHTS

GLOBAL DEALS GROW **FROM 82 IN 2021**

TO A TOTAL OF **123 DEALS** COMPLETED

THERE WERE **35 DEALS WITH UK BIDDER/TARGET IN 2022**

**28% OF DEALS INVOLVED AN OVERSEAS BUYER**
**UP FROM 8% DURING 2021**

SUSTAINED INVESTMENT ACTIVITY WITH PE ACCOUNTING FOR **39% OF ALL UK DEALS**

ECONOMIC PRESSURES BUILD TO A POSSIBLE
**HIGH EMPLOYMENT RECESSION**
HIGH LEVEL OF VACANCIES AND LOW UNEMPLOYMENT

BDO RECRUITMENT FTSE INDEX FELL BY **27.7%** AGAINST A FTSE 250 **DROP OF 20.5%**

**AVERAGE** EV/EBITDA MULTIPLE IN **2022**
**RE-BASED AT AROUND 6.5X**

# INTRODUCTION

## M&A in the recruitment sector

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**Welcome to the 2023 edition of our annual M&A recruitment report.**

It's fair to say that it's been an interesting last 12 months, with businesses battling several seismic macro-economic factors ranging from a war in Ukraine, to inflation rates and interest rates at levels not seen before in this century, mixed in with a degree of political instability caused by a mini-budget. Add to this the continued threat of a recession in the UK and labour strike activity akin to the 'Winter of Discontent'. However, despite these factors it's pleasing to report that the M&A deal markets are alive and well, with the recruitment sector yet again being a hive of activity for acquirers and investors during 2022.

To put this into context, UK deal activity reached 35 transactions during the year, down from the dizzy heights of the post-pandemic bounce of 2021 (40 transactions), but similar to the previous decade high of 36 transactions during 2018, so still very much a conducive environment for deal activity.

We're also enthused to be able to report that international markets appear to have re-awoken after a slow 2021. Global recruitment deal levels have grown exponentially during 2022, with activity 50% higher than in 2021, representing potentially a delayed post COVID-19 boom similar to that experienced in the more mature UK investment market in 2021. This international activity appears to have extended to overseas acquirers and investors, who once again are viewing the UK market as a geography with a positive growth outlook, with a resulting rebound in UK targets being involved in deals with an overseas bidder during the period.

Moreover, the entrepreneurialism of UK-based companies appears to be proving enticing for our overseas counterparts. During 2022 we've noticed a significant rise in overseas acquirers and investors seeking an interest in technology and software businesses. This trend has been evident within the UK recruitment sector, with innovative technology receiving attention, particularly from across the pond in the US.

Deal volumes aside, it's clear that the adverse macro-economic factors of 2022 have impacted valuation multiples within the sector. Specifically, the BDO FTSE Recruitment Index fell sharply during Q1 as the war in Ukraine unfolded, with multiples struggling to recover for the remainder of the calendar year. Interestingly, despite this backdrop, our experience is that actual transaction multiples have remained strong, as acquirers and investors target recruitment companies with strong underlying growth prospects or a track record of delivery.

From a track record perspective, one emerging trend we noticed in our half year review in 2022 was the rise in the number of transactions involving multi-sector agencies (or 'generalist' as they're commonly termed). This trend has continued for the remainder of the year, which we expect has been partly driven by the ability of these companies to deliver sustainable earnings against a backdrop of economic and political instability.

On a wider note, it will probably come as no surprise that the influx of private equity funding into the recruitment sector has continued, as has been the case in recent years. The market has developed and adapted the range of possibilities for investment, and in this report we have touched on the different options available for business owners alongside the traditional private equity route.

As the competition for talent increases, particularly within certain industries (notably digital and technology), the sector is innovating, and different types of recruitment models are becoming available. Specifically, we've seen a notable rise within the 'Recruit Train Deploy' model being utilised within the marketplace, which seeks to address these skilled labour shortages whilst also helping to support and promote further diversity within the workplace, and we have looked at some names operating in this way.

Additionally we explore the subject of IR35 and try to provide some clarity on the recent Private Sector reforms which were implemented, and then repealed, and then re-instated; Nick Duffin from our Employment Tax team provides some clarity on the matter from a tax perspective, alongside other issues we're seeing with our recruitment sector clients.

Finally, for those entrepreneurs and management teams considering their strategic options either during 2023 or in the future, we also take a look within this edition at a 'checklist' of items which are worth considering well in advance of a potential transaction or sales process.

In summary, we're looking forward with cautious optimism to another active transactional year in the recruitment sector. After a 'boom' year in 2021 and a degree of stability in 2022, we're hopeful that 2023 continues to build on the positive investment themes we've seen during the last 12 months.

# THE UK RECRUITMENT MARKET

## The industry in 2022

### THE MARKET

The UK recruitment market showed positive signs of recovery in 2021 and into Q1 2022, as the economy bounced back after its 2020 dip, with revenues at £16.8bn and forecast to increase 29% by March 2027, a growth rate of 5.8% p.a.

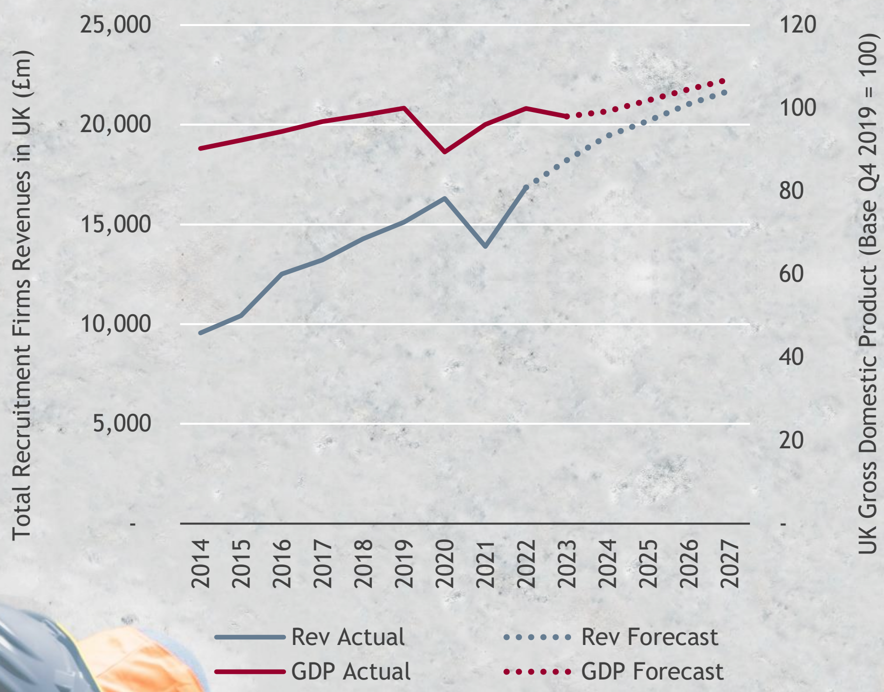
In figure 1 we have tracked the performance of the recruitment market against UK GDP data, and the correlation between the two is noted.

The recruitment market looks to outperform UK GDP when the economy is on the rise but is impacted more negatively when the UK economy is in decline.

Since this industry revenue forecast was made in March 2022 there has been a drop in GDP (GDP actuals are presented to November 2022). It is forecast to rise again in 2023 1.3%p.a. (Office for Budget Responsibility: 2022).

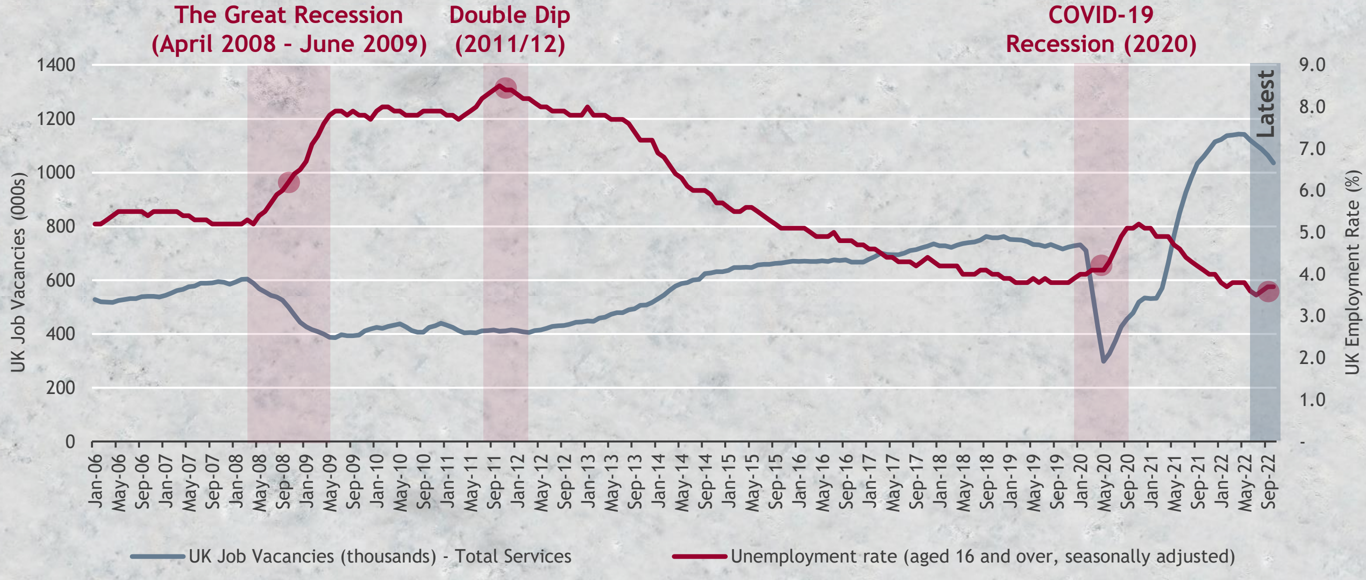
As a result, there is likely to be a reduction in the forecast sector revenue to reflect the downturn in the UK economic forecast.

**Figure 1: UK industry revenue vs UK GDP with 2022-26 Forecast**




*Source: IBISWorld 2022*
*Source: Office for National Statistics 2022*
*Source: Office for Budget Responsibility 2022*

**Figure 2: UK Unemployment & Job Vacancies Timeline (2019 - 2022)**




*Source: ONS 2022*

## IS THE UK IN RECESSION?

The Bank of England is among public bodies to have forecast that the UK fell into recession during the third quarter of 2022.

There was an overall drop in GDP of 0.3% in the three months to September. However the accepted economic criterion for recession is two consecutive quarters of contraction.

After a decline of 0.6% in output measured during September due to disruption and an extra Bank Holiday following the death of the Queen, there was a 0.5% recovery in October. However, the FIFA World Cup boost to leisure and hospitality offset drops in manufacturing and the effects of strikes to buck forecasts with 0.1% growth in November. Strike-affected December's figures show a fall of 0.5% in GDP.

The Office for National Statistics' verdict is that there was zero growth in the final quarter of 2022. Annual GDP output is estimated to have grown by 4.1% in 2022, following growth of 7.4% in 2021.

Has the UK avoided a recession? At the time of writing, the jury is out. However, whether or not recession is official, growth in the economy has been low or close to flat.

## TRACKING THE TRENDS

BDO has tracked the data for UK job vacancies and the UK unemployment rate over the last 16 years in order to compare the present levels with two of the UK economy's most challenging periods, the 'Great Recession' of 2008-09, with its 'double-dip' at the start of 2012, and the recession due to COVID-19.

As reflected in the chart above, both recessionary periods saw a sharp rise in unemployment rates, and vacancies plummet.

Data from 2008-09 shows a rise in the unemployment rate to 7.9%, then rising again to a peak of 8.5% in 2011, and a c.35% drop in vacancies to around 380,000.

## WHY IS THIS 'RECESSION' DIFFERENT?

Although we are starting to see a rise in the unemployment rate it is interesting to see that at 3.7% this is from historically low levels. As business confidence is shaken and vacancies have started to fall, at 1,161,000 they nevertheless remain at a historically high level, far above the levels in previous recent recessions. Compared to other recent recessionary periods, the current economic situation is looking like a 'high employment recession'.

## WHAT DOES THIS MEAN FOR THE RECRUITMENT SECTOR?

When business confidence falls due to economic pressures this would usually mean a low appetite for recruitment services. However, the high level of vacancies and low unemployment level imply that demand for workers is high, suggesting that the UK recruitment market is still buoyant, provided recruiters can continue to find candidates willing to take on roles, and/or confident enough to move, despite the macro-economic climate.

# THE UK RECRUITMENT MARKET
## Industry drivers

### WHERE ARE THE WORKERS?

The number of economically active people has been rising steadily since the turn of the century, fuelling UK economic growth, to a peak in 2020.

However, since 2020 these numbers have declined, by about half a million compared to levels pre-pandemic, but about a million below where they would have been had the growth trend from the last 20 years continued unchanged.

As well as a reduction in labour coming to the UK, from the EU due to Brexit and due to the pandemic, we are seeing a rising trend in the numbers of the economically inactive in the UK workforce i.e. people not in employment who are not seeking work or are unable to start work.

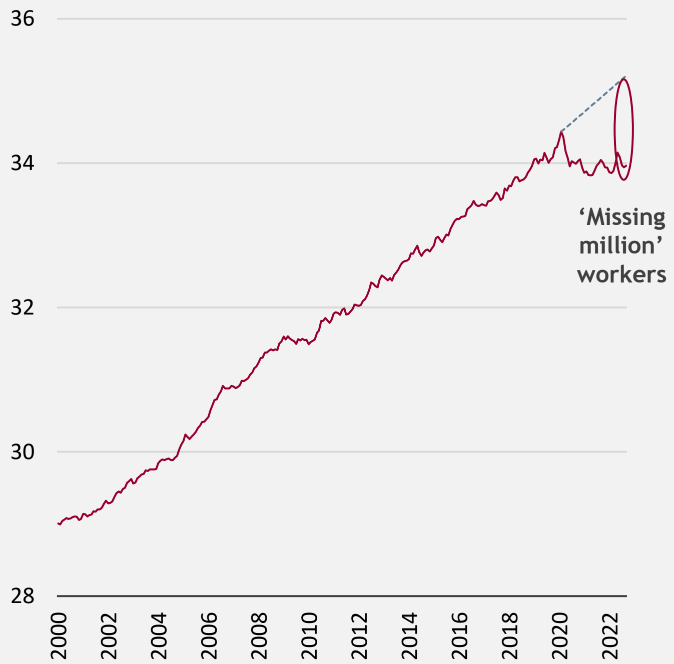
Factors contributing to this include a rise in the number of people taking early retirement, and of students who have suffered from disruption to their courses choosing to stay longer in education.

Another factor is the worsening health of the population, due to the impact of long COVID, and longer NHS waiting lists - ONS data shows that between June and August 2022, around 2.5 million people reported long-term sickness as the main reason for economic inactivity, up from around two million in 2019.

There has also been a drop in self-employment from pre-pandemic levels which has not recovered. Numbers fell from a peak of 5.0 million at the end of 2019 down to 4.2 million in early 2022, albeit this was largely driven by people flowing out of self-employment to become employees (coinciding with the introduction of the furlough scheme).

It is likely the rise in the economically inactive level is contributing to the anomalous low unemployment/high vacancies characteristics of the current difficult economic climate.

**Figure 3: No. economically active, UK (m)**

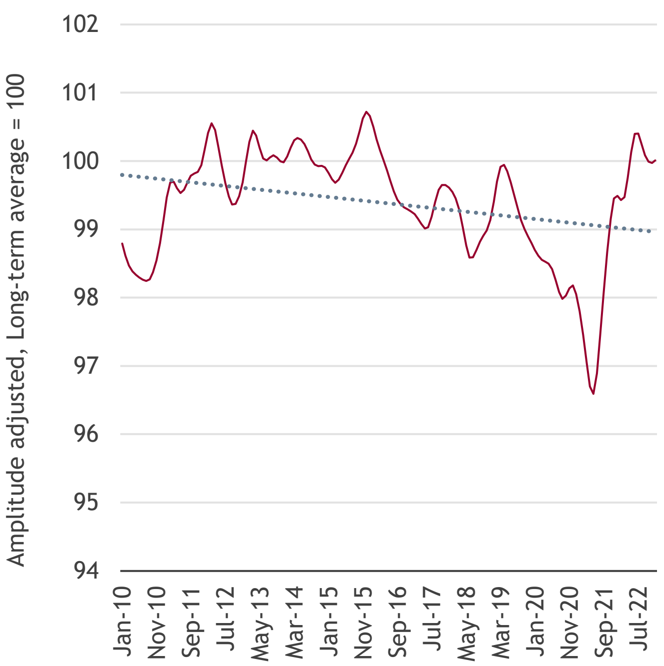



*Source: ONS 2023*
*Graphic used courtesy of NatWest Group plc*

**Figure 4: UK Economically Inactive, UK (Aged 16-64) (000's)**


*Source: ONS 2023*

**Figure 5: UK Business Confidence Index (BCI)**




*Source: OECD 2022*

## BUSINESS CONFIDENCE

Although unemployment rates and vacancy data are key metrics to understand when assessing the strength of the UK recruitment market, key as well is the level of confidence present within the market.

When business confidence is high, businesses are more likely to make investment in staffing in order to pursue their growth plans.

We show in figure five an overview of the Business Confidence Index in the UK, an economic indicator produced by global policy forum the OECD, based upon opinion surveys on developments in production, orders and stocks of finished goods in the relevant market.

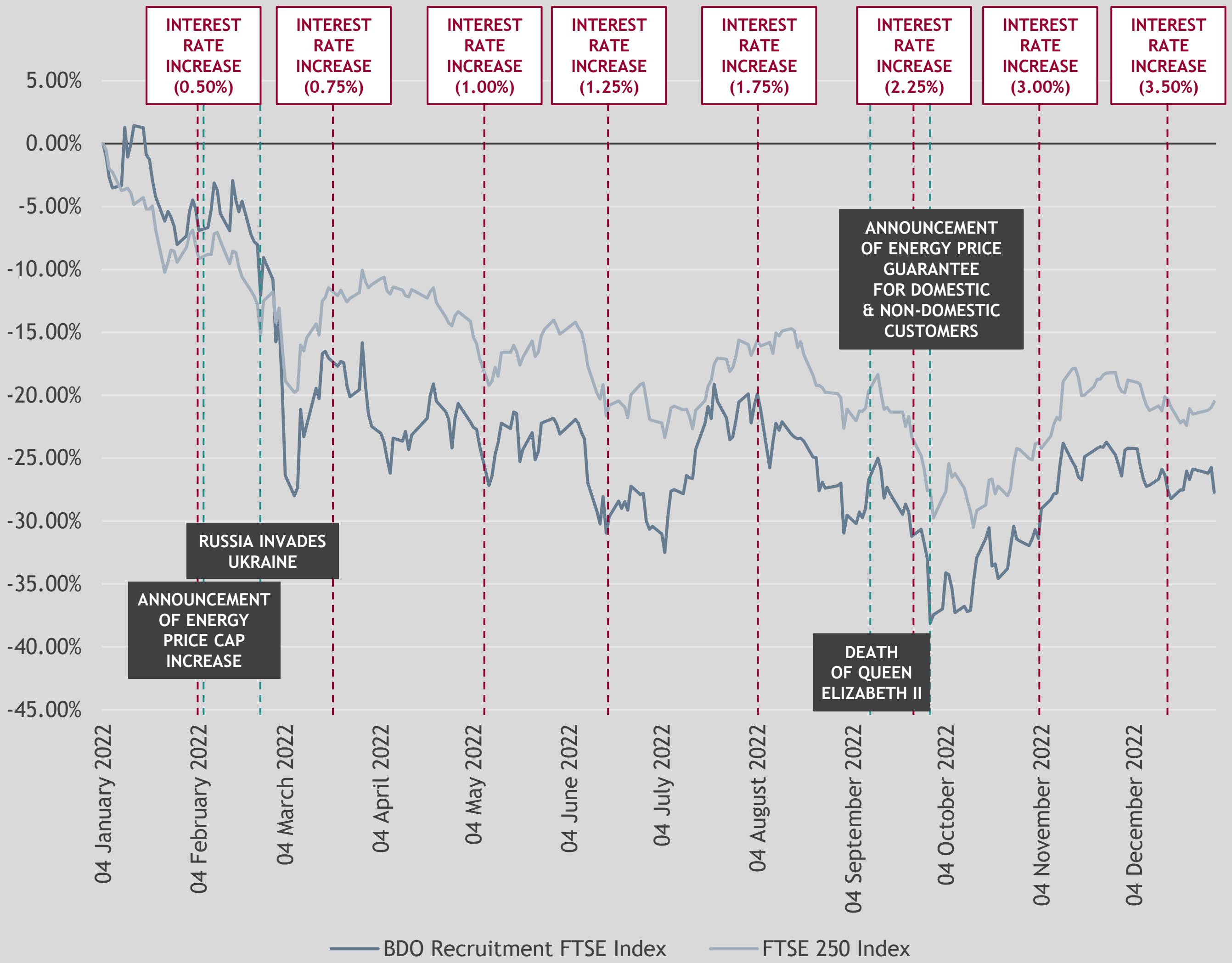
Since 2010, business confidence has been on a downward trend, reflecting the economic climate in recent years with uncertainly around Brexit and political turbulence - with the spike upward in confidence post-pandemic perhaps blurring the underlying trend of business confidence across the UK economy.

Toward the end of 2022, business confidence began to fall once again.

# 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: BDO Recruitment FTSE Index vs FTSE 250 Index**




*Source: Capital IQ, 2022*

Tracking the BDO Recruitment FTSE Index against the FTSE 250 Index in 2022 has again evidenced the nature of the recruitment sector as an economic bellwether, providing services as it does across all industries and reliant on business confidence.

2021 was a year of recovery for the listed recruitment firms, with each of those comprising our BDO Recruitment FTSE Index ending the year higher than their January index, reflecting the wider surge in business confidence and the strong recovery from the impacts of COVID-19 throughout the sector.

In 2022 both indices have shown a downward trend throughout the year, but with the recruitment index dropping further, falling from a high of c.+1.4% in January to c.-27.7% at the close against its 31 December 2021 position. The FTSE 250 shows an overall fall, although at a less aggressive gradient, ending the year at c.-20.5%.

After the optimism of 2021, 2022 turned out to be a challenging year for businesses. We have highlighted the impacts of key events in 2022 on the BDO Recruitment Index and FTSE 250 Index in figure six (page seven).

**UKRAINE WAR**

The most significant macro-economic event for the Recruitment index was the announcement of Russia's invasion of Ukraine, with the index falling over 15% in the space of 36 hours to -28%. In fact it can be seen that the index was re-based at this level, finishing at -27.7% at the end of the year.

**ENERGY PRICES**

Another significant challenge for business and consumers through the year was the price of energy. The Government announced in February that it would provide some support for households in relation to the cap on domestic energy costs rising from £1,277 to £1,971 for a typical household. In September, the Government introduced the Energy Price Guarantee to support households (effective from 01 October 2022), limiting the typical domestic energy cost until April 2024, as the Ofgem Energy Price Cap rose to £4,279. Businesses and other non-domestic customers also benefitted via the Energy Bill Relief Scheme (EBRS), in place until March 2023. In both instances, these measures brought some stability to the markets after a period of decline.

**INTEREST RATE INCREASES**

High inflation affected the UK economy in 2022, and the financial markets adjusted throughout the year to changes in UK base rates, which rose from 0.25% to 3.5% by the end of the year, and with further rises expected in 2023.

**DEATH OF THE QUEEN**

The death of the Queen in September led to political delay, loss of worked days and reduced economic activity, as consumer, hospitality and events sectors in particular were affected during the period of mourning and the extra bank holiday.

# UK RECRUITMENT MARKET
## Capital markets

**The average Enterprise Value (EV) to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple showed a significant drop during the year, reflecting a turbulent economic environment.**

**Figure 7: 2022 BDO FTSE listed recruitment firms average EV/EBITDA multiple**


*Source: Capital IQ*

Multiples of the tracked recruitment companies fell sharply to c.7x in March 2022, a drop of almost 50% from the start of the period. This was mirrored a drop in the market capitalisation of all the tracked firms, reflecting the negative economic impact of Russia's invasion of Ukraine.

Since March 2022 there has been a steady decline in the EV/EBITDA multiple of the tracked firms to the end of the year. With this in mind, the recruitment sector listed multiples have re-based at around 6x, with little volatility noted between March 2022 – December 2022.

By way of context, multiples at the start of the year were high historically; we have to track average multiples as far back as 2015 to see similar levels, with the exception of the post-pandemic rush to meet pent-up demand for deals that we commented on in our 2021 edition. Multiples were pushed north of 20x at that time, as M&A 'boomed' within the sector.

Although tracking listed multiples can influence valuations on private company transactions, our experience is that market appetite remains high and we have not seen an equivalent drop in deal valuation multiples.

# RECRUITMENT MODELS IN THE SPOTLIGHT

## The rise of Recruit-Train-Deploy

**Where there is challenge, there is opportunity… and the current squeeze on the supply of labour is currently having a serious economic impact. In the face of this challenge, we are seeing an increase in recruiters offering the 'Recruit-Train-Deploy' methodology. But why is this model on the rise?**

As well as a shortage of labour generally, the problem is particularly acute in some sectors with a scarcity of skilled labour, particularly relating to technology. Graduate recruitment schemes are well established for general management training, but not so good for roles with specialist skills.

With the costs of studying for a degree making some candidates pause for thought, there has been a recent rise in interest in apprenticeships, particularly where a course is not vocational. However, the apprenticeship model, where time is spent assisting while observing, works well for traditional trades but is not ideal for many modern working roles.

So skills need to be obtained by study and training, which means an investment of cost and time by an employer before a new employee can actually work.
Yet even where a candidate presents with a certificate of training already, what employers are really interested in is experience gained through work.

### AN ALTERNATIVE RECRUITMENT MODEL

The 'Recruit-Train-Deploy' model seeks to meet these requirements.

The business operates as a recruiter and consultancy services provider; it will hire and employ staff, provide them with a few months of intensive training, and then deploy them into a client business, sometimes even as part of a team of consultants, where they are supervised and supported.

Candidates commit to the employer for a period of time, typically two years, by which time they will have gained both skills and experience.

The advantage for clients includes access to a range of hard-to-source skills, rapidly, to meet the demand. They can get this while avoiding the time, costs and risk of screening, recruiting and training candidates themselves, as well as the expense and IR35 risks associated with day-rate contractors – the workers are employed by the recruiter.

By engaging staff via the recruiter on a consultancy services contract they retain flexibility, when e.g. piloting new initiatives or for a short term project, yet in many cases they are free to employ the candidate directly with no fee once the initial committed period has expired, enabling IP retention and continuity, and a longer term talent pipeline.

Where clients have a particular requirement, they can even engage the recruiter to train people in specialised technologies, platforms or working methodologies to suit their organisational objectives, or to develop tailored programmes.

### A DIFFERENT ROUTE INTO THE PROFESSION

One interesting aspect of the recruit-train-deploy model is that it provides an alternative and accessible route into skilled career areas.

It has the potential to promote diversity and open socioeconomic mobility pathways to good first jobs or better jobs for different sections of the workforce.

For example, Kubrick is addressing the 'frozen middle' – that part of the workforce who are at risk of being overtaken by the emergence of new digital skills in the economy.

FDM recruits returners-to-work and ex-military personnel.

Many of these recruiters report greater age, gender and race diversity than in the wider sector due to their non-standard route in and methods of selection.

### BARRIERS TO ENTRY

The challenge for recruiters operating this model is to get to profit, given the high cost base of the business. Candidates must be recruited and trained before they can be deployed into profitable consultancy engagements which start to give a return on the initial investment.

Despite the recent layoffs at high profile Big Tech companies, a shortage of tech workers persists, and candidates continue to be in high demand. AND Digital reported that two million digital skills-related vacancies were posted in the first seven months of 2022, 23.5% of all UK vacancies. Recent research by CWJobs, a UK jobs board, showed the five roles in highest demand in October-December 2022 were: Software Developer, .NET Developer, Data Engineer, Java Developer, and DevOps Engineer. And while the requirement for these skills persists, alongside the accelerated adoption of digital technologies globally, investment interest continues in this innovative solution.

### THE DIGITAL SKILLS GAP

**Two million**
digital skills-related vacancies posted in the first seven months of 2022, 23.5% of all UK vacancies

**29%**
of respondents say a lack of digital skills has limited pay, promotions and career progression

**35%**
of workers believe digital skills means 'fixing IT issues'

**27%**
of UK workers feel they lack sufficient digital skills for their job role

**58%**
of knowledge workers have never received digital upskilling from their employer

**81%**
of UK bosses say the digital skills gap is hurting business

*Source: AND Digital's 'The nature of the UK's digital skills gap', October 2022*

# RECRUITMENT MODELS IN THE SPOTLIGHT

## Some operators using the Recruit-Train-Deploy model

01

### FDM - AN EARLY PIONEER

Recruits: Recent university graduates, returners to work and ex-forces. Also encourages people from non-STEM backgrounds to apply to its technical programmes.

Sectors: Technical and business, mostly for the banking and finance industry.

FDM Group is an international staffing services company headquartered in London. Individuals go through several weeks of training in one of FDM Group's academy facilities before signing a two-year contract with the company to work as a consultant. At the end of the contract, consultants can be internalised by the client.

Founded in 1990, in April 2005 FDM Group floated on the Alternative Investment Market, raising £3 million for the company, In 2009, the company completed an Inflexion-backed management buyout to once again bring the company private.

In June 2014, FDM listed on the UK Stock Market, valued at £308 million, and is now valued at circa £1.0bn.

02

### KUBRICK GROUP - A PROVIDER OF NEXT GENERATION CONSULTING

Recruits: Graduates from science, technology, engineering and mathematics subjects, as well as other relevant courses. Also recruits experienced hires looking to pivot their careers and accelerate in a new direction.

Sectors: Data engineering and analytics, AI, and cloud technologies.

Founded in 2016, revenues and profits increased by more than 50 per cent per annum between 2018 and 2021, making Kubrick the 2nd fastest growing company in the 2020 Sunday Times Fast Track 100. In November 2021 Bowmark Capital invested to scale the platform, to take its offering outside the UK, and meet growing demand in new specialisms.

In November 2022 Kubrick entered the 2021-22 The Times Top 100 Graduate Employers, having surpassed 1,500 consultants trained through their industry-leading, four-month programmes.

03

### GRAYCE

Recruits: High calibre graduates onto its three year Development Programmes.

Sectors: Change management, data analysis, information security, software development and testing, and Salesforce.

Founded in 2012, Grayce received significant investment from Literacy Capital in July 2018 to accelerate its growth plans, investing in infrastructure, marketing and resources to bring its service to new markets and expand its talent attraction and retention plans.

In July 2020, it acquired Doris IT, which gave Grayce new IT capabilities to sell to customers, aiming to win new clients and to grow existing customers into larger accounts.

The business trebled in size within the first three years of the investment.

04

**TEN10 ACADEMY**

Recruits: People from all backgrounds and education levels 'who have that essential spark – a passion for tech.'

Sectors: Any sectors, as well as IT companies, and public sector.

Established in 2015, Ten10 is a quality engineering, software testing, DevOps and RPA consultancy, which also has an Academy operating the Recruit – Train- Deploy mode because 'we experienced the same recruitment issues that others face today.' The Ten10 Tech Academy trains technologists across multiple fields and skillsets, including software development, robotic process automation (RPA), and cloud solutions.

In October 2020 Graphite Capital backed the management buyout of Ten10.

05

**QA TALENT**

Recruits: "From a diverse mix of backgrounds and experience levels".

Sectors: Dev Ops, Software Engineers, Cloud Computing.

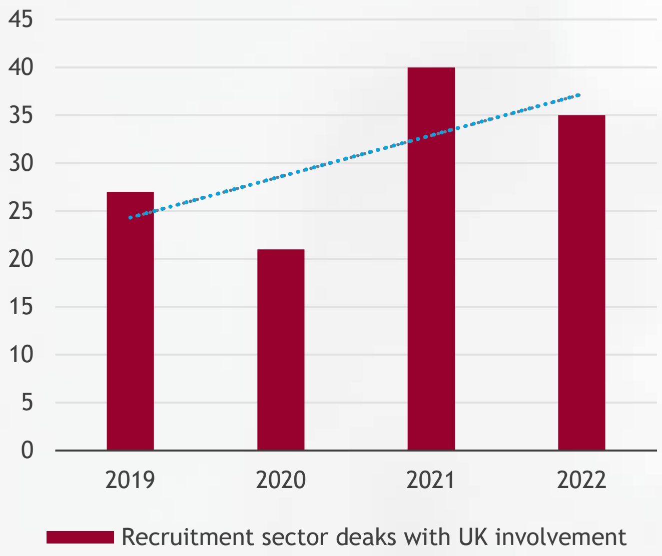
Although principally a tech and digital skills learning and education business, QA also has a Recruit-Train-Deploy model, for where clients do not wish to onboard apprenticeships or reskill their own teams.

It offers a BCS (British Computer Society) accredited training programme. Typically, technology specialists are deployed on client projects for 18-24 months.

# M&A ACTIVITY

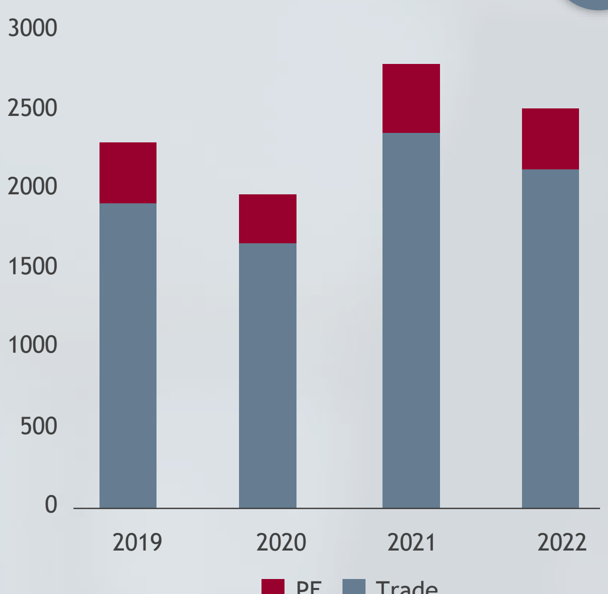
## Review of UK involvement in global deals in 2022

**Figure 8: Recruitment sector deals with UK involvement (buyer and/or target)**




*Source: BDO analysis*

**Figure 9: PCPI Total UK M&A Deals (all sectors)**




*Source: BDO Analysis*

### UK DEALS ACTIVITY AT A HIGH VOLUME

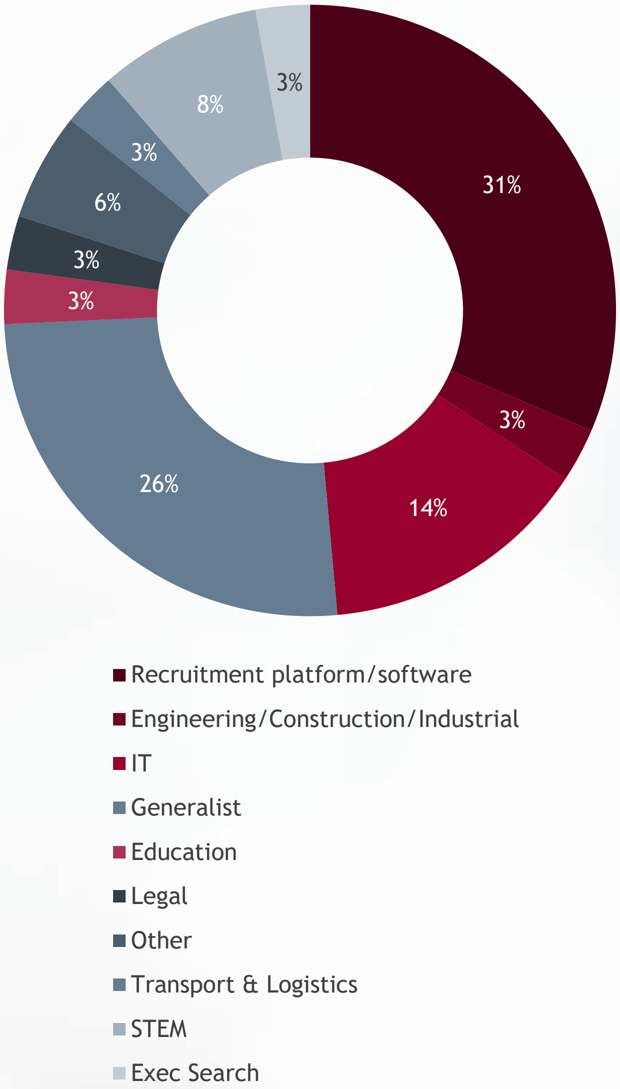
- UK deal activity (where the bidder or vendor was from the UK) in the recruitment sector in 2022 has seen a continued period of high volume after the post-pandemic boom noted in 2021. Although the 35 deals in 2022 is down on the 40 deals in 2021, this is 33% higher than the average deal activity in 2019-2020, indicating the continued attractiveness of the UK recruitment sector
- Looking at the data across sectors, according to BDO's research the "Private Company Price Index", there were 2,502 UK M&A deals noted in 2022 in total. This was down 10.1% from 2021 volumes, but remaining above 2,500 deals, a level only seen in 2016, 2018 and 2021 over the last decade. The overall volume trends are similar to those seen in the recruitment M&A market
- Notably during 2022 we've seen a return to overseas investment into the UK recruitment market, with 28% of deals involving a UK target being acquired by international bidders. This compares to a mere 8% during 2021, a year where markets were recovering from the pandemic, and/or with acquirers focussed on domestic markets whilst also assessing the impact of Brexit in the UK.

### MARKET DRIVERS IN THE RECRUITMENT SECTOR

- Although UK deals have declined, it seems investors still view the recruitment sector as an attractive area to invest with continued strong deal volumes during 2022
- Market drivers in the recruitment sector influencing the sustained high M&A activity include:
  - Continued interest in recruitment software/platforms reflecting the changing working patterns that look to be set as a new norm post the pandemic
  - High and stable levels of employment against the backdrop of a softening economic environment, demonstrating the resilience of the UK labour market
  - Increased recruitment activity in accessing temporary and short term consultancy roles, perhaps driven by volatile economic confidence
  - The labour shortage driving innovative recruitment practices in businesses which are proving to be of interest to investors. On page 11 of this report we discuss one example, the Recruit-Train-Deploy model.

## TRANSACTIONS BY SECTOR

**Figure 10: 2022 UK-involved Recruitment sector deals by vendor sector**




*Source: BDO analysis*

## RECRUITMENT PLATFORM/SOFTWARE

The recruitment platform/software sector has been the strongest sector in terms of M&A deal activity for UK-involved deals for the second year in a row, representing almost a third of total transactions (2022: 11 deals). "The increasing penetration rate of cloud-based platforms, along with the adoption of mobile-based recruitment systems, is one of the key factors driving the growth of the [recruitment software] market" (imarc, 2023).

Of the 11 deals noted in the sector, 37% had US bidders. As well as confirming the attractiveness of the UK market to US investment, this reflects the continued strength of UK entrepreneurs in their ability to innovate and develop technology that is attractive to overseas counterparts.

Examples during the year include Candidate ID Limited (acquired by iCIMS, Inc. a US cloud-based human resources and recruiting software company), Source Breaker (acquired by Bullhorn Inc, whose application uses AI and automation software to make more placements from existing resources) and Headstart App (acquired by ML Capital Group, Inc, an app trusted by numerous high profile businesses to advertise vacancies and attract talent).

## INTEREST IN GENERALISTS CONTINUES TO RISE

We first commented on the rise in M&A activity around generalist firms in our last half year review of the recruitment sector. This trend has continued in Q3 and Q4 of 2022, with 26% of all UK- involved deals having a target within the generalist category, up 50% from 2021.

Of the nine deals during the year, 33% of these were focussed on the placement of lower paid candidates (often described as "blue collar" workers). This may be due to the continued blue collar labour shortage, with Bloomberg reporting including "U.K. Worker Shortage Sparks Rare Blue-Collar Wage Boom" (Bloomberg, 2022), driving M&A demand in order to grow the candidate book.

## IT & STEM

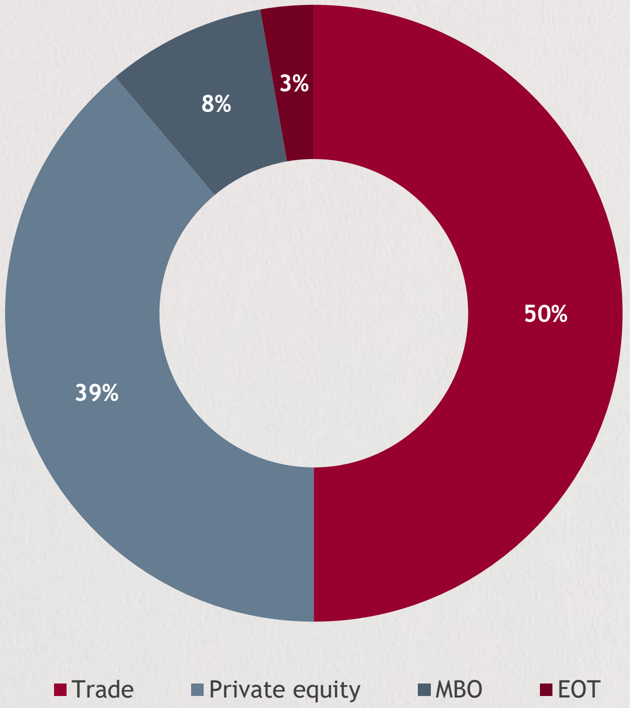
"The IT staffing market is expected to register a CAGR of 3.66% [to 2028 and is partly] attributable to the increasing outsourcing of HR activities and the emergence of advanced technologies such as AI and IoT" (Modor Intelligence, 2023). This rise in interest in these areas, amongst others, is reflected in the increased interest of investors in STEM sector specialist recruiters sourcing highly skilled, scarce or difficult to fill roles in fields such as tech and life sciences.

Examples during 2022 include Palatine Private Equity LLP's investment into Skills Alliance (specialist niche workforce solutions provider for the life sciences, medical device, and animal health sectors), whilst Barrington James (a UK-based recruitment firm specialising in the pharmaceutical, biotechnology and medical device sectors) received overseas investment from Orangewood Partners LLC.

# M&A ACTIVITY
## UK involvement in global deals review 2022 (continued)

### TRANSACTIONS BY BIDDER TYPE

**Figure 11: 2022 UK Involved recruitment deals by bidder type**




*Source: BDO analysis*

### WHO ARE THE ACQUIRERS

Private equity has played an increasingly important role in UK-involved M&A deals within the recruitment market, with 39% of deals involving a PE bidder, up from just 25% in 2021.

BDO's "Private Company Price Index" data for 2022 showed PE investment representing only 15% of total UK deals, which when compared against 39% for the recruitment sector reflects the PE interest within the sector as well as the continued funding liquidity available.

Trade buyers continued to be the most common type of acquirers in 2022, with 50% of all UK-involved deals having a trade bidder. Nine of the targets acquired by trade are within the recruitment software/platform sub-sector, suggesting high interest in the sector in developing software capabilities through acquisition.

Management buyouts continue to be a popular exit route in 2022, with 8% of UK involved deals involving an MBO. The current macro-economic uncertainty could be a reason for this; "Management buyouts are more likely to occur if economic policy uncertainty increases" (ScienceDirect, 2023). The recent political landscape has again been turbulent, which might lead and be leading to vendors seeking to realise the value of their businesses ahead of potential changes to tax policies in the March 2023 budget.

Some shareholders continue to utilise Employee Ownership Trusts (EOT's) to allow a combination of succession, de-risking and the ability to incentivise a wider group of employees in suitable circumstances. Additionally we're also starting to see instances of EOTs being unwound and sold to either trade or investment vehicles across the market. Although this isn't currently evident within the recruitment sector data, we anticipate this to be a feature of our deals review going forward.

# THE DIFFERENT FLAVOURS OF PE

## Alternative strategic options

**One clear theme year after year in this report is the continued appetite of private equity for investing in the recruitment sector, with PE investment typically comprising anywhere between 20-40% of UK deals.**

Over the years investors and advisers have also become more innovative and varied in the ways they can invest or structure investment to meet the objectives of business owners.

We are now seeing an ever increasing interest in alternative strategic options compared with a typical ‘traditional’ private equity investment. This is as a result of a competitive market, with investors and shareholders alike looking for both differentiation and a structure which suits the business but which can still provide long term benefits for all parties.

Below we take a look at some of these alternative structures currently available:

### FAMILY FUND INVESTMENT

This is typically a portfolio of investments funded by a family of high net worth individuals (HNWI’s). Whilst akin to private equity in terms of strategic options, family fund investments are typically longer term holds. The numbers of this type of fund are on the rise, in particular, due to having reduced institutional rules or red tape, allowing for interesting and flexible deal structures beyond traditional funding constraints.

### HYBRID DEBT PRIVATE EQUITY

This is a mix of debt funds and private equity, resulting in investors often having a lower cost of capital than traditional private equity, and allowing a smaller equity stake to be taken if preferred. Equally this structure may allow for greater levels of cash extraction than a debt fund, resulting in greater flexibility for shareholders. Typically this structure allows for some management autonomy and often the option to re-acquire the minority stake at the end of a set period, provided the minimum return threshold has been met. Like other structures, follow-on funding is likely to be available for bolt-on acquisitions to accelerate growth and expansion for the business.

### EMPLOYEE OWNED TRUST

An EOT is a specific form of employee ownership vehicle. The shares sold to the trust are owned for the benefit of employees, which enables the shareholders to sell a majority of their shares, de-risk and partially cash-out, while retaining the culture of the business. There are clear qualifying conditions and valuable tax benefits, such as exemption from Capital Gains Tax (CGT) for the seller, and employees can earn a tax-free bonus.

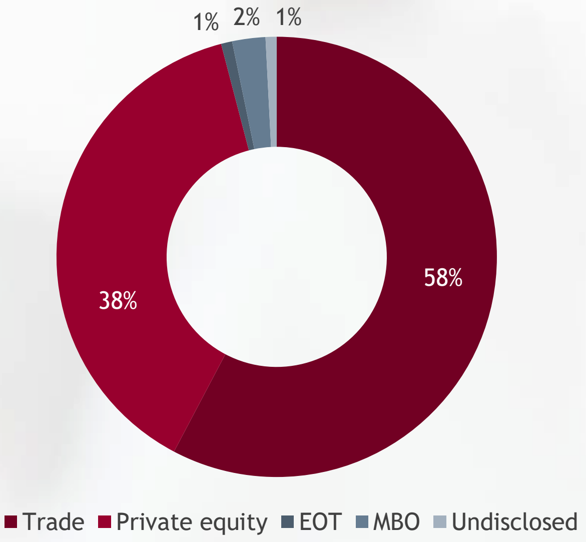
### SALE TO MANAGEMENT

This is where a shareholder sells their business to the management team using a vendor loan note. This generally leads to better terms for the buyer and can result in a lower valuation for sellers, but is significantly less time-consuming than a normal M&A process involving external parties.

# M&A ACTIVITY
## Global deal review 2022

### TRANSACTIONS BY BIDDER TYPE

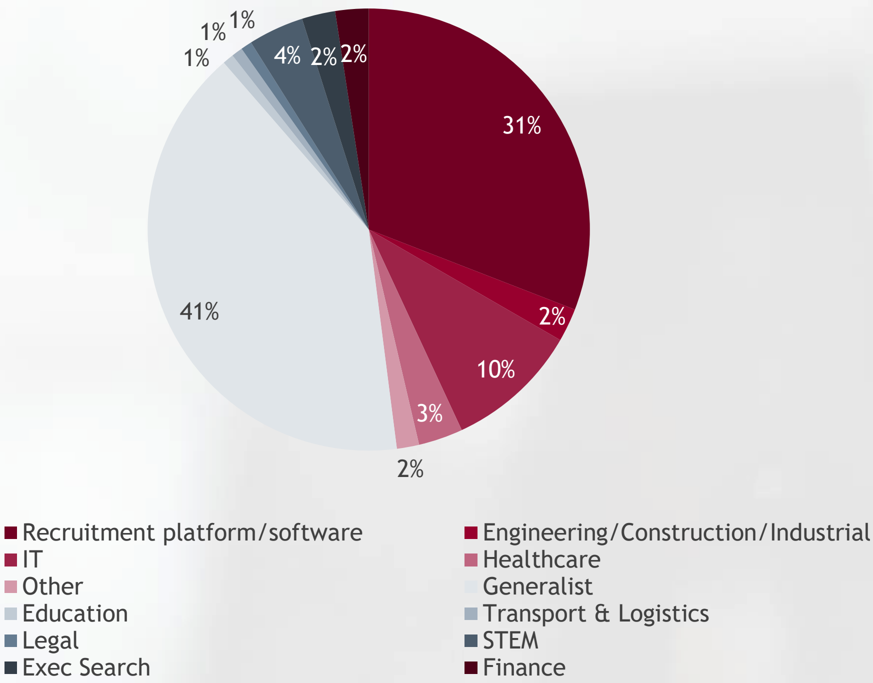
**Figure 12: 2022 Worldwide recruitment deals by bidder type**




*Source: BDO analysis*

### TRANSACTIONS BY SECTOR

**Figure 13: 2022 Worldwide recruitment deals by vendor sector**

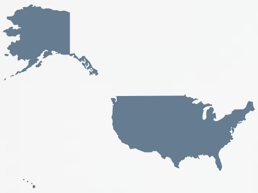



*Source: BDO analysis*

### GLOBAL M&A DEAL REVIEW

- The global M&A deal review for the recruitment sector shows a large increase in total deal volume for 2022, with a total of 123 deals completed (2021: 82)
- Unlike the UK, the global market did not see a surge in deal volume in 2021. This large increase is potentially a delayed post-pandemic boom similar to that experienced in the more mature UK investment market in 2021, with a number of deals rolling over from 2021 into 2022
- Similarities between the global M&A market and the UK M&A market do not stop at strong deal volumes. There are consistencies in the bidder types, with private equity bidders also representing 38% of total global deals (2022: 47 deals), up from 31% in 2021
- Trade buyers again are maintaining the top spot in terms of acquirer type with 58% of global deals, down 3% from 2021; a higher share than in the UK-involvement only deal population
- Globally the most active subsector within recruitment is also the generalist recruiters, comprising 41% of total deals. This global investment into generalist target reflects a trend of acquirers valuing the more stable, diversified assets in a time of economic uncertainty
- Recruitment platforms/software is again a strong subsector with over 30% of total deals recorded in this sector. In absolute terms this subsector has shown a 72% increase in global deal volume compared to 2021 and looks to be a key driver in the overall global deals volume increase of c.49% across the same period.

**There were seven overseas buyers of UK businesses in the recruitment sector during 2022, including:**



## US

AEA Investors LP, the US-based private equity firm, has acquired 100% of the share capital in UK-based integration technology recruitment agency Red Global, which specialises in permanent and contract recruitment services.

**The terms of the deal were undisclosed.**

## CHINA

Beijing Career International Co Ltd, the Chinese human resources business, acquired a 10% stake in the UK-based recruitment agency Investigo Limited. The target company provides both interim and permanent recruitment solutions to blue chip companies and SMEs.

**The consideration paid was around GBP 9.9m.**

## ITALY

GI Group SpA, the Italian recruitment agency, has been active in the M&A market in 2022, acquiring Encore Personnel Services Limited, the UK-based recruitment company, in October 2022. GI Group have been highly acquisitive in the year with a further five recruitment sector deals including the 100% acquisition of Verita Solutions OU, the Baltic personnel hiring and selection services provider.

**The terms of the deals were undisclosed.**

## SINGAPORE

Prytek Pte Ltd, the Singapore-based investment holding company focusing on technology companies, has acquired an undisclosed stake in TritonExec, the UK-based executive recruitment firm.

**The terms of the deal were undisclosed.**

## SWITZERLAND

A consortium of investors led by private equity firm Further Global Capital Management LP acquired a majority stake in Phaidon Holdings Ltd, the UK-based recruitment firm, from Quilvest SA. The transaction provides an exit strategy for Quilvest SA, the Luxembourg-based private equity investments and wealth and asset management group.

**The terms of the deal were undisclosed.**

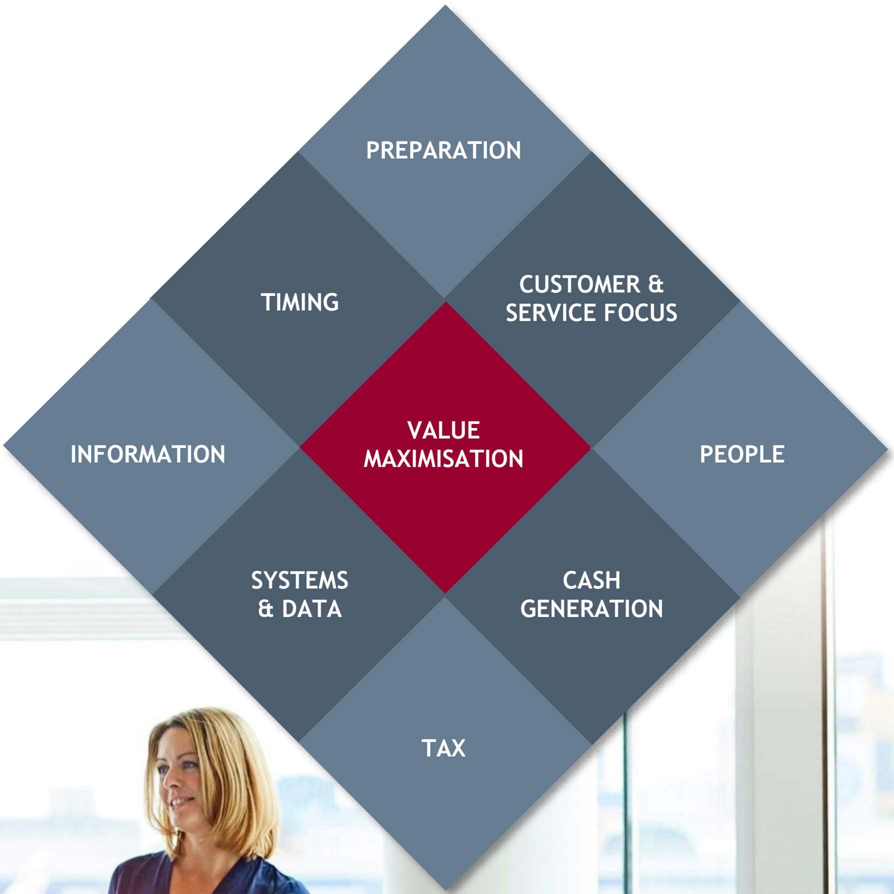
# PREPARING YOUR RECRUITMENT BUSINESS FOR SALE OR INVESTMENT

## What should you think about, and when?

**Recruitment is a sales-focussed sector, and unsurprisingly many business-owners have one eye on growth with a view to an eventual exit.**

So what should you be thinking about ahead of a future transaction?

Have a look at our checklist for a pre-sale readiness review to ensure the business is well prepared.




## TIMELY PREPARATION IS KEY

There are many reasons to prepare your business well pre-sale, and to do it in good time:

- Getting things in order enables you to communicate the business proposition, identify the right buyers and demonstrate value - and avoid late price chips as issues come out of the woodwork
- It is best to deal with any issues when there is time to do so and more options are available, not within the constraints of a tight deal timetable
- An early review of financial and tax considerations can maximise cash balances and increase the profits of the business - as valuations are usually based on a multiple of earnings, a little focus earlier on can bring great rewards
- Tax planning benefits may be maximised if issues such as business ownership are considered in good time
- You may be on a timetable to investment or sale, but unexpected external factors can disrupt the best laid plans - inbound offers or new opportunities, family or health issues, or changes in tax provisions
- Bear in mind you will need to go through the sale process whilst also running your business, so your time will be stretched, and preparation is key.

## PICK YOUR MOMENT

There are multiple factors to think about when considering when to go into a transaction:

- What are your aspirations for your business valuation? This will influence your exit strategy, for example larger businesses will typically attract higher multiples, so you might choose to invest for growth ahead of an eventual exit or de-risking
- It is a great story to tell if you can demonstrate a track record of growth, adherence to a business plan and clear strategic direction
- Ideally you want to go at the top of the market, when valuations are at their height. Market dynamics ebb and flow of course, due to external economic factors, although market appetite tends to remain strong for quality businesses
- The outlook for your particular business may be dependent on the fortunes of the sector(s) in which you operate.

## HAVE THE INFORMATION TO HAND

- Access to comparable, consistent and reliablehistorical and forecast information improves your credibility with buyers, and helps to reduce transaction risk – a steady drip of minor flaws coming to the surface will be off-putting, whereas a well-presented business is attractive and more likely to achieve a competitive valuation
- It can be stressful negotiating a transaction, and even more so when the business is then exposed to the full glare of legal, financial and tax due diligence - the more you can prepare and streamline this process, the better, so review legal, financial, intellectual property and tax documentation in advance
- Review KPI data in comparison to industry standards - aspects you can show as above the norm, and also where you can show you are improving, will make a good presentation to potential buyers
- Make sure you have all the right industry accreditations in place, where applicable to the market you serve.

# PREPARING YOUR RECRUITMENT BUSINESS FOR SALE OR INVESTMENT

## INVEST IN SYSTEMS & DATA

A buyer will scrutinise the platform you are using. Investment into quality infrastructure and latest technologies, to respond to the evolving demands of clients and to deliver efficient solutions, is becoming more and more vital:

- The business should be underpinned by robust systems which can be scaled or migrated by the eventual buyer to ensure business continuity
- Have you got systems in place to demonstrate compliance with the requirements of the sector where you operate, for example registrations, qualifications, safeguarding checks etc
- Careful consideration should be given as to how data is stored, managed and shared.

## PLAN FOR TAX EFFICIENCY

- You may need to think about the business ownership structure in good time to maximise tax efficiency. This also extends to management incentive and share option schemes
- A review of the existing group structure, systems and processes will minimise tax leakage on a transaction in respect of Corporation Tax, Employment taxes and VAT
- IR35 is a big issue for recruitment businesses, as HMRC is likely to be interested where there is a high turnover in the labour supply chain. Make sure you have addressed the issue and can respond to queries, to inspire confidence that you understand and have met your responsibilities
- The Coronavirus Job Retention Scheme is another area currently being scrutinised, particularly where staff commonly are remunerated with commission payments.

## SHOW OFF YOUR CUSTOMERS

You'll want to demonstrate sustainable, visible earnings that are maintainable.

- Review your commercial arrangements with customers, ensuring there is no significant reliance on any one or two customers
- Buyers will like to see longstanding and well-developed relationships with recurring revenue, underpinned by framework agreements or other contractual obligation where possible - but watch out for change of control provisions
- You may wish to show a financial analysis by key customers, sectors and geographies, temp vs perm - can you extract this information easily?
- Do you have any means of extracting added value from your customer base with additional services? Or does your service have a USP, perhaps from your use of your technology platform, which provides added value, and helps to create a sticky relationship with the customer?

### FIND - AND KEEP - QUALITY PEOPLE

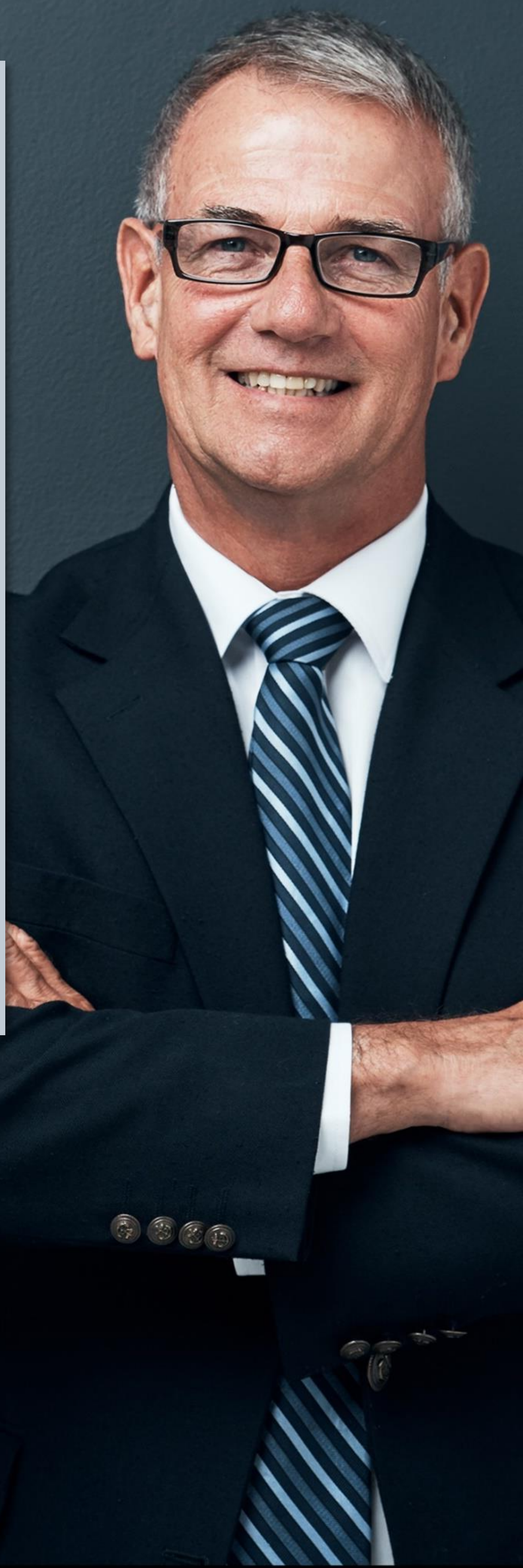
A business needs the right people to help it grow, and recruitment is all about relationships and reputation. Bringing the right team together is important when considering a potential transaction.

- Consider the quality, experience and integrity of the management team, including the strength of the second tier. How will they present to potential investors and buyers?
- Ensure that client relationships are held and managed across the team and not by individuals
- As a people-centred business, particular importance will attach to thinking about the right arrangements to lock in and incentivise key staff.

### CASH GENERATION - SHOW WHAT YOUR BUSINESS CAN DO

Demonstrate the business is achieving targeted and sustainable conversion levels of Net Fee Income to EBITDA:

- Strong cash generation, with profits turning into cash, will often support the overall valuation of the business
- In order to maximise the impact of this, it may be beneficial to manage working capital at least 6 to 12 months prior to a sales process to help increase the overall equity value of your business.



# TAX ISSUES FOR THE RECRUITMENT SECTOR

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## IR35 PRIVATE SECTOR REFORMS – HERE TO STAY

After almost two years since the introduction of the IR35 Private Sector Reforms in April 2022 - notwithstanding the shock of the proposed repeal of the new rules by Kwasi Kwarteng and subsequent reversal of this announcement by the Chancellor Jeremy Hunt - it is now clear that IR35 reforms are fully adopted Government policy.

Through a combination of a targeted education programme, the provision of detailed guidance, and the introduction of the Check Employment Status for Tax ('CEST') tool, HMRC expect businesses to be able to implement these IR35 reforms.

Where it is found there has been a failure to take reasonable care in applying the legislation, HMRC have stated that they will seek penalties in addition to recovering any underpaid tax and NIC.

During 2022 we have seen HMRC activity on IR35 compliance increase, ranging from specific questions on how an organisation has managed the introduction of the new rules, to requesting copies of the IR35 status assessments for Personal Service Company (PSC) workers, to asking for explanations of the process adopted to meet the IR35 obligations and seeking copy invoices relating to the supply of workers.

When you consider this targeted questioning in tandem with the outcome of recent high profile HMRC IR35 enquires, such as DWP and the Home Office (where HMRC successfully challenged the IR35 status applied to PSC workers resulting in large value settlements), it is evident that HMRC are seeking to fulfil their promise to ensure compliance with the IR35 reforms.

The recruitment sector is clearly one which is affected by the IR35 reform rules and so it is to be expected that HMRC will take a keen interest in how all parties in the supply chain of a PSC worker are playing their part in ensuring the rules are being correctly applied.

## ESG GOVERNANCE – DUE DILIGENCE OF THE SUPPLY CHAIN

The actions of businesses are deeply interlinked with environmental, social and governance concerns (ESG). Excelling in these areas is no longer a 'nice to have' and thus, the adoption of ESG frameworks have become integral for an organisation that wants to create and maintain sustainable value.

Recruitment agencies play a key role in the day-to-day operations of businesses. Whether providing temporary or fully outsourced labour, recruitment agencies provide an effective means for sourcing necessary expertise and resources without businesses having to make the costly investments required in order to bring those capabilities or services in-house.

However, working with external recruitment agencies can come with potential risks, ranging from non-HMRC tax compliance to modern slavery concerns, which can result in HMRC enquiries, financial penalties as well as reputational damages.

Under the Governance programme of ESG frameworks, businesses are now implementing and undertaking thorough due diligence exercises on their supply chains to minimise their exposure to financial and reputational risks.

As more and more businesses adopt better corporate governance under the banner of ESG, a recruitment agency will be required to demonstrate its organisation is wholly compliant in order for its clients to proceed with a business partnership.

## HOLIDAY PAY – IMPACT ON RECRUITMENT AGENCIES

A high-profile holiday pay case (Harpur Trust v Brazel) has recently been heard by the Supreme Court, in which an employee-friendly ruling has resulted in part-year workers and zero-hours contract workers being eligible to receive more holiday entitlement.

This ruling will have material implications for recruitment agencies where they have contracts of employment with the workers or engage these individuals via umbrella companies. Government analysis estimates that there are between 80,000 and 200,000 agency workers who may receive more holiday entitlement and holiday pay as a result of the judgement.

How these additional costs will be absorbed will be of most concern to the recruitment sector.

It is widely accepted that the ruling has unwittingly created a disparity in holiday entitlement for part-year workers and part-time workers despite such populations performing the same total number of hours across the year.

The Government is keen to address this inconsistency by introducing legislation that ensures holiday entitlement and pay received by workers is proportionate to the time they spend working.

In response, the Government has issued a consultation in order to better understand the impact of the judgement on different sectors, with a keen focus on recruitment agencies, given their unique contractual arrangements.

Whilst the consultation will be welcomed by recruitment agencies, until the consultation's proposed changes are enacted, businesses should be applying the decision of Brazel in calculating holiday entitlement and holiday pay.

Businesses who engage workers via umbrella companies or agencies will now be facing additional costs, and will be considering the way in which those individuals are engaged and whether current contractual arrangements allow for recruitment agencies to pass on the costs relating to this change.

# 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. |
| **Open Up Group Inc. (TSE:2154)** | Open Up Group Inc. engages in engineer dispatching, subcontracting, outsourcing, and recruiting business for the construction management, manufacturing, machinery, electronics, and IT software fields in Japan and internationally. |
| **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. |
| **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 | NET DEBT | EV | REVENUE | EBITDA | EV/REVENUE | EV/EBITDA |
|---|---|---|---|---|---|---|
| 6,113.7 | 503.3 | 9,525.5 | 24,916.3 | 920.7 | 0.4x | 8.8x |
| 4,441.1 | 567.8 | 5,371.4 | 4,484.5 | 501.5 | 1.2x | 10.0x |
| 33.7 | 26.2 | 61.5 | 319.7 | 12.9 | 0.2x | 3.2x |
| 28.8 | (15.3) | 13.5 | 499.1 | 1.4 | 0.0x | 4.1x |
| 2,502.5 | (137.5) | 2,365.0 | 8,152.9 | 288.2 | 0.3x | 6.9x |
| 373.4 | 39.0 | 369.0 | 3,033.9 | 44.9 | 0.1x | 6.9x |
| 667.9 | (30.7) | 615.6 | 4,981.9 | 110.2 | 0.1x | 4.2x |
| 4,471.3 | 656.3 | 5,163.8 | 20,400.6 | 773.2 | 0.3x | 5.6x |
| 1,282.8 | (90.3) | 1,203.7 | 1,094.4 | 114.8 | 1.1x | 10.4x |
| 1,785.9 | (63.9) | 1,743.1 | 2,294.8 | 291.0 | 0.8x | 5.2x |
| 463.1 | (74.5) | 442.7 | 1,288.2 | 76.0 | 0.3x | 4.7x |
| 66.9 | (2.8) | 81.8 | 1,150.7 | 17.3 | 0.1x | 4.7x |
| 682.9 | (27.8) | 661.6 | 1,841.0 | 106.6 | 0.4x | 5.4x |

# SELECTION OF RECENT DEALS

| DATE | TARGET | BIDDER |
|---|---|---|
| Jan-22 | Oliver James Associates Ltd | Soho Square Advisors LLP |
| Feb-22 | Nigel Wright Consultancy Limited | Existing Management |
| Mar-22 | HeyJobs GmbH | CREATHOR VENTURE Management GmbH; Notion Capital Partners LLP; Digitalplus GmbH; FMZ Ventures |
| Mar-22 | Candidate.ID Limited | iCIMS, Inc. |
| Apr-22 | LHi Group Ltd (80% Stake) | Employees |
| Apr-22 | Orovia Group Ltd | TES Global Holdings Limited |
| May-22 | TestGorilla B.V. | Balderton Capital (UK) LLP; Atomico; Notion Capital Partners LLP |
| Jun-22 | Multiverse Group Ltd (12.94% Stake) | General Catalyst; Lightspeed Venture Partners; StepStone Group Inc.; GV Management Company LLC; Founders Circle Capital LP; D1 Capital Partners L.P.; Bond; Audacious Ventures; Index Ventures SA |
| Jul-22 | SourceBreaker Ltd | Bullhorn, Inc. |
| Aug-22 | Concept Resourcing Limited | Aliter Capital LLP |
| Aug-22 | Skills Alliance (Pharma) Limited | Palatine Private Equity LLP |
| Sep-22 | Rocket Software Support Ltd | Recruso Holdings Ltd |
| Oct-22 | Encore Personnel Services Limited | Gi Group SpA |
| Oct-22 | Barrington James Limited | Orangewood Partners LLC |
| Dec-22 | R2 Group B.V. | Gravitas Recruitment Group Limited |
| Dec-22 | Verita Solutions OU | Gi Group SpA |
| Dec-22 | YER Nederland B.V. | Inflexion Private Equity Partners LLP |

| INDUSTRY CLASSIFICATION | TARGET BUSINESS DESCRIPTION |
|---|---|
| Private Equity | Recruitment and consulting provider. |
| MBO | UK-based recruitment and management consulting firm. |
| Private Equity | Germany-based provider of a recruitment technology platform. |
| Trade | UK-based company engaged in providing Talent Pipeline Software for agencies. |
| EOT | Provider of staffing and recruiting services. |
| Trade | Software-Computers, A budget planning, payroll and HR software for education. |
| Private Equity | Netherlands-based provider of pre-employment assessment platform. |
| Private Equity | UK-based provider of online service for apprenticeship opportunities and training. |
| Trade | Provider of search and match solutions. |
| Private Equity | UK-based specialist IT, engineering and public-sector recruitment consultancy. |
| Private Equity | UK-based life sciences and medical technology recruitment specialist. |
| Trade | Software-Computer, Traditional & Other. Provider of Recruitment software. |
| Trade | UK-based recruitment company. |
| Private Equity | UK-based recruitment firm specialised in the pharmaceutical, biotechnology and medical device sectors. |
| Trade | IT-recruitment company. |
| Trade | Provider of personnel hiring and selection services. |
| Private Equity | Netherlands-based specialist secondment and recruiting agency. |

*Source: BDO Analysis*

# BDO MERGERS & ACQUISITIONS
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### BDO UK

**18** OFFICES
**430** PARTNERS
**7,070** STAFF

**95%** OF OUR CLIENTS WOULD RECOMMEND US[1]

**2021/2022** RESULTS:
REVENUES[2] UP **11%** TO **£809m**

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


### BDO CORPORATE FINANCE UK

**362** COMPLETED DEALS IN 2022
WITH A TOTAL DEAL VALUE OF **£31.2bn**

**67%** PRIVATE EQUITY DEAL INVOLVEMENT

**54%** OF OUR DEALS ARE CROSS BORDER

**ONE** OF UK'S MOST ACTIVE ADVISERS*

AN **AWARD WINNING** CORPORATE FINANCE BUSINESS

**300** CORPORATE FINANCE PROFESSIONALS IN THE UK

* #1 Financial Due Diligence provider in the UK and Ireland – Mergermarket UK account league tables by volume 2022
#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 2022

# BDO GLOBAL

## BDO INTERNATIONAL

**US$12.8 billion** 2021/2022 REVENUE
A YEAR ON YEAR INCREASE OF **12%** [1]

**164** Countries

**1,800** Offices
**111,300** Staff

1. At constant exchange rate.
All numbers have been updated as of 30 September 2022.

## BDO GLOBAL CORPORATE FINANCE

**2,095** COMPLETED DEALS IN 2022
WITH A TOTAL DEAL VALUE OF **$114.6bn**

**38%** 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 Financial Advisor Globally by volume – Factset league tables 2022
1st most active Advisor & Accountant Globally 2021 – Pitchbook league tables 2021
2nd leading Financial Due Diligence provider Globally – Mergermarket global accountant league tables 2022

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