



Business services M&A Report Q2 2024

Business services overview



Business services market – Overview

Deal volumes in 2024 continue to increase in the second quarter

- The second quarter of 2024 saw a significant increase of deals in the sector of 44, rising from 107 in the first quarter to 151 in the second. This increased level of activity is akin to the levels in the first half of 2021, suggesting that market sentiment is that of confidence amid improving macroeconomic conditions.
- Median deal value across the sector decreased to £7m in the second quarter, this outlines that more deals are happening in the lower-mid-market within the UK. This supports the current market trend that private equity backed companies are continuing to widen its services and geographical offering through acquisitions in key fragmented markets.
- A standout deal of the quarter was Bridgepoint's acquisition of the listed Alpha Financial Markets Consulting, for a consideration of c.£600m. Bridgepoint stated that this acquisition opened up new possibilities for the company, including fulfilling its ambitious growth journey through investment in its talent and capabilities in the sector.
- The fire and security services segment continues to see deal volume increases in the second quarter of 2024. A key deal within the segment was IK Partners investment into A-SAFE (please see more detail on page 10), this is IK's second investment of the year within the UK fire and security segment. We can expect this trend to continue throughout 2024. For more detail on the deals in the fire and security segment, please see pages 13-16.
- Lexington's outlook is positive for the remainder of 2024 and beyond, the business services sector is benefitting highly from more stringent legislation and regulation processes, resulting in companies continuously striving to further develop their service offering and talent acquisition.
- A key consideration for the M&A market at this time is the uncertainty of Labour's policy in relation to Capital Gains Tax. With the potential of an increase in the Capital Gains Tax announced in October coming into effect early in 2025, this could lead to a surge in deal volumes later in 2024.

151 deals announced in Q2 2024, 45 of these deals involved international acquirors

Private equity accounted for 18% of the deals in Q2 2024

Total deal volume for 2024 so far surpasses 250

Highest quarter deal volume since Q1 2021

Lexington's
business services
M&A team



Tom Coombes
Director



Thomas Edwards
Director



Jade Burgess
Executive



Twm Westcott
Associate

Business services subsectors

An overview of the subsectors within the Lexington business services report

Consulting services

Consulting services consists of five segments; IT consulting, management consulting, surveying services, environmental consulting and other consulting services. In Q2 2024, consulting made up 32% of total deal volume in the business services sector, highlighting that transformational change within organisations is being orchestrated through quality people.



Facilities management and maintenance services

Facilities management and maintenance services consists of three segments; facilities management, maintenance services and fire and security services. Activity within this subsector continues to grow as the larger players within the market look to widen their service offering and enter niche areas of the market, alongside significant private equity appetite in the subsector.



Built environment

Built environment consists of engineering and construction services, other built environment services and architecture services. A focus of the subsector is to further its ESG and sustainability efforts as trade and private equity investors focus their capital in these vital areas.



Advertising, media and marketing

This category consists of advertising, media and marketing companies. This subsector made up 13% of total deal volumes in the business services sector in Q2 2024. The market continues to see activity as the larger players strive to lead the market in terms of technological advantage and superior services.



Professional services

The professional services subsector consists of financial services, legal services, design services and other professional services. This subsector was the second largest in Q2 2024 with 37 deals announced in the quarter. Deals continue to flow in the subsector as buy-and-build strategies deploy their capital.



Testing, inspection, certification and compliance

This category consists of companies providing testing, inspection, certification and compliance (TICC) services. There has been increased activity in the TICC subsector in recent periods with larger TICC players like Celnor and Phenna using M&A to achieve service, geographic and end market expansion.



Business services quarterly deal activity

M&A deal volumes remain consistent as the median deal value increases

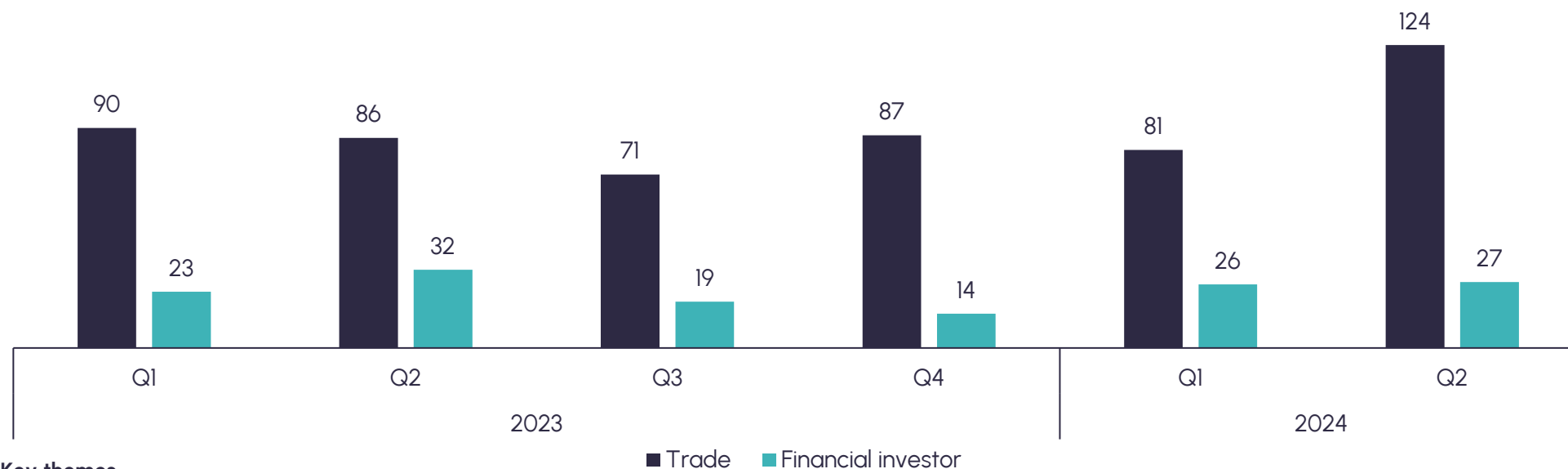


Key themes:

- Q2 2024 deal volumes have grown substantially on the previous quarter, illustrating that the **business services sector is increasingly attractive in the current UK environment**. Following the incremental increases in M&A activity from Q3 2023 to Q1 2024, the most recent quarter saw a significant 41% increase in total deal volume, reaching a peak of 151, akin to the exceptional volumes of Q1 and Q2 2021. This increase, in part, can be attributed to the greater volume of acquisitions by international companies in the UK (Q1: 26 international acquisitions; Q2: 45 international acquisitions) and the bottleneck effect of reduced M&A activity in 2023 on sellers.
- The median deal value for publicly disclosed transactions in Q2 2024 equated to £7m, illustrating that more deals are taking place at the lower and middle markets than before. EBITDA multiples for listed companies (as per Lexington's analysis) also increased from Q1 2024 to Q2 2024, with further detail on page 11.
- Consulting and professional services were once again the most active subsectors** in Q2 2024, making up a combined 56% of the total deals in the business services sector. In the professional services subsector, Q2 2024 saw a significant increase in acquisitions in the legal services segment, where national trade sales are dominating the deal activity in the segment.
- Business services still represents an attractive sector for private equity, with 26 investments across Q2 2024 (see next page). Businesses will continue to closely evaluate the exit options available to them as **uncertainty remains around the capital gains tax rises and the future outlook of the UK economy**.

Significant trade and private equity appetite

Trade activity in the sector significantly increased in Q2 2024



Key themes

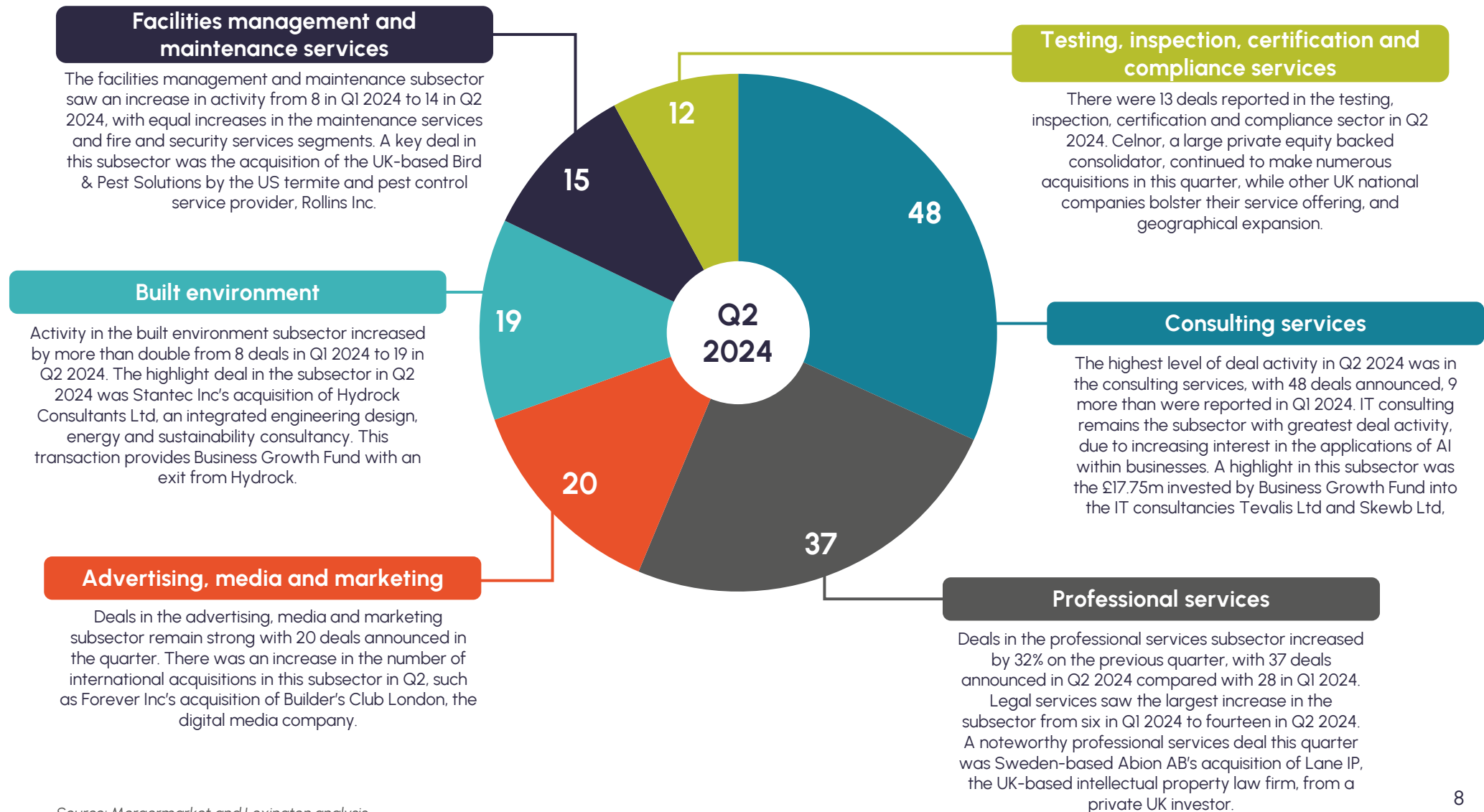
- In Q2 2024, the UK business services sector announced 151 deals: 124 strategic trade deals and 27 private equity transactions. Overall deal volumes have increased by 41% from the previous quarter.
- Trade deals within the quarter have increased significantly by 53%. This has been bolstered by the increased international acquiror activity in the sector, increasing from 20 deals in Q1 2024 to 38 in Q2 2024.
- Private equity transactions announced this quarter have remained as high as Q1, reinforcing the **targeting of private equity towards fragmented business services markets**. We anticipate that private equity activity will continue to increase in 2024 as inflation lowers, giving greater confidence for capital to be invested and further consolidation of key markets.
- Along with the increase in strategic trade deals, median deal values have dropped from £18m in Q1 to £7m in Q2. This decrease is likely due to more transactions taking place in the lower-mid market than the previous quarter. The possibility of a Capital Gains Tax increase after the recent election could influence a surge in deal volumes within the UK M&A market, increasing these volumes further still in the remainder of 2024.

Quarter 2 - 2024



Subsector Q2 2024

Consulting and professional services continue to lead in deal volumes



Notable transactions – Trade

A selection of the recent standout trade transactions in the business services sector for Q2 2024

Consulting services

PHENNA GROUP → **nlg ecology ltd**
Jun-24
Deal Value: Undisclosed

Phenna Group, the global TICC services consolidator, has acquired NLG Ecology Ltd, the local environmental consultant.

Advertising, media and marketing

Hybrid → **crisp digital**
May-24
Deal Value: Undisclosed

Hybrid (backed by LDC), acquired Crisp Holdings Ltd, the local provider of creative marketing and design services.

Facilities management & maintenance services

TMA SECURITY SERVICES → **Glevum Security**
May-24
Deal Value: Undisclosed

TMA Security Services acquired Glevum Security, the security services company. The terms of the deal were undisclosed.

Professional services

ftg → **north west SERVICES**
Apr-24
Deal Value: £2.75m

Frenkel Topping, the specialist financial advisory legal firm, acquired North West Legal to expand its personal injury and clinical negligence services.

Built environment

Stantec → **Hydrock**
Apr-24
Deal Value: Undisclosed

Stantec acquired Hydrock Consultants Ltd, the UK based integrated engineering design, energy and sustainability firm from Business Growth Fund

Testing, inspection, certification & compliance

BES Group → **rak**
May-24
Deal Value: Undisclosed

BES Group acquired R & A Kay Inspection Services, a provider of inspection services catering for the onshore oil & gas, petrochemical, industrial gases, chemicals and utilities sectors.

New private equity platform investments

Appetite for platform investments is high across various segments

Fire and security services



IK Partners



IK Partners acquired a minority stake in A-SAFE, a **security barriers manufacturer**, in May-2024. This follows IK Partner's prior investments in the fire and security sector, namely its acquisition of Checkmate Fire in Q1 2024.

A-SAFE has achieved **significant organic growth in recent years** and its customer base includes Coca-Cola, UPS and Amazon. With private equity backing, A-SAFE is looking to grow its **international presence** and **drive product innovation**.

Advertising and Marketing



WATERLAND

F.

Waterland Private Equity acquired Further, **the new end-to-end creative group** formed through the merger of DesignStudio, Analog and PixelArtworks, in Apr-24.

Further has a diverse service offering including branding, content and experiences and serves a diversified client base including brands such as Mercedes, Netflix and Nike. With the support of Waterland, the Group aims to **add expertise across the value chain** and **scale internationally**.

Built environment



agathos

Plowman Craven

Agathos Management have invested in Plowman Craven, a leading geospatial surveyor and specialist measurement consultant.

Agathos' investment will help **accelerate international growth** and enable the company to **develop its geo-tech capabilities** and **digital services**. It will also help the company to **target acquisitions** as part of its growth strategy in the UK and internationally.


Most active acquirers in the quarter

BK Plus, Celnor and Sumer demonstrated the strongest acquisition appetite in the business services sector in Q2 2024



palatine
Acquired a minority stake in Sep-23

A | B | R | A | M | S
A | S | H | T | O | N
CHARTERED CERTIFIED ACCOUNTANTS & BUSINESS ADVISORS

Q1 2024

 **Casson Beckman**
Chartered Accountants

June 2024
Deal type: Acquisition
Deal size: Undisclosed
Subsector: Financial services


BK Plus acquired chartered accountants Casson Beckman to expand its SME services in the South East. This builds on the three acquisitions that BK Plus made in the first quarter of the year. The Group continues its ambitious buy and build strategy following its investment from Palatine Private Equity in September 2023 and we are likely to see more acquisitions made by BK in the coming months.




inflexion
Acquired a majority stake in Oct-23



May 2024
Deal type: Acquisition
Deal size: Undisclosed
Subsector: Testing services





June 2024
Deal type: Acquisition
Deal size: Undisclosed
Subsector: Testing services


June 2024
Deal type: Acquisition
Deal size: Undisclosed
Subsector: Compliance services

Celnor Group, the newly established TICC services platform, acquired Uni-Safe Access, HBE UK and Vision Survey in Q2 2024, expanding its safety and compliance divisions. This brings Celnor's total number of acquisitions to 12 since the company's incorporation in August 2023 and its subsequent investment by private equity firm Inflexion in October of the same year.




penta
CAPITAL
Acquired a majority stake in Jan-23


  



Q1 2024




April 2024
Deal type: Acquisition
Deal size: Undisclosed
Subsector: Financial services



April 2024
Deal type: Acquisition
Deal size: Undisclosed
Subsector: Financial services

McCowie & Co

April 2024
Deal type: Acquisition
Deal size: Undisclosed
Subsector: Financial services



June 2024
Deal type: Acquisition
Deal size: Undisclosed
Subsector: Financial services

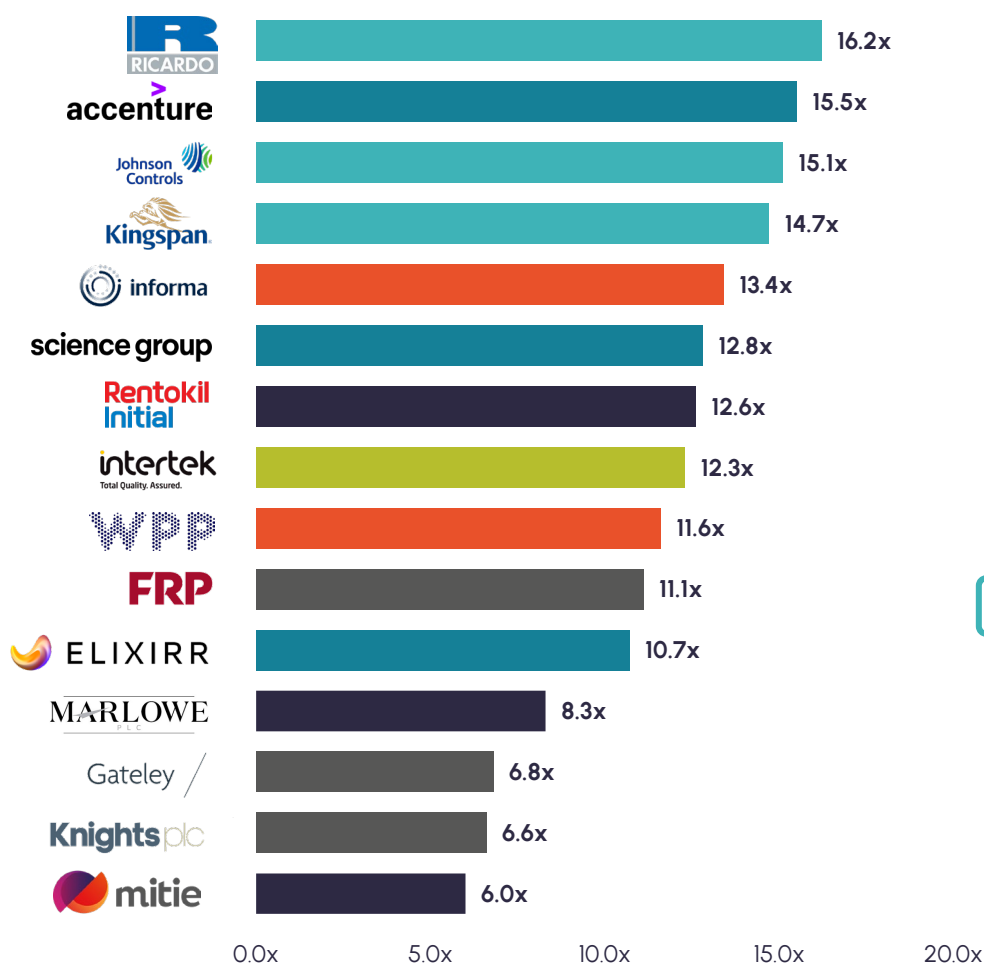
Sumer, a mid-market accountancy practice continues its regional growth through its acquisition of the local accounting firms Scrutton Bland, Douglas Home & Co, McCowie & Co, and ASM in Q2 2024. In total, Sumer has acquired 7 regional accounting firms across Q1 2024 and Q2 2024, reflecting the firm's rapid early growth.

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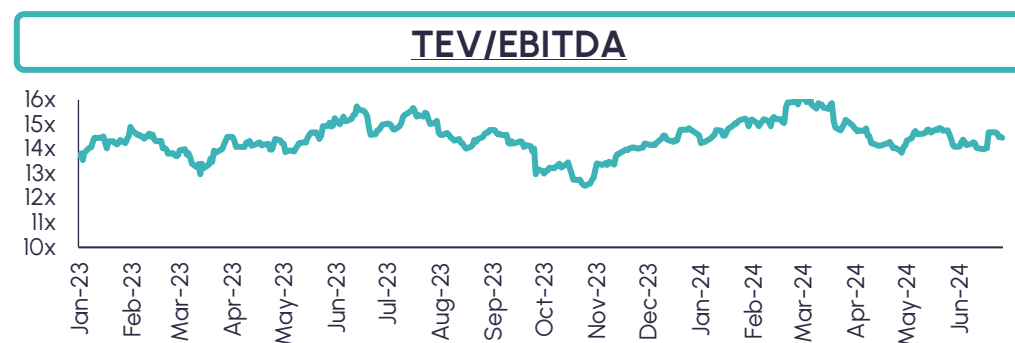
Quoted company benchmark multiples

The listed companies that are active in the business services sector

TEV/EBITDA LTM



- Lexington's own research has identified 15 quoted companies to represent the market multiples across the entire business services sector.
- The subsector with the strongest overall EBITDA multiple in Q2 2024 is built environment, with an average multiple of 11.6x.
- Ricardo, the global engineering, environmental and strategic consultancy is the highest trading EBITDA multiple listed company, trading at 16.2x. Key indicators to this strong trading performance is its impressive continued financial growth from 2022 onwards. It also has made a limited number of strategic acquisitions across 2023 which have strengthened its international presence and technological capabilities
- Alpha Financial Markets Consultancy, who were previously included in the Lexington index, has agreed to a takeover deal by private equity giant Bridgepoint. The Company has agreed a price of around £626m, or 505 pence per share, as at June 2023.



● Consulting ● Built environment ● TICC ● Advertising, media and marketing ● Professional services ● Facilities management and maintenance services

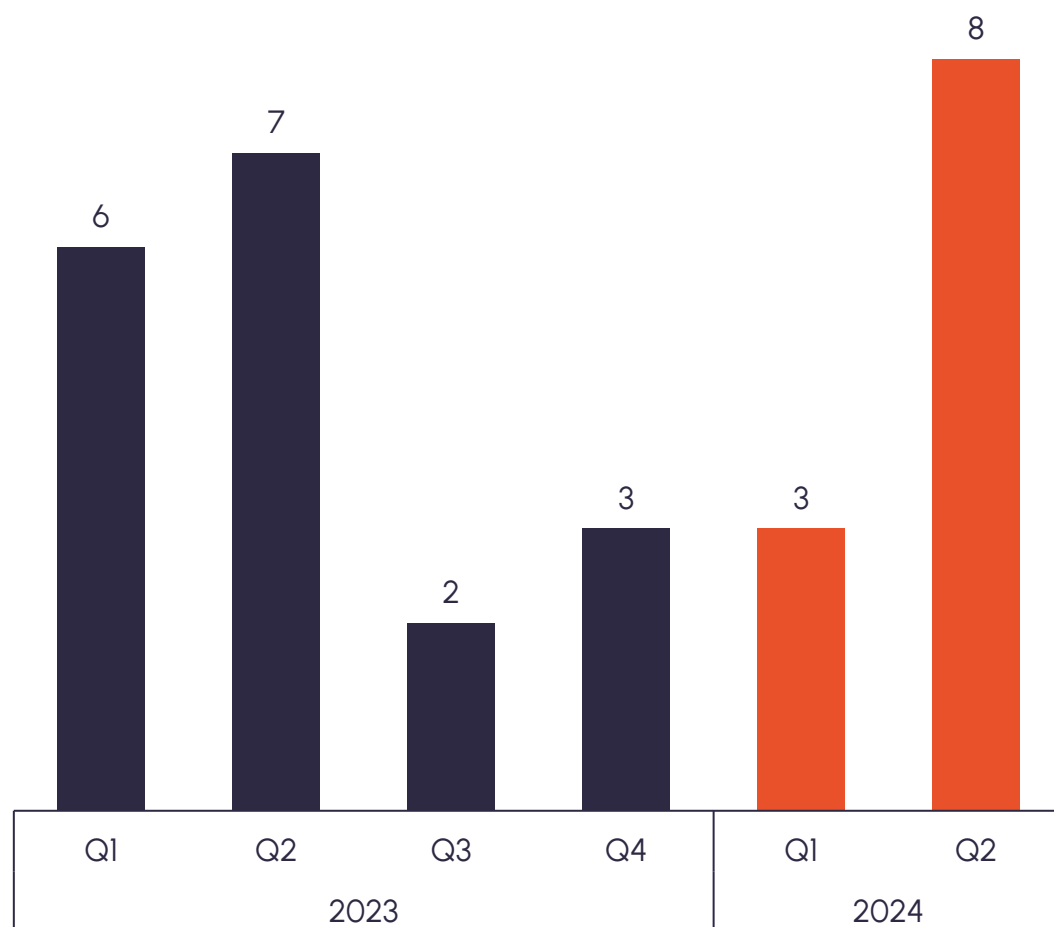
Subsector spotlight – Fire and security



UK Deal volumes – Q2 2024

Consolidation to diversify service offering was a key theme in Q2

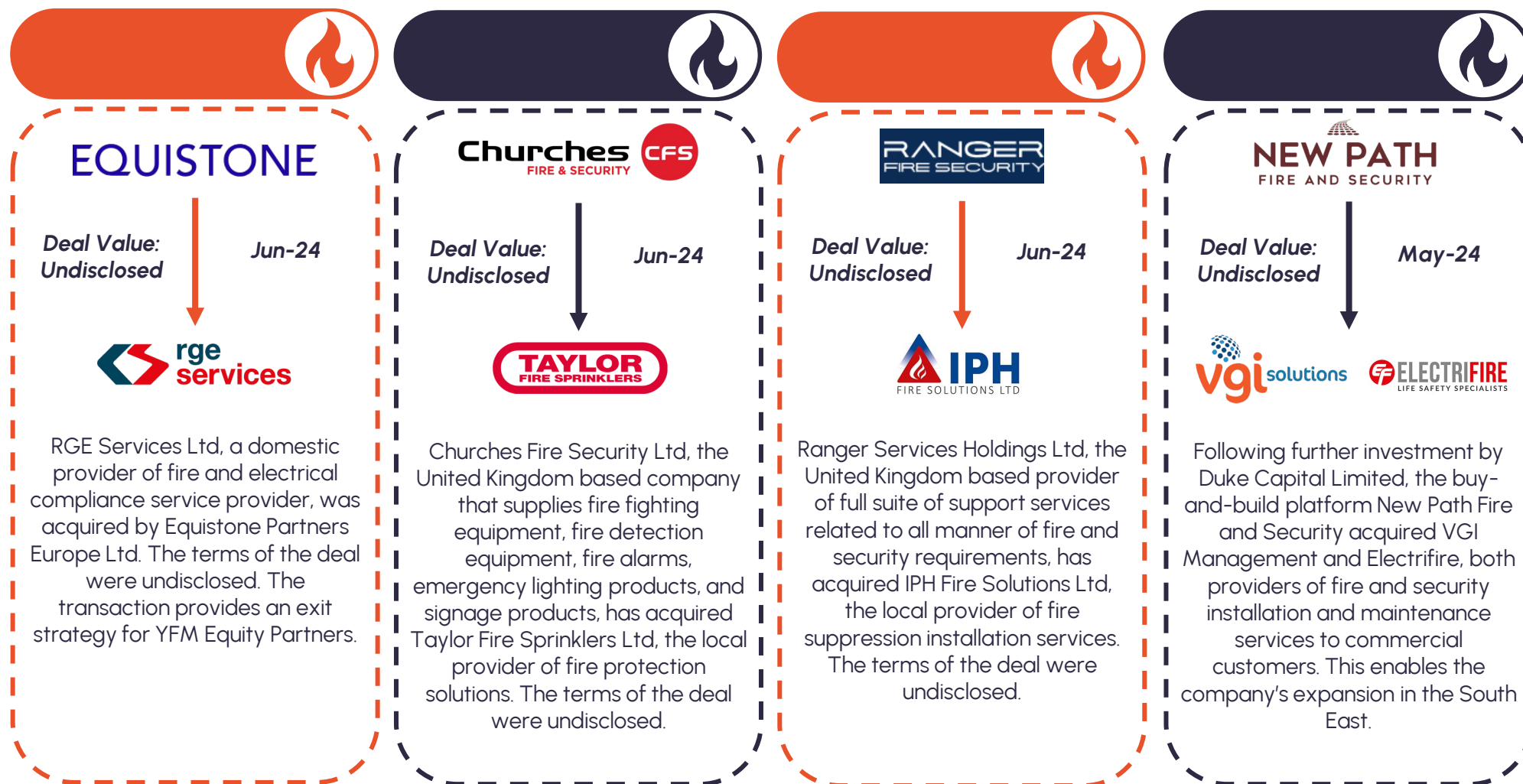
Deal volumes



- In Q2 2024, the UK fire and security subsector announced eight deals: six strategic trade deals and two platform private equity investments deal. This is an **increase on deal volume of five from Q1 2024 and indicates a return to the activity seen in early 2023, with a further two UK platform investments this year.**
- The subsector has recently faced increased regulation and legislation. Consequently, facilities managers require a greater number and diversity of specialist services, leading to significant growth in the sector. Further growth factors include increasing urbanisation and advancements in technology.
- The fragmented nature of the sector has provided the opportunity for larger corporations to increase their market share across the UK, especially given that consumers have a growing preference for integrated security solutions that combine multiple service offerings.

Notable transactions – Fire and security

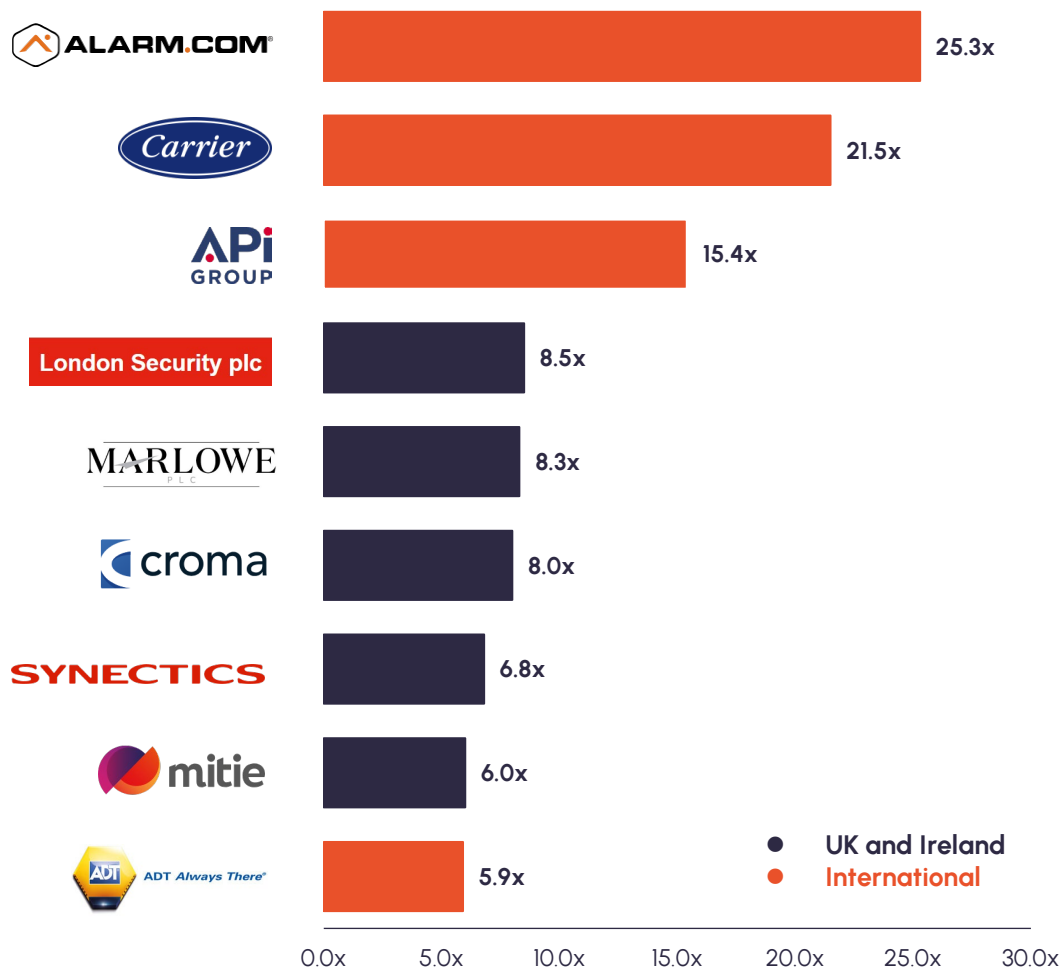
A selection of the recent standout transactions in the fire and security subsector for Q2 2024



Listed global fire and security companies

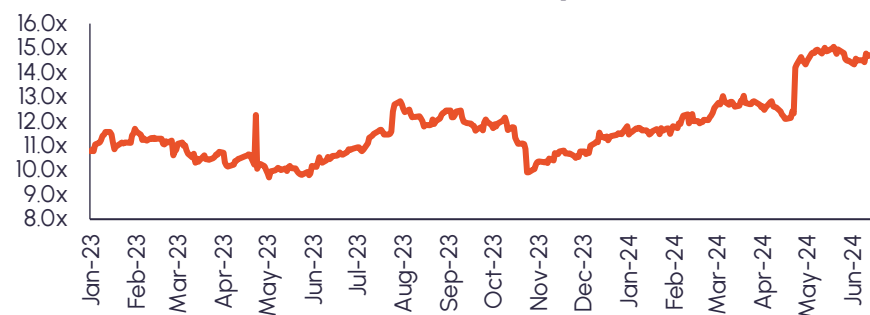
The large global players within the fire and security space

TEV/EBITDA LTM - Latest



- Lexington's own research has identified nine key global companies within the fire and security subsector. The multiples opposite show the closing EBITDA multiple as of 30th June 2024.
- The average EBITDA multiple in Q1 2024 for the companies identified was 11.7x. Alarm.com, Carrier and API Group represents the higher end of our multiple analysis.
- Alarm.com represents the highest multiple within the fire and security segment as it has a focus on technologies-based solutions such as software for remote surveillance and monitoring. Its remote video monitoring console has also won industry awards as the best rated product in the market.
- The UK fire and security market has delivered strong performance in the period, one contributing factor is the increasing concerns around safety and security. Evolving regulations and standards, such as the Fire Safety Order, Building Regulations, and British Standards now require the installation of fire and security systems in specific building types. As a result, there is increasing demand for fire and security services.

Fire and security - TEV/EBITDA



Who we are

Corporate Finance advisory boutique with focus on the mid-market



An entrepreneurial, corporate finance advisory boutique, providing hands-on, trusted advice to businesses, owners and investors with growth, succession and buyout ambitions.

www.lexingtoncf.co.uk



Feedback from the clients we work with

We are really proud of the testimonials we receive from all our clients



Completed November 2023

"Tom and Jade worked tirelessly to make sure all parties were pulling together to get the deal done. They were invaluable in due diligence, making sure that all responses were provided ensuring momentum was maintained through due diligence. They highlighted key risks early and as a result of their proactivity were able to navigate these at the earliest point of the deal."

Julian Howe,
Director



Completed April 2023

"It was apparent from our first meeting that Lexington understood what we care about. Thomas and the team were an excellent partner for Cansford. They helped make the whole process as straight forward as possible, guiding us through all stages and always on hand, providing expert advice and support throughout. I can't rate them highly enough."

John Wicks,
Chief Executive



Completed March 2023

"We cannot speak highly enough of the professionalism, knowledge and support offered by the Lexington Corporate Finance team. The advice, patience and counsel throughout this important milestone for the Idwal management team, has been invaluable."

Nick Owens,
Chief Executive



Completed December 2021

"Lexington were an excellent corporate finance partner. They took time to understand what support and guidance we needed, and provided invaluable advice throughout the process. The team were professional and easy to work with, always available when needed and the clear and frequent communication throughout, delivered an extremely successful outcome for DevOpsGroup."

James Smith,
Chief Executive

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If you would like to learn more about our services and how we can assist you in your growth journey or exit, please don't hesitate to get in touch with any member of our business services team