



HR Technology Sector

Quoted Company Analysis

Second Quarter 2017

- Revenue growth rates remain the primary driver of valuations in the sector with companies delivering > 25% revenue growth enjoying the highest valuations.
- The overall volume of reported transactions was lower than in Q1, with the US continuing to report a significant majority of the overall volume of transactions.
- Symphony Technology Group continues to build out its product portfolio following on from its acquisitions of Bond Group and Tempbuddy in the 2nd half of 2016 with the acquisition of Erecruit, greatly expanding their customer base and geographic reach.
- There was an increase in activity in China with two new startups receiving funding during the quarter.
- We also noted increased funding activity for companies offering artificial intelligence solutions in the sector.

Sector Valuation Metrics

Company	Share Price	Market Cap (\$m) ⁽¹⁾	Net Debt (\$m) ⁽²⁾	Enterprise Value (\$m)	Revenue	EV/Revenue		EV/Revs	EV/EBITDA		Revenue Growth		EBITDA Margin		% Revs
	Local 30-Jun-17				CY17E (\$m)	CY2016	CY2017E	Recurring	CY2016	CY2017E	CY2016	CY2017E	CY2016	CY2017E	Recurring ⁽³⁾
Selected Large Cap															
ADP	102.46	45,842	(1,215)	44,627	12,689	3.7x	3.5x	3.6x	17.1x	16.2x	6.7%	5.9%	21.7%	21.7%	97%
Paychex	0.57	20,464	(323)	20,141	3,249	6.6x	6.2x	6.3x	15.2x	14.2x	6.8%	5.3%	43.1%	43.7%	98%
Workday	97.00	19,967	(1,462)	18,504	2,012	12.1x	9.2x	11.0x	NM	73.6x	35.0%	30.8%	-14.9%	12.5%	83%
Ultimate Software	210.06	6,242	(89)	6,153	968	7.9x	6.4x	7.6x	89.5x	26.1x	26.4%	23.8%	8.8%	24.3%	83%
SEEK Ltd	16.91	4,543	170	4,713	823	6.5x	5.7x	5.9x	12.7x	15.1x	-3.6%	10.5%	50.8%	38.0%	97%
Paycom Software	68.41	4,065	(30)	4,035	428	12.3x	9.4x	9.6x	56.4x	34.0x	46.5%	30.0%	21.8%	27.8%	99%
Healthequity	49.83	2,988	(180)	2,808	221	16.1x	12.7x	16.8x	53.2x	35.6x	40.7%	26.0%	30.3%	35.7%	75%
Wageworks	67.20	2,657	(429)	2,228	482	6.1x	4.6x	4.8x	54.0x	15.5x	9.1%	32.3%	11.3%	29.8%	97%
Xero	25.20	2,544	(80)	2,464	278	12.8x	8.9x	9.0x	NM	NM	49.1%	43.3%	-13.4%	1.2%	98%
Paylocity	45.18	2,327	(86)	2,241	333	8.5x	6.7x	7.0x	74.1x	38.7x	51.1%	28.5%	11.5%	17.4%	96%
Trinet Group	32.74	2,245	275	2,520	721	0.8x	3.5x	4.1x	15.4x	12.2x	15.1%	-76.5%	5.3%	28.7%	85%
Cornerstone OnDemand	35.75	2,031	(64)	1,968	482	4.7x	4.1x	4.9x	NM	32.1x	24.6%	13.9%	-5.7%	12.7%	83%
Insperty	71.00	1,496	(183)	1,312	3,273	0.4x	0.4x	0.4x	10.7x	8.1x	13.0%	11.3%	4.2%	4.9%	100%
Benefitfocus	36.35	1,128	42	1,170	266	5.0x	4.4x	5.1x	NM	73.0x	26.0%	13.8%	-8.2%	6.0%	86%
Zhaopin Ltd	18.53	1,028	(233)	795	NA	NA	NA	NA	NA	NA	15.1%	NA	NA	NA	81%
Average						7.4x	6.1x		39.8x	30.3x			11.9%	21.7%	90.6%
Total (Large Cap)		119,569	(3,889)	115,681											
Selected Mid Cap															
Healthstream	26.32	839	(103)	736	251	3.3x	2.9x	3.4x	26.5x	20.6x	8.1%	11.2%	12.3%	14.2%	86%
GB Group Plc	347.75	687	(7)	680	140	6.0x	4.9x	9.4x	32.6x	22.9x	3.3%	30.0%	18.4%	21.2%	52%
Xactly Corp	15.65	504	(28)	476	111	5.1x	4.3x	5.4x	NM	NM	25.6%	17.8%	-13.6%	-3.7%	79%
Learning Technologies Group	45.50	336	10	347	64	9.1x	5.4x	20.0x	67.7x	23.6x	25.9%	67.3%	13.4%	22.9%	27%
Atoss Software AG	70.00	318	(26)	292	60	5.3x	4.9x	5.6x	18.5x	16.8x	9.9%	9.5%	28.8%	28.9%	87%
China Distance Education Holdings	8.92	294	(39)	254	128	2.1x	2.0x	2.7x	8.3x	10.3x	8.7%	5.5%	25.6%	19.4%	74%
Freelancer Technology	0.79	277	(25)	252	47	6.4x	5.3x	NA	NM	NM	35.5%	20.9%	0.1%	5.0%	NA
Average						5.3x	4.2x		30.7x	18.8x			12.1%	15.4%	67.6%
Total (Mid Cap)		3,255	(218)	3,038											
Selected Small Cap															
DHI Group	2.85	144	62	206	213	0.9x	1.0x	1.1x	10.3x	4.5x	-12.6%	-6.2%	8.8%	21.4%	87%
Assima plc	3.00	26	(4)	22	NA	1.0x	NA	NA	76.2x	NA	-24.4%	NA	1.2%	NA	38%
Average						0.9x	1.0x		43.2x	4.5x			5.0%	21.4%	62.6%
Total (Small Cap)		170	58	228											
Sector Total		122,995	(4,049)	118,946											

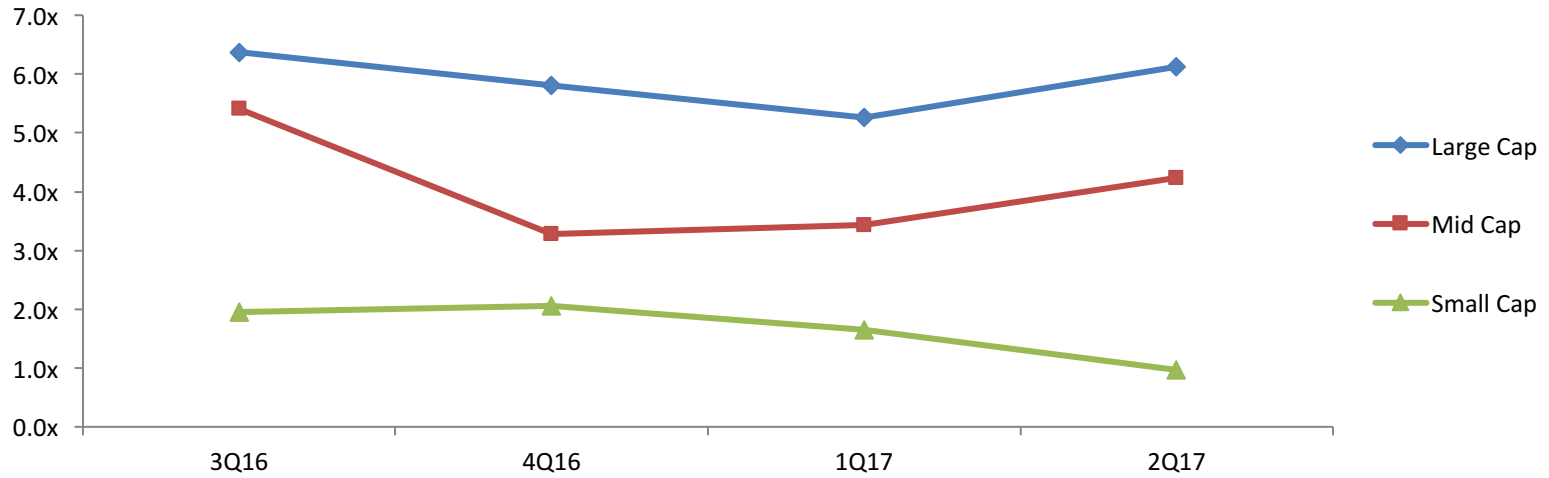
(1) Excludes treasury shares

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

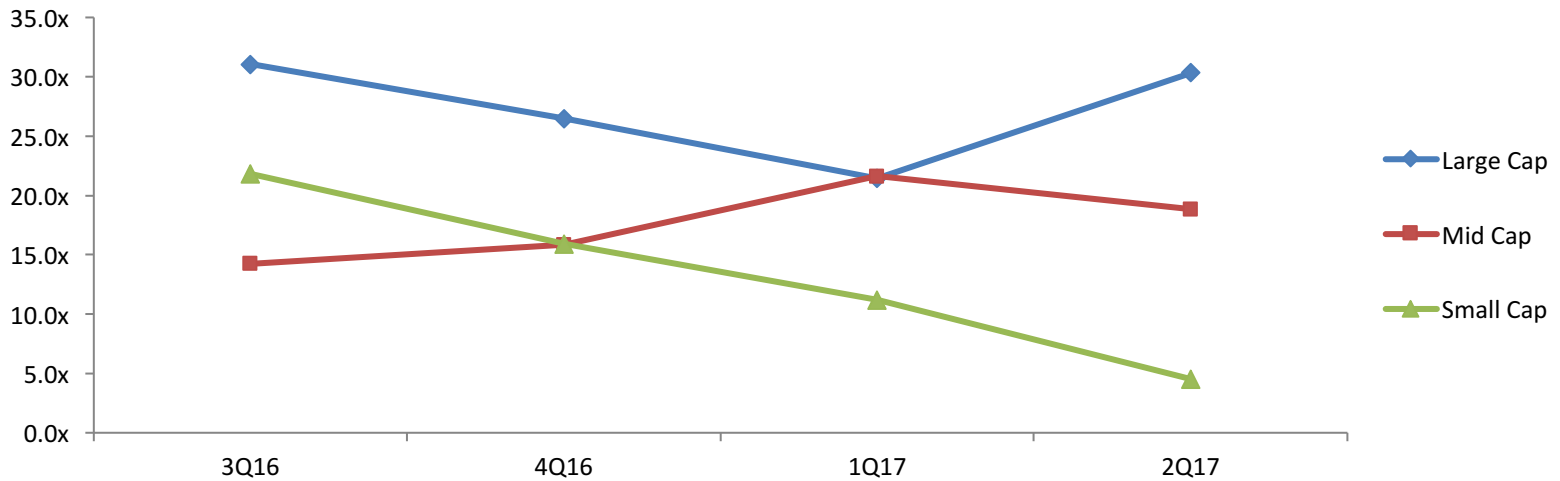
(3) Recurring revenues (renewing licences, maintenance, subscriptions, SaaS etc) where reported for last full year

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

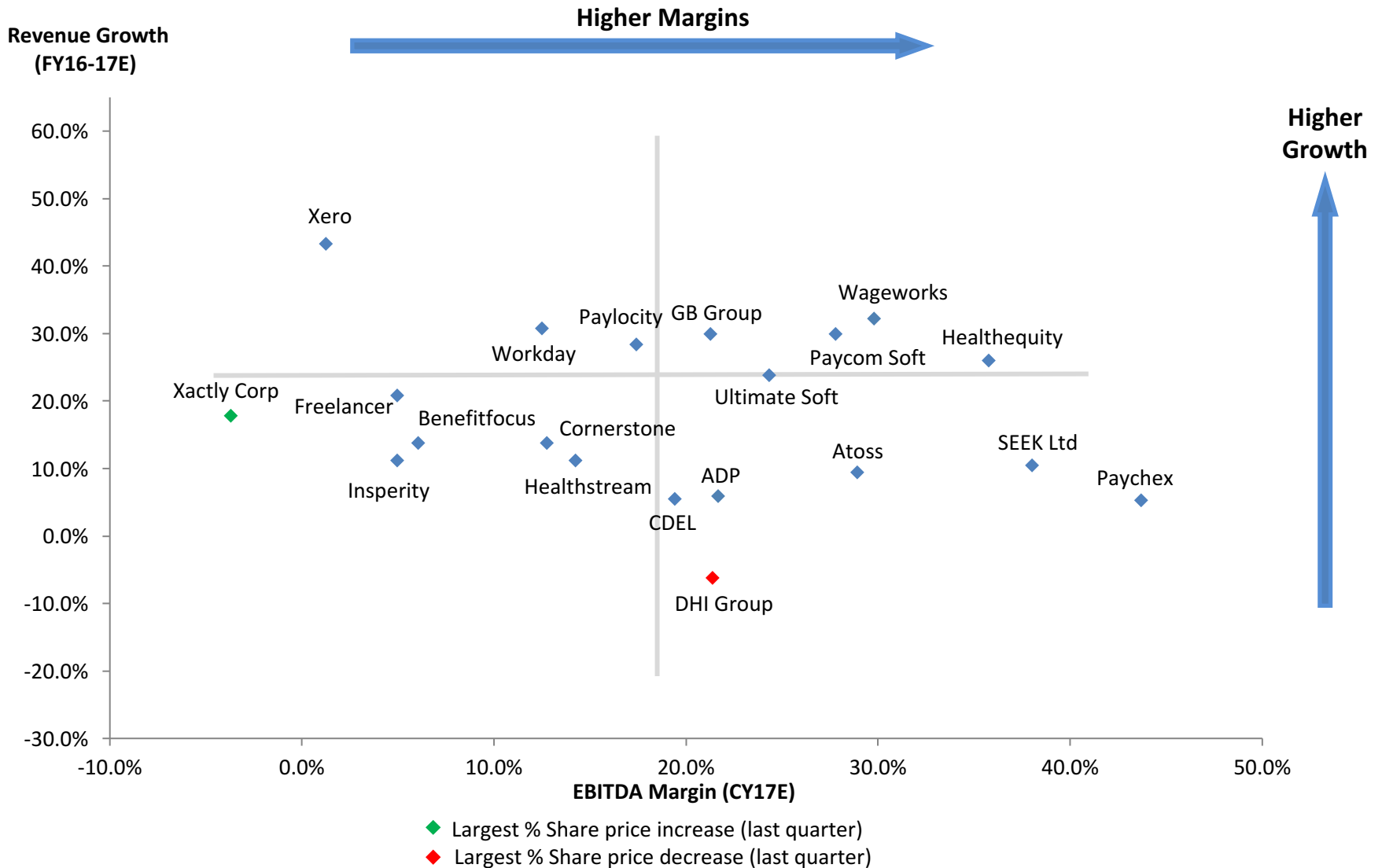
EV/Revenue



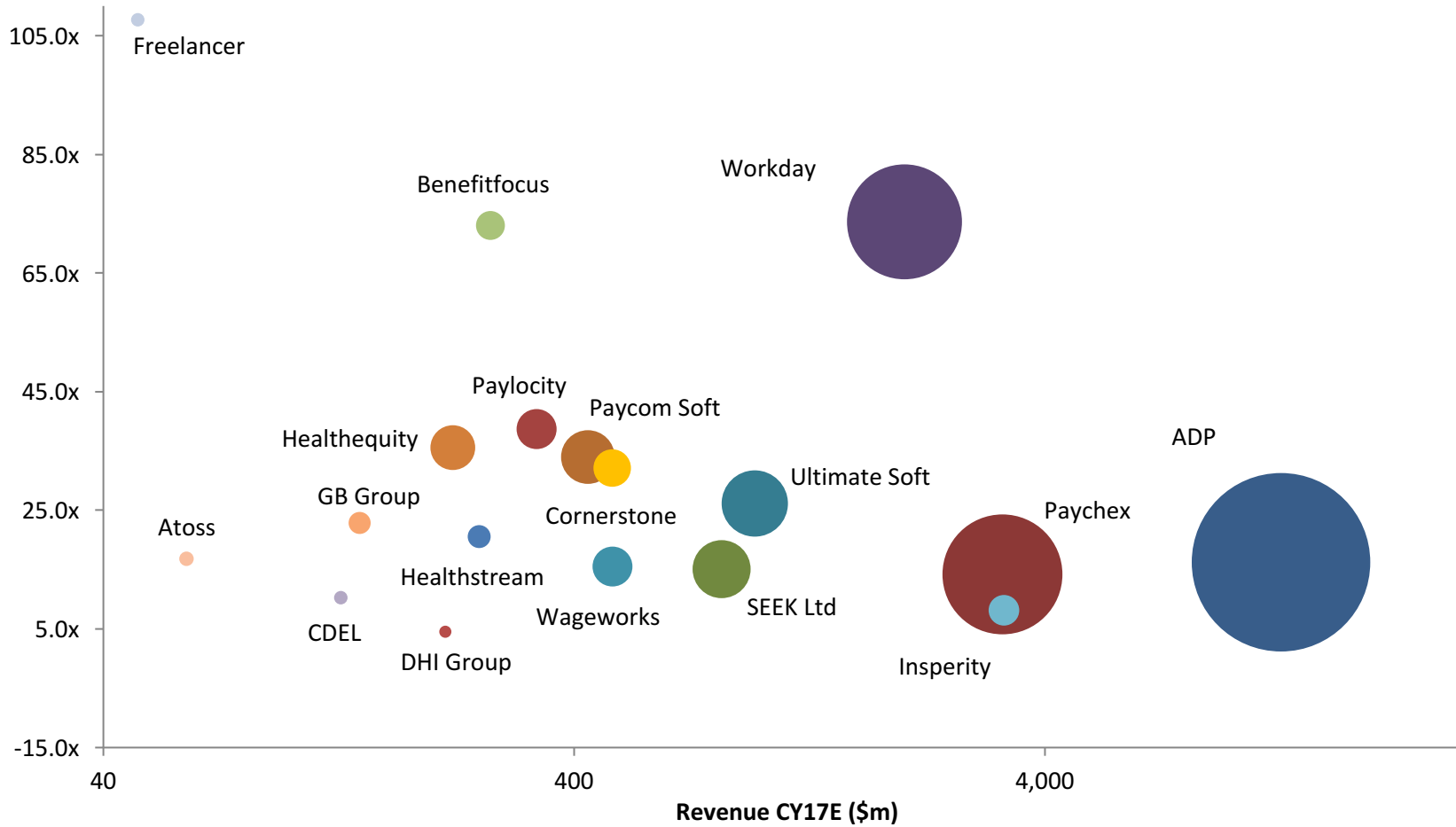
EV/EBITDA



Performance Quadrants: Revenue Growth & Operating Margin



EV/EBITDA CY17E

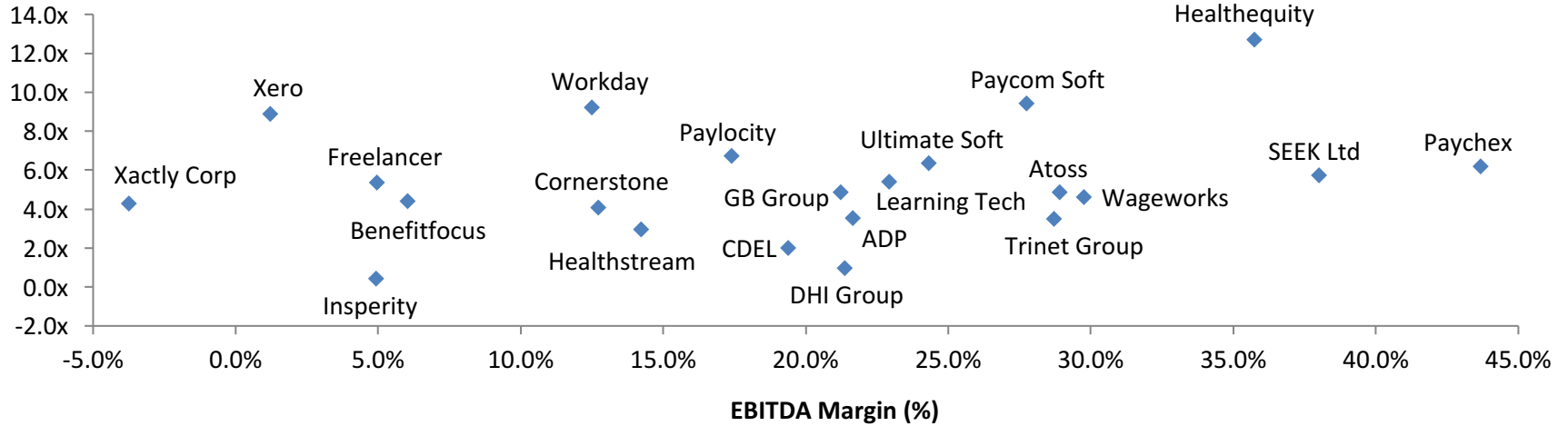


Note: Bubble size depicts enterprise value

Operating Efficiency and Recurring Revenue as Value Drivers

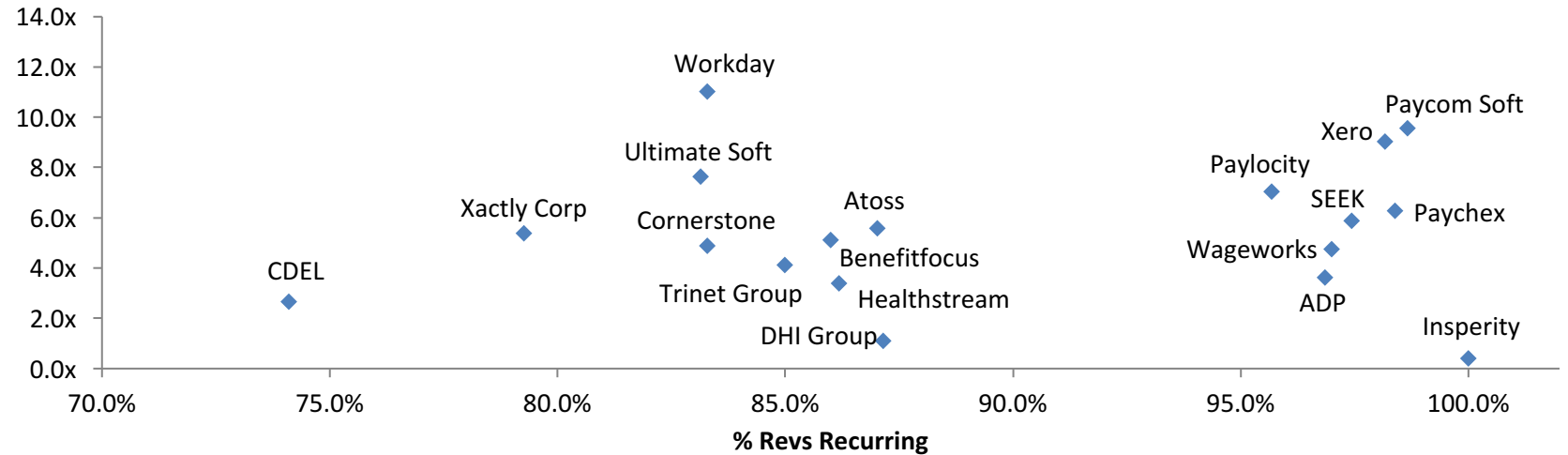
EV/Revenue CY17E

Revenue Multiples

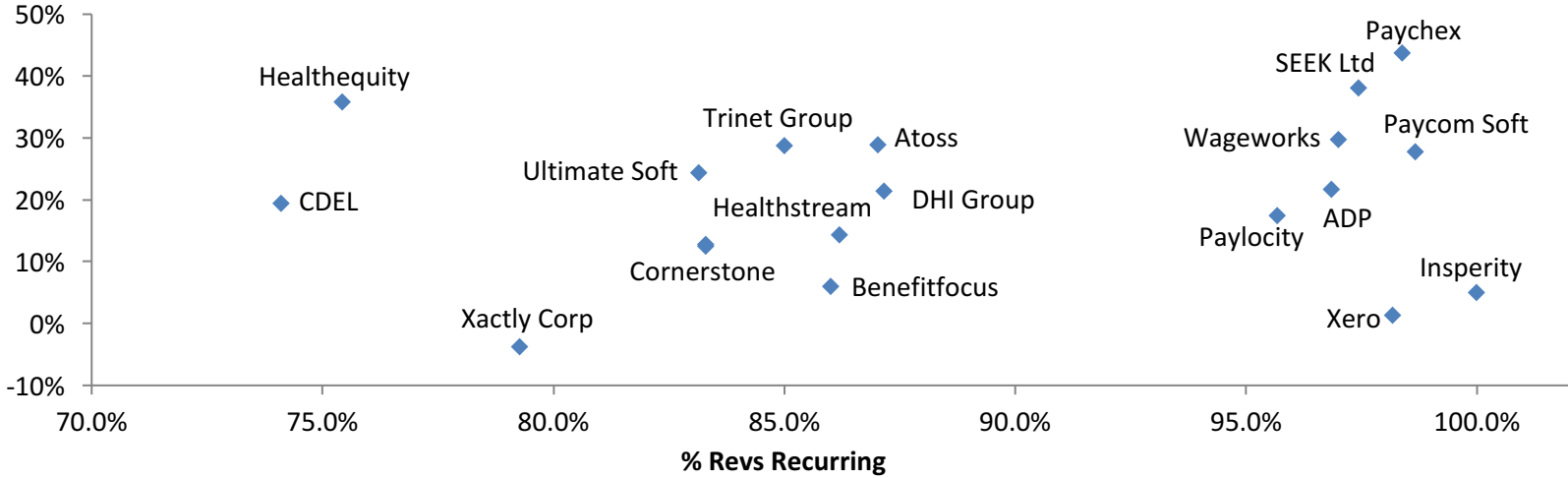


EV/ Recurring Rev

Recurring Revenue Multiples

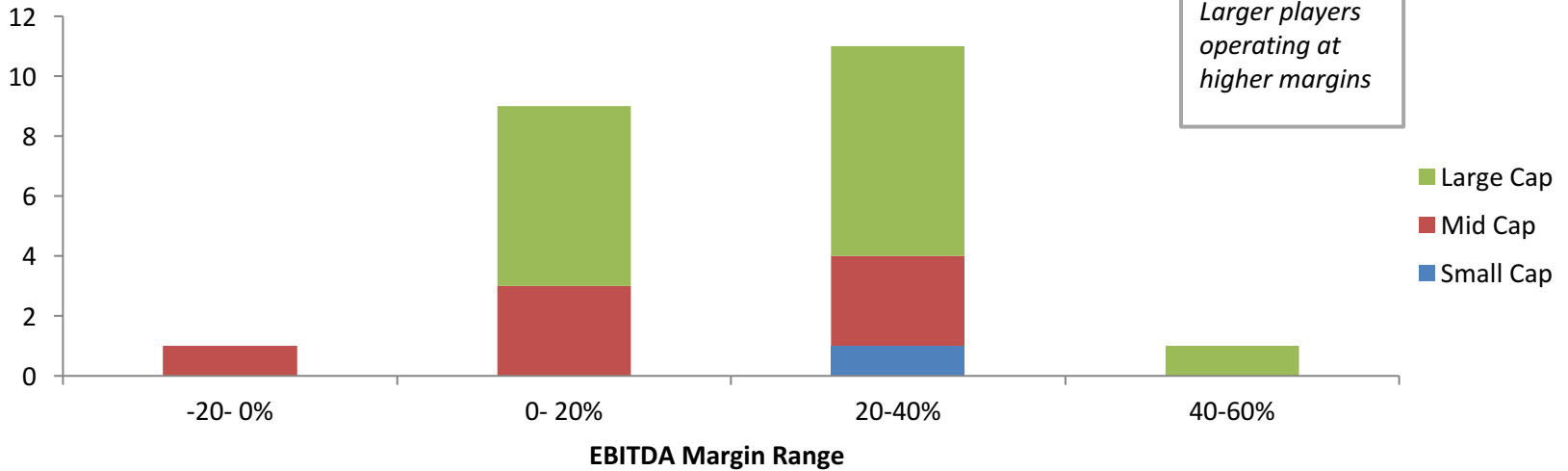


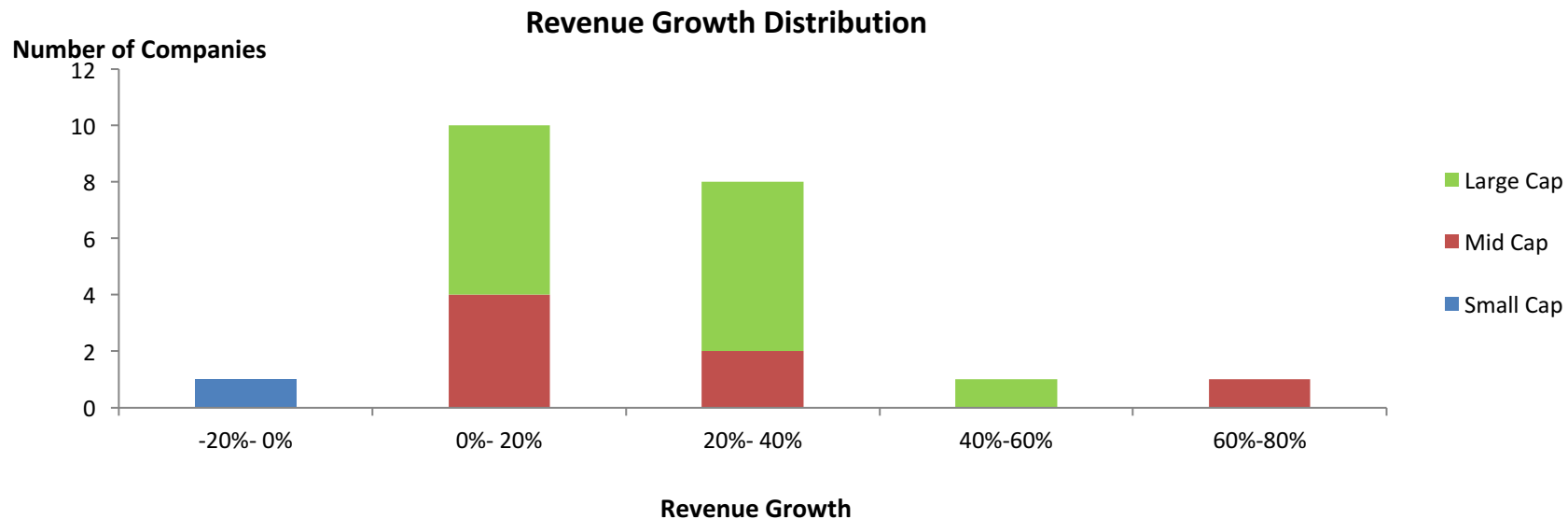
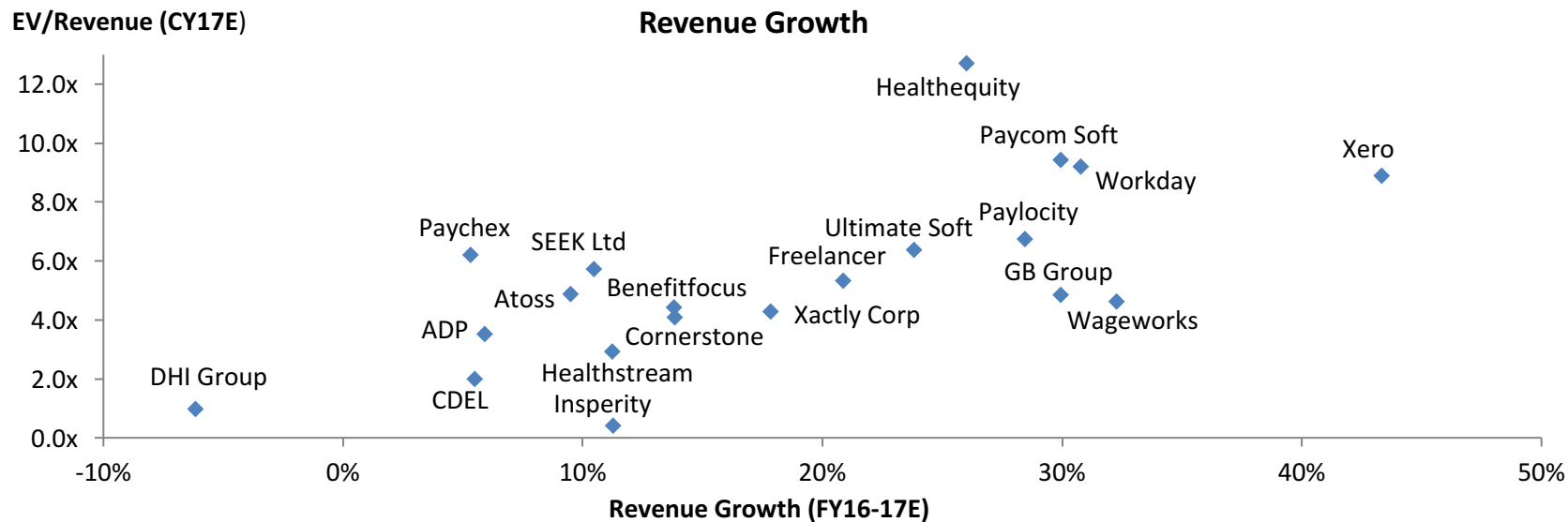
EBITDA Margin CY17E



Number of Companies

EBITDA Margin Range Distribution





Selected HR Tech Deals – Second Quarter 2017

<u>Date Announced</u>	<u>Buyer</u>	<u>Target</u>	<u>HR Tech Subsector</u>	<u>Deal Size</u>	<u>Target Revenue</u>	<u>Revenue Multiple</u>	<u>Commentary</u>
29-Jun-17	Daily Muse Inc. [aka The Muse] [USA]	Brand Amper LLC [USA]	Employee feedback collection SaaS	Not disclosed	n/a	n/a	The deal strengthens The Muse's employer branding capabilities by enabling it to capture employee-generated content at scale. The Muse will integrate Brand Amper's technology into its core product offering.
19-Jun-17	Private Group Led by CVC Capital Partners [UK]	QA Ltd [UK]	Education programmes and software	Not disclosed	£154.2m	n/a	Bregal Investments have agreed to sell QA to CVC Capital. Bregal acquired QA in 2007, with c.£2m of EBITDA, whereas now QA's run rate EBITDA is over £50m.
15-Jun-17	Avionte Inc [USA]	Applied Systems Technology [aka AST] [USA]	Staffing software	Not disclosed	n/a	n/a	AST's clients will be transferred to the Avionte platform in the months following the transaction. This is the second deal Avionte have completed in the last 12 months, having purchased Questek Systems in July 2016.
14-Jun-17	Bond International Software plc [USA]	Erecruit [USA]	Enterprise staffing and recruitment management SaaS	Not disclosed	n/a	n/a	The merger of Bond and Erecruit will expand their operational scale, geographical reach and product portfolio. Symphony Technology Group will become the majority owner of the group with North Bridge Growth Equity retaining a minority stake.
14-Jun-17	iSolved HCM [USA]	ExcelPay Business Solutions LLC [USA]	HR management software	Not disclosed	n/a	n/a	This deal is the progression of a close relationship that began when ExcelPay became an iSolved partner in 2015. ExcelPay hope to benefit from iSolved's "Exit & Acquisition Programme" where certified partners have the option to join iSolved HCM.
13-Jun-17	Access UK Ltd. [UK]	Selima Limited [UK]	Workforce management SaaS	Not disclosed	\$6.15m	n/a	The acquisition bolsters Access UK's existing product portfolio and brings a new suite of products to the company for the Retail and Hospitality sector. The Selima deal is Access UK's second significant deal in 2017.

Selected HR Tech Deals – Second Quarter 2017

<u>Date Announced</u>	<u>Buyer</u>	<u>Target</u>	<u>HR Tech Subsector</u>	<u>Deal Size</u>	<u>Target Revenue</u>	<u>Revenue Multiple</u>	<u>Commentary</u>
12-Jun-17	Programmed Maintenance Services Ltd [Australia]	OneShift Pty Ltd [Australia]	Marketplace	Not disclosed	n/a	n/a	Programmed has acquired the remaining 72.5% of OneShift after initially acquiring 27.5% of the business in 2013 for \$5.0m.
06-Jun-17		Workey Inc [Israel]	AI for career development and recruitment	\$8.0m Series A funding round	n/a	n/a	Workey has raised \$8.0m in a Series A funding round led by PICO Partners and Magma VC. The company will use the funding to open its first US-based office in New York City.
06-Jun-17	PSI Services LLC [USA]	Assessment & Development Consultants Ltd. [aka A&DC] [UK]	Talent assessment and learning software	Not disclosed	n/a	n/a	A&DC will boost PSI's core Talent Assessment offering through access to a range of over 250 assessment products and consulting solutions.
05-Jun-17	Callidus Software Inc. [USA]	Learning Heroes Ltd. [UK]	e-Learning and education content	Not disclosed	n/a	n/a	The acquisition enhances the Callidus mobile learning platform, Litmos, adding over 150 e-learning modules and 100 blended learning resources.
26-May-17	Asure Software Inc [USA]	Compass HRM Inc [USA]	HR management SaaS	\$6.0m	n/a	n/a	Compass HRM complements Asure's strategy of integrating service bureau organisations, allowing Asure to cross-sell its workforce and workplace software while supplementing their existing organic growth.
26-May-17	Asure Software Inc. [USA]	iSystems LLC [USA]	HR management software	\$55.0m	n/a	n/a	The acquisition supports Asure's strategy of partnering with the customer base of service bureau organisations. iSystems has completed two acquisitions of its own under the ownership of private equity firm Silver Oak.

Selected HR Tech Deals – Second Quarter 2017

<u>Date Announced</u>	<u>Buyer</u>	<u>Target</u>	<u>HR Tech Subsector</u>	<u>Deal Size</u>	<u>Target Revenue</u>	<u>Revenue Multiple</u>	<u>Commentary</u>
25-May-17	Electronic Commerce Inc [USA]	cfactor Works Inc [Canada]	Payroll and HR Saas	Not disclosed	n/a	n/a	In acquiring cfactor Works, Electronic Commerce has moved to create an end-to-end human capital management solution to serve its primary clientbase of mid-market employers as well as a growing roster of enterprise-level clients. The combined business will be known as Vibe HCM, after cfactor Works' product suite.
17-May-17		MoBerries GmbH [Germany]	AI-based recruitment platform	€1.8m venture funding	n/a	n/a	MoBerries secures €1.8m in venture funding, the capital will be used to fund further product development and expansion.
16-May-17	Hooper Holmes Inc. [USA]	Provant Health Solutions LLC [USA]	Employee health management SaaS	Not disclosed	n/a	n/a	In merging, the combined company gains significant scale in what is a largely fragmented market. Hooper Holmes CEO, Henry Dubois, becomes CEO of the combined company.
11-May-17		Shanghai Kellogg Information Technology Co Ltd [China]	Job-hunting training	Not disclosed	n/a	n/a	Shanghai Kellogg Information Technology secured an undisclosed amount of Series B funding from Huatu Capital. The funding will be used to develop its technology and expand its workforce.
04-May-17	Aon Plc [UK]	cut-e GmbH [Germany]	Online talent assessments	Not disclosed	n/a	n/a	With the addition of cut-e, Aon's Talent, Rewards and Performance group will have nearly 400 assessment and selection professionals, including industrial-organisational psychologists.
04-May-17	Immedis [Ireland]	Expaticore Services LLC [USA]	Payroll and mobility solutions	\$10.0m	n/a	n/a	The deal is Immedis' first acquisition representing a significant step in their growth plans. Expaticore will strengthen Immedis' capabilities in the US and builds on a 2-year relationship between the two firms.

Selected HR Tech Deals – Second Quarter 2017

<u>Date Announced</u>	<u>Buyer</u>	<u>Target</u>	<u>HR Tech Subsector</u>	<u>Deal Size</u>	<u>Target Revenue</u>	<u>Revenue Multiple</u>	<u>Commentary</u>
27-Apr-17		Mofang HR Technology Co Ltd [China]	Interviewing solutions	\$9.4m Series B funding round	n/a	n/a	Mofang secures \$9.4m in Series B funding led by Beijing Tiancheng Wealth Asset Management. The new capital will be used to strengthen its big data technology team.
25-Apr-17	TCC Software Solutions [USA]	Vertex Solutions Group LLC [USA]	Training software and services	Not disclosed	n/a	n/a	The deal enables TCC to enter the learning and development market, embedding interactive learning into existing software applications. The companies will benefit from shared infrastructure services, increasing efficiency.
03-Apr-17	ABILITY Network Inc. [USA]	ShiftHound Inc. [USA]	Staffing and shift management SaaS	Not disclosed	n/a	n/a	ShiftHound brings workforce management solutions to ABILITY's existing revenue cycle management capabilities. All of ShiftHound's staff will join ABILITY following the acquisition.

Goldenhill International M&A Advisors
52 Brook Street
London
W1K 5DS
United Kingdom

Goldenhill International M&A Advisors
415 Laurel Street
San Diego, California
92101
United States

Goldenhill International M&A Advisors
Torre ABN Amro Victoria Ocampo 360
Puerto Madero, Buenos Aires
C1107BGA
Argentina
www.gtallp.com

© Copyright 2017 Goldenhill Technology Advisors

This communication is provided for informational purposes only, and should not be regarded as an offer or solicitation to buy or sell any financial instrument. Distribution without the express consent of the authors, Goldenhill Technology Advisors, is strictly prohibited. Goldenhill Technology Advisors accepts no liability whatsoever arising directly or indirectly from the use of this document, and offers no warranty in relation to the accuracy or completeness of the information therein.