

# **SECTOR SNAPSHOT: PROFESSIONAL SERVICES**

**THE PROFESSIONAL SERVICES SECTOR HAS SEEN A NOTICEABLE INCREASE IN M&A, FOR INSTANCE LAW FIRMS, ACCOUNTANCY PRACTICES & CONSULTANCY BUSINESSES INCLUDING AN INCREASED APPETITE FROM PRIVATE EQUITY TO DEPLOY CAPITAL INTO SUB-SECTORS.**

**KEY MARKET THEMES  
RECENT M&A ACTIVITY  
VALUE DRIVERS**

**COOPER PARRY**  
**CORPORATE FINANCE**

**GLOBAL**  
**M&A**  
**PARTNERS**

# KEY MARKET THEMES

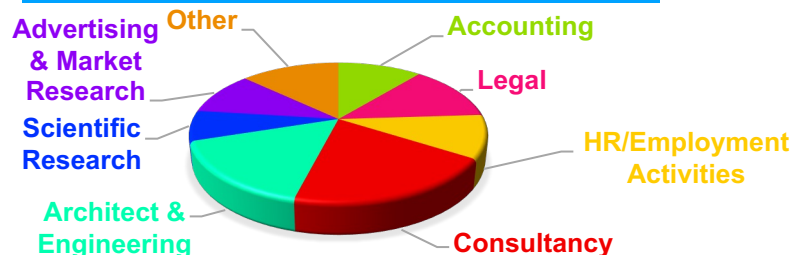
The pandemic has been a catalyst for the way professional services firms operate including accelerated investment into technology, improved focus on work life balance methodologies and virtual collaboration.

## OVERALL MARKET

**77%** of professional services firms expecting **growth** in revenues, with **28%** expecting **'strong growth'** in 2023.

(Consultancy.uk)

## PROFESSIONAL SERVICES MARKET



Source: ONS UK

## KEY THEMES

### Evolution of LLPs

Traditionally, many professional service firms have been structured as partnerships, with little external capital and operating a full profit distributing model. The agenda has evolved post pandemic as there has been more willingness from leadership teams to consider proposals from strategic acquirers who seek to buy in new geographies and market niches. Extra thought is also needed with these types of transactions in order to ensure the next generation have adequate incentives to remain in the business beyond ambitions to be an equity partner.

### COVID Effects

The pandemic has also led to changing working practices within many firms including maintaining increased remote working to improve work life balance. This has led to more virtual collaboration platforms to assist with meetings & remote project management.

### A changing workforce

Due to the increase in the number of millennials that now make up the global workforce, there is increased pressure and demand on firms to adapt their working styles, improve technology and adopt new, modern ethical practises.

### Emergence of AI

Artificial Intelligence is an emerging force in many sectors, including professional services. To provide the best service, often professional services firms need to process and analyse a lot of data which is time-consuming and prone to human error. This is one of many ways which AI can modernise and change the sector.

### Customer experience

Customer-centricity is still a priority for businesses, and professional service providers are adopting technology to improve customer service, including the use of efficient communication channels, and prioritising the more effective sharing of data.

### Cyber Threats

Increased use of technology and data has given rise to a greater risk of cyber-attacks, with professional services firms often holding more confidential data, making them a greater target. In a recent study, more than 80% of firms have experienced at least 1 attack in the past two years.

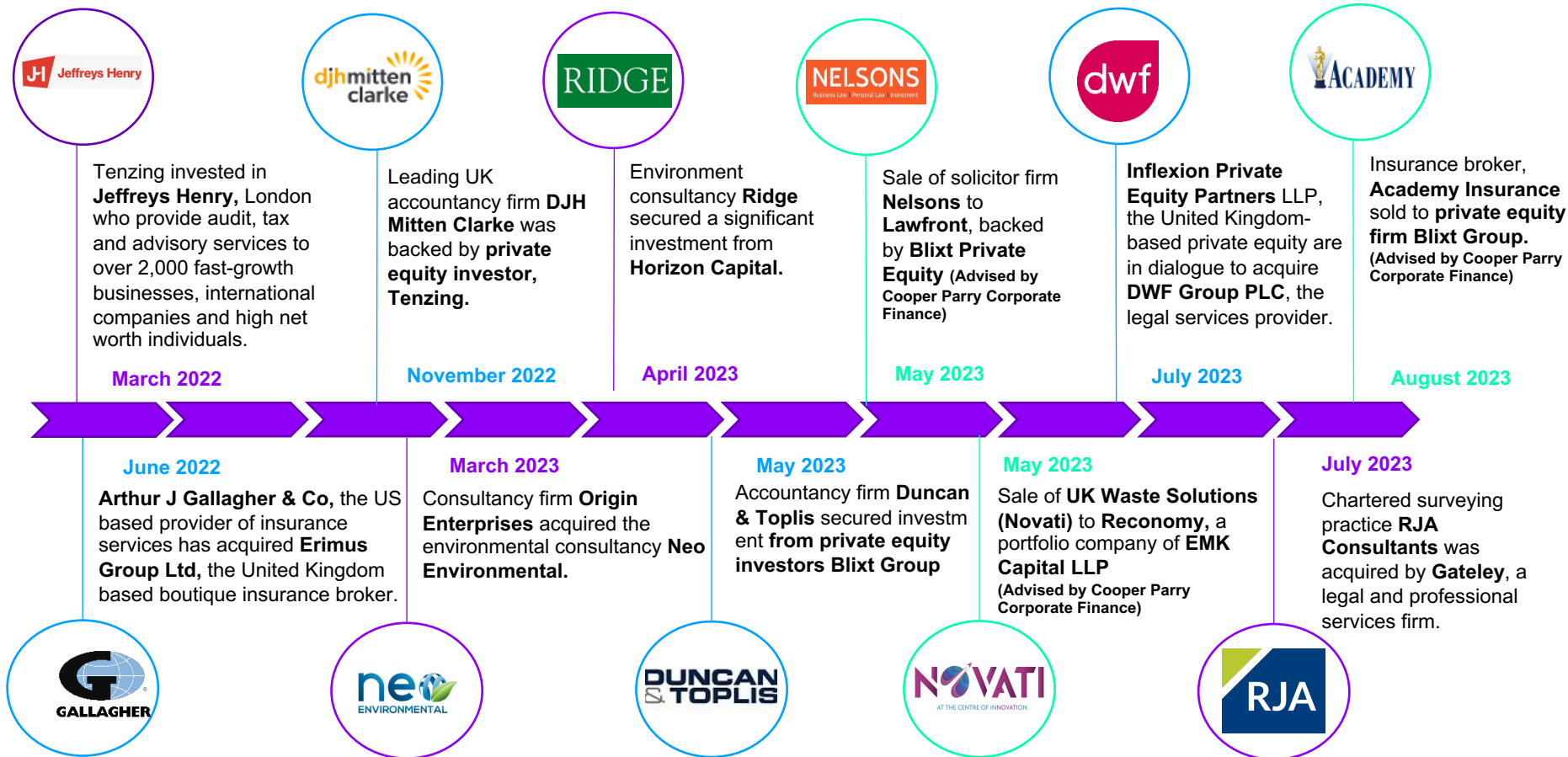
(Source: Allianz.co.uk)

### Revenue

Partly driven by COVID volatility, professional services firms are seeking to obtain a deeper understanding of their revenue generation & pipeline including greater adoption of CRM systems. Being able to provide revenue predictability can assist with resource planning and aid investment.

# KEY RECENT TRANSACTIONS

PE like the high-margin nature of professional services businesses and the reliable income streams these firms provide, especially if an acquisition is scalable and can grow through seamless bolt-on and integration of similar businesses



# CORE M&A VALUE DRIVERS FOR PE

The opportunity for growth through seamless bolt-ons and the integration of similar businesses presented in a fragmented market can provide founders with the opportunity to de-risk whilst having 'skin in the game' for growth.



	<b>DECLINING</b>	<b>GROWING</b>		
<b>Market dynamics</b>	<b>MARKET OPPORTUNITY</b>		There has been significant investment across the professional services sector, in particular, the accountancy space over the last few years. There is an expectation that PE firms and national consolidators will look to make platform investments in other professional service sub-sectors.	
	<b>ROBUST REVENUE STREAMS</b>	<b>HIGH</b>	<b>LOW</b>	Professional services have proven to be more recession resilient than other sectors which has provided investors with more confidence.
	<b>COMPETITION</b>	<b>HIGH</b>	<b>LOW</b>	Sub-sectors remain fragmented with a significant number of smaller providers operating across the private/ SME space providing ample opportunity for a buy & build investment thesis.
<b>Company specific</b>	<b>REVENUE VISIBILITY</b>	<b>LOW</b>	<b>HIGH</b>	A high level of recurring revenue or predictability of cash flows will drive a higher market multiple especially those that can demonstrate ways to improve WIP lock up.
	<b>SERVICE RANGE</b>	<b>LIMITED</b>	<b>EXTENSIVE</b>	A broad level of resources and disciplines to deliver services to a 'firm client'.
	<b>KPI'S</b>	<b>WEAK</b>	<b>STRONG</b>	Firms with strong KPI's such as revenue per Partner, recovery, utilisation and net promoter scores will be attractive to acquirers.
	<b>STAFF TRAINING AND COMPETENCE</b>	<b>LOW</b>	<b>HIGH</b>	Increased investment in staff and low staff turnover relative to peers are good attributes.
	<b>MANAGEMENT TEAM</b>	<b>WEAK</b>	<b>STRONG</b>	A strong second tier management team that can lead the business will be attractive for a financial investor.
	<b>SYSTEMS</b>	<b>WEAK</b>	<b>STRONG</b>	Front loaded investment in systems that enable the streamlining/ automation of high-volume process work will be favourable to an investor.

# GET IN TOUCH

Drop the team a message if you have any questions



## ANDY PARKER PARTNER

Andy leads Cooper Parry's Corporate Finance business across the Midlands and has over 25 years' M&A experience, the majority at PWC where he was a partner based in the Midlands and then the Northwest

His focus is working with entrepreneurs to realise the value they have created in their businesses and with private equity investors

[andyp@cooperparry.com](mailto:andyp@cooperparry.com)



## SACHIN PARMAR ASSOCIATE DIRECTOR

Sachin has been advising on deals since 2018 and joined the Cooper Parry Corporate Finance team in 2019. Sachin has worked on numerous professional service deals including the sale of Ross Trustees and Nelsons Law.

Sachin is a Chartered Accountant and holds a degree in Business Management from the University of Manchester

[sachinp@cooperparry.com](mailto:sachinp@cooperparry.com)



## MARK BROCKWAY PARTNER

Mark joined Cooper Parry in 2022 as an M&A partner with 25 years' experience of selling privately owned companies across a range of sectors, focusing on tech-enabled business services sector clients.

Mark spent 16 years with EY Corporate Finance where he was head of London mid-market M&A. He has experience from advising on over 50 deals involving private equity, as well as a number of bilateral deals with corporates.

[markbr@cooperparry.com](mailto:markbr@cooperparry.com)

## OUR RECENT PROFESSIONAL SERVICES DEALS



Sale of Academy Insurance to Blixt Group



Sale of Nelsons Solicitors to Lawfront Group



Sale of Novati to Reconomy



Investment into Ross Trustees Ltd by LDC