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2025 Recruitment M&A Annual Report

February 2025



Introduction	3
UK recruitment market: 2024 overview	4
UK recruitment market: Unemployment vs job vacancy	5
UK recruitment market: Business confidence	6
UK recruitment market: Capital markets	7
Deal overview	9
M&A activity	10
Recruitment industry insights: Navigating complex times	14
Recruitment market survey	16
Navigating liquidity challenges	17
Employment tax	18
Listed recruitment companies	20
Selection of UK recent deals	22
BDO mergers and acquisitions	26

Highlights

UK DEALS **UP 49%** WITH A TOTAL OF **104 DEALS** COMPLETED

BDO FTSE RECRUITMENT INDEX MARKET CAP DOWN 27% IN 2024

UK RECRUITMENT REVENUE RECORDED AT **£22.4bn**

ANNUAL COMPOUND GROWTH OF FORECAST OVER THE **3.7% NEXT SIX YEARS**

AVERAGE EV/EBITDA **6.6x** MULTIPLE IN 2024

SUSTAINED INVESTMENT ACTIVITY WITH **PE ACCOUNTING** FOR **29%** OF ALL UK DEALS

Introduction

M&A in the recruitment sector



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Welcome to the 2025 edition of our annual M&A recruitment report.

It's safe to say 2024 was an eventful year not only for the recruitment industry but for UK businesses across the board. The formation of a new Government in June followed by The Autumn Statement has sent businesses scrambling for solutions to manage rising costs.

The recruitment industry has been particularly badly hit by the announcement of higher National Insurance costs and a much lower threshold on contributions with many companies choosing to freeze hiring. This coupled with wider global economic uncertainties such as conflicts in the Middle East and Ukraine, alongside a new US presidency and prospect of new trading arrangements to navigate, are having an adverse impact upon overall business confidence.

Despite economic challenges, we saw significant M&A activity in 2024 with deal volume growing by 49% compared to 2023. In total, we recorded 104 deals, the majority of which (62%) were trade led although equity investors were still very much present investing in 30 deals in 2024 compared to 24 deals in 2023.

Unsurprisingly, deals in the recruitment platform/software space made up almost a quarter of deal volume. The use of AI and other technologies is becoming increasingly the norm in the recruitment process, and we expect to see this trend continue to grow with both private equity and strategic trade players seeking high quality targets. In preparation for this report, we asked our readers how impactful they thought Automation and AI would be on the recruitment industry in 2025 and one third responded 'high'.

In this edition, Sam Seerha, a Director in our People Advisory team talks about the importance of AI and Technology for the industry in addition to providing information on how recruitment firms can navigate these challenging times through diversifying solutions and finding new ways of working. Sam stresses the importance of building long term relationships with clients and providing a diverse service offering to address client needs.

The proposal from the Autumn Statement concerning umbrella companies will undoubtedly have a significant impact on the sector. This proposal plans to make agencies liable for unpaid PAYE/NIC in cases where the agency has engaged with an umbrella company who are not compliant with their payroll obligations.

Rob Woodward from BDO's Employment Tax Team considers the implications of this proposal for the industry as we eagerly await an update from the Government.

From an economic standpoint there has been a steadying of the ship as the Bank of England base rate remained relatively flat during 2024. This contrasts with 2023 where we saw significant increases as the base rate moved from 1.75% to 5.25% to try to bring inflation under control. At the time of writing, GDP growth is predicted to rise to 1.6% (from 2025 to 2029) boosted by an increase in public spending. All these factors, although modest, provide more favourable economic conditions for businesses to grow and succeed.

Despite the improving outlook we're cognisant that many agencies continue to grapple with tough underlying economic conditions; as such we've invited commentary from Glyn Maisey in BDO's Special Situation M&A team to offer some practical tips for managing liquidity to set businesses up for future success.

Looking ahead to 2025, we expect to see positive movements in the sector which builds on M&A activity we've seen during the last 12 months. The persistent low growth environment in the UK continues to provide a stimulus for agency Directors to seek new opportunities, whether this be overseas as evident within the recent M&A activity or identifying new sectors and/or markets to re-focus efforts. Recruiters will need to be agile and work closely with their clients to deliver diverse solutions, leveraging an ever-increasing array of technology to support strategic decisions and push the sector forward.

UK recruitment market

2024 overview

The market

Following the wake of the Covid-19 pandemic, the UK experienced a record number of job vacancies which was subsequently followed by a hiring slow-down in 2023-2024. Data for 2024 is more comparable with, albeit remains slightly higher than, pre-Covid vacancy numbers, averaging 767 vacancies/month (2019: 734).

The market remains challenging for many agencies, candidates are reluctant to move amongst economic uncertainty and we continue to see a reduction in the number of permanent positions.

A change of government followed by an Autumn Budget in 2024 has

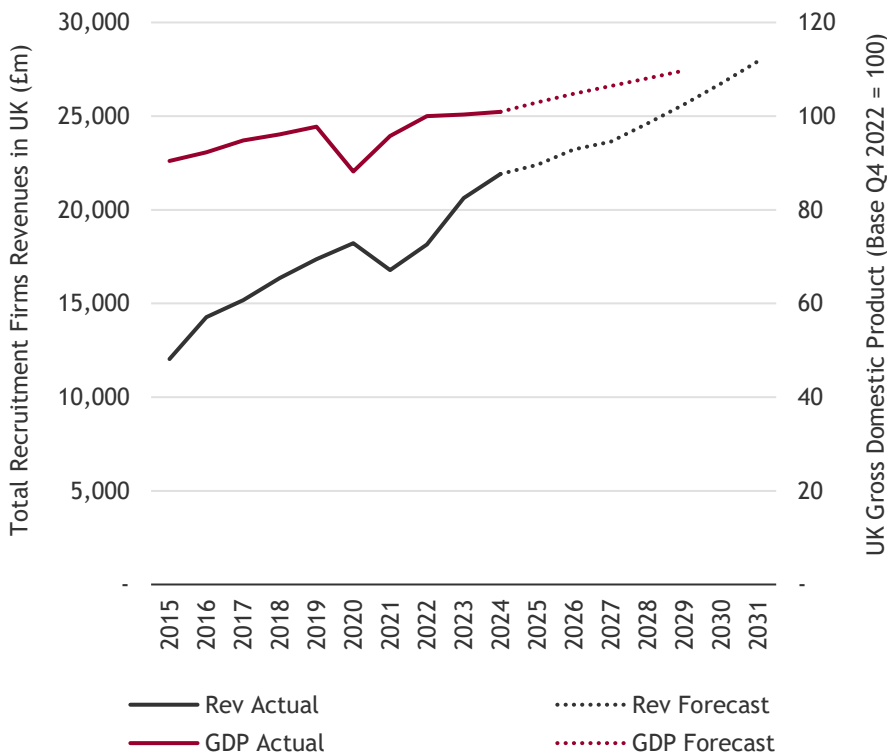
heavily impacted the sector, especially due to the rise in employee national insurance contributions forcing many businesses to find ways to save on costs.

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

The recruitment market generated £22.4bn in 2024 and is forecast to grow to £28.0bn in 2030 representing a 3.7% six-year CAGR. Despite recent challenges, the outlook is currently optimistic.

This compares to GDP growth which is anticipated to be more modest during a similar period, with forecast CAGR of 1.6% between 2025-2029.

Figure 1: UK industry revenue (2015-2024) with forecast (2025-2031)



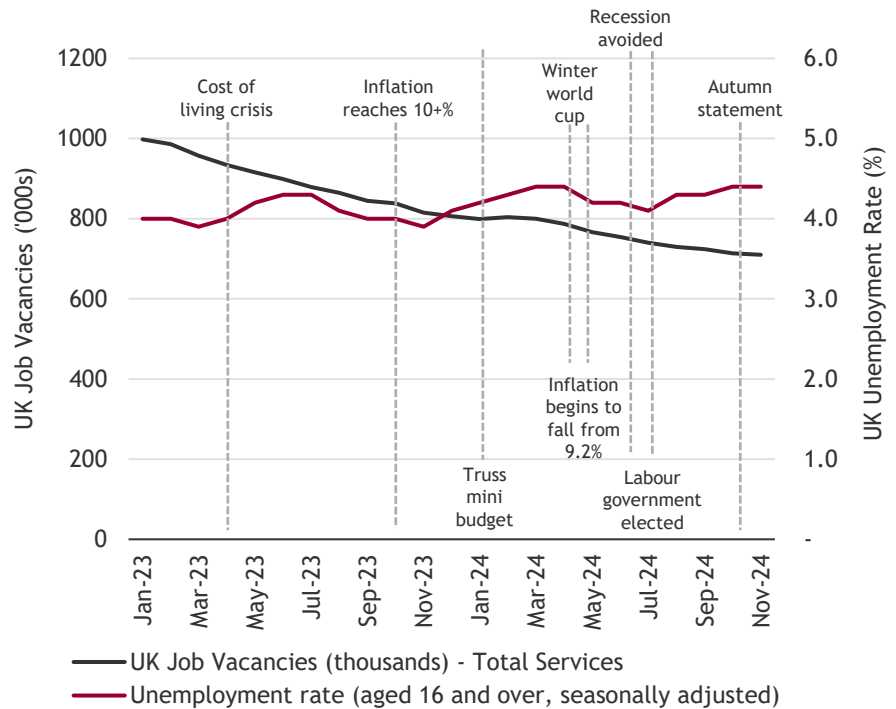
Source: IBISWorld 2024, ONS 2024, OBR 2024



UK recruitment market

Unemployment vs job vacancy

Figure 2: UK unemployment and job vacancies timeline (2023-2024)



Source: ONS 2024, BDO analysis

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

Key metrics include:

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

Since Jan 2023, we have seen a consistent decline in the number of job vacancies starting at 998,000 for the month of Jan 2023 and ending at 710,000 in Nov 2024, a 29% decrease over this period.

Several major economic and political events in recent years have resulted in high inflation and economic uncertainty, impacting upon business confidence and willingness to invest for the future.

Latest unemployment figures stand at 4.4% for the quarter to Nov 2024. This is slightly up from 4.3% in the previous two quarters and driven by an increase in individuals unemployed for up to 12 months. This analysis however only represents a small part of the approx. 11m working-age people who are currently 'inactive'.

The recent changes in government policy are likely to hit employment rates and wage growth as we progress through 2025, potentially deterring businesses from creating new jobs due to increased cost pressures and shunting wage growth. Businesses employing large numbers of lower-paid workers such as those in retail and hospitality are likely to be most impacted by these changes.

UK recruitment market

Business confidence

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.

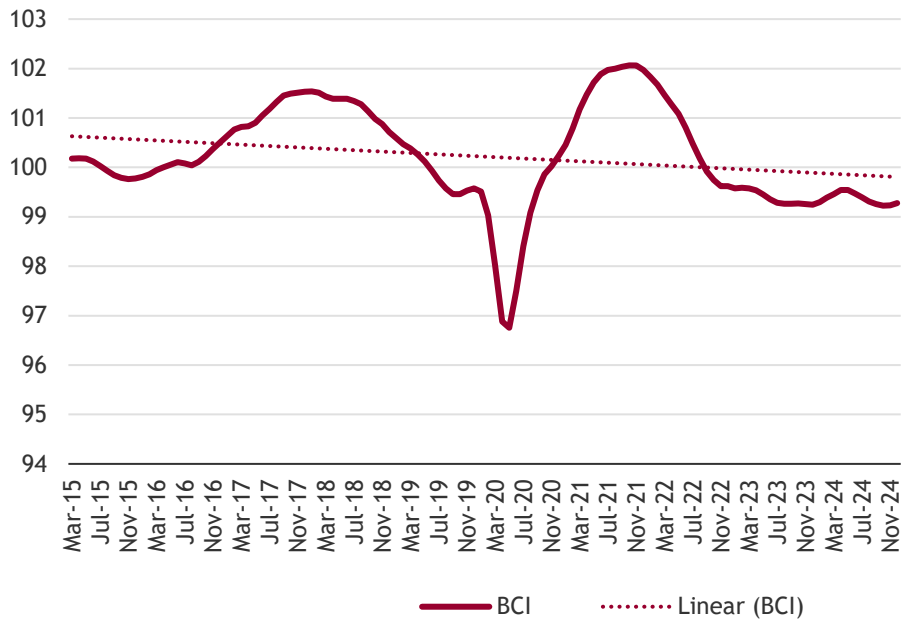
When business confidence is high, businesses are more likely to make investment in staffing in order to pursue their growth plans.

Figure 3 presents an overview of the Business Confidence Index in the UK, an economic indicator produced by global policy forum the OECD, based upon opinion surveys, developments in production, orders, and stocks of finished goods. Numbers above 100 suggest an increased confidence whilst numbers below 100 indicate pessimism towards future performance.

Looking back over ten years, business confidence has been on a downward trend, with a spike in confidence post-pandemic perhaps blurring the underlying trend across the UK economy. Towards the end of 2022, business confidence began to fall once again. In 2023, confidence temporarily improved as the UK avoided a recession in the first nine months of the year and a degree of optimism started to return to the economy.

In 2024, after a slight improvement at the beginning of the year, we see a short decline in confidence coinciding with the General Election and Autumn Budget. November and December saw very small positive shifts upwards.

Figure 3: UK Business Confidence Index (BCI)



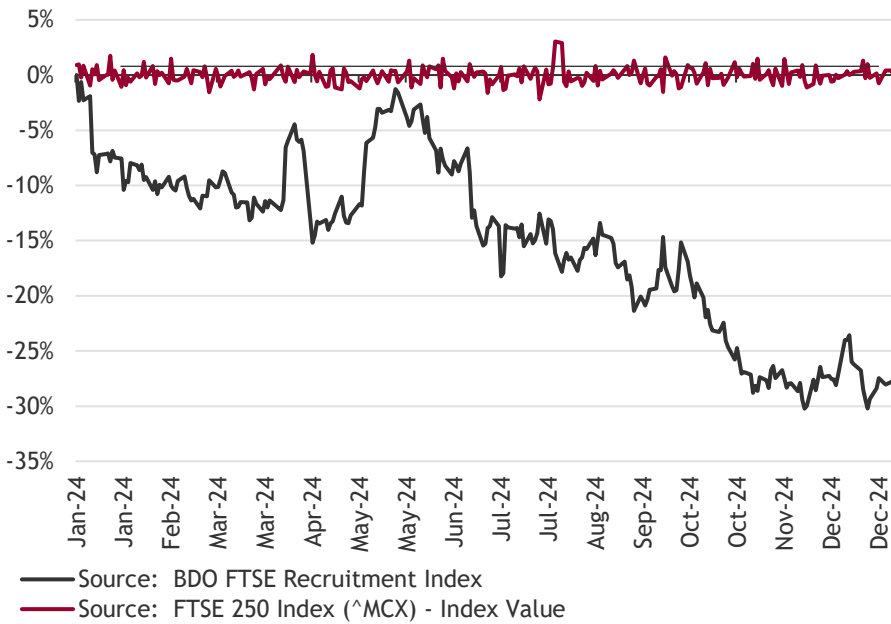
Source: OECD 2024



UK recruitment market

Capital markets

Figure 4: BDO Recruitment FTSE Index vs FTSE 250 Index



Source: CapIQ 2024, BDO analysis

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

Whilst the FTSE 250 Index remained relatively stable over 2024, we see the BDO Recruitment FTSE Index in comparison has shown a significant continued decline with a low of -30.22% in Dec 2024. This particular low point coincided with a FY24 trading update from STThree but the index decline can be seen throughout the year. Although the index started to pick up in April/May time, the announcement of a general election was enough to set it back and the index was unable to recover throughout the year.

Hays has since announced a 12% fall in fees in the final quarter alongside PageGroup who announced a 13% decline in growth profit in Q4 2024 compared with the same quarter in the prior year. Robert Walters equally reported a 14% drop in net fee income in Q4 2024 compared to Q4 2023.

Financial and political upheaval in markets including France, Germany and the UK has led businesses to cut back on hiring and has led candidates to hold back on changing jobs.





Deal overview

UK M&A recruitment deals

2024 continued to provide a challenging economic environment for the recruitment M&A market, however, deal volumes grew by 49% compared with 2023 with appetite for high quality assets returning in both the UK and overseas markets.

A summary of key trends within the recruitment M&A deals market during 2024

There has been a stark increase in the number of Executive Search deals in 2024 across the UK and international markets with 17 deals completing representing c.16% of all deal activity. Generally, assets in this space attract stronger margins due to the specialist nature of placing senior executives but more are now expanding their service offerings into areas such as talent mapping and talent insights, these characteristics are likely driving more appetite in the M&A market. Executive Search is also a hot sector for EOT's (2 deals in 2024) which was re-enforced in the Autumn Statement as an appealing alternative succession planning strategy.

The potential changes in CGT rates in the Autumn Statement drove deal activity in the UK ahead of the announcement. Deal volumes in the four months to October were 38 in 2024, up from 23 in the same period of 2023.

Linked to the above, 2024 also saw an increase in MBO's - MBO's represent a significant opportunity for the senior management team of a business to not only improve their potential future earnings and wealth considerably but are also given the opportunity to guide the business to further long-term success. It can also be an alternative option for sellers who do not wish to go to market.

Following a strong start to 2024 for larger mid-market M&A deals there were further additions over the year such as Onex Corps' investment in Morson Group and The Edwin Group's investment from Quad Partners.

The return of larger deals suggests positive investor sentiment towards high quality and resilient agencies operating in attractive end markets despite challenging economic conditions.

Notable serial investors in the recruitment sector include Recruitment Entrepreneur and Bluestones Investment Group with a combined c.6% of the total deal activity in the year covering multiple geographies. This is a continuation of 2023, with both investors continuing to see inorganic growth as a key growth strategy.

Overseas investment into the UK was up 78% on prior year from 9 to 16 deals, with particular interest from the US, likely supported by favourable exchange rates.

2024 saw an uptick in the number of engineering recruitment deals particularly to trade but also to MBO's. The engineering market has been buoyant having seen an increase in demand for skilled workers, particularly in 'green engineering' roles. With advancements in technology the demand for qualified and specialist individuals has helped boost recruiters in this sector.

Total deal volumes involving an overseas target have increased and now make up 20% of total deal activity, up from 11% in 2023. This is representative of UK acquirers having a growing appetite to invest in overseas recruitment businesses typically where they see a strategic fit but also to establish an overseas presence and gain access to new markets.

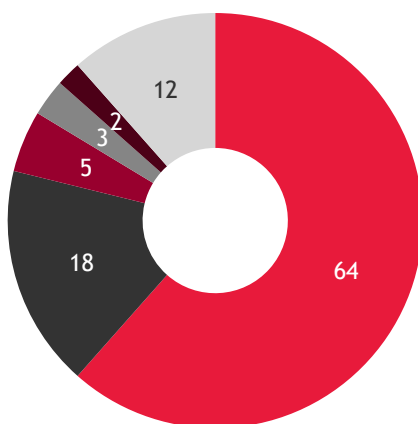
M&A activity

UK involvement in global deals review 2024

Transactions by bidder type

Figure 6: 2024 UK involved recruitment deals by bidder type

- Trade
- Private Equity
- Employee Ownership Trust
- Management Buyout
- Private Individual
- Venture Capital



Source: BDO analysis, S&P Global



Who are the acquirers?

Trade continues to be the most common type of acquirer, growing to 62% of total deal activity. Trade acquisitions are the preferred route for many owner-managers, given it is often the quickest exit route for the individuals involved. From the acquirer’s perspective, inorganic growth via acquisition of smaller agencies is attractive along with the opportunity to easily access new markets or geographies.

Trade acquisition

Salt Recruitment Group’s acquisition of Zelo Digital in Feb 2024 will enhance their offering to the digital economy and expand their presence in programmatic, publishing and advertising recruitment. The deal also strengthens Salt’s foothold in the UK but also digital industries globally in US, EMEA, and APAC regions.

Private equity investment* continues to play a pivotal role in the recruitment M&A market accounting for 29% of deals in 2024. The sector is highly fragmented, offering an opportunity for a buy and build

strategy to rapidly scale and enhance growth. We have noted a rise in specialist recruitment investors who tend to be most active in the space, leveraging their existing capabilities and knowledge of the sector to acquire complimentary businesses.

However, there has been a decreased proportion of PE deals compared with levels of 34% in 2023 and 39% in 2022. Notably this proportion excludes any deals where a PE backed company (or ‘platform’) has made an acquisition during the period (‘bolt-ons’) which has been a more prominent strategy for PE in 2024 and likely explains the movement from 2023. Transformation strategies via bolt-on deals aim to enhance EBITDA through capturing synergies, add scale and deliver multiple arbitrage on ultimate exit.

Private equity deal

In Jul 2024, Metric Search, a talent acquisition company in the life sciences, energy and infrastructure space, received investment from BGF. The deal will extend its footprint in the US by expanding its offering into Exec Search, contract recruitment, and further niche specialisms.

Employee Ownership Trusts (EOT’s) deals have increased from two in 2023 to five. They give an attractive option to companies with a dedicated management team and help with employee incentivisation.

Employee Ownership Trust (EOT)

During Nov 2024, Hoop recruitment, one of Wales’ leading recruitment companies, which operates in the healthcare, education and professional services industries became employee owned.

As expected, 75% of the deals involving Venture Capital were into recruitment platform/software-based businesses. Usually, VC capital in this space funds the further development of a proprietary SaaS product, increasingly now also including artificial intelligence (AI) technology.

Venture Capital (VC)

Oxiway (t/a MeVitae), an online recruitment platform received £1.4m investment in order to accelerate the development of innovative products and provide a catalyst for US expansion.

Private equity investment*: includes private equity and venture capital deals



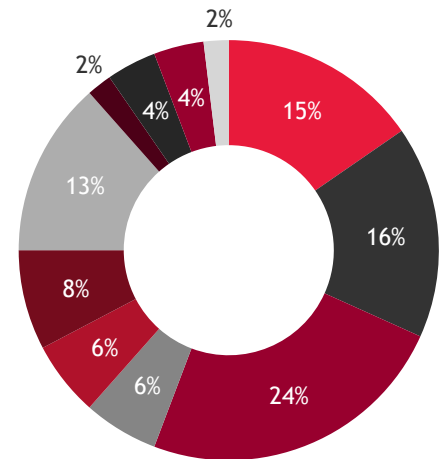
M&A activity

UK involvement in global deals review 2024

Transactions by sector

Figure 7: 2024 UK-involved Recruitment sector deals by vendor sector

- Generalist
- Exec Search
- Recruitment Platform/Software
- Education
- IT
- Healthcare
- Engineering/Construction/Industrial
- Marketing
- Financial Services
- Energy
- Other



Source: BDO analysis



Sector highlights

Recruitment platform/software

We continue to see significant deal activity within this sub-sector with continued interest in rapidly scalable and transformative platforms across the full hiring process from job description management to advertising and candidate matching.

Artificial Intelligence (AI) and Machine Learning (ML) are becoming increasingly embedded in the recruitment process creating a new wave of opportunity for businesses seeking investment where they have innovative and often proprietary tech capabilities.

Historically, this segment of the market has been weighted towards private equity and venture capital. However, there is an increasing proportion of UK trade companies investing in this space particularly into assets in the US, a global powerhouse of AI with a rich eco-system of tech-enabled companies.

Exec Search

M&A activity for Exec Search companies has grown exponentially in the last year, with over three times the number of deals in 2024 than 2023.

In an increasingly globalised world, finding the right candidates now involve a comprehensive, multi-channel approach using extensive research, talent mapping and pipelining to unlock talent, which comes at a price making then an attractive investment. We've also seen a shift towards providing add-on services, such as leadership consulting and executive coaching, this broader service offering has increased investment attractiveness.

In addition, we have seen Exec Search recruitment specialists look further afield during 2024, demonstrating confidence in their underlying markets, with UK operators such as CVC Advisers acquiring House of Talents NV from PE in Belgium.

Engineering/Construction/Industrial

The number of recruitment deals in Engineering/Construction/Industrial have almost tripled since 2023 levels. This is in line with wider market sentiment with an increased focus on areas such as infrastructure and cleaner energy, backed by announcements in the Autumn budget with commitments to investing £35bn in infrastructure improvements over the next five years in the UK alongside a further £12bn for Energy Transition and Renewables, this will likely generate a significant number of jobs and further increase activity in the recruitment market going forward.

The majority of deals in the sub-sector are trade acquisitions. Examples include the acquisition of Diamond Construction and Engineering Recruitment by Danny Sullivan Group and ORB Recruitments' acquisition of CLS Construction Labour Solutions Infrastructure (CLS UK).

M&A activity

UK involvement in global deals review 2024

The UK recruitment market continues to be attractive to overseas buyers. Notably the US trade buyer market continues to be a geography seeking investments within the UK, a trend consistent with previous periods. Examples during the period of this continued interest are shown below.

USA

1

- ▶ Aya Healthcare Inc, the provider of healthcare staffing services has acquired ID Medical Ltd, the provider of staffing solutions to the medical and healthcare industry
- ▶ Quad Partners LLC invested in The Edwin Group Limited, recruiter of teachers and support staff for primary, secondary, and special education need schools
- ▶ Korn Ferry (NYSE:KFY) has acquired Trilogy Consultants International Limited, operator of a recruitment partner for technology and business change and transformation professionals.

Canada

2

- ▶ Onex Partners has acquired an undisclosed majority stake of Morson Group Ltd, the technical engineering recruitment consultancy.

Ireland

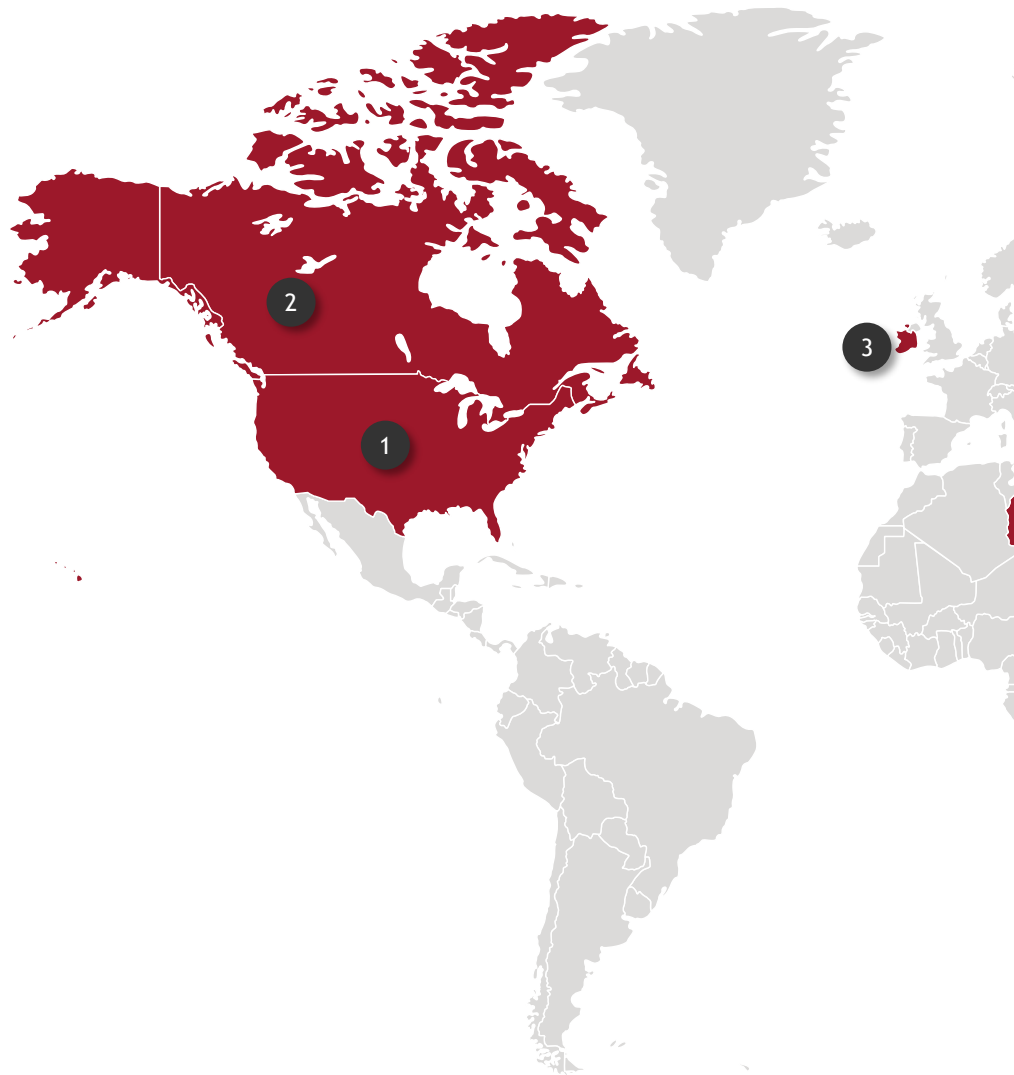
3

- ▶ Erisbeg Holdings Ltd acquired a majority stake in Fruition IT, a Technology professionals recruitment firm.

Middle East

4

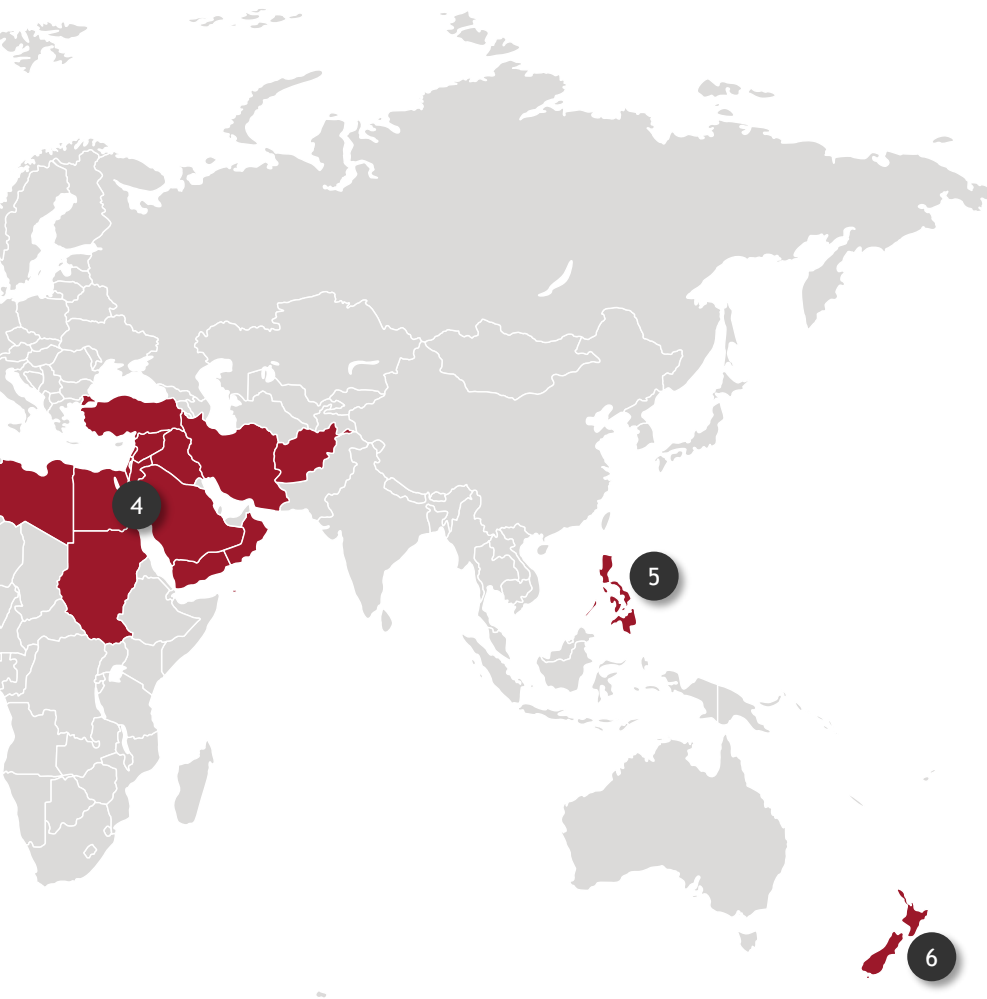
- ▶ DulSCO LLC acquired Advance Global Recruitment Ltd, an offshore energy recruitment firm.



M&A activity

UK involvement in global deals review 2024

There have also been a number of UK businesses with an interest in the overseas recruitment market. Examples of this are shown below and serve to highlight that UK recruitment companies have sufficient confidence to deploy capital and make sizable investments into overseas territories to allow for wider geographical expansion.



USA

1

- ▶ 11 Investments Ltd, the United Kingdom based group of recruitment companies that now invest in other recruiters has acquired Fifteen West Inc., the United States based recruitment team building business partnering with global recruitment companies
- ▶ Daxtra has acquired Work Here LLC, developer of a talent acquisition and communication platform.

Ireland

3

- ▶ Jobtoolz BV (subsidiary of Invincible Software Holdings Ltd has acquired HireHive Ltd, operator of a recruitment platform offering a software-as-a-service (SaaS) applicant tracking system (ATS).

Philippines

5

- ▶ Empresaria Group plc (AIM:EMR) has acquired Monroe Consulting Philippines Inc provider of executive search and recruitment services.

New Zealand

6

- ▶ Bluestones has acquired Home Recruitment Limited the placement firm focused on expats returning to New Zealand.



Recruitment industry insights: Navigating complex times

Talent acquisition companies/recruitment agency trends



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The sentiment in the recruitment industry right now is somewhat complex. On one hand, we hear about redundancies and job cuts in well-known organisations. On the other, there are constant reports of skill shortages and lack of productivity. Both seem to be true, with job growth in areas like AI and ESG. The green transition is creating new jobs, and 'green roles' are among the top 15 fastest-growing, according to the World Economic Forum (WEF).

The latest WEF Future of Jobs report highlights this paradox. It shows a net gain of 78m jobs globally by 2030, but with 92m displaced, proactive workforce planning is critical. So, what does this mean for recruitment firms? It means that clients' needs and expectations of their recruitment partners are evolving. Organisations are focusing more on cost-saving and investing in in-house teams.

Recruitment firms can stand out by working less transactionally and more on building long-term relationships. Given the focus on re-skilling, having diverse services will improve the resilience of recruitment organisations. Let's explore these topics in more detail.

Diversified solutions

The challenges around AI, reskilling, a multigenerational workforce, the green revolution, and skill shortages mean organisations need more from their recruitment partners than simply filling vacancies. They need strategic partners to help navigate these challenges through various solutions. Many recruitment firms are now providing embedded talent solutions to their clients. This is similar to a mini Recruitment Process Outsourcing (RPO), where resources are seconded to a client to help with recruiting talent for a group of roles rather than a single one. This helps organisations save on recruitment costs, have a recruiter who truly understands their business, and leverage the right solution without being incentivised by transactional fees. The RPO industry is predicted to rise by 16.1% from 2023 to 2030. While not all organisations have the scale to provide RPO services, those offering similar services through project recruitment solutions or embedded talent solutions are likely to be more resilient and operate in a growth market. Organisations will also prefer partners who can help solve various talent issues. For example, if they face talent shortages, a partner who can assist with re-skilling strategies will be more helpful than an agency continually searching for a needle in a haystack. At BDO, we believe providing issue-based solutions can be a real differentiator for recruitment companies.



Recruitment industry insights: Navigating complex times

Talent acquisition companies/recruitment agency trends



A new way of working

By working with clients differently, recruitment organisations will also need to think differently about how they reward, recognise, and promote talent. With a greater focus on long-term relationships and agencies working through MSPs and RPOs, the old methods of reward and recognition are likely outdated. These methods were created with a transactional mindset. Recruitment companies need to rethink how they incentivise and reward the behaviours their clients want from their staff.

The rise of AI

AI has numerous implications for recruitment companies. Firstly, being in markets to recruit talent that can help organisations develop and maintain sophisticated AI tools is a significant opportunity. AI can also help recruitment companies improve their service offerings. By selecting the right AI partners, recruitment companies can free up their recruiters to spend more time with clients while making efficiencies in time and cost. The challenge is picking the right partner and managing the associated risk. The market is already saturated with AI recruitment tools, so choosing the right one that fits your overall HR strategy is key. Taking this further, the organisations that have created their own proven, differentiated AI tools to service their clients stand to make the biggest gains out of this opportunity.

Conclusion

It's a fascinating time for the recruitment industry. These disrupted times create great challenges but also opportunities for the sector to reinvent how they support their clients. In HeroHunt's recent paper, they highlight the importance of diverse service offerings, industry expertise, and technology adoption as key factors behind the most successful recruitment companies. Organisations that satisfy these criteria will have more agility and adaptability to navigate these choppy waters, enabling them to take advantage of the opportunities available in the coming years.

Author

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Sam is a Director within BDO's People Advisory Services team and leads BDO's Talent Solutions business, which encompasses our advisory services in Workforce Skills and Capability, Talent Acquisition and Management, Employee Experience and Organisational Culture.

Sam has over 17 years of cross sector experience in Talent and People related solutions and has worked for major recruitment and organisational consulting brands such as Korn Ferry, Alexander Mann Solutions and Hays Plc.



Sources:

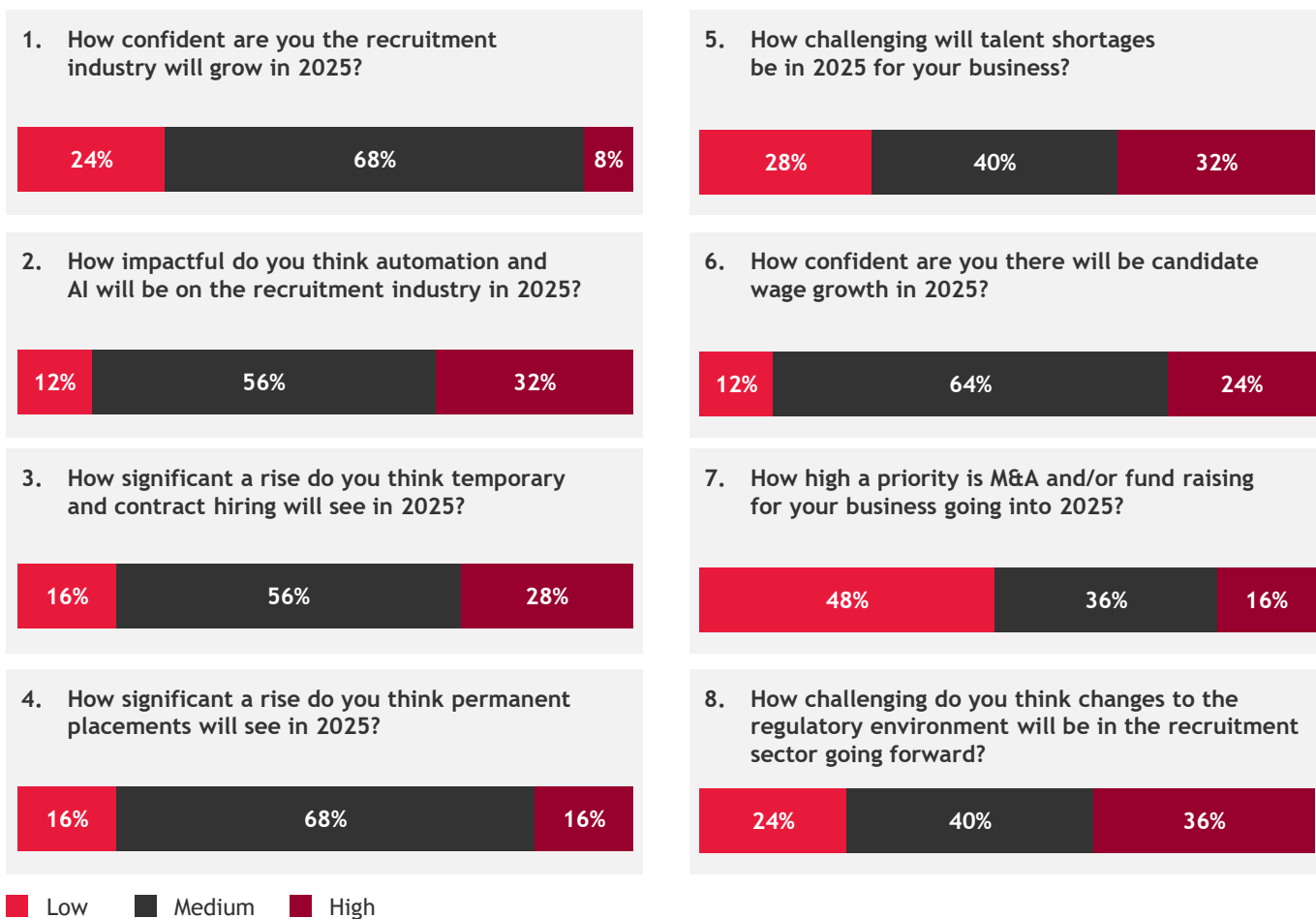
1. Future of Jobs Report 2025, Insight Report, Jan 2025
2. <https://www.herohunt.ai/blog/the-state-of-recruitment-agencies-in-full-report-2024>

Recruitment market survey

Analysis of responses

Our recent survey on the M&A recruitment market has revealed some compelling insights. The survey, comprising of eight questions, gathered responses from industry professionals and corporates, highlights several key trends and challenges shaping the landscape.

Respondents were asked:



While the market is stable, respondents clearly highlighted challenges such as talent shortages and the need for continuous upskilling. However, these challenges present opportunities for professionals to differentiate themselves and for firms to innovate in their recruitment strategies. We have seen this with the prevalence of AI and automation which has become a key driver for efficiency and improvement of client databases and candidate matching.

Our survey also highlighted respondents believed growth in temporary and contract hiring would outperform permanent placements in 2025, this is unsurprising given the challenges in the permanent market particularly in EMEA which is reflective of either a market slowdown or shorter-term deferrals of client and candidate decision making. This is heavily linked to the high degree of macro-economic and geopolitical uncertainty across some of the major markets in this area, notably in France and Germany.

Interestingly our research suggested those who believe the regulatory environment going forward will not be highly challenging were also more likely to have M&A firmly on their radar going into 2025. This is likely representative of those businesses with robust business models and a clear strategic direction with less focus on external regulatory changes. Those with a well-thought-out M&A strategy whether that be adding capabilities or diversification are usually well positioned to take advantage of opportunities when they come to market.

Navigating liquidity challenges

Practical insights from our Special Situations M&A team



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Navigating a liquidity crisis can be daunting, even for the most experienced management teams. We work with businesses facing cash flow challenges every day and there are a broad range of options and measures available, ranging from self-help cash management strategies to formal restructuring options. The earlier action is taken, the more options remain available.

The recruitment industry is experiencing several well-documented challenges, and this has contributed to a 40% increase in insolvencies in 2024 compared to 2022. Therefore, it is crucial that Management teams remain laser focused on liquidity, not just profitability.

This article does not centre on typical cash management initiatives, as they are already widely accessible. Instead, we focus on the strategic measures we have seen work effectively in practice.

One non-negotiable element is the need for robust cash flow forecasting. Ideally, this should be an integrated forecast (profit and loss statement, balance sheet, and cash flow). A 13-week forecast is also essential to identify and address intra-month peaks and troughs. This forecast can then be used to inform decision making and scenario plan.

Practical tips for managing liquidity challenges

1. Adopt a cash preservation mindset

The most effective management teams align their mindsets to prioritise liquidity and agree on the best ways to conserve cash. This unified focus enables better decision-making and enhances the company's ability to anticipate and navigate challenges effectively.

2. Document key decision-making

In turnaround situations, numerous critical decisions will be made under pressure. Inevitably, some may lead to sub-optimal outcomes. It's good practice to ingrain the habit of documenting the considerations and reasoning behind key decisions early.

Should you ever find yourself needing to retrospectively justify key decisions, having a contemporaneous explanation of your rationale will be invaluable.

3. Align goals and incentives throughout the business

Liquidity improvement measures are most effective when the entire organisation is aligned toward this objective. For example, do consultant commission structures have any reference to cash collections or are they just revenue or gross profit focussed. Additionally, consider whether credit control teams are appropriately incentivised to collect debt (especially older debt that could be reserved against by your invoice discounting provider).

4. Engage stakeholders positively and early

Early and proactive communication with lenders, shareholders, suppliers, and other key stakeholders is crucial. Building trust and demonstrating a commitment to meeting payment obligations can improve support for payment plans and other accommodations that may ease liquidity pressures.

5. Always have a contingency plan

In uncertain times, a plan B is essential. Contingency planning allows businesses to pivot quickly if circumstances change, ensuring they are better prepared to handle unexpected setbacks. This should naturally evolve as Plan A evolves but knowing what your alternative strategy is and the milestones that could trigger this are critical to avoid drift that can eat into valuable runway.

Final thoughts

Managing cash flow challenges is never easy, but with the right strategies and a disciplined and proactive approach, businesses can navigate these crises effectively and increase their chances of emerging stronger and more resilient.

Employment tax

Increased costs and compliance pressures on recruiters



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Increased cost and compliance pressures on recruiters

The Budget in late October 2024 made two key, employee related announcements that will affect recruitment businesses.

A lot of attention and commentary has resulted from the first of these announcements; that with effect from 6 April 2025 employer's NIC will increase to 15% (up from 13.8%) and the NIC-free allowance per employee decreases to £5k pa (down from £9.1k pa). This will of course add to cost pressures, especially when combined with above inflation increases for the National Minimum and National Living Wages.

The second announcement was a proposal for agencies to be liable for unpaid PAYE/NIC in cases where the agency has engaged with an umbrella company who are not compliant with their payroll obligations. The proposal is that, from April 2026, agencies using umbrella companies will be responsible for correctly accounting for and remitting the PAYE/NIC arising on payments to the relevant workers to HMRC. Essentially umbrella companies will no longer be solely responsible for operating PAYE/NIC on payments to the workers that they employ.

Transfer of liability

If the umbrella company fails to operate PAYE/NIC correctly (it remains the responsibility of the umbrella in the first instance), the agency who has contracted with the end client for the supply of the worker will be liable. Where there is no agency, this responsibility will fall to the end client.

By 'end client' we refer to the organisation benefitting from the work undertaken by the worker.

At the time of writing, it is not clear exactly how the new obligations will operate. The change will require new agency, and the next step will be for that draft legislation and supporting guidance to be published.

This is not expected until later in 2025. As is common with other tax reforms, it is anticipated this legislation will go out for consultation, prior to Parliamentary scrutiny and approval.

Agencies will want to ensure that they are familiar with the new rules when they are confirmed while umbrella companies should be prepared to provide proof of compliance with their employment duties reporting and payment.

The responsibilities

Until the legislation is published, we cannot be certain exactly how these new rules will operate. However, in speculating the form of the new rules, we have considered the two current PAYE liability transfer situations that could form the basis of this new power: the offshore intermediaries' legislation and the debt transfer powers under the Managed Service Company (MSC) legislation.

Under the former, except in certain cases involving workers on offshore energy platforms, agencies are responsible for operating PAYE/NIC where the worker is supplied by the agency, but that worker's legal employer does not have a presence in the UK. If the worker is not supplied by an agency but still employed by an employer with no UK presence, the end client is responsible for operating PAYE/NIC.

Employment tax

Increased costs and compliance pressures on recruiters

In comparison, the MSC legislation has a few steps to go through before it applies, in particular both a 'Managed Service Company' and 'Managed Service Company Provider' (as defined by legislation) must exist in the supply chain. Where a PAYE/NIC liability has arisen but has not been properly accounted for, HMRC can transfer that debt to any party in the labour supply chain. This includes a potential personal liability for that debt for the directors of the MSC.

Based on the wording of the announcement, allied to the fact the circumstances involving umbrella companies and agencies are more analogous to the situation with agencies and offshore intermediaries, it is expected that the 'agency legislation' will form the template for the new legislation rather than the more draconian MSC debt transfer power, but this might change in consultation.

If the new rules are indeed based around existing agency legislation, a liability will only arise if PAYE/NIC has not already been accounted for properly. That liability could then pass to the agency placing the worker or the client where no agency is involved but there would be no transfer of the debt to directors/shareholders of clients and/or agencies.

Greater clarity?

There will of course be added pressures caused by the new obligations but as these reforms are expected to build on rather than replace existing obligations, we anticipate they are likely to be largely accepted by those currently complying with their existing obligations.

The most important person in the labour supply chain - the worker themselves - should see little difference (apart from possibly from whom they receive their payslip) but should have more confidence that they are properly paying tax.

It is expected there will be further and clearer distinction between those fully compliant with both the spirit and letter of the law compared to those 'bad apples' the Government and HMRC is seeking to target and who are undermining efforts by many in the recruitment sector to show they are both saying and doing the right thing.

Will this change the umbrella market?

Agencies and end clients are likely to need to perform rigorous supply chain due diligence to understand fully who is included in their labour supply chain, identify who is responsible for what obligations and ensuring those parties are meeting their obligations.

This is likely to include checks into the payroll filings by anyone responsible for deducting PAYE, a tightening of contractual arrangements with agencies and umbrellas and, potentially, talk of third-party insurance or indemnity arrangements.

The difference between any due diligence now and that required when the legislation goes live is that agencies and end clients will not be able to rely solely on retrospective 'audits' to show umbrella compliance. Any PAYE/NIC not paid over, even just for a few weeks, could be significant and could be transferred.

To this end, BDO have developed an umbrella company risk review tool to identify and flag potential compliance risks and where the new transfer of PAYE/NIC debt rules could apply. This will be updated once the rules are confirmed but the range of areas covered by the risk review tool is wider than just the new rules, including matters such as commercial and reputational risks too.

Regardless of the form the new rules take, many of the obligations are already in situ with respect to the corporate criminal offence of failure to prevent tax evasion. It is expected these and the new obligations will be more rigorously policed by HMRC and will require end clients and agencies to carry out more rigorous and certainly more regular checks to ensure that they are only engaging with compliant umbrellas who account for their PAYE/NIC obligations in full, on time, every time.



For further information on the themes discussed in this article please contact [Rob Woodward](#).

Listed recruitment companies

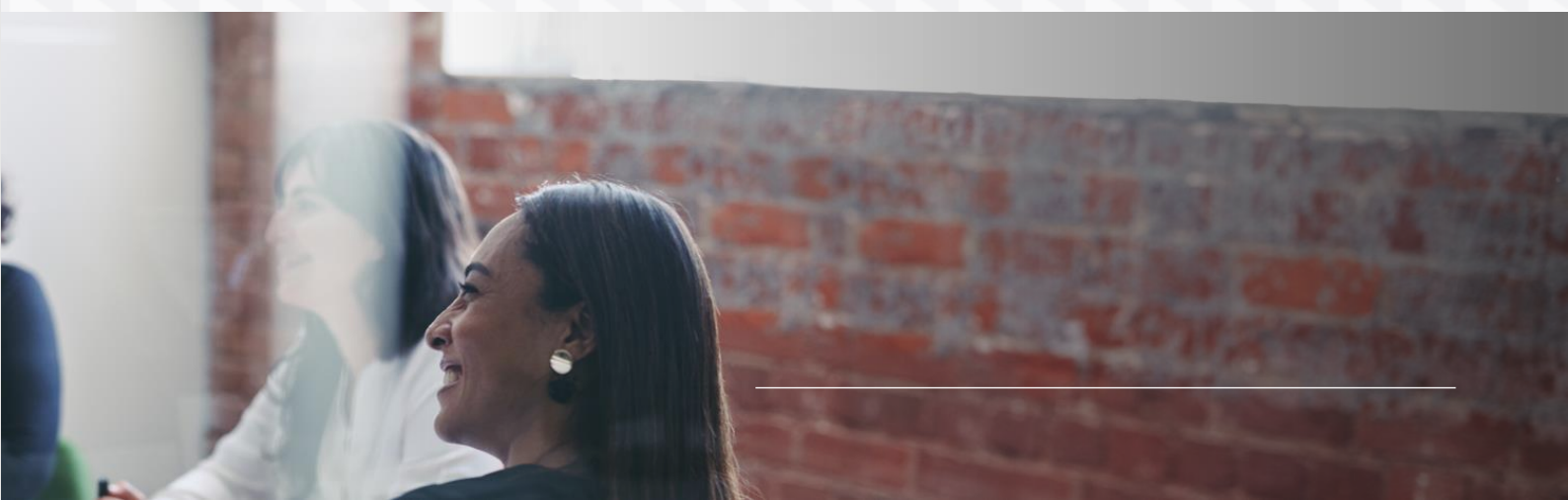
Company name	Description
Adecco Group AG (SWX:ADEN)	Adecco Group AG and subsidiaries provide worldwide human resource services.
ASGN Incorporated (NYSE:ASGN)	Provides professional staffing and IT solutions in technology, digital, creative, engineering and life sciences fields across commercial and government 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.
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.
Randstad N.V. (ENXTAM:RAND)	Randstad N.V. provides solutions in the field of work and human resources (HR) 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.

Source: Capital IQ Feb 2025, YE coterminous to Dec 2024



Listed recruitment companies

Market cap	EV	Revenue	EBITDA	EV/Revenue	EV/EBITDA
3,068.9	5,925.7	19,324.9	722.2	0.3x	8.2x
2,739.9	3,405.8	3,275.2	354.2	1.0x	9.6x
13.2	31.7	244.9	11.0	0.1x	2.9x
26.2	5.4	392.3	4.3	0.0x	1.2x
1,192.3	1,314.8	6,385.8	153.1	0.2x	8.6x
403.6	615.5	3,705.8	127.2	0.2x	4.8x
2,085.8	2,666.6	13,617.4	348.8	0.2x	7.6x
841.7	784.5	1,024.8	99.8	0.8x	7.9x
1,029.3	1,082.6	1,621.1	114.4	0.7x	9.5x
5,497.5	7,041.3	20,179.5	893.9	0.3x	7.9x
184.3	215.9	857.9	31.6	0.3x	6.8x
29.4	43.1	1,094.0	15.6	0.0x	2.8x
345.4	315.5	1,351.8	43.2	0.2x	7.3x



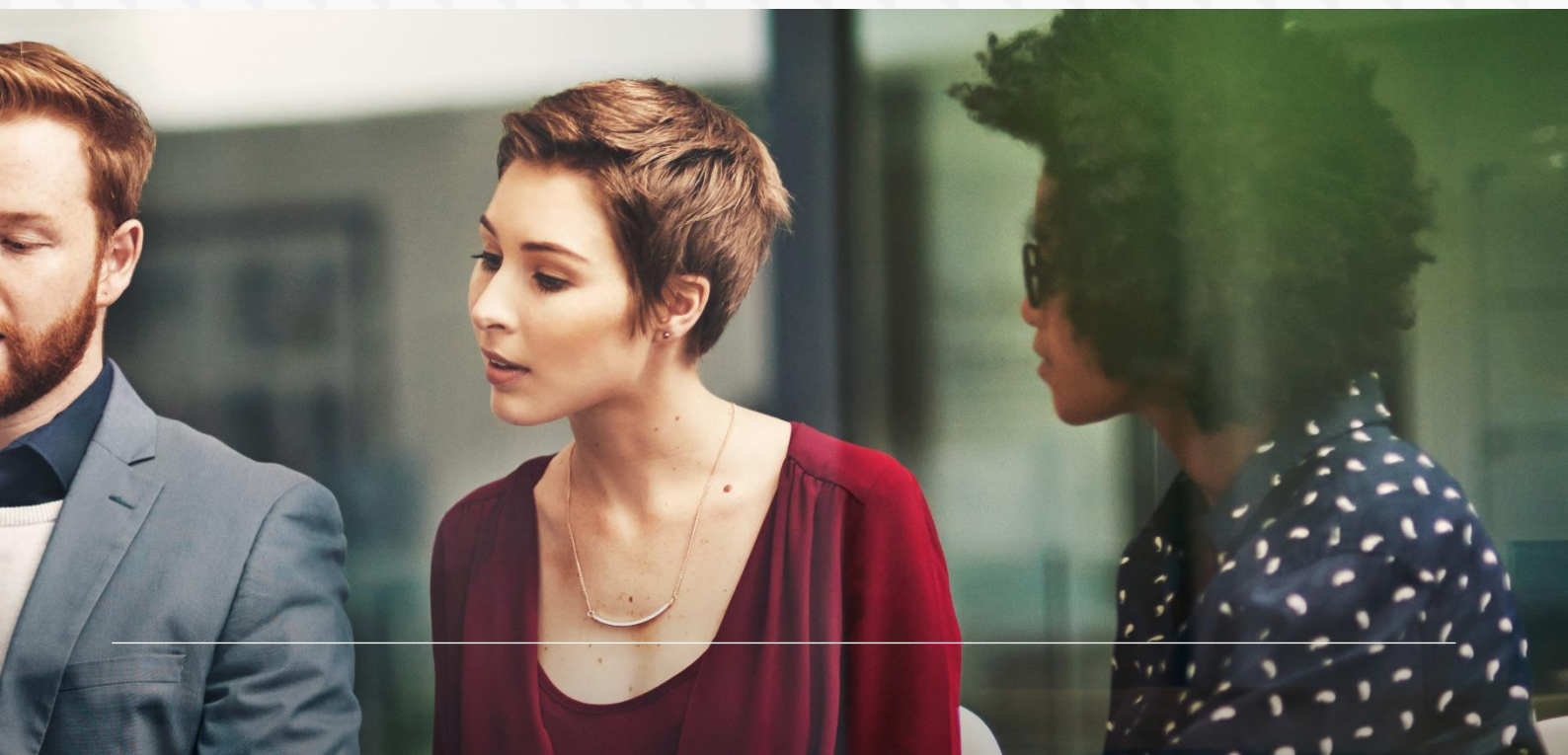
Selection of UK recent deals

Date	Target	Bidder
Jan 2024	JobCannon Ltd	The World Bank Group; White Hill Capital Ltd
Jan 2024	Interquest Group (UK) Ltd	Morson Group Ltd
Feb 2024	Sri Executive Search Uk Ltd	Elevate
Feb 2024	Curtis Robinson Ltd	City of York Trading Ltd
Mar 2024	Executive Solutions Employment Agency	Hudson RPO Limited
Mar 2024	TeacherActive Limited	Pricoa Private Capital
Apr 2024	Freedom Managed Services LLP	Martin Green
Apr 2024	Tangent Technology Limited	Syndicate Room Ltd; Black Founders Fund; Zinc Ventures Limited
May 2024	Elay Automation Limited	Access Recruitment
May 2024	Simon Nicholas Associates Ltd	Approach Personnel Ltd
Jun 2024	f1 Recruitment Ltd	PartnerWise Ltd



Selection of UK recent deals

Industry classification	Target business description
Recruitment Platform/Software	JobCannon Ltd develops and operates an AI-based recruiting platform that matches candidates with employers based on the skills and abilities of candidates.
IT	Interquest Group (UK) Ltd is a local provider of recruitment services for the IT sector, from InterQuest Group Ltd, the holding company.
Exec Search	Elevate Talent, formerly known as SRI Executive Search UK Ltd, provides executive search services to entertainment and lifestyle brands, and the technology industry.
Engineering/ Construction/Industrial	Curtis Robinson Ltd, trading as Williams & Anthony, specialise in senior appointments through to entry-level positions in pre-construction activities, including Civil and Structural Engineers, Environmental Engineering and Surveying.
Exec Search	Executive Solutions Employment Agency offers talent management services.
Education	TeacherActive Limited provides supply teaching and education recruitment services.
Engineering/ Construction/Industrial	Freedom Managed Services, trading as Thorn SDS, is a recruitment agency, specialising in providing staff resources for specialised technical, engineering and management roles alongside bespoke training and development programmes for the space, defence and IT security sectors.
Recruitment Platform/Software	Tangent Technology Limited develops and operates an online recruitment platform to connect talent to companies. Its platform offers assistance in connecting talent with employees of tech companies for referrals, helping users find jobs in real time.
Recruitment Platform/Software	Elay Automation Limited designs and develops a recruitment conversational automation software that help recruiters monetize data.
Engineering/ Construction/Industrial	Simon Nicholas Associates Ltd operates a recruitment consultancy company, specialising in blue- & white-collar construction, industrial and manufacturing staffing.
Marketing	f1 Recruitment Ltd is a local recruitment company specialising in marketing, PR, digital, corporate affairs, sponsorship and sports marketing.



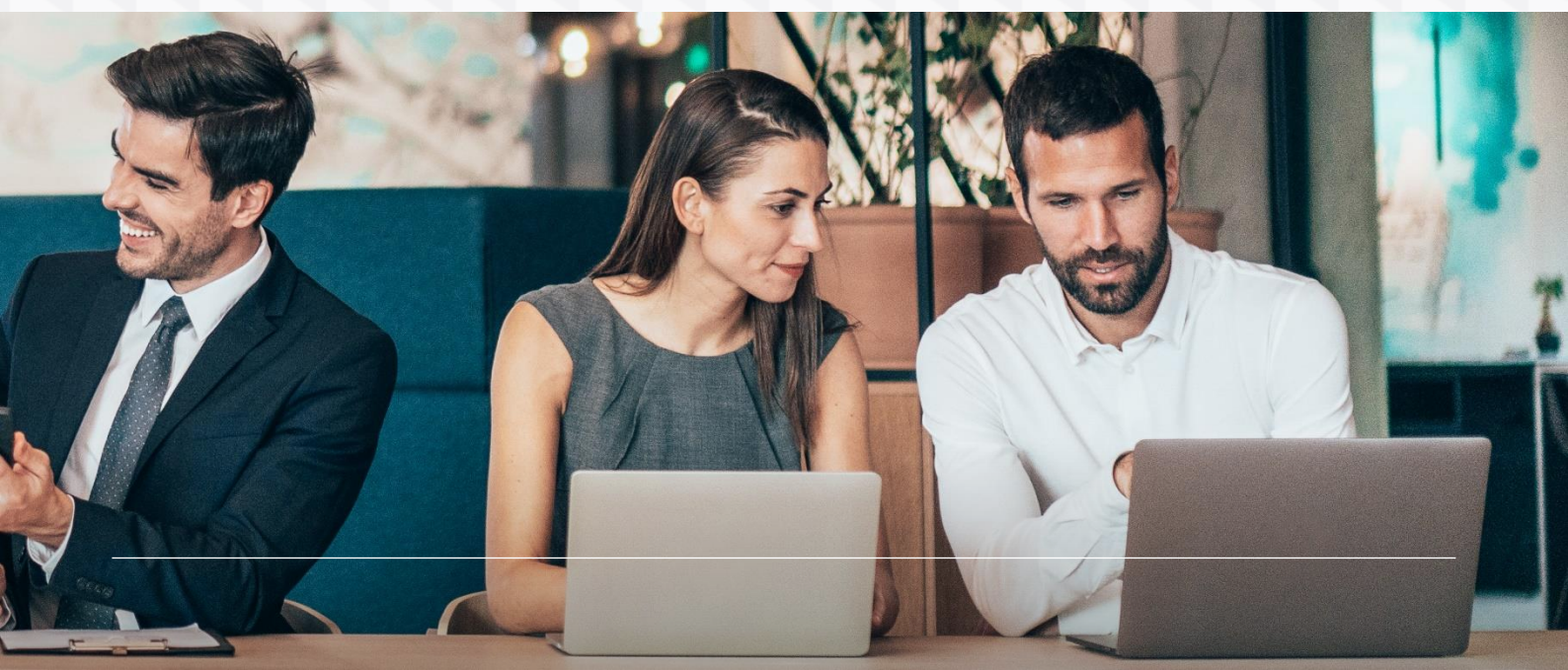
Selection of UK recent deals

Date	Target	Bidder
Jun 2024	Verve Personnel Limited	Interaction Recruitment PLC
Jul 2024	Petroplan Holdings Ltd	TXM Group Limited
Jul 2024	Standguide Group Limited	EOT
Jul 2024	Trust Nurse Service Ltd	FinRes Ltd; PE Global
Aug 2024	Infocus Group Ltd	Wren Sterling Financial Planning Limited
Aug 2024	Consult Energy Ltd	VIQU Limited
Sept 2024	Wisnio	Assessio Sverige AB
Oct 2024	Venture Contracts Ltd	Fawkes & Reece Ltd
Oct 2024	SERT Group Ltd	Simply Energy Matters Ltd
Nov 2024	Mc Personnel Limited	Kingdom Services Group Limited
Dec 2024	G2v Recruitment Group Limited	Freshstream Investment Partners LLP



Selection of UK recent deals

Industry classification	Target business description
Generalist	Verve People provides staff such as chefs, managers, kitchen assistants and waiters for catering alongside the recruitment of staff for clients and bespoke recruitment software. Secondly it operates Verve Aviation which provides customer and operational support as well as airport hospitality.
Energy	Petroplan Holdings Ltd operates as a global talent solutions partner engaged in the energy industry. The company provides exceptional recruitment and workforce solutions to clients and candidates worldwide.
Generalist	Standguide Group Limited offers employment advice, funded qualifications, and business mentoring and recruitment services.
Healthcare	Trust Nurse Service Ltd is engaged in recruitment of nursing jobs including long terms contracts, ad hoc bookings and permanent placements.
Engineering/ Construction/Industrial	Infocus Group Ltd operates as a human resource and employment services company.
Energy	Consult Energy operates as a staffing agency for energy and utility sectors.
Recruitment Platform/Software	Wisnio provide AI-driven tools with reliable solutions for hiring and employee development, giving clients confidence to make data-driven people decisions.
Engineering/ Construction/Industrial	Venture Contracts Ltd operates as a human resource and employment services company for trades, labour, cleaning and maintenance.
Energy	SERT Group Ltd is a local recruitment and deployment firm of talent across utilities, green energy, engineering, and public sectors.
Generalist	Mc Personnel Limited provides recruitment services to the Industrial, Engineering, Hospitality, Office, and Driving business sectors.
Generalist	G2v Recruitment Group Limited provides recruitment and staffing services. It serves the technology, engineering, life sciences, and government sectors.



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BDO mergers and acquisitions

BDO UK

BDO UK

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REVENUES² UP **8.6%** TO **£1.02bn**

1. BDO Tax & Advisory Client Experience Survey - Spring 2024
2. Gross Revenues for BDO LLP

BDO CORPORATE FINANCE UK

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No. 1 Financial Advisor globally - Factset league tables 2023
No. 2 Leading Financial Due Diligence provider globally - Mergermarket global accountant rankings 2023



BDO global

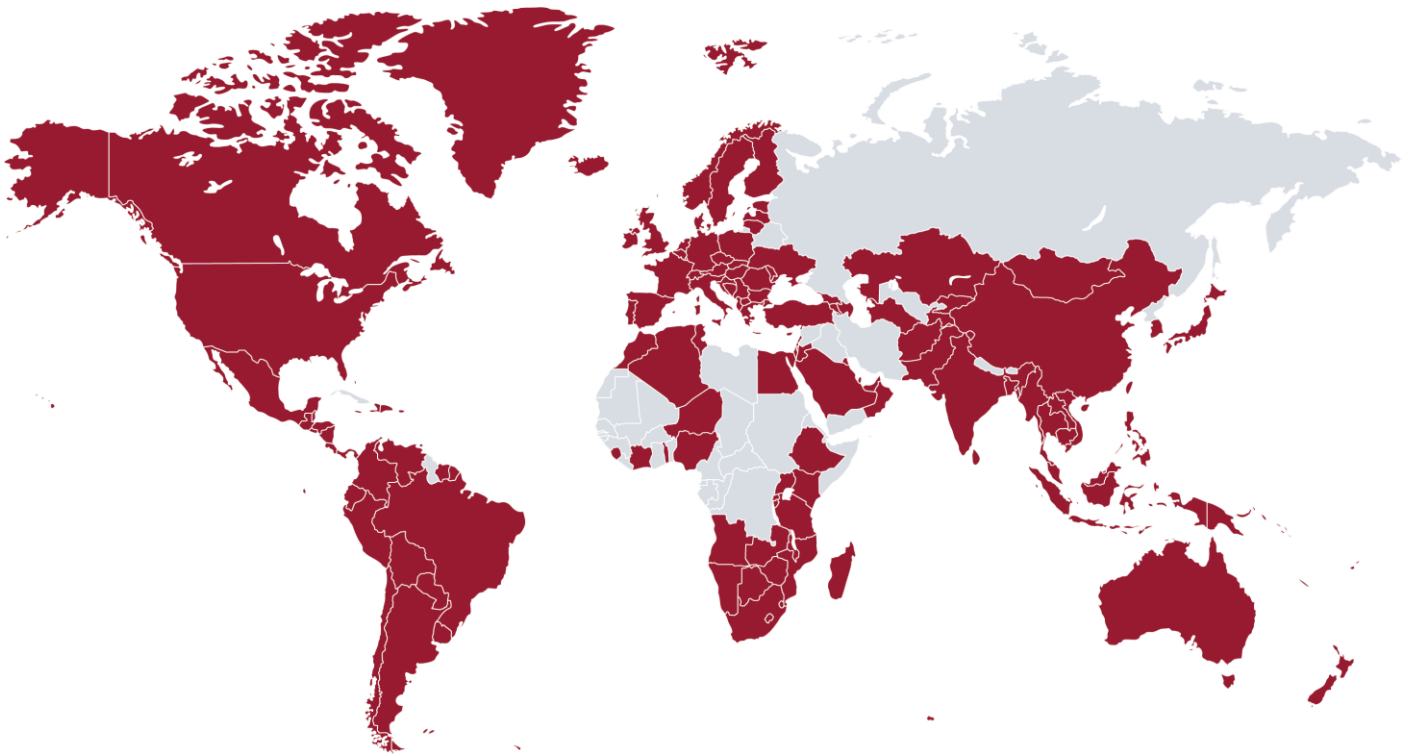
BDO INTERNATIONAL

US\$15 billion
2023/2024 REVENUE
A YEAR ON YEAR INCREASE OF **7%**¹

166
COUNTRIES &
TERRITORIES

1,800 OFFICES
119,000 STAFF

¹. At constant exchange rate
All numbers updated as of 18 December 2024



BDO GLOBAL CORPORATE FINANCE

1,744
COMPLETED
DEALS IN 2023

31% PRIVATE
EQUITY
DEAL
INVOLVEMENT

21% OF OUR
DEALS ARE
CROSS
BORDER

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1st most active Advisor & Accountant Globally 2022 – Pitchbook league tables 2022

2nd leading Financial Due Diligence provider Globally – MergerMarket global accountant rankings 2023

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