

# Thinking man.

## Deal Review: Human Capital

As the UK takes its first steps on the long road to recovery, the work of companies operating in the consultancy services sector is coming to the fore.

Thankfully, Britain and the world economy dodged the bullet of a full-blown depression but the recession was still very deep. Confidence is returning, but with unemployment still high, and taxes rising as government stimulus measures fall away, trading conditions look set to remain difficult for some time. In this climate, UK companies are continuing to keep their processes and practices under constant review as they strive to drive down costs and trade more efficiently. This, in turn, is creating demand for a range of consultancy services.

The businesses operating in the consultancy sector are diverse. They range from recruitment and marketing companies through to IT outsource specialists and management consultancies. But there are common factors. Their role is to enable their clients to reduce costs and trade more effectively, often by outsourcing non-core activities. For the most part they are people based businesses, staffed and managed by experts in their fields.

Increasingly they are attractive buy-out targets and even in the current climate, we are seeing vendors in some sub-sectors achieve a multiple of four to five time revenues when they come to sell. Consolidation in the sector is limited – not least because there are few cost synergies to be achieved – but there is a lot of interest from strategic buyers seeking to add new service lines to existing portfolios.

Deals in this sector tend to be shaped by the characteristics of the companies themselves. For instance, most consultancies are engaged in project-type work, often with a few large clients. This makes it difficult to project profits over the medium and long-term. Beyond the visible pipeline, no one can really say whether today's lucrative contracts will be replaced by others in the future.

Then there is the human factor. It's often said of these businesses that their main assets – their people – walk out the door every evening. Hopefully they return the next day, but that's not guaranteed. The departure of key staff could inflict severe damage.

For these reasons, vendors should expect an element of consideration to be deferred or staged with the final amount payable linked to agreed targets. It is, therefore, hugely important that the seller secures a deal with the 'right' buyer – one who will create a working environment that will allow the consultancy to fulfil its potential and achieve the desired performance goals.

Baker Tilly has considerable experience working on transactions in the consultancy services sector. We understand that founders have put their all into creating successful companies. Equally, we know the importance of finding those businesses a new home where they can thrive. Every business in this sector is unique and we will seek to craft a bespoke solution for each client we take on.

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**Client:** Vendor  
**Transaction type:** Sale  
**Sector:** Recruitment

## Sale of Concept Staffing

Concept Staffing Limited was acquired by Acorn, one of the UK's leading recruitment and training company groups.

The largest recruitment company in the South West of England, Concept Staffing was launched in 1988 by its founder and Managing Director Maria Smith. It currently services 700 clients from 16 locations across the region generating a turnover of over £16.5 million.

With its head office in Newport South Wales, Acorn is the UK partner of Synergie of France, the world's 18th largest recruitment company, with branches across Europe and North America and a turnover of over €1.2 billion.

The combined Acorn Group will see it deliver some 5,500 temps to more than 1,200 clients each week, as well as training more than 3,000 learners and placing some 1,500 permanent placements each year.

### *Our role*

Baker Tilly identified a strategic buyer, substantially increased the multiple and also structured the deal so that the earnout had a downside protection based upon its best performing year. The transaction was led by Andrew Killick.

"Baker Tilly managed the process of selling our business excellently. The advice they gave was tailored to our needs and the support and commitment from both partners and the team was 150%. Although completed in a relatively short timescale, the sale process was at times stressful, but we were constantly reassured and most importantly, able to keep focused on running our day to day business due entirely to the professional way Baker Tilly undertook the mandate they were given."

Maria Smith  
Managing Director  
Concept Staffing

**Client:** Vendor  
**Transaction type:** Sale  
**Sector:** Business consultancy

## Sale of Paragon Consulting

Paragon Consulting Group (Paragon), is an international provider of performance management services to large corporate including BAT, Old Mutual, Barclays and Newmont Mining. Paragon was sold to PricewaterhouseCoopers LLP, the accounting and professional services firm.

The acquisition strengthens PwC's consulting arm, bringing a team of over 90 people to provide a full client service from ideas to implementation. With offices in the UK, Singapore, Dubai and Turkey, Paragon also enhances PwC's presence in the Middle East and East Asian markets. The transaction involved the simultaneous buy-out of the minority shareholdings of two overseas joint ventures and saw Richard Wyles, the majority shareholder and Managing Director, become a partner at PwC.

### *Our role*

Baker Tilly has advised Paragon from its earliest days as a small start up, through its rapid growth phase to become a business with global revenues in excess of £10 million per annum. The M&A team then managed all key negotiations for the vendors and project managed a complex deal through to completion. The deal was led by Rob Donaldson and Kirsty Sandwell.

"Baker Tilly did a great job. This was a complicated deal with a number of moving parts. Rob and his team managed the whole process; they didn't just pick up the bits they thought involved them. They provided complete support throughout the deal and fought for every penny as if it were their own leaving us to focus on strengthening our relationship with PwC."

Sash Rana  
Finance Director  
Paragon Consulting Group

**Client:** Acquirer  
**Transaction type:** Acquisition  
**Sector:** Defence

## Acquisition of SEA

Cohort Plc, the AIM quoted independent technology group, acquired SEA (Group) Limited.

SEA is a UK based independent systems engineering and software company, with a core capability in the development of innovative electronic surveillance systems for the defence, space, transport and offshore markets.

Cohort floated on AIM in March 2006 with the intention of building a significant presence in the defence technical services market. Following the acquisition of MASS Consultants, the acquisition of SEA, with a strong position in naval defence markets, complemented Cohort's existing position in air and land, creating a platform to bid for larger contracts and enhance the group's ability to cross-sell its services into different areas of defence.

### *Our role*

Baker Tilly undertook financial due diligence on SEA and provided general advice upon the transaction. The team was led by John Warner with assistance from David Payne.

"Baker Tilly supported us throughout a difficult transaction, responding to the tight timetable and offering constructive advice on the issues encountered."

Simon Walther  
Finance Director  
Cohort Plc

**Client:** Vendor  
**Transaction type:** Sale  
**Sector:** Professional training

## Sale of The Matchett Group

The Matchett Group Limited (Matchett), a leading financial and professional training business, was sold to Wilmington Group plc, a provider of information and training for professional business markets, for a consideration of up to £21 million.

Matchett provides training to professional markets, with a particular emphasis on the major banks both in the UK and US. The business operates from London, New York, Mumbai and the Far East. Clients include ABN Amro, Citigroup, Deutsche Bank, Goldman Sachs, JP Morgan, Lehman Brothers, Merrill Lynch, Morgan Stanley and UBS.

### *Our role*

Baker Tilly acted for Matchett, performing extensive buyer research, advising on complex deal structuring and leading negotiations. The transaction was led by Paul Elliot.

“The Baker Tilly team found the right buyer for our business and were instrumental in structuring and negotiating what was an excellent deal in an uncertain market. They were very hands-on and ensured that issues were analysed and addressed commercially, and that complex data flows and deal structuring were handled smoothly and intelligently.”

Alastair Matchett  
CEO and Majority Shareholder  
The Matchett Group

**Client:** Management  
**Transaction type:** Buy-out  
**Sector:** Property

## Management buy-out of Lambert Smith Hampton

Lambert Smith Hampton (LSH), a leading national provider of commercial property solutions completed a £56 million management buy-out from its listed parent WS Atkins.

LSH provides a wide range of commercial property services to a number of blue chip organisations including the BBC, BT, Hertfordshire County Council, Essex County Council and Network Rail. With over 850 employees and 27 offices across the UK and Ireland, LSH offers a full national capability to both the private and public sectors.

### *Our role*

Baker Tilly advised the management team, coordinating all due diligence work and negotiating terms with both the vendor and HBOS Integrated Finance who provided funding for the transaction. After signing Heads of Terms, Baker Tilly completed the deal in less than five weeks. The buy-out was led by Rob Donaldson and Kirsty Sandwell.

“Baker Tilly provided an excellent service from start to finish. They threw everything at this deal. We had a tight timetable and some difficult issues to resolve. They were always there to guide us through and, most importantly, made a real difference.”

Mark Rigby  
Chief Executive Officer  
Lambert Smith Hampton

**Client:** Acquirer  
**Transaction type:** Reverse acquisition  
**Sector:** Recruitment

## Reverse acquisition by Garner

Garner PLC successfully completed the £5.5 million reverse acquisition of Norman Broadbent, an executive search business, and its readmission to AIM.

The acquisition makes Garner PLC group one of the largest providers of board level search services in the UK, with a team of more than 65 people between the two brands. The group already provides generalist executive search, including CEOs and HR directors, with a dedicated HR practice, through its boutique provider, Garner International.

### *Our role*

Baker Tilly acted as reporting accountants providing the working capital comfort on the new enlarged group and the historical financial due diligence on the three limited companies that made up the target business. The transaction was led by Andy Baker.

“Baker Tilly were an important part of the deal team in what is a transformational acquisition for Garner PLC. Their diligent and proactive approach added value to the transaction process and helped resolve issues rather than creating barriers.”

Sue O'Brien  
Managing Director  
Garner PLC

**Client:** Vendor  
**Transaction type:** Sale  
**Sector:** Property

## Sale of Andrew Martin Associates

Andrew Martin Associates (AMA) was sold to The Capita Group Plc, the UK's leading outsourcing company.

AMA is a town planning and urban design consultancy that is best known for its promotion of large strategic residential developments through the UK planning system. Capita had been searching for a planning consultancy for some time, and the acquisition of AMA completes their suite of consultancy services to the strategic development sector.

### *Our role*

Baker Tilly advised the shareholders throughout the transaction, led an international sale process during a challenging economic backdrop and delivered a deal with a strategic purchaser. The deal team was led by Kirsty Sandwell.

“Baker Tilly got us a fantastic result. The economy, and the property market in particular, were in turmoil after the initial offer was received from Capita, but Baker Tilly still managed to negotiate a better deal. We have nothing but the utmost praise for Kirsty and Angus - for their invaluable advice and determination in getting the deal done in such a difficult market.”

Andrew Martin  
Chairman  
Andrew Martin Associates

**Client:** Acquirer  
**Transaction type:** Acquisition  
**Sector:** Marketing & advertising

## Acquisitions by The Mission Marketing Group

The Mission Marketing Group was created in 2004 to bring together some of the UK's best talent and to create a network of successful, award-winning creative communications agencies across the UK. In 2006 it was admitted to AIM simultaneously completing a major acquisition. Four more acquisitions followed to deliver its strategy of creating a group of multi-disciplined marketing communications agencies. Today, the group comprise seven agencies covering a wide range of sectors and services and employs some 550 people in 12 offices around the UK.

### *Our role*

Baker Tilly provided due diligence on three of the acquisitions. The due diligence was led by John Banks and Mark Colling.

"We used the Baker Tilly team to undertake due diligence on three acquisitions we carried out that year. We found the team to be very professional and focused in their approach, which contributed to deals completing within the agreed deadlines."

Tim Alderson  
Chief Financial Officer  
The Mission Marketing Group plc

**Client:** Acquirer  
**Transaction type:** Acquisition  
**Sector:** Recruitment

## Acquisition of Westaff

The management team of Fortis Recruitment Group Limited successfully acquired Westaff (UK) Limited, a subsidiary of Westaff Inc, USA, through a management buy-out.

With 19 locations in the UK covering Scotland to the South East, Westaff offer temporary and permanent staffing solutions to a diverse range of industrial and commercial clients.

### *Our role*

Baker Tilly helped negotiate the deal with the vendor, a NASDAQ listed company based in California, USA, raised acquisition funding, advised on tax related deal issues, and project managed the deal to completion all within eight weeks.

Following this deal, Baker Tilly has also successfully advised Fortis Recruitment Group on the further bolt-on acquisition of Labour Ready, the UK arm of True Blue Incorporated, a NASDAQ listed business with a turnover of £900 million. The deal was led by Nick Weston.

“Baker Tilly were instrumental to the success of this deal. Their knowledge of funders’ expectations, tax advice, deal negotiation and overall project management and support were invaluable. We really felt that Nick and John took the time to get to know the business which placed them in the best position for giving appropriate advice. Despite the eight week deadline, no corners were cut. They were determined, supportive and professional throughout the whole process and because of this I wouldn’t hesitate to recommend them to others.”

David Mogford  
Managing Director  
Fortis Recruitment Group

**Client:** Vendor  
**Transaction type:** Sale  
**Sector:** Design

## Fundraising for BDA

BDA, the UK's leading broadcast design and promotions agency completed a private equity backed deal with Octopus Investments, valuing the business at £15 million.

BDA has offices in London, Munich, Dubai, Singapore and Sydney and has led successful branding and launch campaigns for a diverse range of TV channels. These have been for mainstream broadcasters such as Sky Italia and ITV, niche channels such as Playboy and FX, and international broadcasters such as Orbit Communications (UAE) and Bindass (India). BDA also provides design and on-air promotions to some of the best-known names in the broadcast industry such as NBC Universal, Discovery, National Geographic, Hallmark Channel and Fremantle.

### *Our role*

Baker Tilly advised the BDA shareholders, conducting a controlled auction process to both trade and private equity and negotiating final terms with Octopus Investments. In addition, Baker Tilly structured, negotiated and secured a significant acquisition facility, the first of which was the acquisition of Jago Design Limited, the world's leading news set design agency. The deal, also advised by Baker Tilly, strengthens BDA's design services and is one of a series of bolt-on opportunities identified by the business. The deal was led by Rob Donaldson and Ali Aneizi.

"Baker Tilly have taken 'hand-holding' to new heights. We at BDA were a team with no experience of seeking investment and no knowledge of the process. However, they have guided us to an exceptional outcome. The triumvirate of Rob, Ali and Dan each brought their own skills to the table supported by the weight of the larger Baker Tilly group. We look forward to working with The Fabulous Baker Tilly boys on the next deal."

Honor Barratt  
Managing Director  
BDA

**Client:** Management  
**Transaction type:** Buy-out  
**Sector:** Business consultancy

## Management buy-out of Augmentis

The management of Augmentis, a leading UK programme management and public procurement firm undertook a buy-out, acquiring the company from its founding shareholders.

Augmentis provide consultancy services throughout the lifecycle of public service and infrastructure investment programmes, supporting such key sectors as health, education, government accommodation, regeneration and waste management.

The subsequent sale to Navigant Consulting Inc, a NYSE quoted global consultancy, combined the firms' complementary skills and experience, and broadened the offering to build a comprehensive public service consultancy practice working on crucial policy issues across central and local government and the private sector.

Funding for the buy-out was provided by HSBC.

### *Our role*

Baker Tilly advised the management team and led the negotiations with the bank funders to secure the best terms for management. Baker Tilly then acted for the vendor realising the value of the company on its subsequent sale to Navigant Consulting Inc. The deal was led by Ian Latham.

"From the outset we received great support from Baker Tilly. On the MBO we needed a lot of strategic support. The sale to Navigant (a New York Stock Exchange Quoted company) was more complex and, in addition to the great deal support, Baker Tilly provided crucial advice on taxation structure which optimised the deal for us as vendors. We really benefitted from the quality and continuity of support from Baker Tilly over a five year period."

Robert Osborne  
Managing Director  
Navigant Consulting

**Client:** Funder  
**Transaction type:** IBI  
**Sector:** Marketing & advertising

## Investor buy-in of EnQii

Amadeus Capital Partners and Wellington Partners invested \$18 million in EnQii Holdings Ltd, a global leader in the management of digital out-of-home (DOOH) advertising and merchandising networks.

EnQii is a UK based company operating in the technology sector, with operations in the US, Europe, Hong Kong and China. They work in partnership with advertising networks and retailers, providing a full managed service of design, installation, technology and operation of web-enabled digital displays. The company has over 100 customers in 14 countries around the world.

### *Our role*

Baker Tilly performed financial due diligence for Amadeus and Wellington. Key to the due diligence exercise was understanding the composition of the balance sheet and the level of assets and liabilities across the group, understanding the taxation implications of the assessed losses throughout the group, and understanding the composition of operating costs that were absorbing cash on a monthly basis. The transaction services team was led by Tony Pierre.

“We were very impressed with Baker Tilly’s responsiveness and attention to detail. They provided good insights and were a valuable part of the deal team.”

Jason Pinto  
Associate  
Amadeus Capital Partners

**Client:** Management  
**Transaction type:** Buy-out  
**Sector:** Recruitment

## Management buy-out of Change CRS

The management team of Change Recruitment Group, undertook a buy-out of Scotland's leading independent recruitment consultancy.

Suzanne Ramsay, CEO, came to Baker Tilly when the founder was looking to sell. With our help, Suzanne persuaded the vendor to allow the team to undertake a management buy-out. The transaction has given the management team the platform to expand throughout the Scottish market and continue to exploit its excellent brand.

### *Our role*

Baker Tilly introduced the management team to the funding community meeting both bank and equity providers. We advised the management team in their selection of NBGI because of a strong track record in the sector and the value they could bring post transaction. Debt was provided by Clydesdale. The deal team was led by Rob Donaldson and Kirsty Sandwell with Baker Tilly's local tax team providing input.

"Baker Tilly led the process and ensured management's objectives were met but didn't compromise the foundations of the business on the way – they never lost sight of the people issues. It was hard work, but Rob and his team made it a fun journey with their constant drive, energy and compassion. They committed everything to make sure the deal succeeded."

Suzanne Ramsay

CEO

Change Recruitment Group

**Client:** Funder  
**Transaction type:** Development capital  
**Sector:** Design

## Private equity fundraising for Fjordnet

Fjordnet Limited (Fjord) is a digital design consultancy focusing on mobile platforms and the internet. Fjord was founded in 2001 in London and has offices in Berlin, Helsinki and New York. Among its clients are BBC, Nokia, Orange and Yahoo.

Beringea invested £2.4 million in Fjord, to fund expansion into new regions, accelerate growth and support new service opportunities.

### *Our role*

Baker Tilly undertook financial due diligence for Beringea. The transaction services team was led by Stephen Mason.

“Baker Tilly were able to quickly provide an insight into the key financial drivers of the business, a task complicated by the historic individual approach of the international offices.”

Trevor Hope  
Chief Investment Officer  
Beringea LLC

**Client:** Vendor  
**Transaction type:** Sale  
**Sector:** Business consultancy

## Sale of Ferguson Snell

Ferguson Snell & Associates Limited was sold to Xchanging Limited, a business outsourcing provider.

From international pop stars to top athletes, Ferguson Snell has been at the forefront of helping the famous and wealthy through the maze of official documents required to enter and work in the UK.

In a transaction introduced to them by Baker Tilly, Ferguson Snell further strengthens Xchanging's international HR capabilities, by significantly expanding its immigration services to its customers across all industry sectors.

### *Our role*

Given the nature of the industry, it was critical to find a strategic purchaser rather than a direct competitor. Baker Tilly identified Xchanging following its recent acquisition on a human capital business, and from agreeing terms completed the deal in just four weeks. The transaction was led by Rob Donaldson and Kirsty Sandwell.

"The best. They were everything we could have asked for. The team provided a very professional service throughout the entire transaction process. We would recommend them to anyone looking to sell their business."

Paul Ferguson  
Director  
Ferguson Snell & Associates

"Pragmatic and practical. We found Baker Tilly straightforward to deal with, they helped all sides through the issues to a successful completion. We'd be pleased to work with them again."

Richard Houghton  
CFO  
Xchanging

**Client:** Acquirer  
**Transaction type:** Acquisition  
**Sector:** Property

## Acquisition of Hamson Partnership

NPS Property Consultants Limited acquired Hamson Partnership Limited, a chartered surveying business which delivers a comprehensive range of professional services for the effective management of property.

NPS is a property services business ultimately owned by Norfolk County Council and provides consultancy services to public and private organisations.

### *Our role*

Baker Tilly carried out financial due diligence on the acquisition and advised NPS on the deal structure. Baker Tilly had advised NPS on two previous acquisitions, including the acquisition of an architectural practice and an engineering consultancy business. The due diligence work was led by Stephen Orriss and Simon Stafford.

“The Baker Tilly team were able to quickly identify the issues facing the target business, clearly communicate them to us and provide us with commercial solutions. We have worked with Baker Tilly on several acquisitions now and look forward to working with them on further deals in the future”

Glen Reynolds  
Group Finance Director  
NPS Property Consultants

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## About Baker Tilly

Baker Tilly is a leading independent firm of accountants and business advisers that specialises in providing an integrated range of services.

We provide our growing and established business clients with audit, accountancy, personal and corporate taxation, VAT, management consultancy, corporate finance, IT advisory, restructuring and recovery and forensic services. The firm has national coverage through its network of offices and is represented internationally through its independent membership of Baker Tilly International.