

# Recruitment M&A H1 2024 snapshot

Return of the strategic acquirer  
August 2024



# Return of the strategic acquirer

## Confidence brings trade acquirers back to the deals market

During a sustained period characterised by Private Equity investment over recent years we've seen a notable shift during the first half of 2024 towards strategic trade buyers re-entering the acquisition trail. Although caution should be taken when trying to draw complete trends based on activity during a relatively short period, the sharp uptick on prior periods is stark so certainly worth noting and potentially indicative of current market sentiment, activity and direction of travel.

Moreover, this confidence amongst trade acquirers appears to extend further afield beyond the UK, with deal hungry deal makers seeking growth overseas in far flung territories including New Zealand. Notably this investment outside the UK has seemingly not come at the expense of inward overseas investment, with UK recruitment companies still attracting attention from our global counterparts including the US, India and Hong Kong.

Given the fragility of the UK economy recently it's perhaps unsurprising to note a greater proportion of transactions involving diverse agencies operating across multiple sectors, or 'generalists' as they're colloquially referred to. Beyond this though in the first half of the year we've seen a relatively even spread of deal activity across other sectors, including Executive Search, Healthcare, Engineering and Industrial, and Education. Needless to say that investment into recruitment software/platforms remains a relatively consistent fixture of the UK deals market.

A barometer which we've used over many years which helps to provide an insight into the general sentiment of the recruitment market is the BDO Recruitment Index. Following a tough 2023 where the index suffered significant falls, it's pleasing to report a return to stability during the first six months of 2024. Given the macroeconomic uncertainty the UK has faced, it's unsurprising that the Index hasn't shown improvement (yet) during 2024. However, the reduced volatility provides welcome respite and hopefully a platform upon which we might grow from in the coming months.

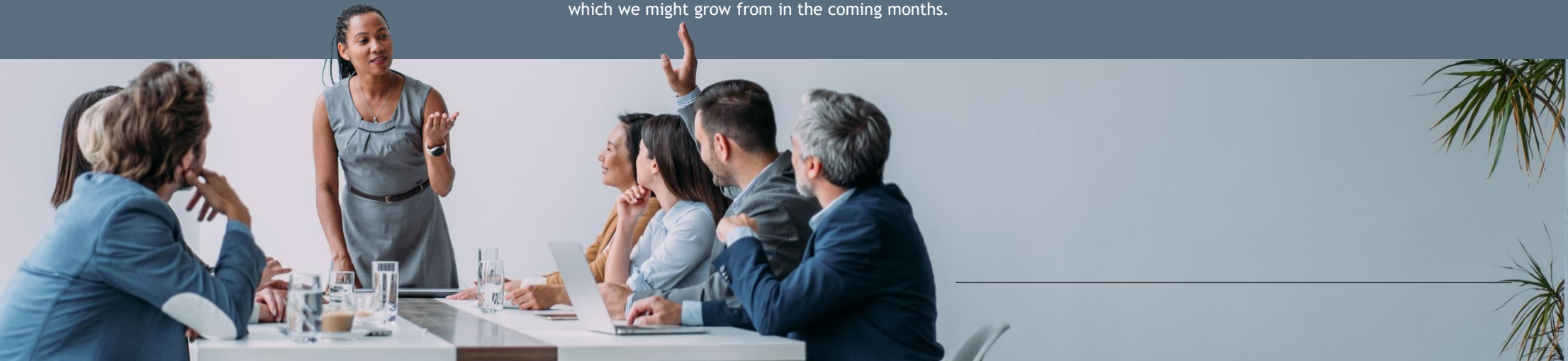
Looking ahead we enter the second half of 2024 having just experienced yet another major event in the UK, notably a change in the Government, moving to Labour for the first time in 14 years. The full impact on the future prospects for recruitment agencies and the wider UK economy remains to be seen, however, having successfully navigated several seismic economic events in recent history (e.g. Brexit, Covid, Russia/Ukraine war, inflation > 10% etc.) suffice to say that there remains confidence across the industry that the sector will continue to be resilient despite the changing political and economic landscape.



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# H1 Deal Volumes show year-on-year growth

56% transactions across Executive Search, Recruitment Platform/Software, IT and Education

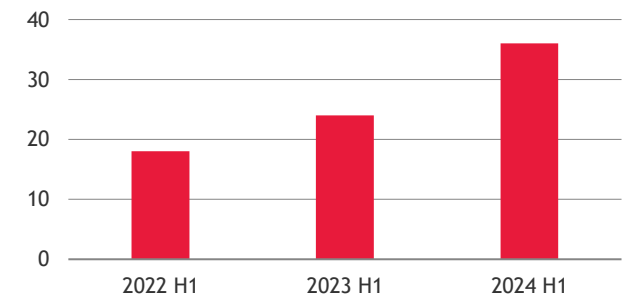
## Growth in deal volumes at the half year stage

Although difficult to draw trends based on mid-year data the deal volume trend is positive, showing year-on-year growth over the past three years. It is worth noting, deal activity is usually greater in H2 but the half year results suggest 2024 is on track for a strong year from a transactional perspective.

Deal volumes during the first six months have been supported by deal activity across international markets, with UK businesses demonstrating confidence and a willingness to expand internationally and take strategic risks to enhance longer term shareholder value and growth.

There has also been more overseas investment into the UK from different countries compared with H1 2023, most notably USA, India and Hong Kong showing the continued appeal of the UK recruitment market.

## Recruitment sector deals with UK involvement



Source: CapitalIQ, Mergermarket, Mark to Market

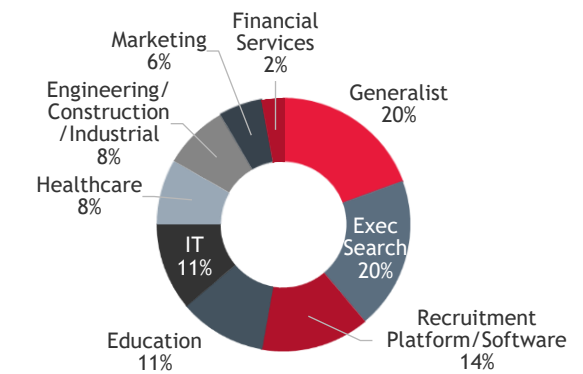
## H1 2024 characterised by a diverse sector mix

Recruitment tech continues to be a key sector of interest from a deal perspective. However, unlike previous periods, the sector mix is relatively evenly spread during H1 2024 as more 'traditional' recruitment agencies come back into vogue.

In addition to diversified providers within the 'Generalist' (or multi-sector) segment, which typically comprises one of the larger sector types in the analysis YoY, it is apparent that buyers and investors are increasingly keen to acquire highly specialist and skilled operators, with one in five deals during the period involving Executive Search firms.

The education sector has also been a particularly active area for M&A activity during the first six months of 2024, comprising 11% of the deals. This appears to have been driven by a number of market growth factors including availability of funding to support schools in covid recovery, and increased staff absences leading to schools utilising agencies to source additional supply staff. This has led to increased interest from Private Equity who have made a number of investments into the sector.

## 2024 H1 sectors



Source: BDO Analysis

# 75% of transactions were trade acquirers whilst 17% acquirers came from overseas

## Return of the strategic trade buyer

We've seen 75% of the transactions during the first half of 2024 being completed by trade acquirers. Aside from representing an efficient exit route for shareholders in terms of cash extraction and a timely exit, there are often also multiple benefits to the acquiring entity:

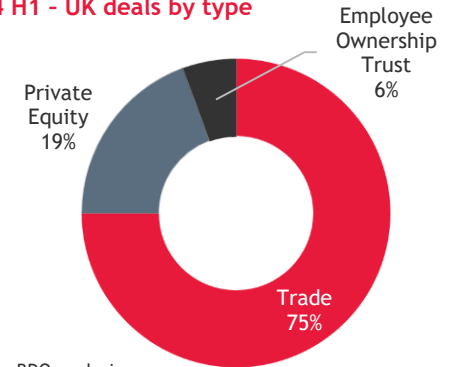
### Potential benefits:

- ▶ Revenue synergies through cross-selling
- ▶ Cost savings through integration of back-office functions
- ▶ Access to new geographies
- ▶ Access to new sector capability.

### Examples include:

Morson Group Ltd ('Morson'), the UK based technical engineering recruitment consultancy, acquired Interquest Group (UK) Ltd, the local provider of recruitment services for the IT sector during January 2024. During the period we've also seen Morson take on external investment from Onex Corp, the Canada based private equity and asset management company. Simon Nicholas Associates acquisition by Approach Personnel, both based in Nottingham, represents the addition of a construction sector to Approach's well-diversified sector focus.

### 2024 H1 - UK deals by type

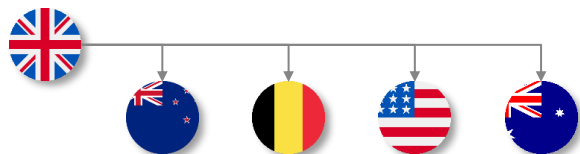


Source: BDO analysis

## UK seek international inorganic growth

UK recruitment businesses continue to look overseas for strategic acquisitions. Specifically, during the first half of 2024 we've seen Bluestones Group, a diverse UK based recruitment investment group, make acquisitions in the APAC region as part of their international expansion plans to become a global leader in recruitment.

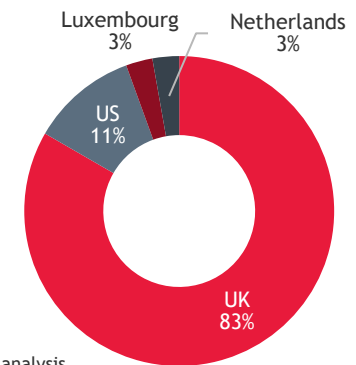
### UK companies' overseas investments H1 2024



## Overseas investors remain active

Of the deals involving a UK recruitment business, in excess of 80% of the transactions were concluded with a UK acquirer or investor whilst c.17% came from overseas. This level is marginally higher when compared to 2023 (13%) which continues to evidence the attractiveness of UK recruitment assets to overseas buyers. In line with the prior year, we continue to see the majority of overseas investment arising from the US.

### 2024 H1



Source: BDO analysis

# Recent BDO deals

## ID Medical

Aya Healthcare, the largest healthcare talent software and staffing company in the United States, has acquired ID Medical, a leading workforce solutions provider in the UK. As part of the acquisition, ID Medical will make Aya Healthcare’s market-leading technology available to the NHS and UK-based clinicians. The companies plan to share best practices from each market with their respective clients.

## Edwin Group

Investment firm Quad Partners has acquired a stake in The Edwin Group from LDC. Based in the US and with an office in Hertfordshire, Quad Partners will now help The Edwin Group continue to grow and improve its support for schools, addressing challenges in teacher recruitment and retention. LDC originally supported a management buyout of The Edwin Group from Tes Global in December 2020.

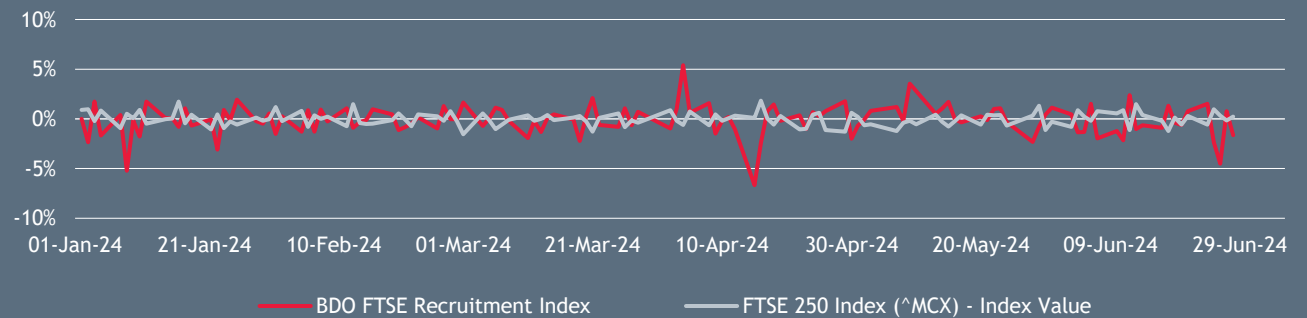
## BDO FTSE recruitment index

The BDO FTSE Recruitment Index (‘Recruitment Index’) has fallen by a mere 1.63% since the start of 2024, a significantly more stable period compared with the volatility seen in 2023, where the Recruitment Index fell by 4.85% by the end of the year but peaked at 22.87% down in Oct-23. The FTSE 250 Index has also remained stable over the same period, with the recruitment sector once again tending to mirror the general trend and trajectory of the wider UK economy.

The downward spike on 15th April was primarily due to PageGroup reporting a c.13% drop in first-quarter group gross profit reflecting slow hiring in major markets such as France and Germany, reducing their fee-earner workforce by another 1.7% over the same period.

The rebound from 2023 and return to growth hasn’t fully come to fruition, partly due to macroeconomic volatility which appears to have flowed through into business confidence and overall recruitment activity. However, at the time of writing the markets appear to have responded positively to the recent general election and, with inflation seemingly under more control, we’re hopeful of seeing marginal improvements in the Recruitment Index during the remainder of 2024.

BDO Recruitment FTSE Index vs FTSE 250 Index



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