



# HR Technology Sector

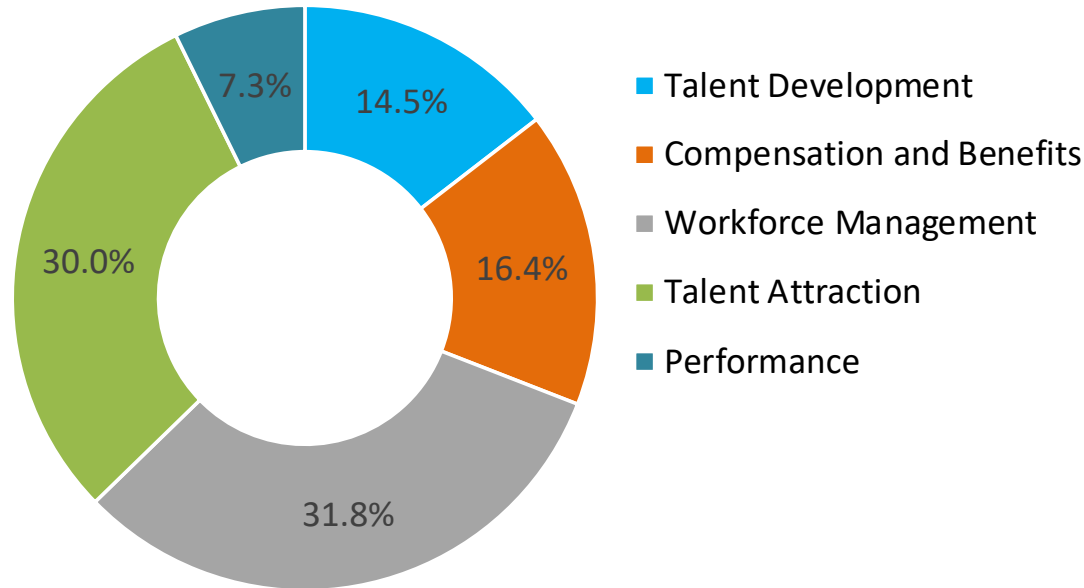
## Quoted Company Analysis

**Fourth Quarter and 2017 Recap**

For this edition of the HR Tech Quarterly Report we have started with a brief recap of the HR Tech landscape from an M&A perspective during 2017. Over the past four quarterly reports (including this one) we have analysed 110 selected HR Tech transactions which provide the basis for the following information.

## **Highlights**

- The highest volume of deals (31.8%) were seen in the Workforce Management space
- The yearly transaction volume came out at an average of 27 deals/quarter globally, although Q3 saw the highest volume with 43 featuring in the Q3 report
- A third of the transactions analysed were cross-border
- The majority (55%) of the transactions had both a US-based buyer and seller
- North America was the only geography in which the number of buyers was greater than sellers
- Insight Venture Partners' acquisition of Bullhorn was the largest deal analysed in 2017, with a total consideration of \$500m at a 4.8x revenue multiple



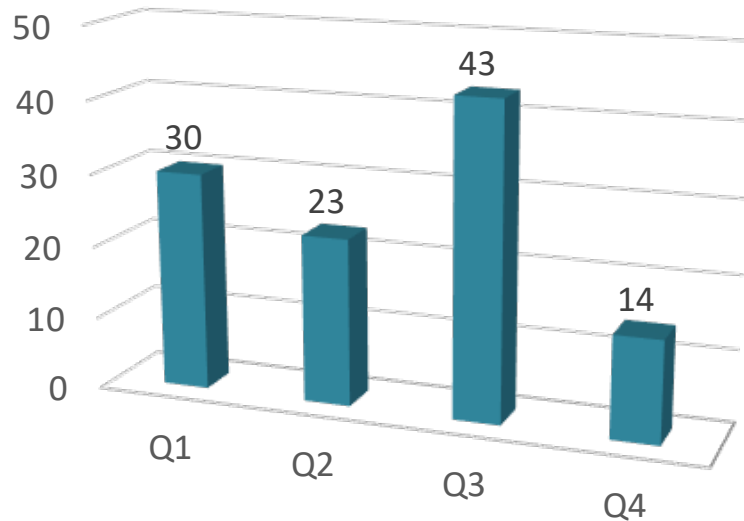
**Talent Development:** HR software providing the means to train and develop an effective workforce

**Compensation and Benefits:** HR software relating the management of employee compensation and benefits administration

**Workforce Management:** HR software that facilitates 'everyday' HR work and the management of employees

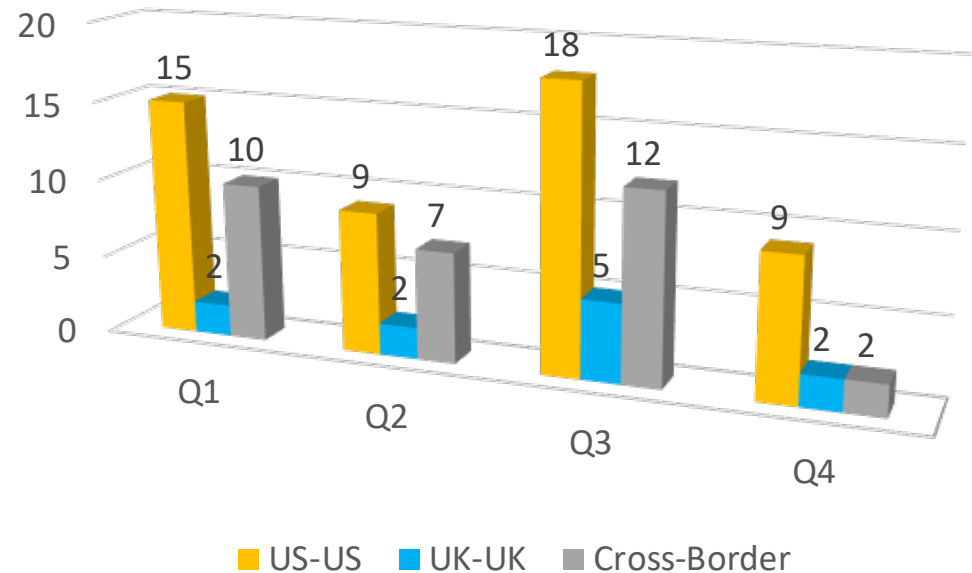
**Talent Attraction:** Tools to help employers recruit new staff and to help prospective employees search for jobs

**Performance:** Systems to track, measure and reward employee performance

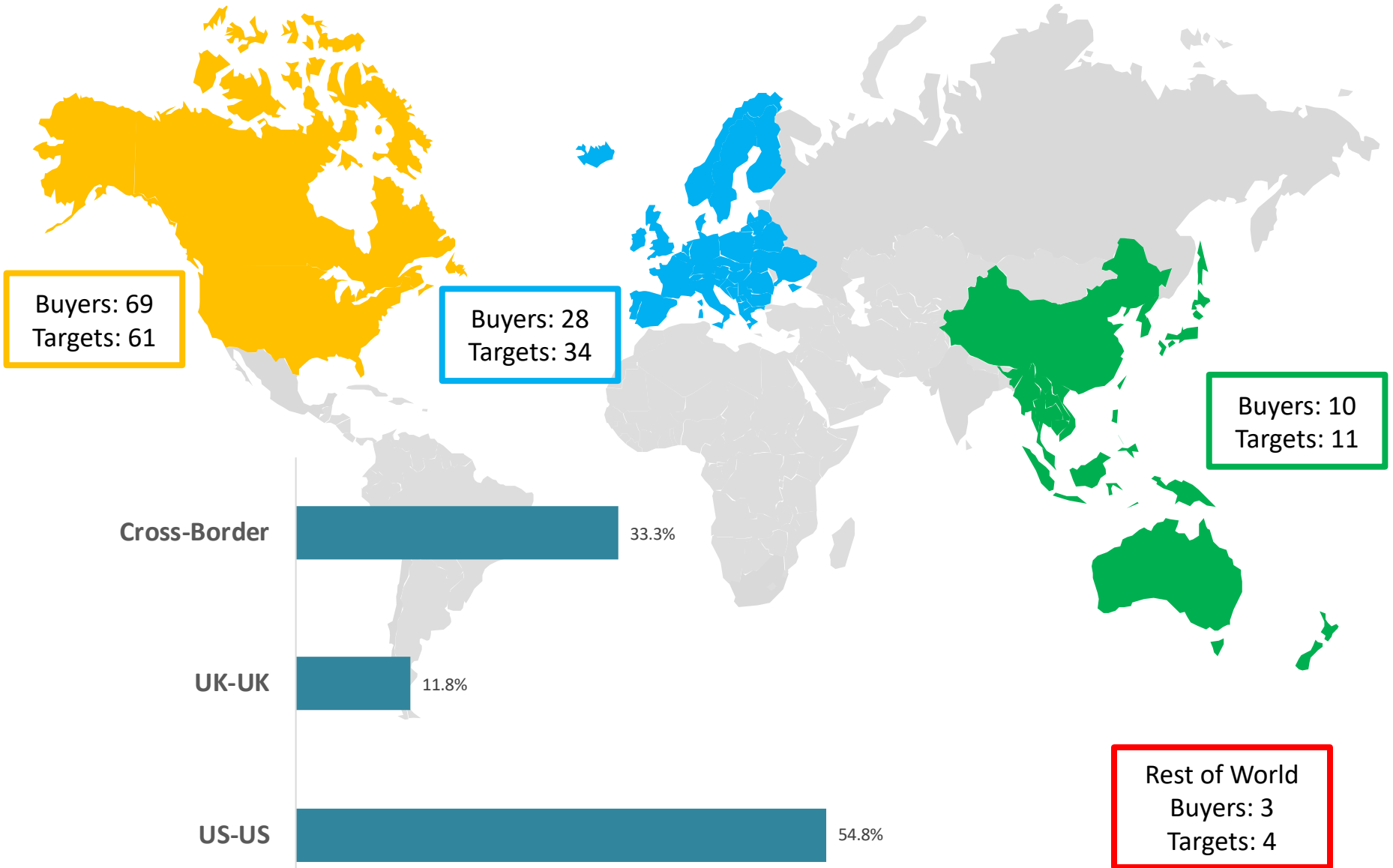


- With 110 transactions analysed in 2017, this comes to an average of 27 deals per quarter
- In reality Q3 saw, by some margin, the greatest deal volume in 2017

- This was then followed by a decrease in deal flow for Q4, coming in particular from a slowdown in cross-border transactions



# 2017 Transactions by Geography



## 2017 Top 5 Transaction by Deal Size

Date Announced	Buyer	Target	HR Tech Subsector	Deal Size	Target Revenue (EBITDA)	Revenue Multiple
23/10/2017	Insight Venture Partners LLC [USA]	Bullhorn Inc. [Vista Equity Partners] [USA]	Talent Attraction	\$500.0m	\$105.0m (\$25.0m)	4.8x
23/02/2017	Saba Software Inc. [USA]	Halogen Software [Canada]	Workforce Management	\$207.4m	\$72.3m	2.4x
31/07/2017	AE Industrial Partners [USA]	CDI Corp [USA]	Talent Attraction	\$154.2m	\$818.4m	0.2x
04/01/2017	Castlight Health Inc. [USA]	Jiff Inc. [USA]	Compensation and Benefits	\$133.7m	\$7.0m	19.1x
02/05/2017	2U Inc. [USA]	Get Educated International Proprietary Limited [South Africa]	Talent Development	\$103.0m	\$17.0m	6.1x

- The Top 5 transactions were all completed by US-based buyers and, with the exception of Get Educated, all featured North America-based targets
- The revenue multiples associated with the deals vary widely and is a reflection of the broad variety of companies operating in the HR Tech space
- 2017 also saw a number of funding rounds that reached values exceeding those of the above transactions. Notably;
  - Slack Technologies' \$250m round led by Softbank and Accel, and;
  - Neyber's \$150m round led by Goldman Sachs



## Fourth Quarter Report

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# Sector Valuation Metrics

Company	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-Dec-17				CY17E (\$m)	CY2016	CY2017E	Recurring	CY2016	CY2017E	CY2016	CY2017E	CY2016	CY2017E	Recurring <sup>(3)</sup>
<b>Selected Large Cap</b>															
ADP	117.19	51,973	(784)	51,188	12,799	4.3x	4.0x	4.1x	20.0x	18.8x	6.1%	6.8%	21.3%	21.3%	97%
Paychex	0.68	24,453	(323)	24,130	3,270	7.9x	7.4x	7.5x	18.2x	17.0x	6.8%	6.4%	43.1%	43.5%	98%
Workday	101.74	21,365	(1,462)	19,903	2,076	13.0x	9.6x	11.7x	NM	66.9x	35.0%	35.2%	-14.9%	14.3%	82%
Ultimate Software	218.23	6,520	(89)	6,431	934	8.2x	6.9x	8.1x	93.5x	30.0x	26.4%	19.6%	8.8%	23.0%	85%
SEEK Ltd	19.01	5,207	185	5,392	882	7.3x	6.1x	7.1x	12.9x	15.1x	12.9%	25.8%	56.8%	40.4%	86%
Paycom Software	80.33	4,755	(30)	4,725	432	14.4x	10.9x	11.1x	66.0x	35.8x	46.5%	31.3%	21.8%	30.6%	98%
Xero	31.50	3,094	(80)	3,014	271	15.7x	11.1x	11.4x	NM	NM	49.1%	39.2%	-13.4%	3.2%	97%
Trinet Group	44.34	3,081	275	3,356	804	1.1x	4.2x	4.9x	20.6x	12.1x	15.1%	-73.7%	5.3%	34.6%	86%
Healthequity	46.66	2,831	(180)	2,651	223	15.2x	11.9x	15.0x	50.2x	33.6x	40.7%	27.4%	30.3%	35.3%	79%
Paylocity	47.16	2,477	(103)	2,373	335	8.9x	7.1x	7.3x	NM	45.8x	30.0%	23.4%	7.3%	15.5%	97%
Wageworks	62.00	2,457	(429)	2,028	481	5.6x	4.2x	4.4x	49.2x	13.9x	9.1%	31.8%	11.3%	30.4%	97%
Insperty	57.35	2,391	(183)	2,207	3,287	0.8x	0.7x	0.7x	18.0x	13.1x	13.0%	11.7%	4.2%	5.1%	100%
Cornerstone Ondemand	35.33	2,046	(64)	1,982	483	4.7x	4.1x	4.9x	NM	30.3x	24.6%	14.2%	-5.7%	13.5%	83%
<b>Average</b>						<b>8.2x</b>	<b>6.8x</b>		<b>38.7x</b>	<b>27.7x</b>			<b>13.6%</b>	<b>23.9%</b>	<b>91.2%</b>
<b>Total (Large Cap)</b>		<b>132,650</b>	<b>(3,270)</b>	<b>129,381</b>											
<b>Selected Mid Cap</b>															
GB Group Plc	435.25	899	(7)	892	147	7.9x	6.1x	6.8x	42.7x	28.8x	3.3%	38.0%	18.4%	21.1%	52%
Benefitfocus	27.00	844	42	886	256	3.8x	3.5x	6.7x	NM	46.9x	26.0%	9.9%	-8.2%	7.4%	86%
Learning Technologies Group Plc	68.00	526	10	536	69	14.0x	7.8x	9.0x	NM	29.3x	25.9%	80.2%	13.4%	26.5%	70%
Atoss Software AG	74.01	354	(26)	328	64	6.0x	5.2x	7.4x	20.8x	19.2x	9.9%	16.1%	28.8%	26.8%	87%
China Distance Education Holdings	9.27	306	(16)	290	NA	2.4x	NA	NA	NA	NA	11.4%	NA	NA	NA	77%
<b>Average</b>						<b>6.8x</b>	<b>5.6x</b>		<b>31.7x</b>	<b>31.0x</b>			<b>13.1%</b>	<b>20.5%</b>	<b>74.3%</b>
<b>Total (Mid Cap)</b>		<b>2,928</b>	<b>4</b>	<b>2,932</b>											
<b>Selected Small Cap</b>															
Freelancer Technology	0.49	175	(25)	149	40	3.8x	3.7x	5.0x	NM	NM	35.5%	2.6%	0.1%	-0.6%	0%
DHI Group	1.90	95	62	157	208	0.7x	0.8x	0.9x	7.9x	4.0x	-12.6%	-8.4%	8.8%	18.9%	83%
Assima plc	3.40	31	(4)	26	NA	1.1x	NA	NA	91.7x	NA	-24.4%	NA	1.2%	NA	39%
<b>Average</b>						<b>1.9x</b>	<b>2.2x</b>		<b>49.8x</b>	<b>4.0x</b>			<b>3.4%</b>	<b>9.2%</b>	<b>40.7%</b>
<b>Total (Small Cap)</b>		<b>300</b>	<b>33</b>	<b>333</b>											
<b>Sector Total</b>		<b>135,879</b>	<b>(3,233)</b>	<b>132,646</b>											

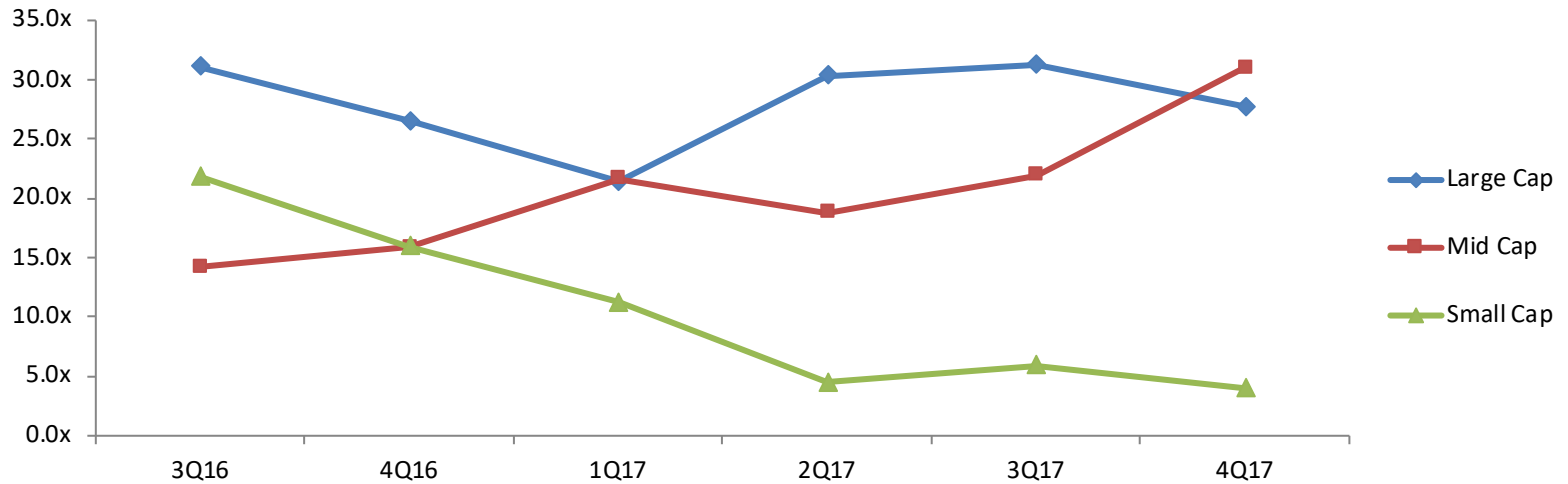
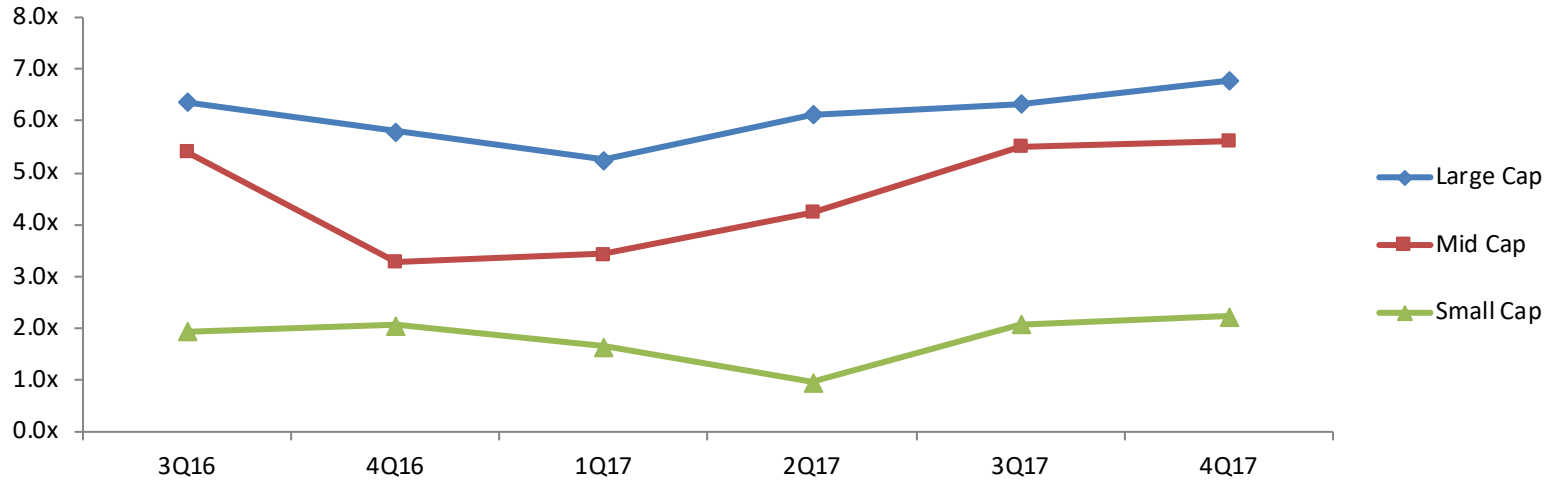
(1) Excludes treasury shares

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

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

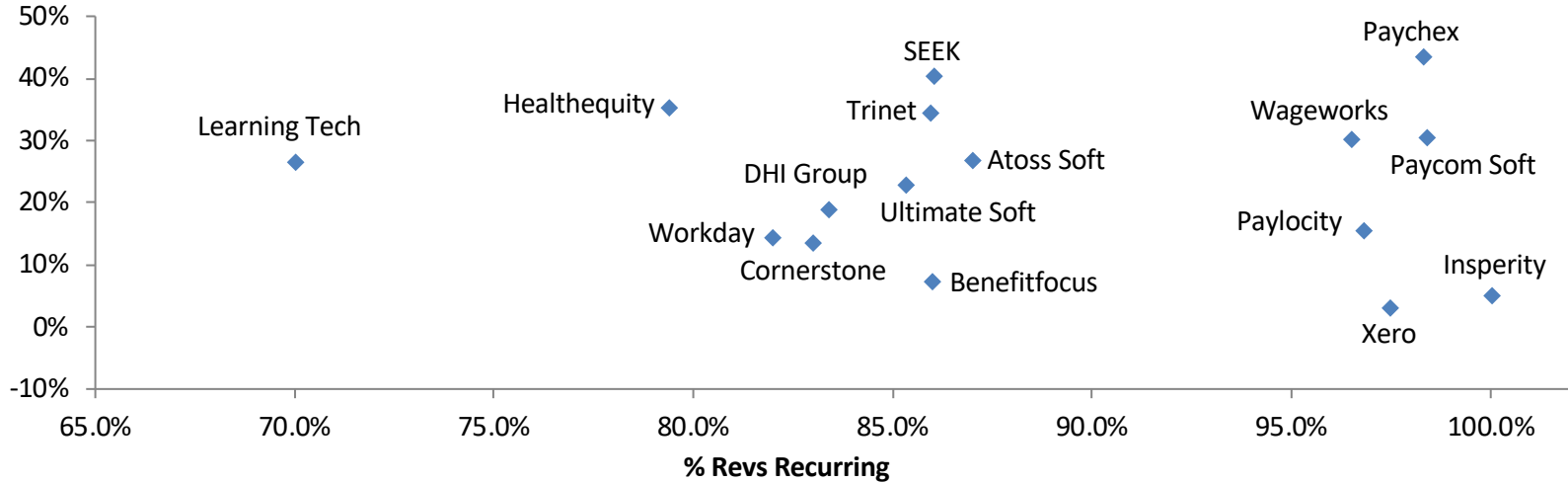
(4) NM - Not meaningful and NA - Not available



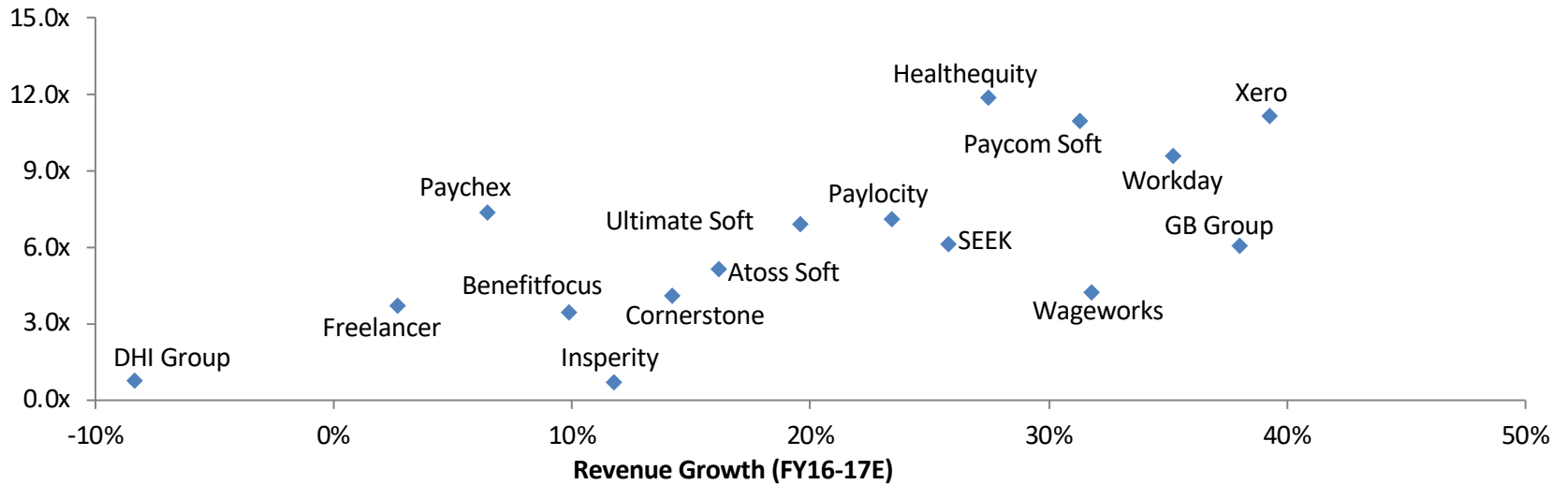


EBITDA Margin CY17E

Recurring Revenue as a Driver of Operating Margins



Revenue Growth



# Selected HR Tech Deals – Fourth Quarter 2017

Date Announced	Buyer	Target	HR Tech Subsector	Deal Size	Target Revenue (EBITDA)	Revenue Multiple	Commentary
14-Dec-17	Public Consulting Group Inc. (PCG) [USA]	Focused Management Solutions (FMS) [USA]	Talent Development	n/a	n/a	n/a	PCG expands its focus on workforce development, training and placement solutions through the acquisition of FMS. In joining PCG, FMS will be able to scale up their reach and impact throughout North America
04-Dec-17	Bright Network Ltd [UK]	Intern Avenue [UK]	Talent Attraction	n/a	n/a	n/a	Bright Network acquires Intern Avenue, which uses technology to automate the process of sourcing and selecting candidates. The acquisition comes just four months after Bright Network's acquisition of WEXO
04-Dec-17	Callidus Software Inc. [USA]	Learning Seat Pty. Ltd. [Australia]	Talent Development	\$26.4m	n/a	n/a	The acquisition of Learning Seat adds content to Callidus' sales training products. Callidus has increasingly seen its training products contribute more to overall revenue and has adjusted its M&A strategy accordingly. Four of its last seven acquisitions (including this one) have bolstered the training business
01-Dec-17	VitalSource Technologies Inc. [USA]	Intrepid Learning Inc. [USA]	Talent Development	n/a	n/a	n/a	VitalSource will continue to invest in Intrepid to help develop its Intrepid Learn and Intrepid Discover learning technology offerings. The companies' combined corporate and professional business platforms will launch under the brand Intrepid by VitalSource
29-Nov-17	Bullhorn Inc. [USA]	Peoplenet Corporation [USA]	Workforce Management	n/a	n/a	n/a	The acquisition accelerates Bullhorn's cloud-based strategy for staffing firms with solutions for time, attendance and expense management. The purchase of Peoplenet is a tangible outcome of Insight Venture Partner's investment in Bullhorn, that was announced in October, with the two companies working closely on the transaction
28-Nov-17	OutMatch [USA]	Pomello [USA]	Workforce Management	n/a	n/a	n/a	Pomello will strengthen Outmatch's predictive and actionable workforce analytics capabilities that allows companies to hire based on culture fit and improve employee engagement

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23-Nov-17	Divestment	Qess Corp Ltd [India]	Talent Attraction	£84.0	n/a	n/a	Thomas Cook India has confirmed the sale of a 5.42% shareholding in Qess Corp, a provider of integrated human resources solutions and services to institutional investors. The completion leaves Thomas Cook India with a majority 51.56% shareholding in Qess Corp
14-Nov-17	Healthcare Source HR Inc [USA]	Vikus Corp [USA]	Workforce Management	n/a	n/a	n/a	Healthcare Source's acquisition of Vikus means the combined company will have more than 6,300 healthcare clients, serving over 50% of the registered hospitals in the US. Alone, Vikus had more than 3,000 facilities using its software-as-a-service and was growing at more than 40% annually
01-Nov-17	Alera Group [USA]	HealthFirst [USA]	Compensation and Benefits	n/a	n/a	n/a	HealthFirst specialises in cost management, benefit administration technology, monthly reporting, compliance and HR support. Alera group completed three acquisitions effective 1st November, of which this was one. HealthFirst will join Alera Group through Pentra, an Alera Group company
23-Oct-17	Insight Venture Partners LLC [USA]	Bullhorn Inc. [USA]	Talent Attraction	\$500.0m	\$105.0m (\$25.0m)	4.8x	Insight Venture Partners' investment will help Bullhorn to expand both geographically and into new segments. As part of the transaction Insight purchased all shares previously owned by Vista Equity Partners
16-Oct-17	SmartTrans Holdings Ltd [Australia]	Resource Connect Pty Ltd. (iCuro) [Australia]	Workforce Management	\$13.1m	\$5.7m	2.3x	The iCuro platform shares strong synergies with SmartTrans' supply chain solutions and the acquisition will deliver opportunity for downstream horizontal integration and expand the depth of customer offers
11-Oct-17	Zywave Inc [USA]	HR 360 Inc [USA]	Compensation and Benefits	n/a	n/a	n/a	The HR 360 founders and team will join Zywave after the acquisition and continue to expand the company's reach beyond its 2,000 customers and help to leverage the combined expertise of both firms

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Date Announced	Buyer	Target	HR Tech Subsector	Deal Size	Target Revenue (EBITDA)	Revenue Multiple	Commentary
04-Oct-17	Alera Group [USA]	Simpson McCrady Benefits LLC [USA]	Compensation and Benefits	n/a	n/a	n/a	Simpson McCrady provides customised solutions to the employee benefits industry. Simpson McCrady will join Alera Group through the local firm Coury Health Services
03-Oct-17	Kallidus Ltd. [UK]	Advorto [UK]	Talent Attraction	n/a	n/a	n/a	Kallidus and Advorto had previously worked together under a joint venture arrangement and so were familiar to each other. The acquisition of Advorto supports Kallidus' growth strategy in providing end-to-end HCM software solutions

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

Goldenhill International M&A Advisors  
964 Fifth Avenue  
San Diego, California  
92101  
United States

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

[www.goldenhill.international](http://www.goldenhill.international)

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