



INDUSTRY UPDATE

QUARTER 1
YEAR 2025

Professional Services

The UK continues to be one of the world's leading exporters of professional services, positioning the sector as a key driver of economic growth and a highly attractive area for M&A activity.

Our latest industry report provides a detailed review of the UK professional services sector, spanning a wide range of knowledge-intensive industries including accountancy, legal services, and specialised consultancy.





Industry Overview

In recent years, the UK professional services market has consistently outperformed the wider UK economy, establishing itself as a cornerstone of post-pandemic GDP recovery and growth. In 2023, the sector accounted for 12% of the UK's gross value added in 2023, generating £277 billion of domestic turnover and £125 billion of exports.¹

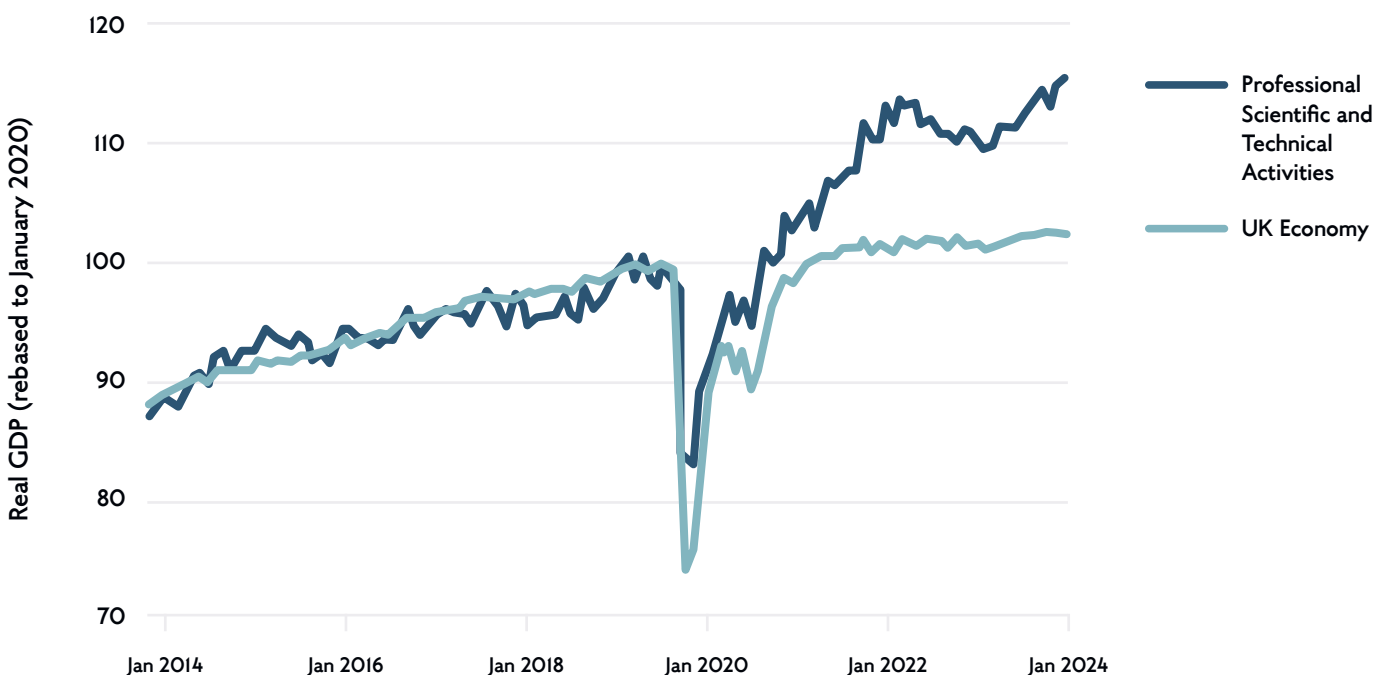
Outperforming the wider UK economy

The sector's resilience to wider economic challenges stems largely from increasing regulatory complexity

post-Brexit, which has spurred heightened demand for accountancy, legal, and compliance expertise.

Additionally, ESG reporting has been a growing focus for companies, with 62% of UK companies reporting that they actively addressed ESG risks and opportunities in 2023.⁴ This shift has fuelled rapid expansion in the environmental consulting market, which is projected to grow at a compound annual growth rate (CAGR) of 10.7%, reaching £4.9 billion by 2027.⁵

Real Output: Professional Services vs. Wider UK Economy ^{2,3}



A global leader in professional services

On the international stage, UK professional services exports have thrived, growing by 21% in the three years to June 2024 and outpacing the 16% growth in goods exports over the same period.⁶ The 'Big 4' accountancy firms continue to dominate the global financial advisory market, collectively auditing 100% of the Fortune 500 businesses.⁷

Meanwhile, the UK legal sector remains a hub for international service trade, generating a trade surplus of £7.6 billion in 2023.⁸ These strengths reinforce the UK's status as a global leader in professional services, cementing its appeal as a hub for international collaboration, investment, and M&A activity.

AI adoption and the growing IT consultancy market

One key area poised for growth is the adoption of AI and technology solutions, which is expected to drive substantial demand for IT consultancy services in the UK. A 2024 survey revealed that only 14% of UK companies are using AI at a strategic level, despite 85% of business leaders acknowledging its potential benefits. As businesses seek to streamline operations and boost productivity, the IT consulting sector is forecast to grow at an annual rate of 7% through 2027.⁹

With the UK established as a central hub for a wide range of professional services globally, the sector continues to attract significant investment, driving sustained M&A activity.

Market M&A Activity Overview

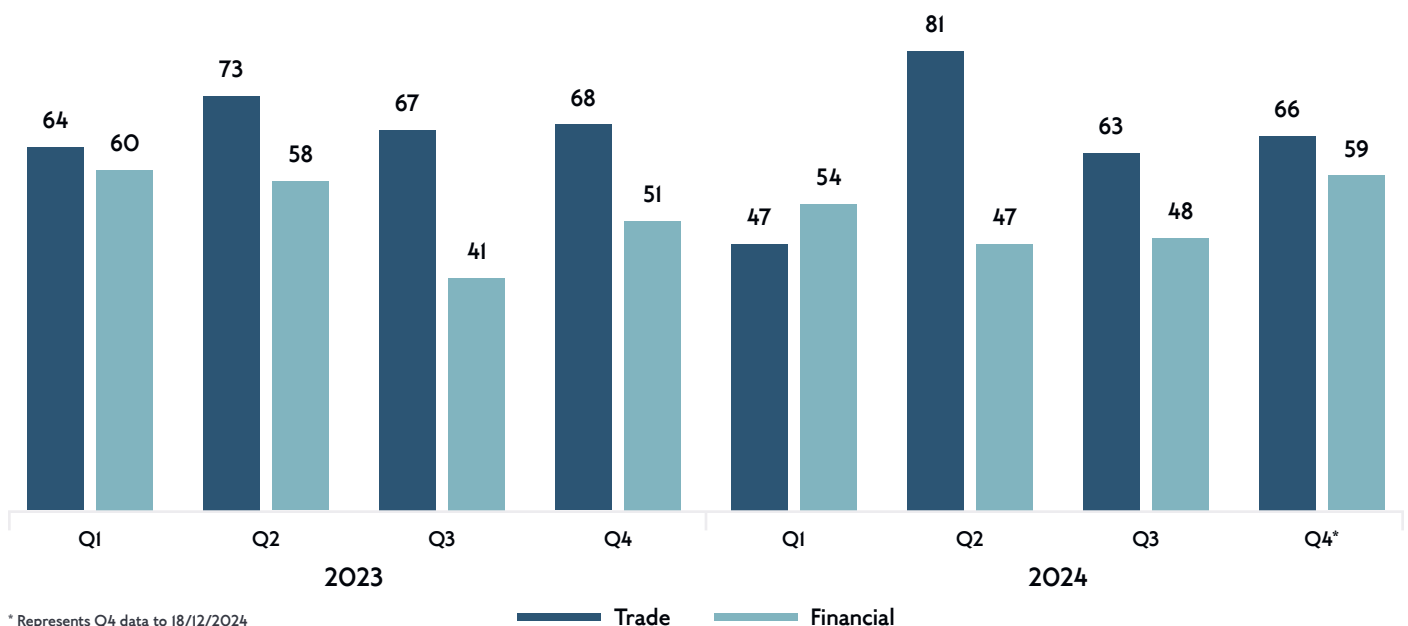
Professional services deal activity remained resilient in 2024, outperforming the wider UK M&A market amid ongoing economic challenges. While the sector saw a 10% year-on-year decline in deal volumes through H1 2024, this was notably stronger than the broader UK market's 20% decline.¹¹

Despite this slowdown, overall UK deal value rose by 66% to £68 billion, driven by increased market confidence among larger players leading to larger transaction values. Early H2 2024 data suggests that investor confidence is beginning to filter down into the midmarket, with deal volumes 4% higher than the same period in 2023, positioning the sector for growth as market confidence strengthens into 2025.

Private equity (PE) remained a cornerstone of investment in professional services during 2024, sustaining its focus on buy-and-build strategies that have characterised the market landscape over the past decade. PE deals accounted for 44% of all transactions in the period, consistent with 2023 levels.

This contrasted with the wider UK market where PE transactions accounted for 37% of deal volumes and 46% of deal values during H1 2024, reflecting a relative decline from 41% and 52% respectively in the same period last year. These figures reflected a more cautious approach among PE investors in the broader market as they awaited favourable exit conditions, suggesting that there continues to be latent demand across the wider economy.¹¹

Professional Services: Deal Volume By Quarter 2023/24 ¹⁰





The accountancy sector continues to attract the highest level of PE interest, driven by its predictable revenue streams and resilience to external market fluctuations. Over the past decade, PE firms have deployed significant capital in a bid to consolidate this fragmented market, often through buy-and-build strategies.

2024 continued this trend, with multiple high-profile deals occurring in Q4, including *Cinven's* investment in *Grant Thornton* and *Apax Partners' acquisition of Evelyn Partners*. Meanwhile, an emerging trend in the sector is the role of PE in legal services, with deals such as *Horizon Capital's* investment into *FBC Mandy Bowdler* and Dutch-based *Waterland Private Equity* in *Beyond Law Group* highlighting the sector's growing appeal.


As economic conditions continue to stabilise and latent demand across the economy begins to unwind, PE is well-placed to play an increasingly pivotal role in driving professional services deal activity into 2025.

On the international stage, the UK's financial and professional services sectors remained Europe's top destinations for foreign direct investment (FDI) in 2023, attracting £1.1 billion.¹²

This strong performance continued in 2024, with 69 international investments into the UK recorded in H1, including the high-profile merger of US-based *Shearman & Sterling* and *Allen & Overy*. Early data from H2 2024 suggests that FDI momentum has been maintained, with 71 deals recorded, including *Epam's* £230 million acquisition of *First Derivative*.¹⁰

In summary, high-quality businesses across in-demand industries have continued to attract strong investment, bolstered by several high-profile deals in 2024. The professional services sector, supported by resilient demand across its core subsectors and strong domestic and international interest, remains a standout performer, setting a positive tone for further M&A activity in 2025.

Notable Deals ^{10,13}

Date	Target	Target Description	Buyer	Buyer HQ	Deal Size (£m)
Dec 24		FinTech consultancy company that advise institutions on strategy and regulatory compliance			230
Dec 24		Provider of legal and claims management services to the insurance and professional services sectors			Undisclosed
Dec 24		Financial planning and consultancy provider serving individuals and businesses			Undisclosed
Nov 24		Supplier of integrated wealth management and professional services			700

Notable Deals (continued)

Date	Target	Target Description	Buyer	Buyer HQ	Deal Size (£m)
Nov 24	 Grant Thornton	Multinational professional services provider			Undisclosed
Nov 24		VAT specialists providing services to firms operating throughout Europe			10
Nov 24		Specialist in regulatory reporting services and compliance			42
Oct 24		Provider of customer service-focused training, research, and consultancy services			Undisclosed
Oct 24		Expert in legal solutions designed for businesses and individuals			25
Sep 24		Environmental consultants servicing major infrastructure projects in the UK			820
Aug 24		Accountancy and wealth management specialists			Undisclosed
Aug 24		Consultancy practise serving the financial services industry			626
Jul 24		Full-service chartered accountancy firm			Undisclosed
Jul 24		Provider of business process management services across finance, accounting, and recruitment			130
Jul 24		Boutique corporate finance firm			Undisclosed
May 24		Legal services provider to a variety of industries			Undisclosed
May 24		Law firm specialising in corporate, family and property law			Undisclosed
Apr 24		B2B IT consultancy providing digital transformation services			239

Advised by Gerald Edelman Corporate Finance Team



M&A Outlook

As we move into 2025, the M&A landscape for professional services presents both opportunities and challenges for buyers and sellers to navigate.

Opportunities in 2025

PE deployment is poised to accelerate as firms address pent-up exit activity, with H2 2024 already demonstrating increased transaction momentum in professional services. Alongside exits, PE is expected to prioritise platform-building strategies in a bid to consolidate fragmented markets, particularly in the legal sector, where similar strategies have proven effective in the accountancy profession over the past decade. Encouragingly, the UK continues to act as a prime destination for international buyers and sellers, with strong cross-border activity demonstrated through 2024.

Looking ahead to 2025 and beyond, technologies like AI and advanced analytics are expected to drive acquisitions in IT consulting, legal tech, and financial advisory, enabling firms to secure competitive advantages and meet evolving client demands. Meanwhile, ESG consulting and regulatory advisory will only increase as the UK pushes towards its net zero goal of 2050. This will produce numerous opportunities to drive the UK's momentum in the global professional services industry.

Challenges heading into 2025

While UK inflation is stabilising, interest rates remain elevated at 4.75% and are projected to remain high through 2025.¹⁴ This may limit leveraged buyouts in the lower to mid-market, where valuation gaps between buyers and sellers still persist in some areas.

However, the professional services sector's resilience in recent years suggests these factors will have a limited overall impact. A more pressing challenge lies in talent retention, particularly in emerging areas like IT consulting, where skilled personnel shortages could affect integration and scalability post-acquisition.

Nonetheless, as these sectors expand globally, their growing prominence is likely to attract top talent and mitigate constraints on market growth.

Looking ahead to 2025, the professional services sector is poised for robust M&A activity, driven by private equity growth, as well as opportunities in emerging technologies and strong international interest.

Whilst challenges such as talent retention and financing constraints remain, these are likely to be mitigated by the sector's proven adaptability and the UK's global prominence.



Conclusion

The professional services sector continues to demonstrate its strength as a cornerstone of the UK economy and a standout performer in the M&A market. High-quality businesses, particularly those leveraging emerging technologies or operating in niche advisory spaces, are set to continue to command strong valuations. Meanwhile, buyers seeking strategic growth through acquisitions will find opportunities in technology adoption, regulatory-driven demand, and consolidation across fragmented markets.

With its current momentum and expansion into exciting new areas, professional services is well-positioned for continued prominence as we move into 2025.

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GERALD EDELMAN CORPORATE FINANCE

Our 20+ Corporate Finance team is sector agnostic, working with businesses across all sectors (e.g. Business Services, Consumer, Healthcare, Technology, etc.). The team focuses on transactions with a target deal size of £5 million to £100 million (small to medium size businesses).

The team is divided into two 'sub-teams': Deal Advisory and Transaction Services.

Deal Advisory

Pre-sale planning

Working with businesses prior to a sale or investment exercise to maximise value and enhance market appeal

M&A advisory (sell-side)

Supporting clients through every stage of the process, including preparing marketing materials, identifying potential buyers, negotiating terms, and overseeing due diligence and legal procedures to a successful completion

M&A advisory (buy-side)

Providing strategic advice and support to clients and management teams wanting to acquire business interests

Capital raising advisory

Working with businesses to help raise funds (equity or debt), whether for specific initiatives or to invest in growth and development

Management Buyouts (MBOs)

Supporting management teams with all aspects of buying a business

Transaction Services

Due diligence

Providing financial and tax due diligence support to buyers

Buy-side support

Assisting buyers during the acquisition process, including transaction structuring, and identifying and delivering tax efficiencies

Vendor support

Assisting vendors during the sale process with services such as vendor due diligence

Valuations

Undertaking valuations of ordinary shares and more complex securities ahead of transactions, as well as management incentive schemes

IPO support

Assisting at every stage of an IPO process including strategic planning, regulatory compliance, and undertaking the role of reporting accountant

Forensic accounting

Performing financial analysis, investigations, or valuations in the context of legal disputes

Clients

- Founders/entrepreneurs/business owners
- Management teams
- Financial investors

Clients

- Corporates
- Search funds
- Private equity firms