



Gary Ecob
Partner



Steve Nock
Associate Director

SECTOR SNAPSHOT



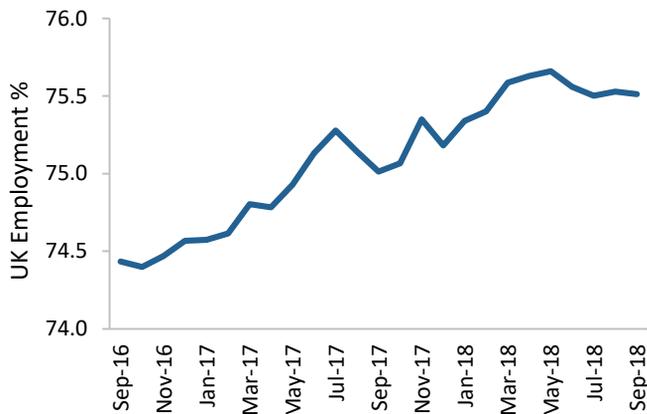
UK RECRUITMENT M&A ACTIVITY AND VALUATIONS FOR 2018

UK recruitment M&A remains resilient

UK M&A activity within the recruitment sector remains strong, with **39** deals completed to date (Nov 2018) involving UK and Irish companies. This is on trend with previous years as UK recruitment companies continue to attract significant interest from both domestic and overseas buyers.

Strong levels of M&A activity have been supported by the continued resilience of the UK recruitment sector, with the latest REC report showing an 11% increase in YoY turnover to £35.7bn. Despite the backdrop of economic and political volatility, this growth has been driven by a tightening labour market, technological innovation and a renewed focus by recruiters on quality of service. We believe the attractiveness of the UK recruitment sector will continue to support domestic deal volumes in 2019 with a possible slow-down in international transactions as uncertainty around Brexit continues.

UK Employment 2016 - 2018



“2018 M&A activity remains strong with deal volumes surpassing 2017 levels”

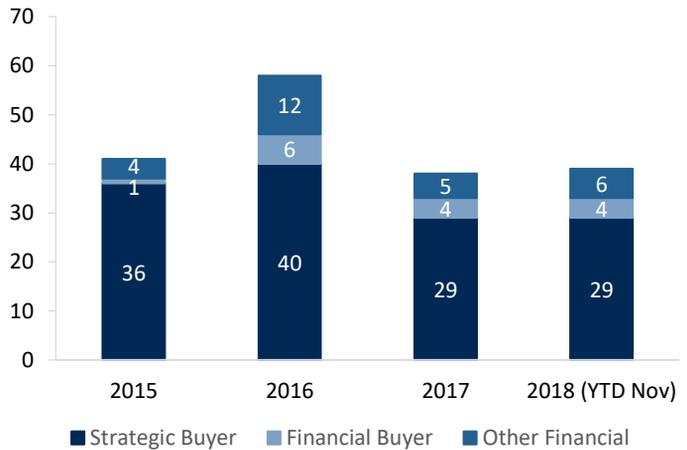
A sector breakdown of deals to date shows consistency with previous years. The most active categories based upon deal volume, are broadline, industrial and executive search recruiters.

The number of deals across finance and IT also continues to grow, as activity diversifies away from traditional sectors such as industrials and manufacturing. This trend is not just evident across recruitment but across the UK economy, as companies adapt to an ever increasing digital landscape.

The UK is also strongly positioned globally, with the UK recruitment sector ranking second in both global deal volume and disclosed deal value. This is not only as a result of continued appetite from domestic buyers but also due to continued interest from overseas and financial buyers. 2018 has seen many buyers continue external growth strategies, with large recruiters seeking to consolidate market positions and financial buyers implementing buy and build strategies in familiar niche markets.

Recruitment M&A Activity

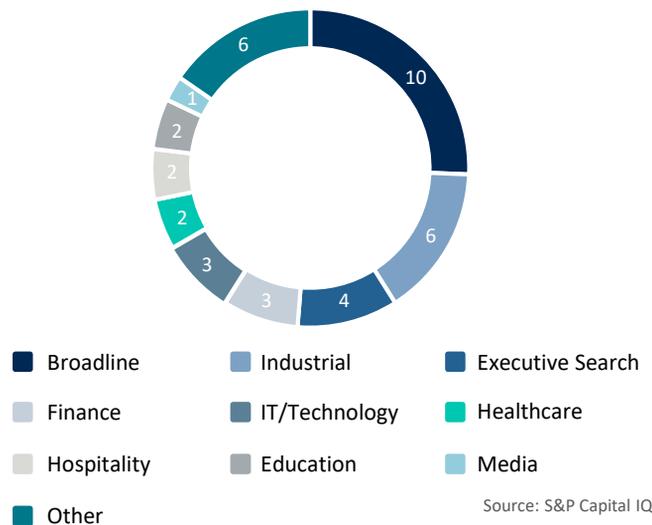
M&A Recruitment Deals



Source: S&P Capital IQ

Other financial primarily relates to debt funded deals with no disclosed equity investor.

Recruitment Deals by Category (YTD Nov 2018)



Source: S&P Capital IQ

UK Market Transactions



Acquired



For Undisclosed Sum



Acquired



For Undisclosed Sum



Acquired a majority Stake in



For Undisclosed Sum



Acquired



For Undisclosed Sum



Acquired a minority stake in



For GBP 7.87m



Acquired



For Undisclosed Sum

"The UK's largest recruiters remain active, focussing on medium sized speciality recruiters to add breadth to their service offering"

Staffline Group PLC, the £958m turnover broadline recruiter has continued its acquisition spree with four acquisitions in 2018. Completed deals included the purchase of Endeavour Group Limited and its food and agricultural focused subsidiary Vital Recruitment, the Irish subsidiary of broadline recruiter Grafton and aerospace, energy and construction recruiter Passionate About People. Such acquisitions are part of Staffline's strategy to broaden its geographical footprint across the UK and to become the market leader for blue collar worker recruitment.

Healthcare staffing provider, Independent Clinical Services (ICS) has acquired ProClinical Limited. Pro Clinical provides contract and permanent recruitment services across the life sciences sector. ICS is seeking to expand its life sciences network through the acquisition which will run in tangent to ICS's existing life sciences brand.

Japan's Trust Tech Inc through its UK subsidiary, Gap Personnel Group has expanded its UK reach entering an agreement to acquire a 75% stake in broadline recruitment company Quattro Recruitment for £7.87m. The deal comes as Trust Tech seeks to expand its global presence as part of its medium-term growth strategy.

Broadline recruiter Search Consultancy has expanded its technology presence with the acquisition of tech recruiter Henderson Scott. The deal takes the newly created Search Group to a combined revenue of £220m. The current leadership team will continue to expand the business under the Henderson Scott name.

"Staffline has continued its acquisition spree in 2018 with an additional 4 deals completed on top of the 2 completed in 2017"

Private Equity Activity

Private equity continues to account for a significant number of deals, with 4 transactions completed. This remains at similar levels to previous years, showing a stable pattern of private equity interest in the sector. Acquisition targets are largely specialist recruiters, with PE houses seeking to implement "buy and build" strategies in familiar markets.

The largest PE deal in 2018 was the acquisition of talent acquisition and management solutions provider Alexander Mann Solutions Ltd by Canadian private equity firm Omers. The deal was supported by the management team of Alexander Mann Solutions with an estimated enterprise value of £820m. Omers seek to continue to grow Alexander Mann Solutions both organically and through acquisition.

UK financial buyers have also been active with funds managed by DBAY Advisors Limited entering into an agreement to acquire the remaining 73.9% stake in Harvey Nash Group plc for £98.7m. This represents an estimated valuation of 9.1x EV/EBITDA for the global technology recruitment and outsourcing group.

Other notable deals included the management buyout of TeacherActive Ltd, a £36m turnover specialist teaching and education recruitment agency. The buyout was supported by a finance package from Tosca Debt Capital (TDC) and Yorkshire Bank.



Acquired a Majority Stake in



For GBP 820m



Acquired a Majority Stake in



For GBP 98.7m



Acquired a Minority Stake in



For GBP 11m

The Management Team

With backing from TDC and Yorkshire Bank

Acquired a Majority Stake in



Overseas Acquirers

As in previous years the US continues to be a dominant force, accounting for 3 out of the 8 deals involving overseas buyers. Japanese companies were also active with 2 deals completed as overseas firms continue to expand their UK presence. One notable acquisition was the sale of Allen Lane to Japan's Outsourcing Inc. The £20.8m deal represented the largest disclosed overseas transaction for FY18, excluding the sale of Alexander Mann solutions to Canadian private equity OMERS. Allen Lane provides recruitment services for both public and not-for-profit businesses. The deal comes as Outsourcing Inc continues to expand its UK presence following its entrance into the UK market in 2016.

Selected Deals

ACQUIRER	TARGET	TARGET CATEGORY	DEAL VALUE
 Outsourcing Inc	 Allen Lane Ltd	IT/Technology	£20.83m
 Staffing 360 Solutions, Inc	 Clement May Ltd	Executive	Undisclosed
 Remote Medical International Inc	 HSE Offshore Limited.	Engineering/Industrial	Undisclosed
 TechnoPro Holdings, Inc.	 Orion Managed Services Limited	Engineering/Industrial	Undisclosed

"The continued demand from overseas acquirers demonstrates the attractiveness of the UK recruitment market even in the face of Brexit uncertainty"

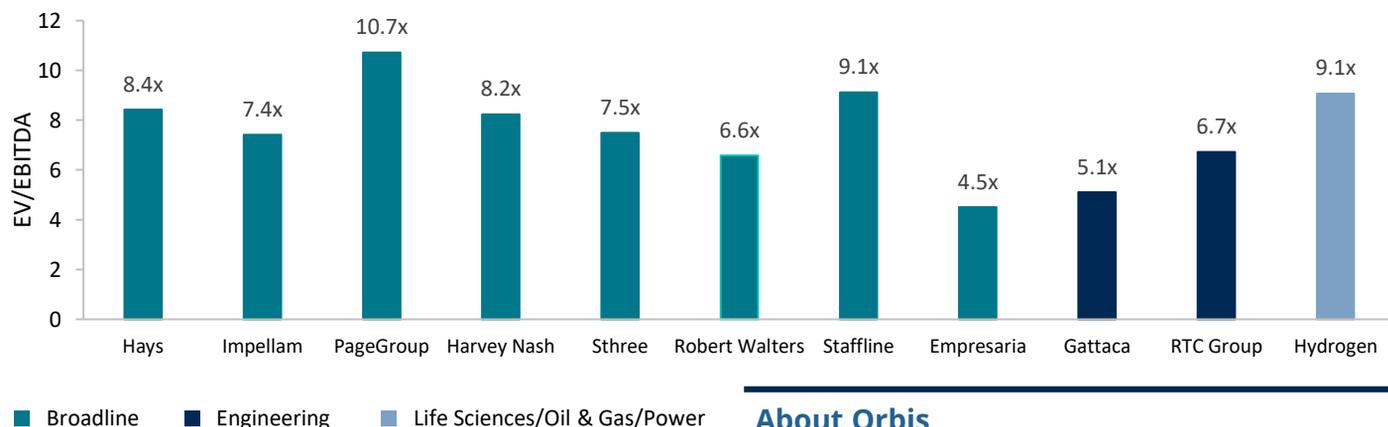
Staffing 360 Solutions continued its steady acquisition spree with the acquisition of Clement May Ltd. The £31m turnover executive search recruiter is intended to enhance Staffing 360 Solutions UK presence along with its existing UK firms CBS Butler, The JM Group and Longbridge Recruitment 360.

July 2018 also saw US recruiter Remote Medical International Inc acquire HSE Offshore Limited, a provider of occupational healthcare services to clients in the energy sector.

Quoted Companies

EV/EBITDA Multiples (Last Available Accounts) – Prepared Dec 18

Source: S&P Capital IQ



2018 has seen quoted recruiters experience contrasting years, with companies such as Hydrogen returning to above average EV/EBITDA valuations, whilst Gattaca has struggled following announcements of extensive restructuring plans as they pull out of low margin markets. This has subsequently impacted the average EV/EBITDA across the sector which has fallen slightly to 7.6x when compared to last year.

Applying a 30% discount for liquidity and economies of scale shows private companies are still within the 5-7x multiple range. Niche specialist recruiters, the target for many large UK and overseas companies, will likely command higher valuations.

About Orbis

Orbis is a mid-market corporate finance boutique advising on a wide range of M&A transactions covering business services, in addition to food & consumer, industrials, technology, media & telecoms, and healthcare. Orbis also has an active investment portfolio held through its investment vehicle Intrinsic Equity.

If you are considering your strategic options for enhancing the value of your business or your client's business, please contact either Gary or Steve.

Contact

Gary Ecob

Partner

T: +44 (0) 121 234 6074

E: gecob@orbisfc.com

Steve Nock

Associate Director

T: +44 (0) 121 234 6083

E: snock@orbisfc.com



Orbis is an independent corporate finance advisory firm, working with business owners, management teams and investors to advise them through every aspect of corporate finance.

The partners have over 100 years of deal-making experience and combine their broad network of global relationships with deep sector knowledge and investor skills to deliver a specialist M&A experience.

Orbis is the UK partner for Clairfield International, a global investment bank, offering clients access to over 400 corporate finance professionals situated in over 20 countries across the globe.

Orbis Partners : A complete range of M&A services providing a wealth of experience to our clients

Company Sales

- Extensive mid market M&A expertise and experience across the team.
- International reach – over 20 countries and growing, with 90% of all sale mandates involving an overseas party.

Business Improvement

- Independent advice and planning strategy led by sector insights.
- Turnaround and profit improvement credentials.
- Leading the team through uncertainty.

Management Buy Out

- Deal leadership and fund raising.
- Align interests with management team.
- Co-investors on 15 deals.

Acquisition Support

- Listed and private clients.
- Research and origination - internal research team and tools.
- Strategic and financial assessment.

Capital Raising

- Supporting existing business to fund development.
- Supportive investor bringing focus on value creation.

Due Diligence

- Experienced and informed advice.
- Extensive experience within the UK and of international transactions.
- Tailored reports.

Orbis and Clairfield International: Recruitment Deals

The Management Team

With backing from
Clydesdale Bank

Acquired



December 2018 Deal Completion

Business Overview

Siamo Group provides temporary and permanent recruitment services combined with training, HR, payroll and IT services. It operates in sectors including retail logistics, e-commerce fulfilments and manufacturing and has 50 bases across the UK.

Our Role:

Orbis provided financial due diligence for Clydesdale Bank, who backed the MBO, providing an exit for private equity firm Key Capital Partners.



Sold to

Herkules Capital

Advisor to the seller



Acquired



Advisor to the buyer



Was acquired by



Advisor to the buyer



Sold to

RG32

Advisor to the seller



Merged with



ET AMESTO-SKAP

Advisor to the seller



Sold to



Advisor to the seller



Acquired



Advisor to the buyer



Sold its Spanish operations to Management through an MBO

Advisor to the seller



Acquired



Advisor to the buyer



Acquired equity participation in



Advisor to the buyer