



# HR Technology Sector

## Quoted Company Analysis

**First Quarter 2017**

- Scale still does not play a meaningful roll in relative valuations whilst revenue growth rate continues to be a more important factor. As is demonstrated by these three examples in the payrolling sub-sector, with the smallest of the three achieving nearly the same relative valuation as its peer which is 10x its size, and a much higher relative valuation than the dominant player in the market

	Revenue (\$m)	Revenue Growth (%)	EBITDA Margin (%)	EV/ Revenue	EV/ EBITDA
<b>ADP</b>	12,804	6.1	21.6	3.5x	16.2x
<b>Paychex</b>	3,271	6.8	43.2	6.4x	14.7x
<b>Paylocity</b>	334	28.1	14.5	5.7x	39.1x

- On average, valuations have declined over the past 6 months. Particularly in the small and mid-cap range with Freelancer, Benefitfocus and DHI seeing meaningful declines in market value over the period
- One of the more notable transactions in the quarter was Saba's \$200m buyout of Halogen Software which valued the company at approximately 33x EBITDA and represented a 56% premium on its valuation prior to the announcement
- The overall volume of reported transactions in the sector increased over the prior quarter

# Sector Valuation Metrics

Company	Ticker	Share Price	Market Cap (\$m) <sup>(1)</sup>	Net Debt (\$m) <sup>(2)</sup>	Enterprise Value (\$m)	Revenue		EV/Revenue		EV/Revs		EV/EBITDA		Revenue Growth		EBITDA Margin		% Revs	
		Local 31-Mar-17				CY17E (\$m)	CY2016	CY2017E	Recurring	CY2016	CY2017E	CY2016	CY2017E	CY2016	CY2017E	CY2016	CY2017E	Recurring <sup>(3)</sup>	
<b>Selected Large Cap</b>																			
ADP	ADP US Equity	102.39	45,963	(1,215)	44,748	12,804	3.7x	3.5x	3.6x	17.2x	16.2x	6.7%	6.1%	21.6%	21.6%	97%			
Paychex	PAYX US Equity	0.59	21,160	(352)	20,808	3,271	6.8x	6.4x	6.5x	15.8x	14.7x	7.7%	6.8%	42.9%	43.2%	98%			
Ultimate Software	ULTI US Equity	195.21	5,791	(89)	5,702	969	7.3x	5.9x	7.0x	82.9x	24.3x	26.4%	24.0%	8.8%	24.2%	84%			
SEEK Ltd	SEK AU Equity	15.92	4,234	170	4,404	826	6.0x	5.3x	5.6x	11.9x	14.0x	-3.6%	11.2%	50.8%	38.1%	95%			
Paycom Software	PAYC US Equity	57.51	3,420	(30)	3,390	423	10.3x	8.0x	8.2x	47.3x	29.6x	46.5%	28.4%	21.8%	27.1%	98%			
Wageworks	WAGE US Equity	72.30	2,682	(429)	2,252	481	6.2x	4.7x	4.9x	54.6x	16.1x	9.1%	32.0%	11.3%	29.0%	96%			
CEB Inc	CEB US Equity	78.60	2,537	740	3,276	964	3.4x	3.4x	3.7x	29.6x	13.5x	2.3%	1.5%	11.7%	25.1%	92%			
Healthequity	HQY US Equity	42.45	2,531	(180)	2,351	219	13.5x	10.7x	11.1x	44.6x	30.0x	40.7%	25.0%	30.3%	35.7%	97%			
Cornerstone OnDemand	CSOD US Equity	38.89	2,203	(64)	2,140	481	5.1x	4.4x	4.7x	NM	38.4x	24.6%	13.7%	-5.7%	11.6%	95%			
Paylocity	PCTY US Equity	38.63	1,987	(86)	1,901	334	7.2x	5.7x	6.0x	72.6x	39.1x	51.1%	28.1%	9.9%	14.5%	95%			
Trinet Group	TNET US Equity	28.90	1,973	275	2,248	712	0.7x	3.2x	3.7x	13.8x	11.0x	15.1%	-76.7%	5.3%	28.6%	85%			
Xero	XRO NZ Equity	19.79	1,911	(127)	1,783	267	9.4x	6.7x	6.9x	NM	NM	39.9%	47.3%	-16.3%	-2.4%	97%			
Inspirety	NSP US Equity	88.65	1,862	(183)	1,678	3,297	0.6x	0.5x	0.5x	13.6x	10.3x	13.0%	12.1%	4.2%	4.9%	100%			
<b>Average</b>							<b>6.2x</b>	<b>5.3x</b>		<b>36.7x</b>	<b>21.4x</b>			<b>15.1%</b>	<b>23.2%</b>	<b>94.6%</b>			
<b>Total (Large Cap)</b>			<b>98,253</b>	<b>(1,572)</b>	<b>96,681</b>														
<b>Selected Mid Cap</b>																			
Zhaopin Ltd	ZPIN US Equity	17.23	956	(233)	723	280	2.9x	2.6x	3.0x	14.7x	14.8x	15.1%	10.8%	19.8%	17.5%	85%			
Benefitfocus	BNFT US Equity	27.95	858	42	900	267	3.9x	3.4x	3.9x	NM	64.6x	26.0%	14.4%	-8.2%	5.2%	87%			
Healthstream	HSTM US Equity	24.23	770	(103)	667	253	3.0x	2.6x	2.7x	24.0x	18.6x	8.1%	11.8%	12.3%	14.2%	97%			
GB Group Plc	GBG LN Equity	293.00	495	(12)	483	116	4.4x	4.2x	7.3x	21.7x	20.3x	19.8%	-0.1%	20.1%	20.5%	57%			
Xactly Corp	XTLY US Equity	11.90	375	(28)	347	111	3.7x	3.1x	4.1x	NM	NM	25.6%	17.4%	-13.6%	-4.5%	76%			
Jive Software	JIVE US Equity	4.30	340	(109)	232	204	1.1x	1.1x	1.2x	NM	10.5x	4.2%	0.0%	-0.5%	10.8%	92%			
China Distance Education Holdings	DL US Equity	10.20	336	(39)	297	133	2.5x	2.2x	3.3x	9.3x	9.7x	8.7%	10.6%	26.4%	23.0%	68%			
Freelancer Technology	FLN AU Equity	0.92	322	(25)	297	50	7.6x	5.9x	6.1x	NM	NM	35.5%	28.2%	0.1%	5.2%	97%			
Atoss Software AG	AOF GR Equity	70.00	298	(26)	272	59	5.0x	4.6x	5.4x	17.2x	16.0x	9.9%	7.2%	28.8%	28.9%	86%			
Learning Technologies Group Plc	LTG LN Equity	42.50	291	(11)	280	62	7.3x	4.5x	5.7x	NA	18.6x	25.9%	61.0%	NA	24.4%	80%			
<b>Average</b>							<b>4.1x</b>	<b>3.4x</b>		<b>17.4x</b>	<b>21.6x</b>			<b>9.5%</b>	<b>14.5%</b>	<b>82.4%</b>			
<b>Total (Mid Cap)</b>			<b>5,042</b>	<b>(545)</b>	<b>4,497</b>														
<b>Selected Small Cap</b>																			
Halogen Software	HGN CN Equity	12.43	200	(37)	162	77	2.2x	2.1x	2.3x	31.6x	17.3x	10.0%	6.9%	7.1%	12.2%	92%			
DHI Group	DHX US Equity	3.95	199	62	261	219	1.1x	1.2x	1.2x	13.0x	5.1x	-12.6%	-3.5%	8.8%	23.4%	97%			
Assima plc	ALSIM FP Equity	3.00	25	(8)	17	NA	NA	NA	NA	NA	NA	7.0%	NA	NA	NA	38%			
<b>Average</b>							<b>1.7x</b>	<b>1.6x</b>		<b>22.3x</b>	<b>11.2x</b>			<b>8.0%</b>	<b>17.8%</b>	<b>75.7%</b>			
<b>Total (Small Cap)</b>			<b>424</b>	<b>17</b>	<b>441</b>														
<b>Sector Total</b>			<b>103,718</b>	<b>(2,100)</b>	<b>101,619</b>														

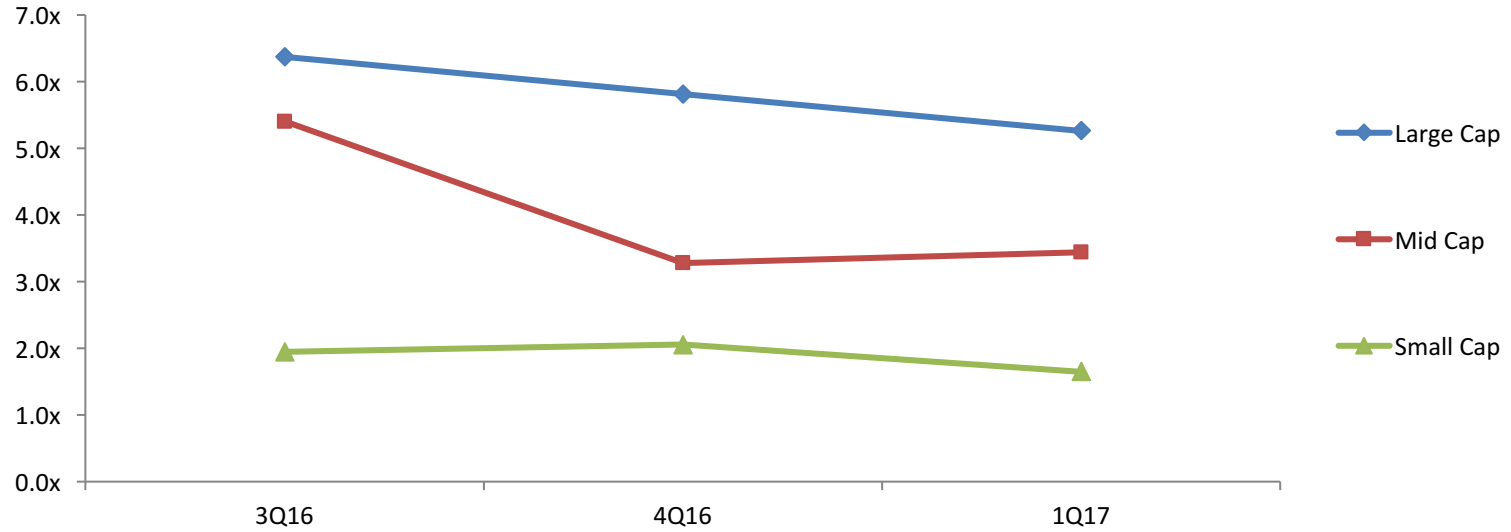
(1) Excludes treasury shares

(2) Net financial debt minus marketable securities and collaterals.

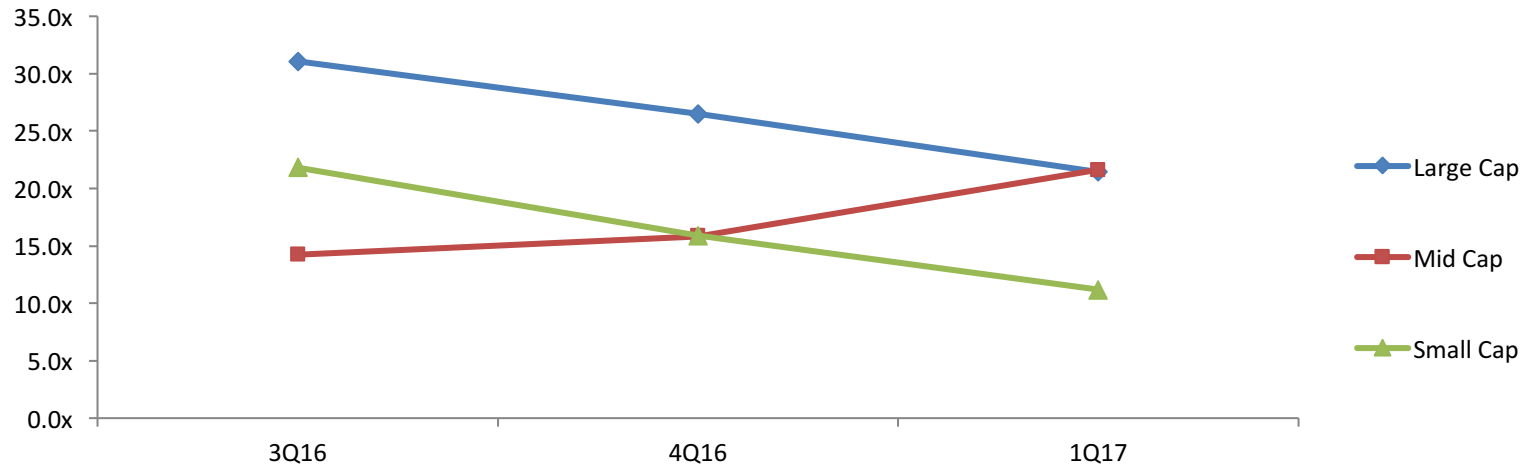
(3) Recurring revenues (renewing licences, maintenance, subscriptions, SaaS etc) where reported for last full year

(4) NM - Not meaningful and NA - Not available

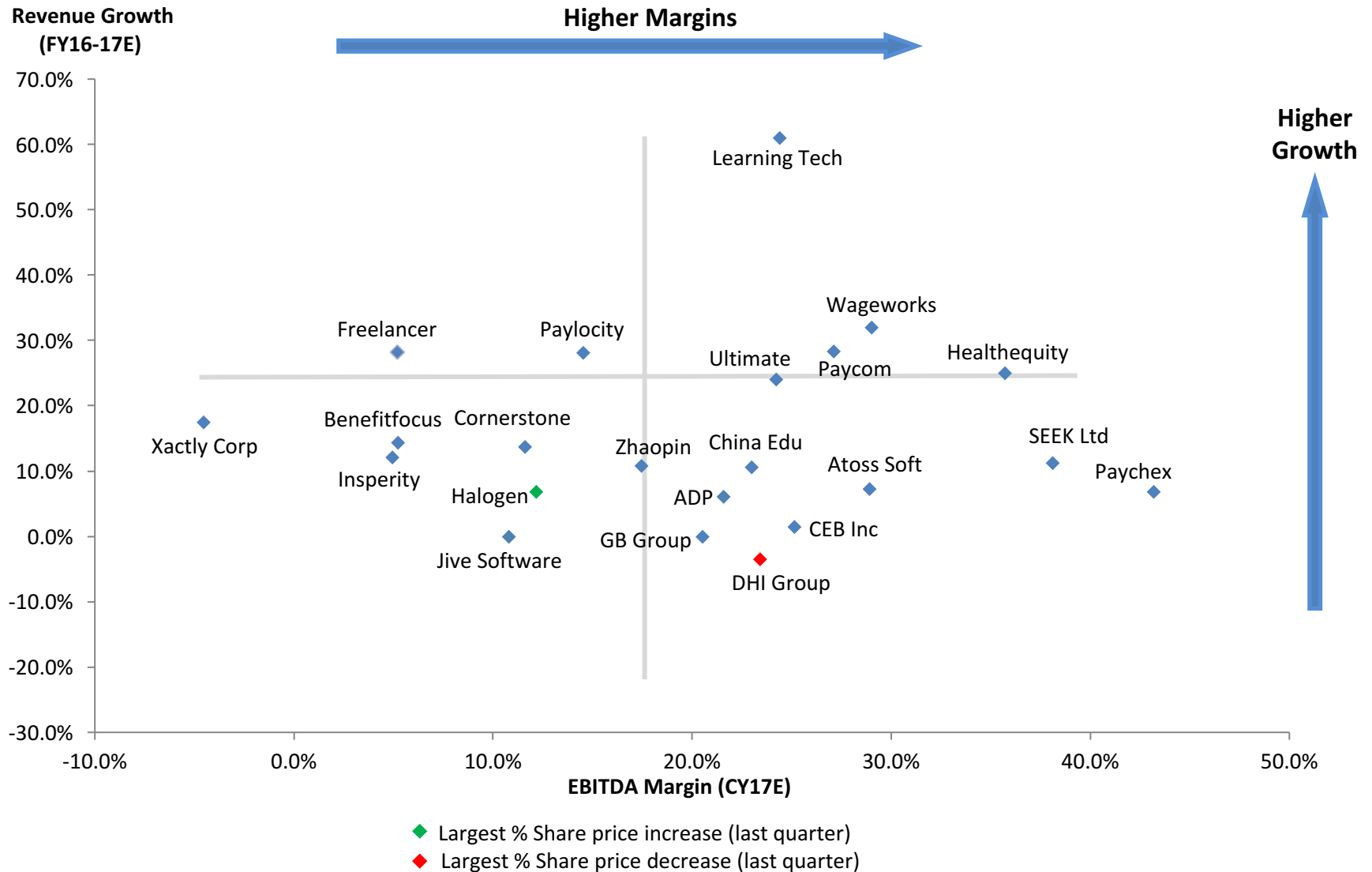
## EV/Revenue



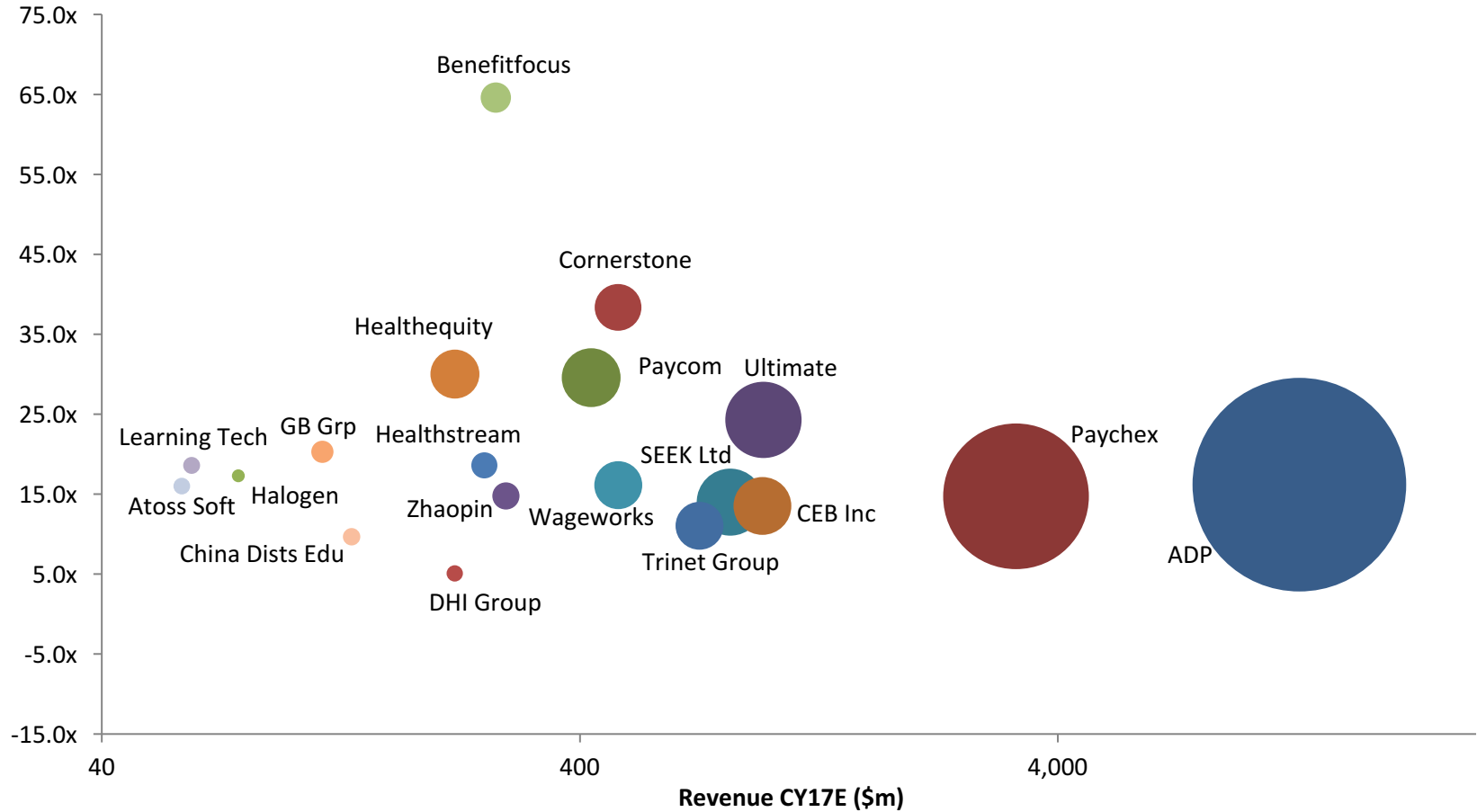
## EV/EBITDA



# Performance Quadrants: Revenue Growth & Operating Margin



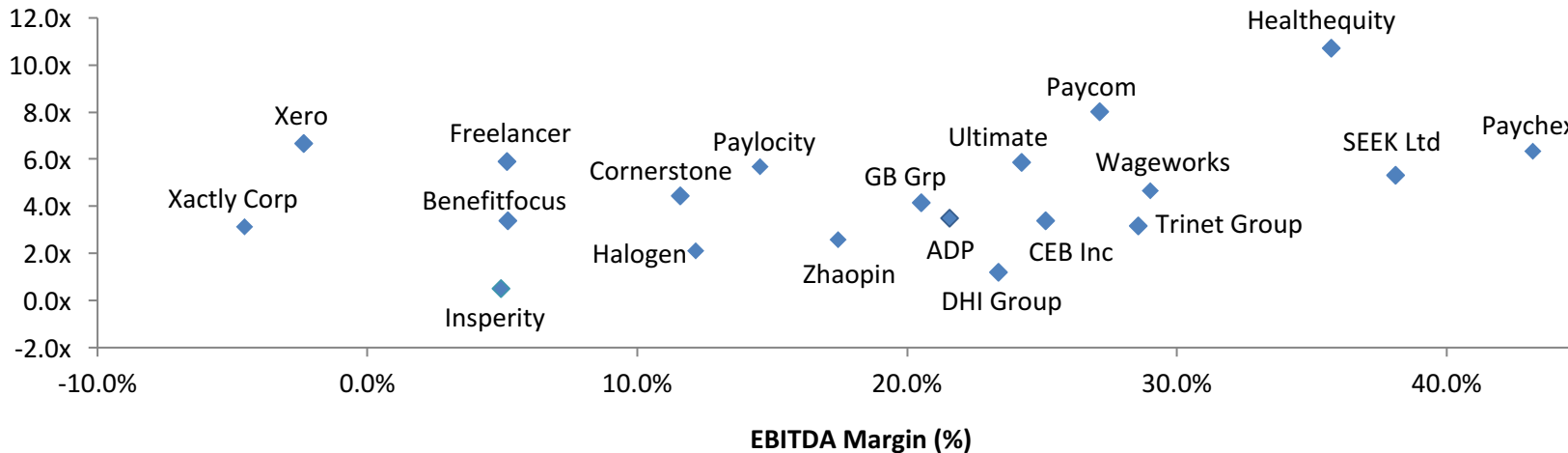
## EV/EBITDA (CY17E)



Note: Bubble size depicts enterprise value

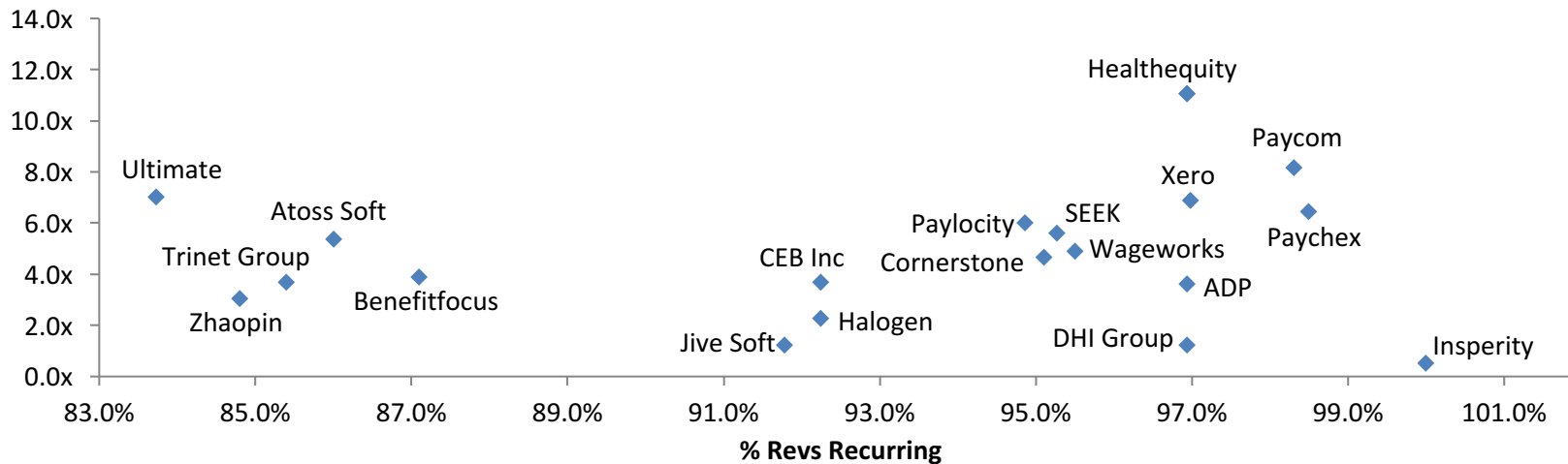
**EV/Revenue (CY17E)**

**Revenue Multiples**



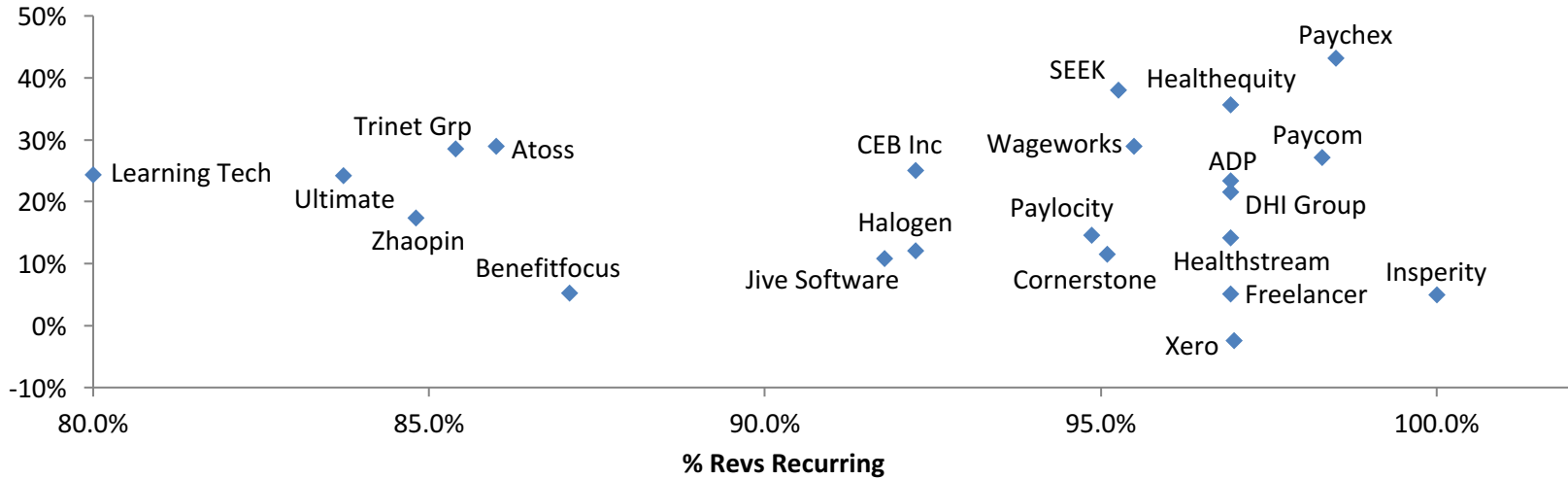
**EV/ Recurring Rev**

**Recurring Revenue Multiples**



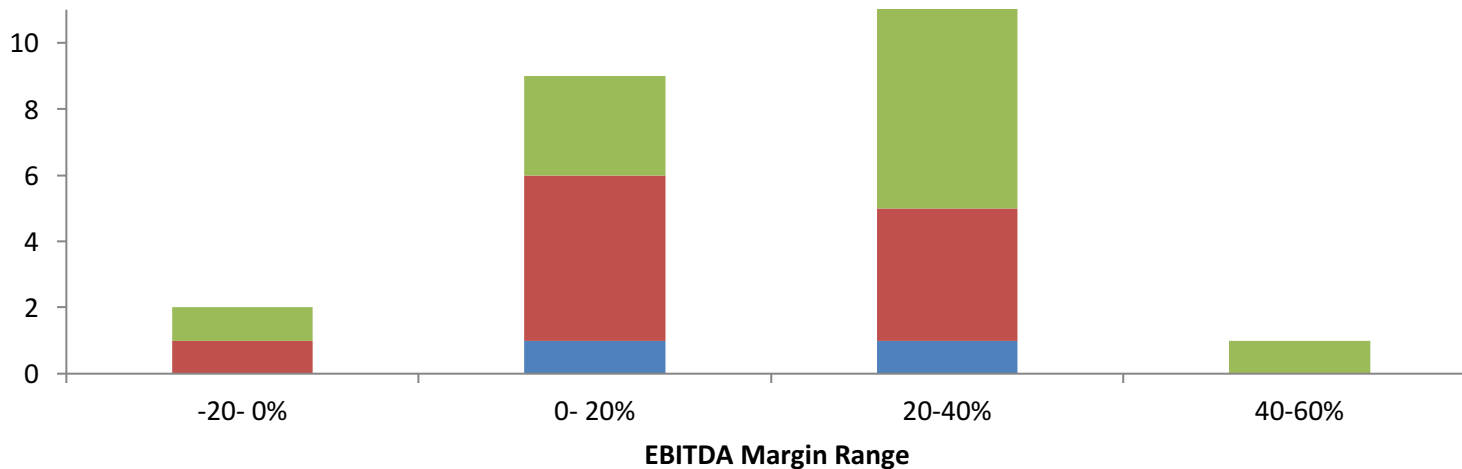
## EBITDA Margin (CY17E)

### Recurring Revenue as a Driver of Operating Margins



## Number of Companies

### EBITDA Margin Range Distribution



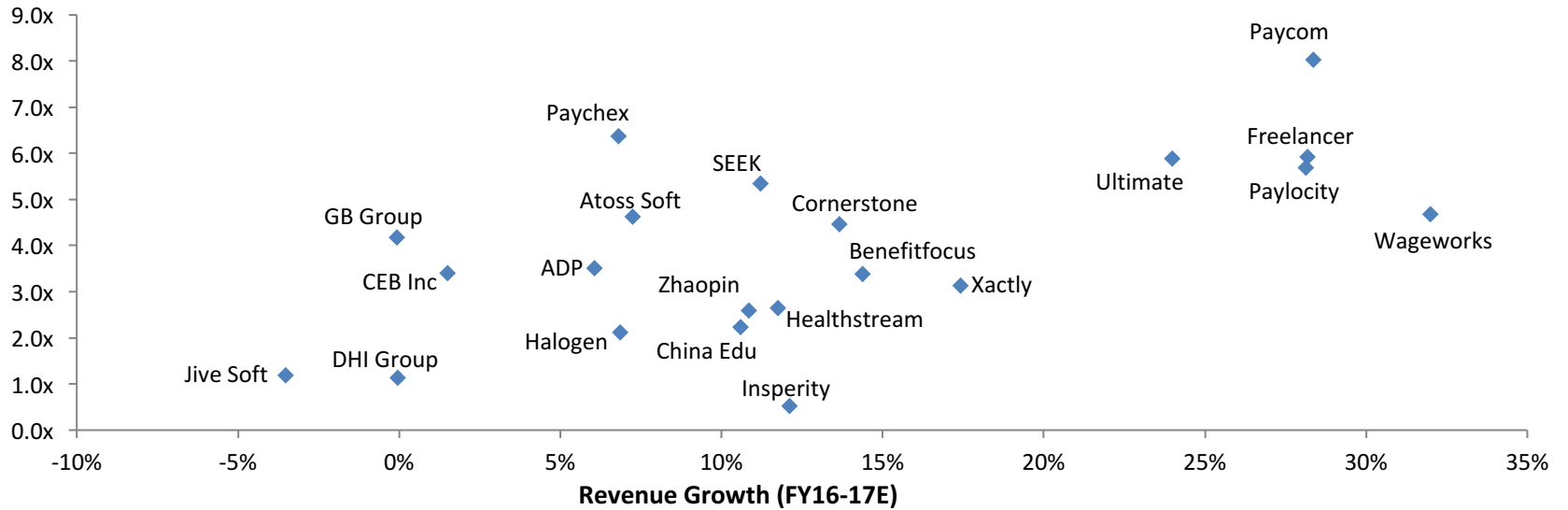
Larger players operating at higher margins

- Large Cap
- Mid Cap
- Small Cap



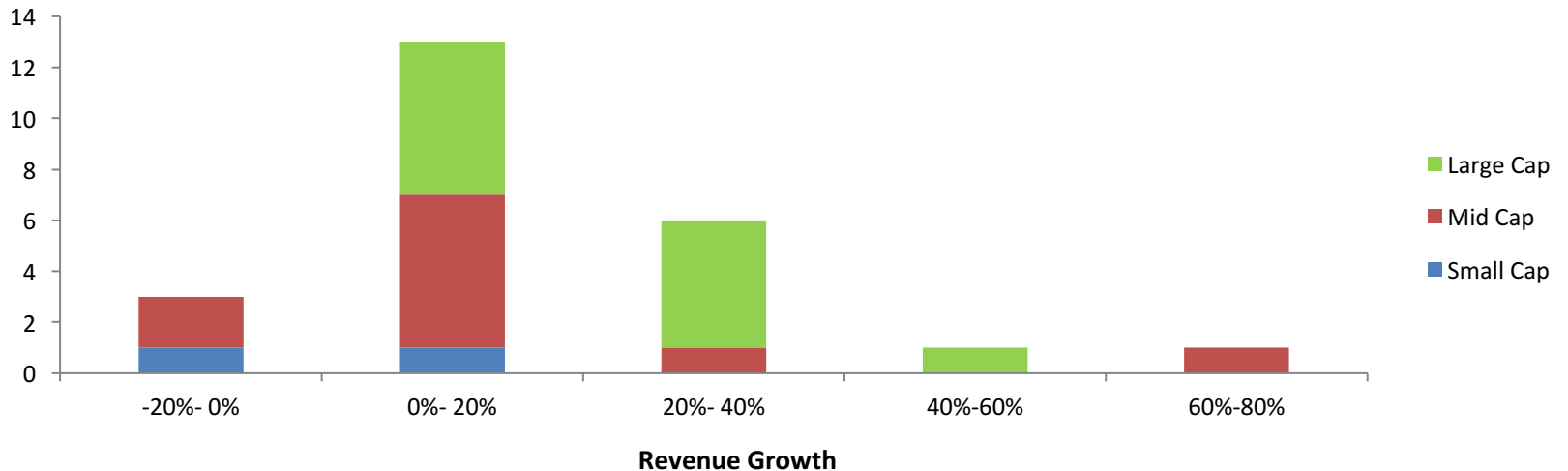
EV/Revenue (CY17E)

Revenue Growth



Number of Companies

Revenue Growth Distribution



# Selected HR Tech Deals – First Quarter 2017

Date Announced	Buyer	Target	Target Product Line	Deal Size	Target Revenue	Revenue Multiple	Target Sector	Commentary
22/03/2017	Visma ASA [Norway]	Bluegarden AS [Norway]	Provides Web-based payroll and personnel administration SaaS to businesses in Norway. Also provides hosted training SaaS.	Not disclosed	n/a	n/a	Payroll and personnel administration software	The acquisition of Bluegarden is the latest of several major acquisitions by Visma. Bluegarden's present contracts and engagements with customers and suppliers will remain unchanged following the deal.
21/03/2017	Private Group led by Summit Partners [USA]	Ascentis Corp [USA]	Provides human capital management, online payroll, talent management, recruiting and timekeeping software solutions	Not disclosed	n/a	n/a	SaaS HCM solutions	Summit Partners invests in Ascentis through a majority recapitalisation. Palm Ventures will retain a minority holding. The funding will be put towards product innovation and growth initiatives.
16/03/2017	Access UK Ltd [UK]	Safe Computing Ltd [UK]	Provides software and outsourcing services to the HR, Payroll, Financials and credit control industries	Not disclosed	\$22,142,000	n/a	ERP software and SaaS	The acquisition will help Access to grow into markets where Safe has particular strength, such as recruitment. Safe's market leading solution Tempest 'Pay and Bill' will add significantly to Access' recruitment sector capabilities. Safe's other products will also complement their existing portfolio of HCM solutions.
15/03/2017	Traffk LLC [USA]	Capsci Health Inc [USA]	A mobile technology platform personalizes health plan members' benefits.	Not disclosed	n/a	n/a	Health mobile platform	Capsci will add another important component to Traffk's end-to-end insurance technology solution. It will allow underwriting and risk management to occur at the individual member level and enables direct communication with consumers in a secure environment.
15/03/2017	Peoplenet Corp. [USA]	Fyre, LLC [USA]	Staffing technology firm	Not disclosed	n/a	n/a	Recruitment and applicant tracking SaaS	With the addition of Fyre to Peoplenet's suite of solutions, customers can now optimize and automate the front and back office lifecycle of virtually all staffing transactions from requisition release to time and expense processing.
14/03/2017		Evolv Technology Inc [USA]	Provides science-based, on-demand talent matching and intelligence solutions	\$18,000,000	n/a	n/a	Imaging and detection software	Evolv Technology raises \$18M in Series B funding. Backers included Lux Capital, Bill Gates, General Catalyst and DCVC. The company intends to use the funds to expand its operations, grow revenue, and continue future product development.
9/03/2017	Pixid SAS [France]	Internet Corporation Limited, The [UK]	Provides e-recruitment and applicant tracking to enable HR managers to manage online applications	Not disclosed	n/a	n/a	E-recruitment and applicant tracking SaaS	Having established itself as a well known digital platform for the management of temporary staff, Pixid is looking to expand into the UK and rest of Europe. The acquisition of Internet Corporation places Pixid ideally to make a success of their expansion strategy.

# Selected HR Tech Deals – First Quarter 2017

Date Announced	Buyer	Target	Target Product Line	Deal Size	Target Revenue	Revenue Multiple	Target Sector	Commentary
8/03/2017	Simplify Compliance Holdings LLC [USA]	Navis Learning [USA]	Develops and provides customized Web-based employee training software to businesses. Also provides consulting and staffing services and a mobile application for iOS and Android.	Not disclosed	n/a	n/a	Employee training SaaS	Navis brings a complete range of custom learning solutions to the already broad Simplify Compliance product offering. Simplify Compliance will bring instructional designers, elearning developers and trainers on board through the acquisition.
7/03/2017	HealthcareSource HR Inc. [USA]	Centricity Contingent Staffing [USA]	Provides employee time, attendance and scheduling management and payroll management software for the healthcare sector.	Not disclosed	n/a	n/a	Healthcare workforce management SaaS	The deal equips HealthcareSource to provide a full suite of solutions across talent management in the healthcare space, addressing the needs of both direct healthcare employers and staffing organisations.
4/01/2017	Asure Software Inc [USA]	Payroll Specialties NW, Inc. [USA]	Provider of human capital management (HCM) solutions	Not disclosed	n/a	n/a	Outsourced payroll management services	These two deals come after Asure's \$14.4m capital raise in December 2016. The acquisitions expand Asure's solution breadth and implementation capabilities which will help them in achieving their growth plans for 2017. In total, for the acquisition of both companies and Corporate Payroll Inc, Asure paid \$11.6m
3/01/2017	Asure Software Inc [USA]	Personnel Management Systems, Inc. [USA]	Provider of complete, turnkey HR solutions for small- and mid-sized businesses	Not disclosed	n/a	n/a	Outsourced HR department services	
3/03/2017	Sage Group Plc, The [UK]	Fairsail [UK]	Provides cloud-based human capital management (HCM) SaaS for human resources departments in medium-sized businesses globally.	Not disclosed	\$15,500,000	n/a	Human resources management SaaS	Currently a minority shareholder, Sage Group take full ownership of Fairsail, hoping to build on the success of their joint product, Sage People, released in 2016. The deal will build on Sage's Salesforce partnership as Fairsail is one of the top ISVs in the Salesforce partnership ecosystem.
2/03/2017	Medgate Inc [Canada]	IQS Inc [USA]	Develops and supplies integrated performance management software solutions to the manufacturing sector	Not disclosed	n/a	n/a	Enterprise quality management SaaS	The acquisition comes only weeks after Medgate's purchase of environmental compliance company RegAction. With the most recent acquisition of IQS, Medgate is one of only a few software vendors able to offer a comprehensive solution for enterprise-wide environment, health and safety compliance.
27/02/2017	Genesys Telecommunications Laboratories [USA]	Silver Lining Solutions Ltd. [UK]	Provides customer engagement-focused employee performance analytics and optimization software and SaaS for businesses in the UK.	Not disclosed	n/a	n/a	Employee performance optimisation SaaS and software	Silver Lining has been a Genesys partner since 2009 . The deal is in line with Genesys' strategy for augmenting organic growth through acquisition.

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Date Announced	Buyer	Target	Target Product Line	Deal Size	Target Revenue	Revenue Multiple	Target Sector	Commentary
23/02/2017	Saba Software Inc. [USA]	Halogen Software [Canada]	Provides Web-based SaaS for the automation and management of performance appraisals, feedback, compensation management, succession planning, job descriptions, learning management and recruiting for corporate HR departments.	\$207,421,000	\$72,261,000	2.4x	HR automation and management SaaS	The combination of Saba and Halogen will mean greater strength, size and scale to deliver innovative solutions to their customers. In particular in the delivery of a complete talent suite focused on learning, engagement and performance.
15/02/2017	Ascender Group [Australia]	Workcloud Inc [Japan]	Develops a payroll and time and attendance (T&A) platform for small-to-medium size businesses	Not disclosed	n/a	n/a	HR management SaaS	The deal strengthens Ascender's position as a market leader in the Asia-Pacific region, particularly in Japan. Bolstering their presence in the region is in line with Ascender's 2020 strategy.
10/02/2017	Diversis Capital LLC [USA]	ServicePower Technologies Plc [UK]	Provides field workforce dispatch, scheduling and management software for businesses in the US and UK. Software provides features for GPS-based employee tracking, demand forecasting and planning, and business intelligence (BI).	Not disclosed	n/a	n/a	Mobile workforce management software	ServicePower has been acquired by Diversis Capital, and subsequently delisted from the AIM market of the London Stock Exchange. Diversis will assist ServicePower's long term growth through financial investment.
8/02/2017	AKTOR Interactive SA [France]	AD-RH SARL [France]	Provides integrated software solutions for recruitment agencies and intermediaries	Not disclosed	EUR 1,000,000	n/a	Recruitment software	AKTOR aims to double in size and expand through acquisition by 2020. The purchase of AD-RH bolsters this vision. AD-RH, and their customers, will benefit from AKTOR's expertise in France and in international markets.
7/02/2017	Data Scouts Pty Ltd [Australia]	Careers in the Cloud Pty Ltd [Australia]	Operates a specialist Salesforce recruitment consulting firm that provides advisory and recruitment services in the cloud computing and software as a service (SaaS) space	Not disclosed	n/a	n/a	Marketing automation and CRM	This deal represents Data Scouts' second acquisition in twelve months, both of which form part of Data Scouts' strategy to become the largest training and recruitment agency in the Asia-Pacific region.
7/02/2017	Visma ASA [Norway]	LogBuy Limited [UK]	Provides voluntary benefit, reward and perk SaaS that enables businesses in Europe to offer discounted good and services to employees via an online portal.	Not disclosed	n/a	n/a	Employee benefit and perk SaaS	LogBuy will be incorporated as one of the brands that in recent years have become part of the Visma Group. The brands include 'e-economic' and 'Dinero' accounting systems, 'Sproom' electronic invoicing solution and 'SmartScan' which enables the intelligent scanning of documents.
3/02/2017	Learning Technologies Group plc [UK]	NetDimensions Ltd. [Hong Kong]	Provides employee training and performance management software and SaaS for businesses globally. Also provides related business intelligence (BI) analytics software and application hosting services.	\$67,555,000	\$25,295,000	2.7x	HR management software and SaaS	NetDimensions enhances LTG's capabilities by introducing proprietary learning management technology to their portfolio of specialist digital learning businesses. The deal also significantly expands LTG's presence in the Asia-Pacific region.

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31/01/2017	SmartRecruiters [USA]	Jobspotting GmbH [Germany]	Develops and operates an online job search platform	Not disclosed	n/a	n/a	Job search platform	Jobspotting operates a recommendation engine driven by big data and AI, active in 10 countries. The Jobspotting team will continue to develop data driven products to be incorporated into SmartRecruiters' suite of recruiting tools.
24/01/2017	PSI Services LLC [USA]	Performance Assessment Network Inc [USA]	Provides human capital management assessment solutions	Not disclosed	n/a	n/a	Online employee testing services	The acquisition extends PSI's capabilities in the Talent Assessment sector as they continue to look for strategic opportunities to bolster growth.
17/01/2017	Automatic Data Processing Inc. [aka ADP] [USA]	Marcus Buckingham Company, The [USA]	Provides human resources SaaS and services, including workforce management, training and analytics SaaS, outsourced research services, and related online reference content.	Not disclosed	n/a	n/a	Human resources SaaS and services	The purchase enhances ADP's existing cloud-based talent portfolio, which currently includes recruiting, screening, onboarding, learning and compensation solutions.
11/01/2017	ScheduleOnce [USA]	Reschedge [USA]	Provides cloud-based recruitment and interview scheduling software	Not disclosed	n/a	n/a	Interview scheduling SaaS	ScheduleOnce acquired Reschedge from HireVue. ScheduleOnce will leverage its platform in combination with Reschedge to offer an end-to-end solution for interview scheduling through the entire talent acquisition process.
10/01/2017	Bluegarden Holding A/S [Norway]	Medvind Informationsteknik AB [Sweden]	Provides human resource planning and time management software solutions to customers in the public, media and healthcare services sectors	Not disclosed	n/a	n/a	Workforce management SaaS	Marlin Equity Partners will merge Medvind with another of its portfolio companies, Bluegarden. This will bolster Bluegarden's current HCM software platform with a workforce management offering and increase the overall scale of its operation in Sweden.
5/01/2017	Kronos Inc [USA]	Financial Management Solutions Inc [USA]	Offers technology solutions that help drive productivity, sales, and service performance in branches for credit unions and retail banks.	Not disclosed	n/a	n/a	Workforce management and analytics SaaS	The deal deepens Kronos' expertise in financial services, notably the retail banking sector, complementing their current HCM offering with unique functionality for managing branch operations.

# Selected HR Tech Deals – First Quarter 2017

Date Announced	Buyer	Target	Target Product Line	Deal Size	Target Revenue	Revenue Multiple	Target Sector	Commentary
5/01/2017		Namely Inc [USA]	Provides talent management software solutions for the advertising industry	\$50,000,000	n/a	n/a	HR management SaaS	Series D funding led by Altimeter Capital and Scale Venture Partners. Namely has maintained its independence, fending off approaches from a number of companies. Investors believe it will be Namely's last funding round before it goes for an IPO as a "billion dollar company".
4/01/2017	Castlight Health Inc. [USA]	Jiff Inc. [USA]	Provides health benefits management SaaS for businesses. Software provides features for financial management, customized health benefit plans, and data and analytics reporting.	\$133,650,000	\$7,000,000	19.1x	Health benefits management SaaS	Castlight and Jiff agree to merge. The combined company will offer a comprehensive health benefits platform, serving more than 240 customers and over 70 of the Fortune 500.
4/01/2017	Arthur J Gallagher & Co [USA]	Gruppo Marcucci LLC [USA]	Specialises in human resources (HR) and benefits technology solutions for benefit brokers and consultants, employers, insurance carriers, service providers and the investment community	Not disclosed	n/a	n/a	HR and outsourcing IT consulting	The acquisition complements Gallacher's growing employee benefits brokerage and consulting operations. Gruppo Marcucci has been servicing Gallagher clients for nearly 10 years.

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