



Recruitment sector

Review of M&A activity in 2021

Saffery Champness

C O R P O R A T E F I N A N C E

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Transaction volumes



It has been a strong year for M&A with an increase in deal volumes compared to 2020.

There were **92 transactions** involving UK recruitment companies during 2021. This represents **an increase on the 87 deals completed in the 12 months to 31 December 2020**, primarily driven by increased confidence and pent-up demand following the initial shock to the economy of the Coronavirus pandemic.

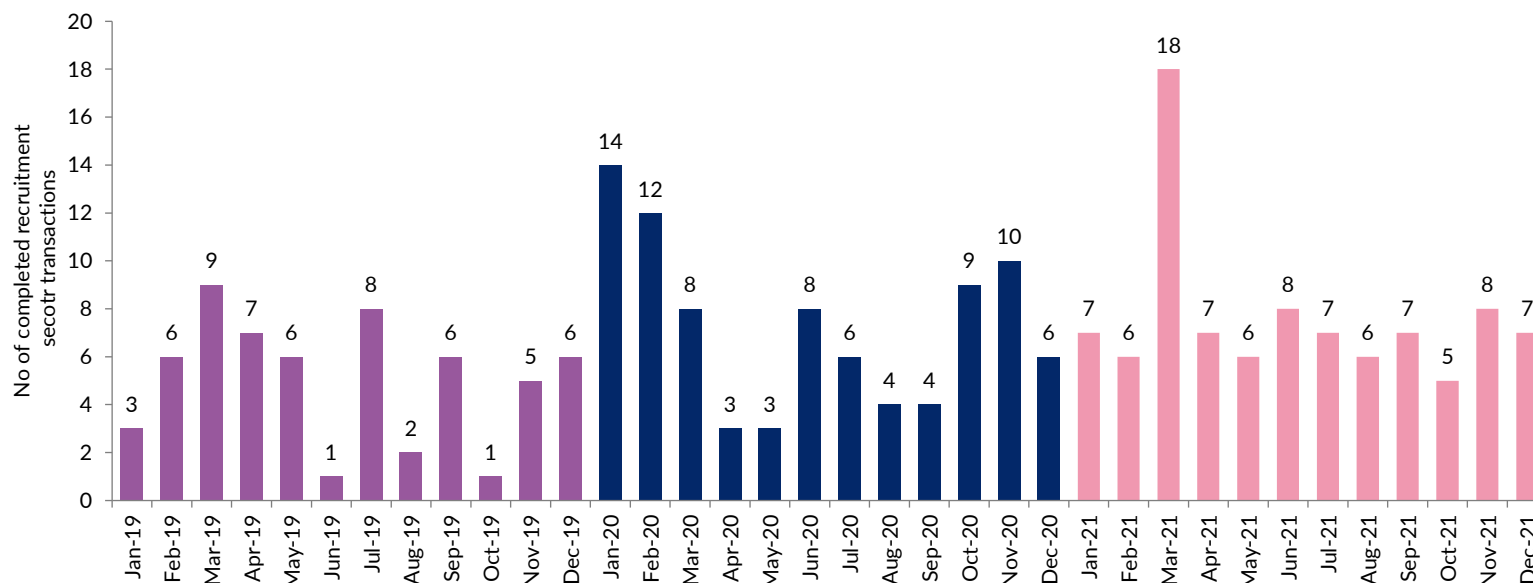
The healthcare sector recovered well in 2021 following a decline in corporate M&A in 2020; the IT, technology and digital sector also reported strong growth in deal numbers.

The number of monthly completed transactions peaked in March 2021, driven by the anticipated, but ultimately not enacted increases in UK capital gains rates.

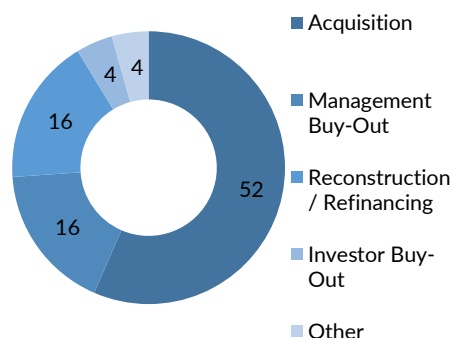
Of the 92 transactions identified, 27% involved **private equity backed acquirers** (21% in 2020).

Deal volumes in the last six months of 2021 were marginally higher in comparison to the last six months of the previous year (40 in 2021 vs 39 in 2020).

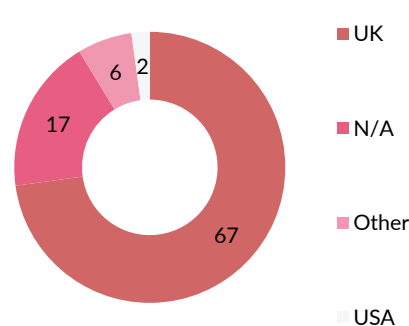
Summary of historic monthly transaction volumes



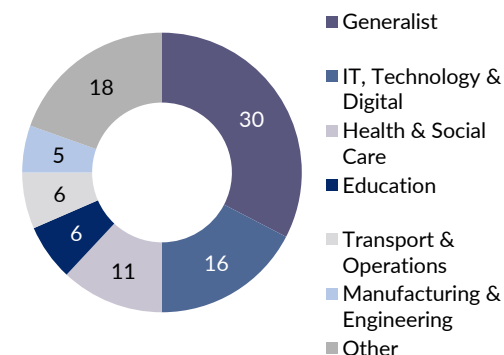
Transactions by type



Bidding entity by location



Target entity by sector focus

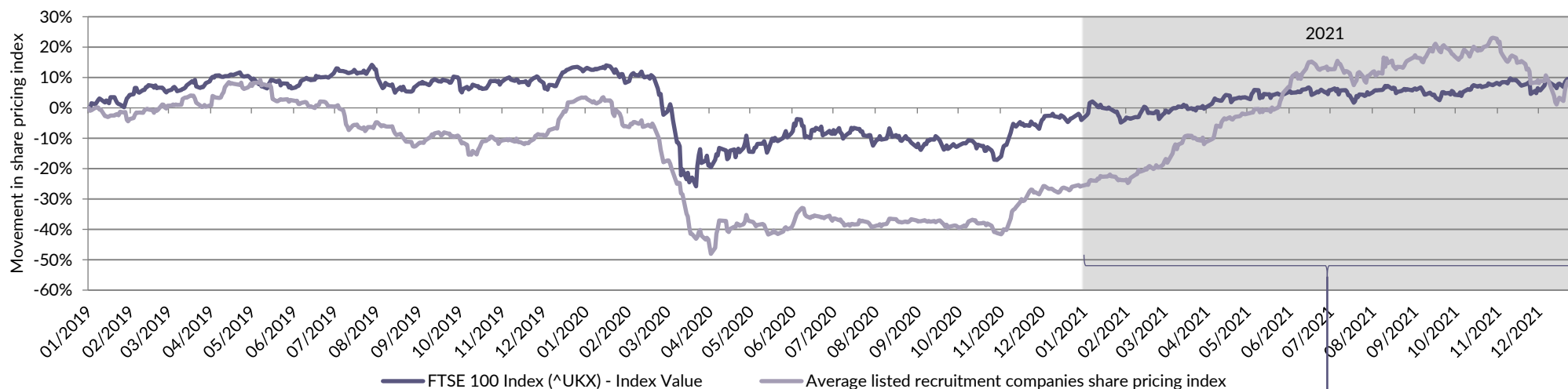


Listed company market valuations



Average share prices of key listed recruitment companies outperformed the FTSE All Share Index by nearly two times.

Monthly share price movements in listed recruitment companies versus the FTSE 100 index



Commentary

- Share prices in the recruitment sector have appreciated significantly over the past 12 months (c.32.6%) and outperformed the FTSE All Share Index by nearly two times.
- This was largely due to an increase in employment mobility after a period of suppressed activity during the worst of the Covid-19 pandemic, along with UK government efforts to improve employment rates in the UK.
- Despite this, share prices of key listed recruitment companies declined in the November and December 2021 compared to an increase in the FTSE All Share Index. This was mainly due to limitations in the supply of overseas candidates, amongst other company specific factors.

Movements in share prices from 2019 to 2021

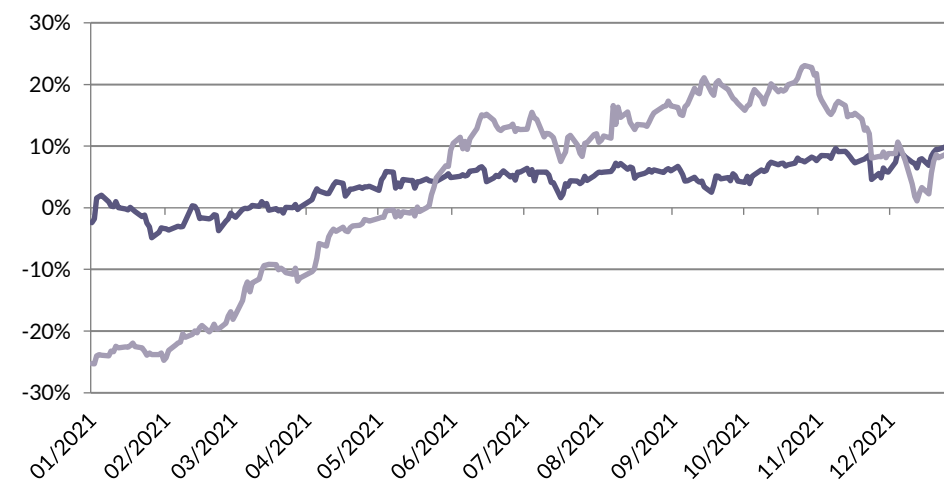
	June '20	Dec '21	24mths	36mths
Saffery Index*	-5.6%	32.6%	3.5%	6.8%
FTSE All Share Index	5.2%	13.7%	-2.3%	9.7%

* - UK listed recruitment companies

Source: Capital IQ

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A closer look at 2021...

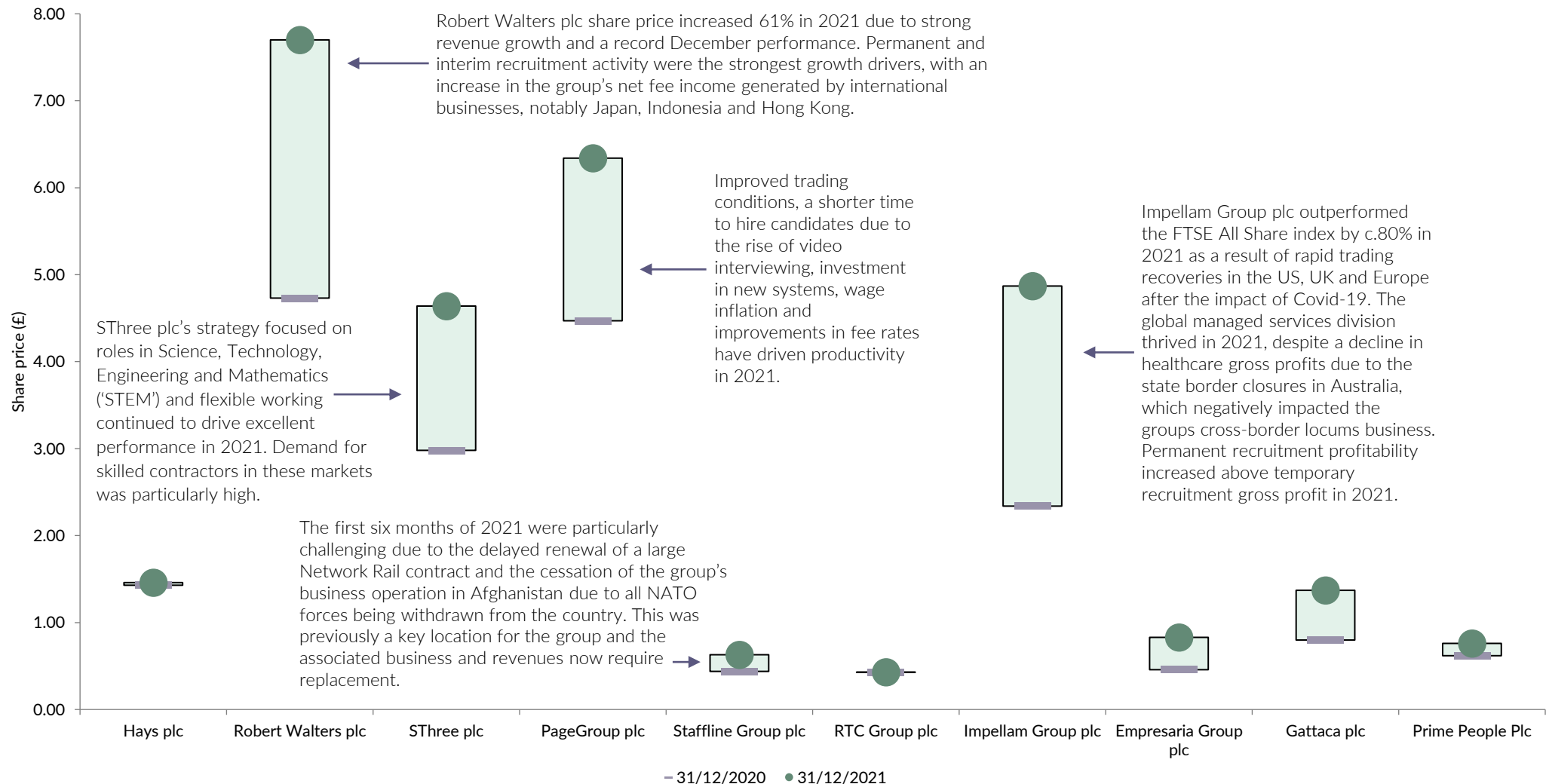


Listed company share price movements



The general upward trend in UK listed recruitment company share prices was primarily driven by the improvement in underlying economic conditions.

Share price movements – 12 months to December 2021



Source: Capital IQ

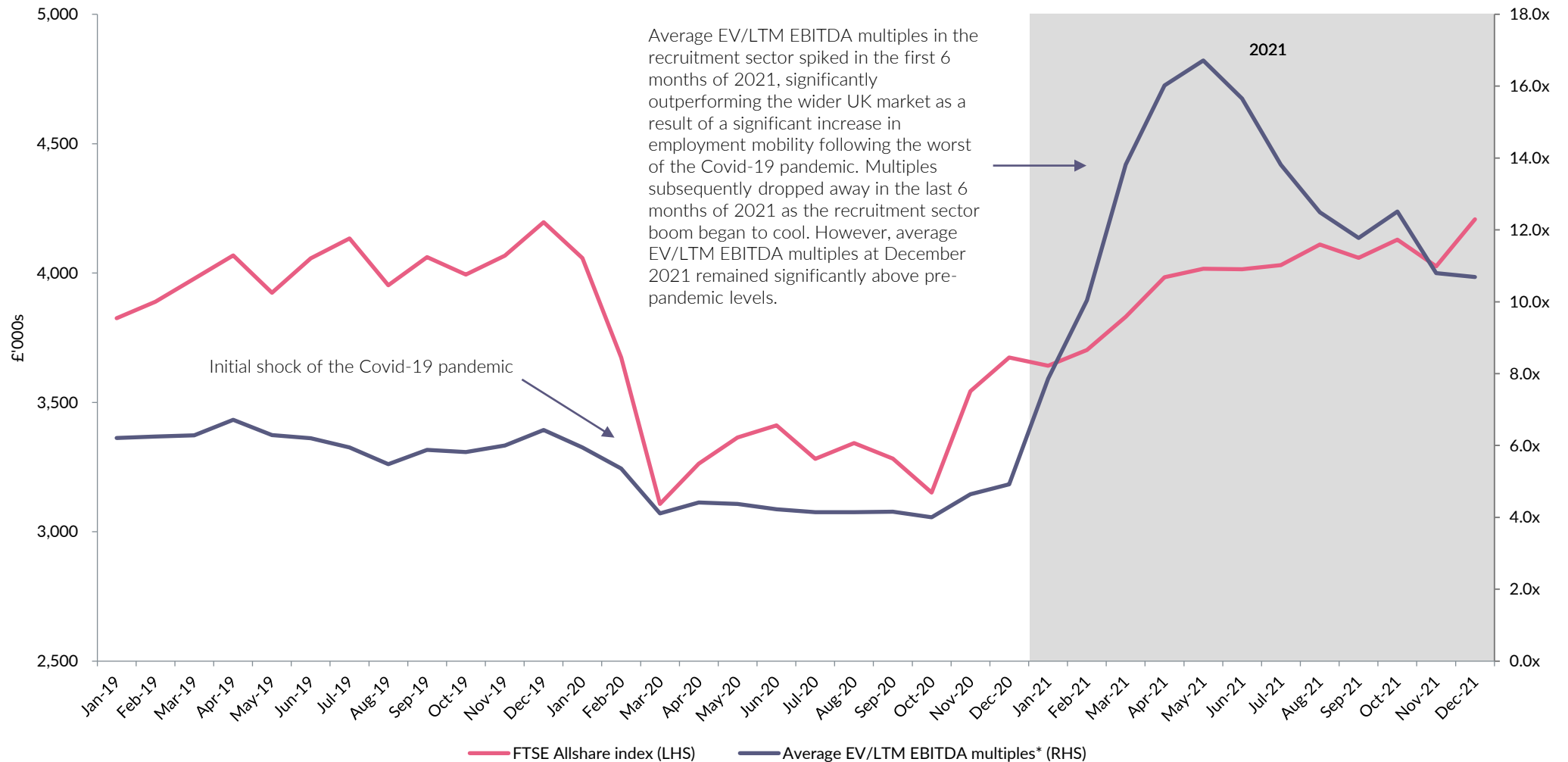
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Listed company multiple movements



Multiples bounced back amongst key listed companies in the sector, finishing higher than pre-pandemic levels.

Summary of multiple movements – UK listed recruitment companies



* - EV/LTM EBITDA multiple data for RTC Group plc excluded as outlier from August 2020 to July 2021.

Source: Capital IQ

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Transaction highlights



Target	Date completed	Transaction type	Sector	recent revenue (£000)	Most recent YOY EBITDA growth	Most recent gross assets (£000)	Acquiring entity	Description
Ridgeway Partners Ltd	Jan-21	Acquisition	General	7,572	n/a	4,232	Teneo Holdings LLC	Teneo Holdings LLC, USA, a provider of corporate advisory services, acquired Ridgeway Partners Ltd, London, England, an advisory firm specialising in executive search, board appointments and succession planning for a wide range of companies around the world.
CHS Healthcare Holdings Ltd	Feb-21	Acquisition	Health & social care	20,471	95%	14,923	Acacium Group Ltd	Acacium Group Ltd, London, England, a provider of healthcare staffing and recruitment services, acquired CHS Healthcare Holdings Ltd, Sutton Coldfield, West Midlands, England, operator of a service providing company to national health care (NHS) services.
Care 24-7 Ltd	Feb-21	Acquisition	Health & social care	n/a	n/a	153	CPL Resources Plc	CPL Resources Plc, Dublin 2, Ireland, which provides online recruitment services, a division of Outsourcing Inc, Tokyo, Japan, provider of manufacturing outsourcing services, acquired Care 24-7 Ltd, Shipley, West Yorkshire, England, specialises in home care services.
Bromak Ltd	May-21	Acquisition	Construction	11,205	n/a	586	Fawkes & Reece Ltd	Fawkes & Reece Ltd, London, a company that provides recruitment services, acquired Bromak Ltd, Greater Manchester, England, a provider of recruitment services, from Symes Brooks Holdings Ltd, Greater Manchester, England, a provider of recruitment services. Consideration £ 1.65 million.
Buzzhire Ltd	Mar-21	Acquisition	Retail & hospitality	n/a	n/a	127	Winward Holdings Ltd	Winward Holdings Ltd, Manchester, England, a subsidiary of Berry Recruitment Ltd, St Albans, England, provider of recruitment services, acquired Buzzhire Ltd, London, operator of an on-demand temporary staffing platform.
RP International Ltd	Nov-21	Acquisition	IT, Technology & Digital	36,309	39%	8,147	MCG Group Holdings Ltd	The MCG Group Holdings Ltd, Hertfordshire, England, acquired RP International Ltd, London, England, a specialist in the supply of professional staff, focusing on high quality specialist contractors and senior executives in the technology sector.
Energize Recruitment Solutions Ltd	Sep-21	Management Buy-Out	IT, Technology & Digital	n/a	n/a	2,825	ERS Newco Group Ltd	ERS Newco Group Ltd, Manchester, England, acquired Energize Recruitment Solutions Ltd, Manchester, provider of permanent and contract staffing services in the digital and technology sector. Consideration £ 2.15 million. Caple provided mezzanine financing in support of the deal.
Meet Recruitment Ltd	Sep-21	Management Buy-Out	Health & social care	13,996	-52%	3,104	Private Group led by Hannah Donaldson	Management buy-out of Meet Recruitment Ltd, London, a provider of recruitment services in the life sciences sector. Private equity firm NorthEdge backed the primary management buyout, whilst HSBC provided debt facilities to support the deal.

Source: Capital IQ & Market IQ

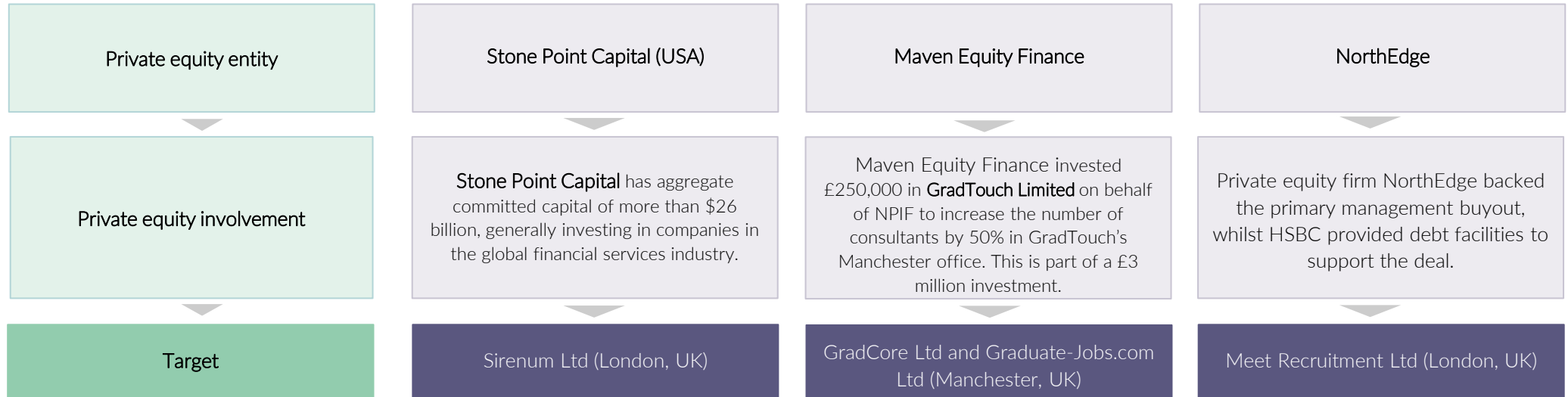
n/a = not available

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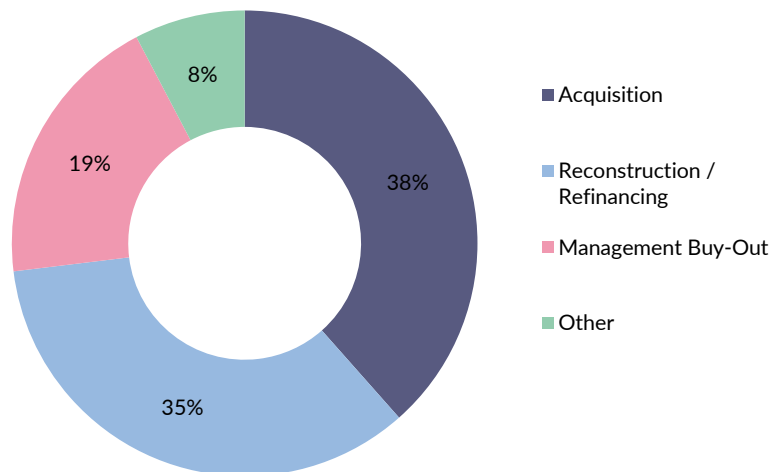
Private equity in recruitment



Examples of some 2021 deals with private equity involvement



Private Equity appetite - by transaction type in 12m to 31 December 2021



- The proportion of recruitment sector transactions which involved private equity increased throughout 2021, as investors looked to utilise record levels of available funds in what became a very buoyant industry in the last 6 months of the year.
- Based on the deals identified, sector specialism was a key driver for investment activity throughout 2021, particularly in the healthcare and IT, technology and digital sectors. We expect this trend to continue into 2022.

Source: Capital IQ

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Cross border activity



Headline view

- In line with the wider UK M&A market, cross-border M&A activity in the recruitment sector involving UK companies peaked in the second half of 2021.

Key drivers

- To attract diverse and flexible labour, firms have needed to strengthen the attractiveness of being considered a great place to work. Having strong diversity and inclusion credentials is one example of this, and has been a driver of M&A activity in 2021. In January 2021, US-based CEO advisory firm Teneo acquired Ridgeway Partners, a London-based executive search firm with very strong diversity and inclusion credentials.
- The increase in National Living Wage over the past few years and the uncertainty caused by Brexit also contributed to the markets' general preference towards more flexible workforces. The UK healthcare sector is expected to require additional temporary employees for at least the next five years, supported by NHS England's funding increase of £20.5 billion in 2023/24 (Source: Nick Simpson, CEO and Founder of MSI Group (April 2021)). This provides large potential opportunity for M&A in the healthcare sector in the near future as a solution to help staffing demands across borders. A case in point is the acquisition of Field Health Ltd, a London based nurse recruiting business, by US-based Premier Healthcare Professionals, who commented the deal would provide a solution to help US hospitals with their critical nurse staffing needs.
- Throughout 2021 companies have also been seen to expand in the US, East Asia, the Middle East and certain European territories, and there has been an increase in refinancing activity to raise funds for potential future acquisitions. Hays plc, The MCG Group, Intrepid Owls Ltd and GradTouch are all recent examples.
- There has also been specific interest by Japanese businesses, where domestic growth is flat, which desire higher returns for faster growing markets, such as in the UK and Ireland. In Q4 2020, Outsourcing Inc, the third-largest staffing firm in Japan, announced that it had agreed to acquire Irish recruitment firm CPL Resources to help expand its scale in the European market.



Source: Mark2Market

Recent recruitment deals we have worked on



Recent recruitment deals include:



Buy-side financial and tax due diligence services to support McGinley's acquisition of StaffAid Limited, a Lincoln-based healthcare recruitment agency.



Buy-side financial and tax due diligence to support Hitchenor Wakeford Limited's acquisition of a controlling interest in UK digital recruitment agency Zebra People.



Buy-side financial and tax due diligence to support McGinley's acquisition of Creative Personnel, a London-based technology recruitment agency.

ridgewaypartners



Buy-side financial and tax due diligence to support provision of debt financing from Shawbrook Bank to Ridgeway Partners.



Buy-side financial and tax due diligence services to support McGinley's acquisition of the Jenrick Group, a recruitment specialist of personnel to the technology, engineering and commercial industries.

Key team members



Niraj Patel
Head of Corporate
Finance
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Niraj is the head of the Corporate Finance Team at Saffery Champness and handles a variety of corporate finance assignments, including transaction support, covering a broad range of sectors. Transaction size will typically be between £5 million and £25 million and usually involves working with owner managed businesses.

Niraj has considerable experience in advising clients on a range of transaction support and advisory assignments, including financial due diligence, AIM admissions and pre-lending reviews for banks.

Niraj has worked with clients across a range of sectors and also has experience in cross-border transactions, working closely with our Nexia International associates.



Jamie Cassell
Head of Recruitment
Sector Group
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Jamie is the Head of the Recruitment Sector Group. Throughout his career, he has worked with highly skilled entrepreneurs of owner managed businesses, as well as venture capital and private equity backed companies, international groups and AIM listed companies.

He has experience of dealing with a wide range of UK GAAP/US GAAP and IFRS technical issues, as well as assisting on acquisitions and disposals of businesses through transactional support services.

Jamie's clients have come from a wide range of sectors that include technology, media and telecoms, manufacturing, retail and recruitment. A number of his clients have been in the technology sector, where he has helped companies grow from start-ups to strong established businesses.



Seb Cartwright
Director
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Seb is a Director in the firm's Corporate Finance team in London and joined the firm in 2013. Seb has worked on a variety of due diligence assignments across a range of sectors, both UK and overseas.

Whilst his role primarily includes the provision of various due diligence services and reporting accountant services, he also has experience in valuations and the provision of SPA advisory services.

Seb is also experienced in financial modelling and can assist with business forecasting and modelling scenarios such as business plan creation, cash flow forecasting and sensitivity development for existing projections.

“

They always do what they are meant to do in a timely fashion, and in a professional way, without any mistakes. I find them very good to work with and to get on with.

”

Quote taken from a client during our firm's recent Client Satisfaction Review

Why use Saffery Champness Corporate Finance?

Time

Undertaking a transaction requires a significant amount of time, energy and resources.

Our involvement reduces the demands on management and minimises disruption to the day-to-day activities of the business. Addressing these demands up front avoids undue delays to the process.

Tailored and issue-focussed

We understand the requirements of the different stakeholders in an acquisition process and tailor our scope, approach and deliverables with these in mind.

Our approach identifies and focuses on the key areas of risk / interest and concern from the outset to address any red flags and validate your investment case early in the process.

Reputation

Saffery Champness is a top 20 full service accountancy practice with nine offices across the UK and part of a global accountancy group with 667 offices across 115 countries.

We are dedicated experts in providing transaction support, well-known in the marketplace and have significant experience in the recruitment sector. We advice recruitment clients with a combined turnover of over £3 billion.

Value

We are experts in identifying and providing analysis to support the factors that are key to your investment case and business valuation.

Focussing on valuation drivers from the outset gives you comfort over the equity story and identifies issues early in the process ensuring they can be addressed through timely negotiation and / or captured in completion mechanics.

Collaboration and communication

Our approach is collaborative, including regular communication with you to assess issues as they develop and refine our work to ensure we deliver what you need.

We both feed into, and leverage from, other workstreams such as drafting of the SPA, legal / commercial due diligence and financial modelling to maximise transaction efficiency wherever possible.

Partner led

We offer a genuinely partner-led service, supported by the knowledge of experts drawn from throughout the firm.

Our partners are involved in all aspects of our approach, from planning and scoping through to the detailed analysis and presentation of our findings... this ensures all issues are addressed efficiently and effectively throughout the transaction process.

“

They always do what they are meant to do in a timely fashion, and in a professional way, without any mistakes. I find them very good to work with and to get on with.

”

Quote taken from a client during our firm's recent Client Satisfaction Review

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