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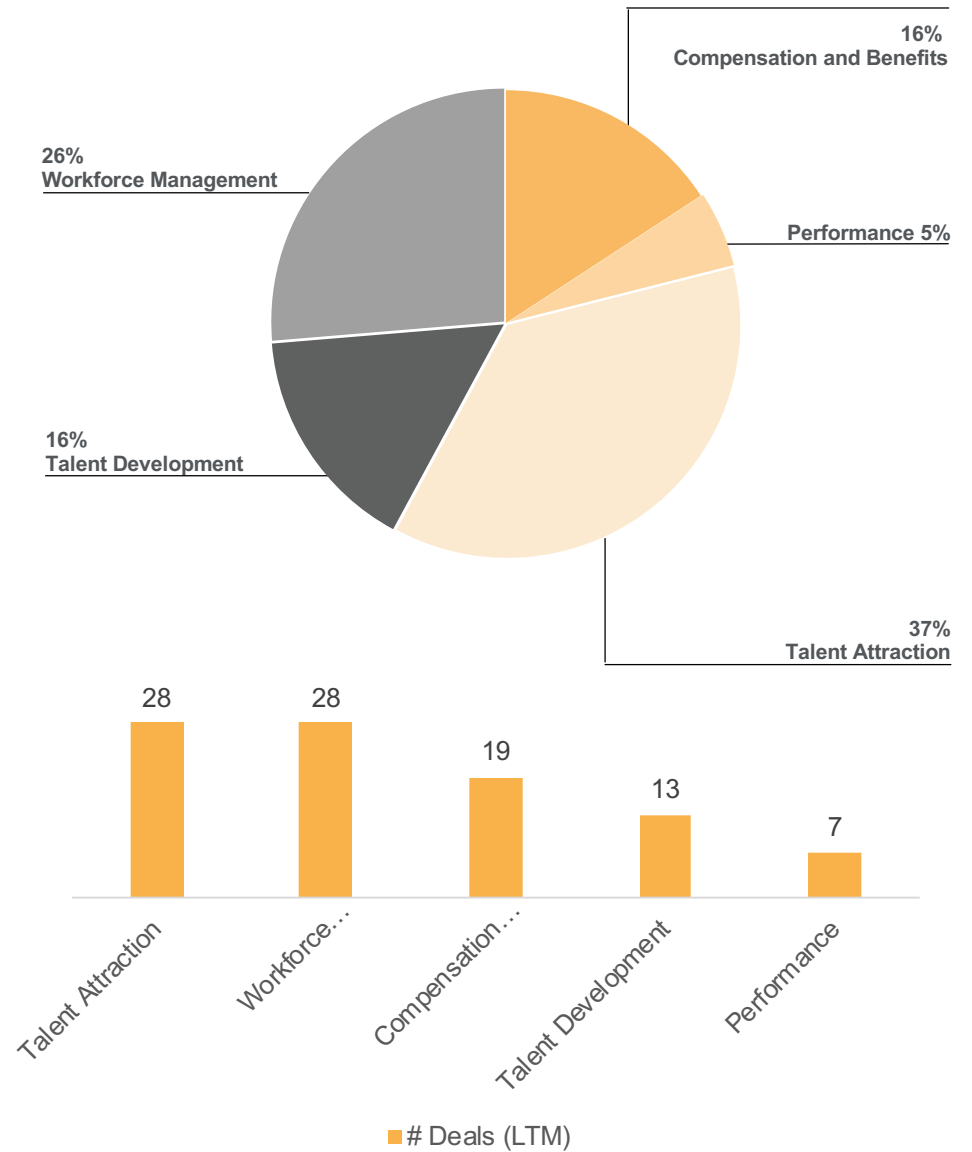
# HR Technology Sector

## Quarterly Reports

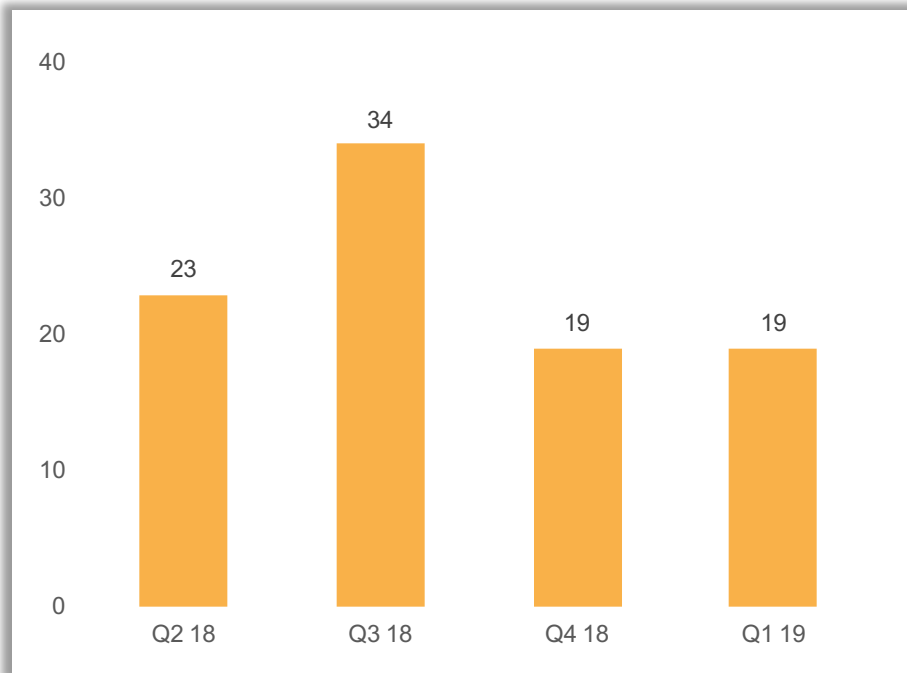
First Quarter 2019

## Q1 2019 TRANSACTIONS BY SUBSECTOR

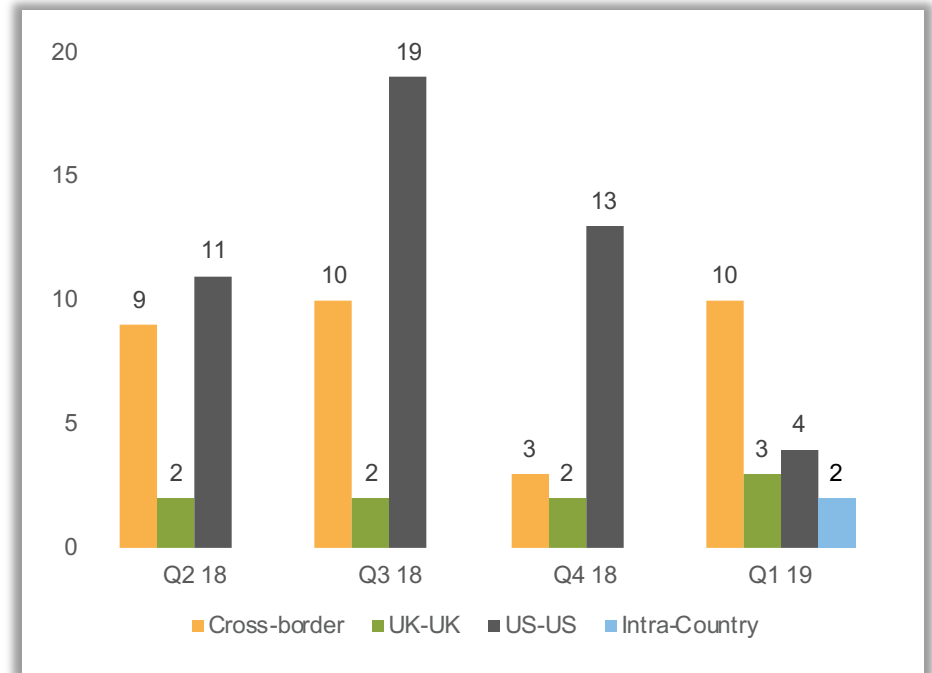
- **Compensation and Benefits**  
HR software relating the management of employee compensation and benefits administration
- **Performance**  
Systems to track, measure and reward employee performance
- **Talent Attraction**  
Tools to help employers recruit new staff and to help prospective employees search for jobs
- **Talent Development**  
HR software providing the means to train and develop an effective workforce
- **Workforce Management**  
HR software that facilitates 'everyday' HR work and the management of employees



## TRANSACTIONS BY QUARTER

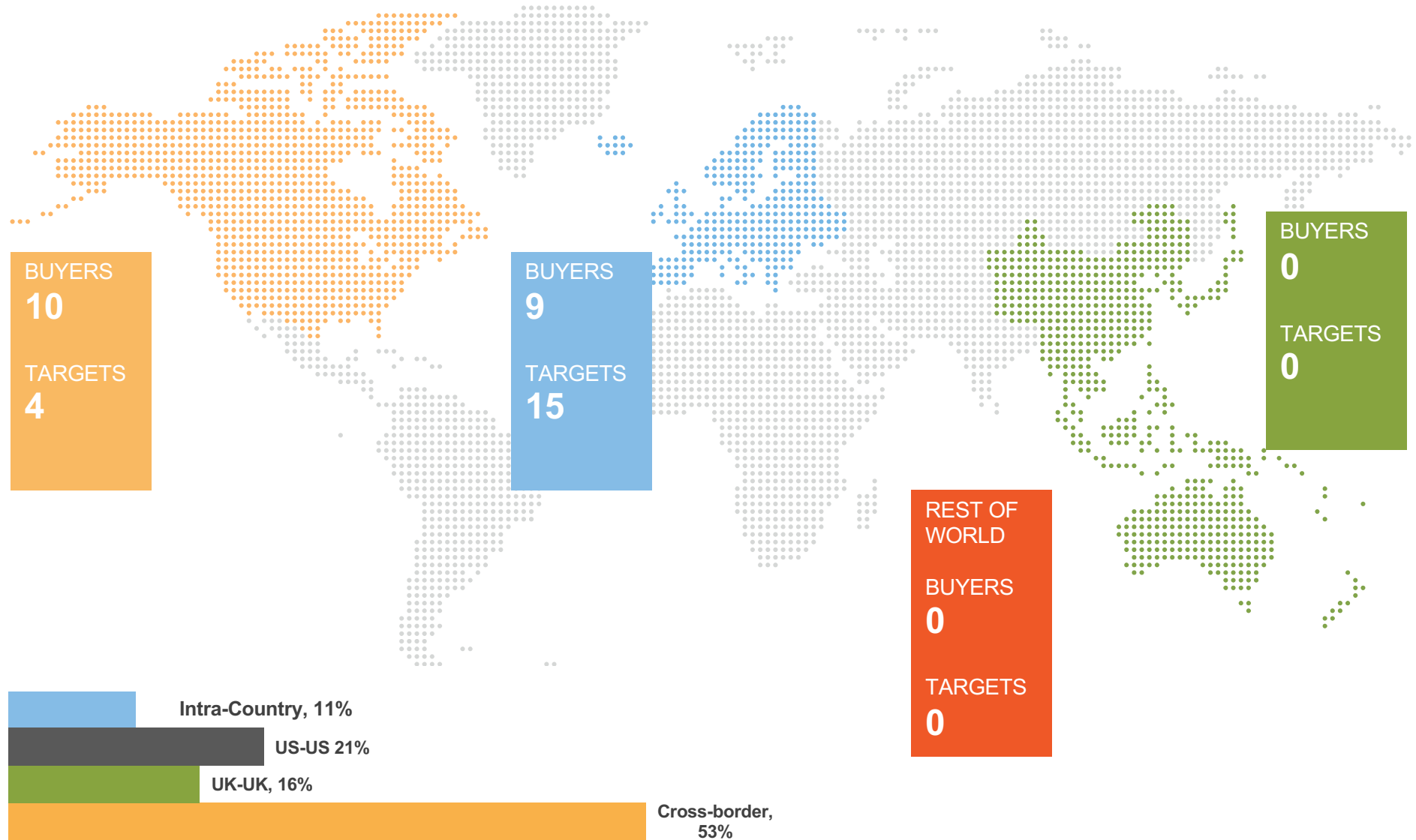


- Number of selected deals in Q1 is in line with previous quarter
- The Talent Attraction and Workforce Management sectors proved most active
- Ultimate Software agreed to be acquired by a private equity group for \$11bn (9.9x Revenue), representing one of the largest deals in recent HR tech history
- Valuations range from 2x to 10x Revenue



- Q1 saw cross-border transaction dominating the global scene
- Intra-US transactions experienced a steep drop compared to previous quarters, as US buyers are increasingly investing in Europe (83% of all US-Europe deals involve UK-based targets)
- Intra-UK deals remained consistent with previous periods

# Q1 2019 TRANSACTIONS BY GEOGRAPHY



## SECTOR VALUATION METRICS

Company	Share Price Local 31-Mar-19	Market Cap (\$m) <sup>(1)</sup>	Net Debt (\$m) <sup>(2)</sup>	Enterprise Value (\$m)	Revenue CY19E(\$m)	EV/Revenue CY2018	EV/Revs CY2019E	EV/Revs Recurring	EV/EBITDA CY2018	EV/EBITDA CY2019E	Revenue Growth CY2018	Revenue Growth CY2019E	EBITDA Margin CY2018	EBITDA Margin CY2019E	% Revs Recurring <sup>(3)</sup>
<b>Selected Large Cap</b>															
ADP	159.7	69,587	(171)	69,417	14,753	5.0x	4.7x	4.9x	22.3x	19.6x	7.6%	7.2%	22.6%	24.0%	97%
Workday	192.9	42,813	(574)	42,239	3,536	15.3x	11.9x	14.1x	NM	72.1x	31.7%	27.6%	-6.8%	16.6%	85%
Paychex	80.2	28,823	(424)	28,399	3,990	7.9x	7.1x	7.3x	19.0x	17.4x	7.3%	11.1%	41.5%	40.9%	98%
Paycom Software	1.9	11,059	(11)	11,048	712	19.5x	15.5x	15.8x	54.3x	38.2x	30.8%	25.7%	35.9%	40.7%	98%
Ultimate Software	3.3	10,459	(150)	10,309	1,366	9.0x	7.5x	8.6x	79.4x	31.0x	21.2%	19.7%	11.4%	24.3%	87%
Inspireity	1.2	5,062	(243)	4,819	4,357	1.3x	1.1x	1.3x	23.9x	17.3x	16.0%	13.8%	5.3%	6.4%	86%
Xero	48.7	4,860	(58)	4,802	460	13.6x	10.4x	10.7x	99.2x	53.2x	38.8%	28.9%	13.7%	19.6%	97%
Paylocity	89.2	4,720	(137)	4,582	508	11.0x	9.0x	9.2x	52.1x	31.2x	25.8%	20.7%	21.1%	28.9%	98%
Healthequity	74.0	4,622	(361)	4,260	333	15.1x	12.8x	14.2x	45.5x	32.2x	25.1%	17.3%	33.2%	39.8%	90%
SEEK Ltd	17.5	4,371	693	5,064	1,166	4.8x	4.3x	5.0x	15.1x	14.8x	28.6%	8.6%	32.0%	29.3%	87%
Trinet Group	59.7	4,192	131	4,323	929	1.2x	4.7x	5.4x	14.6x	11.6x	7.0%	-73.5%	8.5%	40.0%	86%
Cornerstone Ondemand	54.8	3,238	(53)	3,184	565	5.9x	5.6x	5.9x	NM	25.4x	11.6%	5.0%	5.1%	22.2%	95%
Benefitfocus	49.5	1,586	47	1,633	305	6.3x	5.4x	6.2x	NM	89.9x	9.2%	17.9%	-9.2%	6.0%	87%
Wageworks	37.8	1,505	(730)	775	477	1.6x	1.6x	1.7x	5.5x	5.8x	33.9%	-1.2%	29.7%	28.0%	97%
GB Group Plc	4.9	1,227	(19)	1,208	231	7.0x	5.2x	9.1x	32.5x	22.6x	38.9%	12.2%	21.5%	23.2%	57%
<b>Average</b>						<b>8.3x</b>	<b>7.1x</b>		<b>38.6x</b>	<b>32.2x</b>			<b>17.7%</b>	<b>26.0%</b>	<b>89.6%</b>
<b>Total (Large Cap)</b>		<b>198,123</b>	<b>(2,060)</b>	<b>196,062</b>											
<b>Selected Mid Cap</b>															
Learning Technologies	0.7	612	15	626	165	5.0x	3.8x	5.6x	22.1x	12.7x	86.9%	31.8%	22.6%	29.9%	68%
Atoss Software AG	100.5	448	(38)	410	78	5.5x	5.2x	8.4x	19.3x	18.3x	19.9%	5.8%	28.7%	28.6%	63%
<b>Average</b>						<b>5.3x</b>	<b>4.5x</b>		<b>20.7x</b>	<b>15.5x</b>			<b>25.7%</b>	<b>29.3%</b>	<b>65.3%</b>
<b>Total (Mid Cap)</b>		<b>1,060</b>	<b>(24)</b>	<b>1,037</b>											
<b>Selected Small Cap</b>															
CDEL	0.1	227	15	242	214	1.4x	1.1x	1.9x	NA	NA	27.2%	25.4%	NA	NA	59%
Freelancer Technology	0.7	223	(23)	200	40	5.2x	4.9x	NA	NM	NM	0.6%	4.3%	0.2%	2.6%	NA
DHI Group	2.4	133	11	144	154	0.9x	0.9x	1.0x	6.7x	4.2x	-22.3%	-4.7%	13.3%	22.3%	94%
Dillistone Group	39.5	10	(1)	9	12	0.7x	0.7x	0.9x	NA	4.7x	-8.6%	-0.2%	NA	15.7%	81%
<b>Average</b>						<b>2.0x</b>	<b>1.9x</b>		<b>6.7x</b>	<b>4.5x</b>			<b>6.7%</b>	<b>13.5%</b>	<b>78.0%</b>
<b>Total (Small Cap)</b>		<b>594</b>	<b>1</b>	<b>595</b>											
<b>Sector Total/Average</b>		<b>199,777</b>	<b>(2,083)</b>	<b>197,694</b>		<b>6.8x</b>	<b>5.9x</b>		<b>34.1x</b>	<b>27.5x</b>			<b>17.4%</b>	<b>24.4%</b>	<b>85.5%</b>

(1) Excludes treasury shares

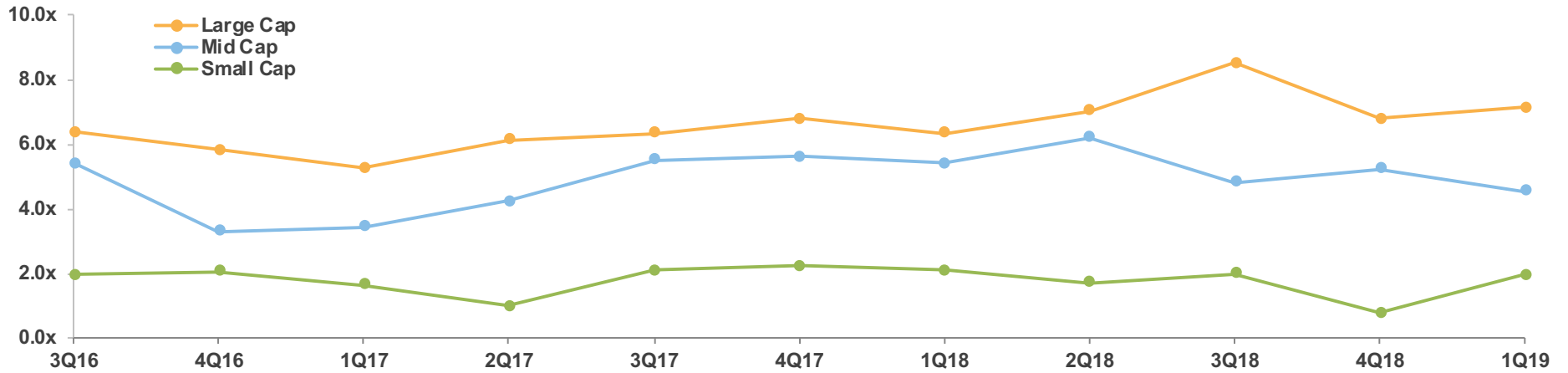
(2) Net financial debt minus marketable securities and collaterals

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

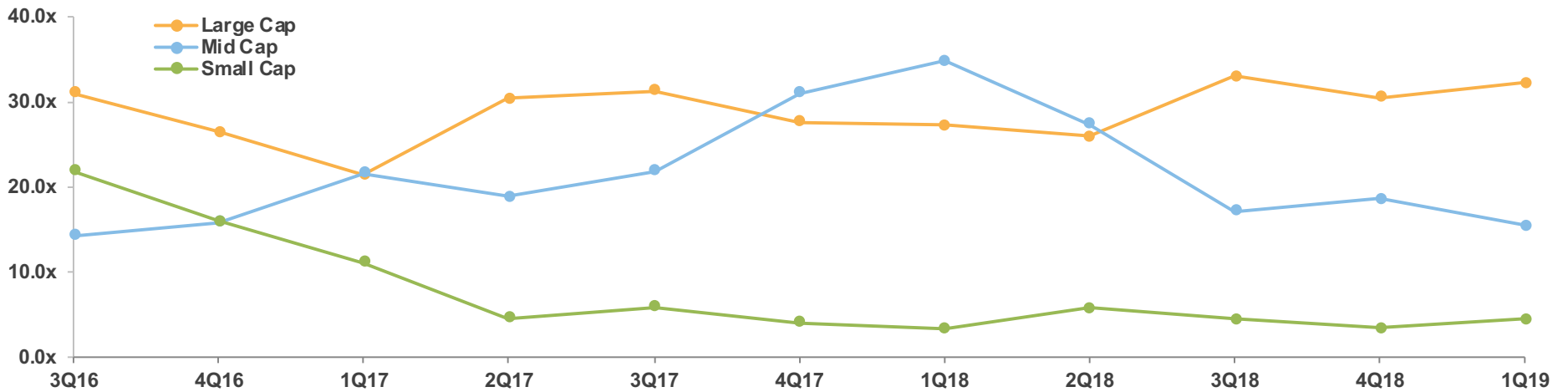
(4) NM - Not meaningful and NA - Not available

# ENTERPRISE VALUE ANALYSIS

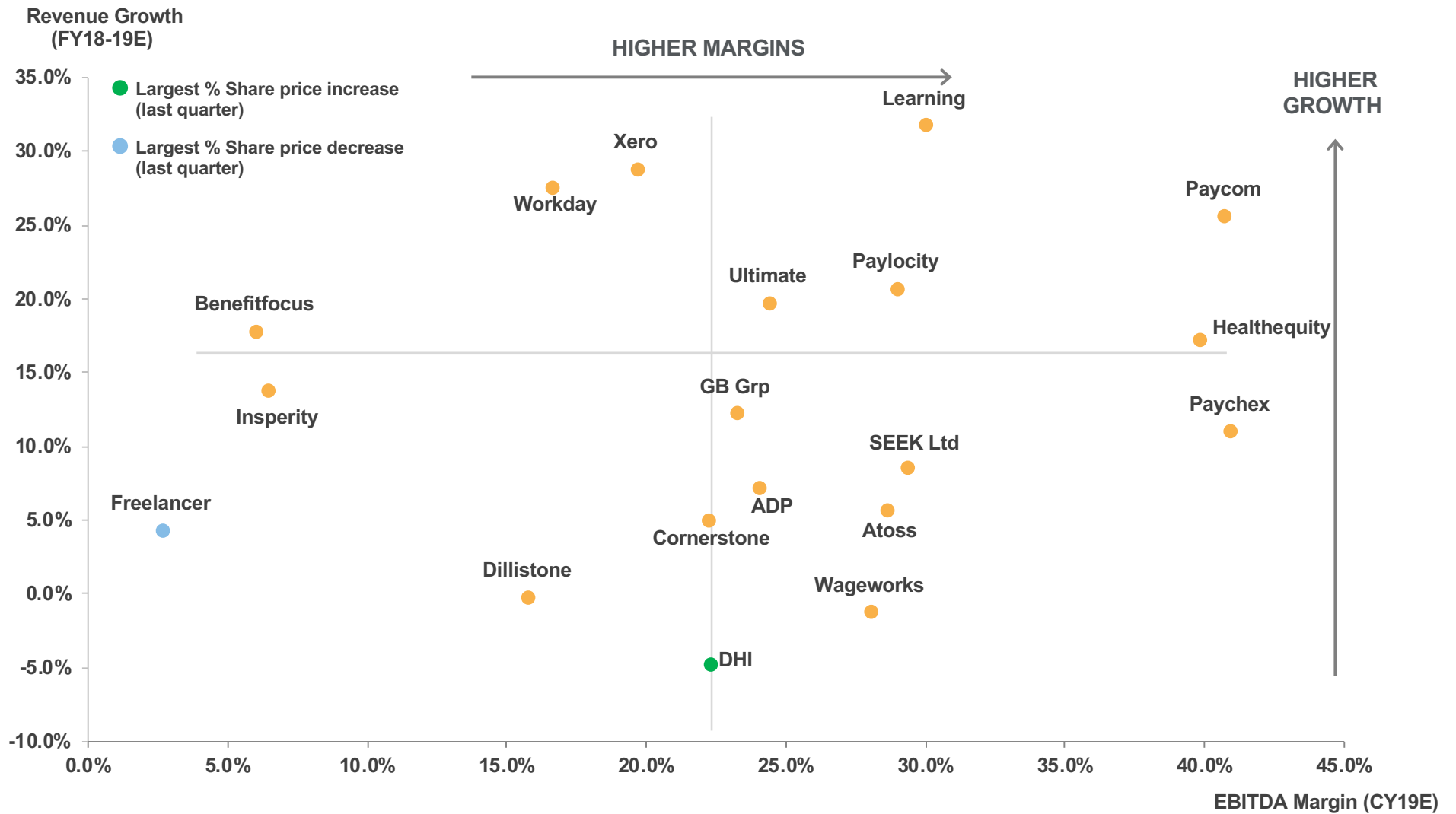
EV/Revenue



EV/EBITDA

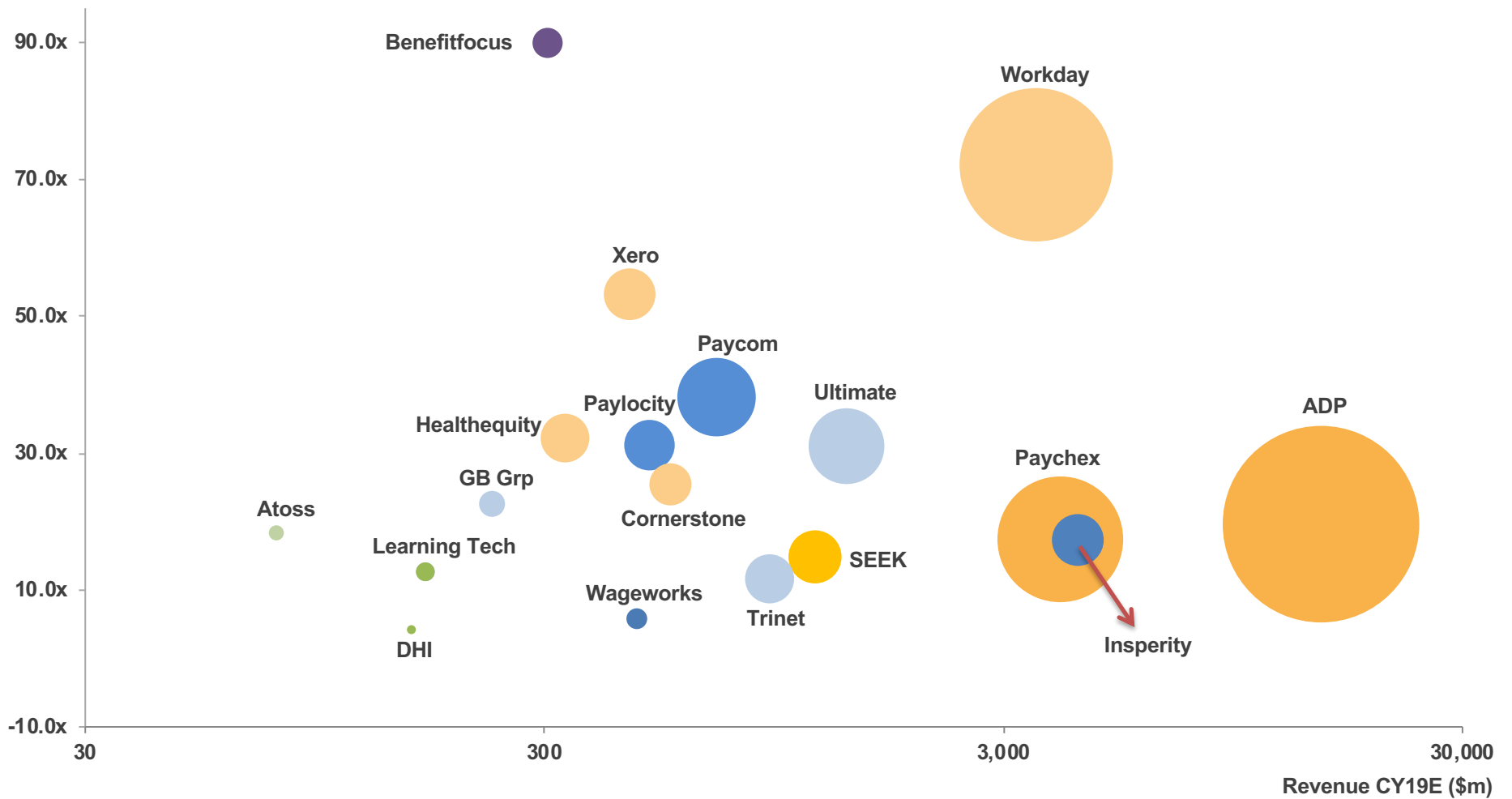


# PERFORMANCE QUADRANTS: REVENUE GROWTH & OPERATING MARGIN



# SCALE AS A VALUE DRIVER

EV/EBITDA (CY19E)

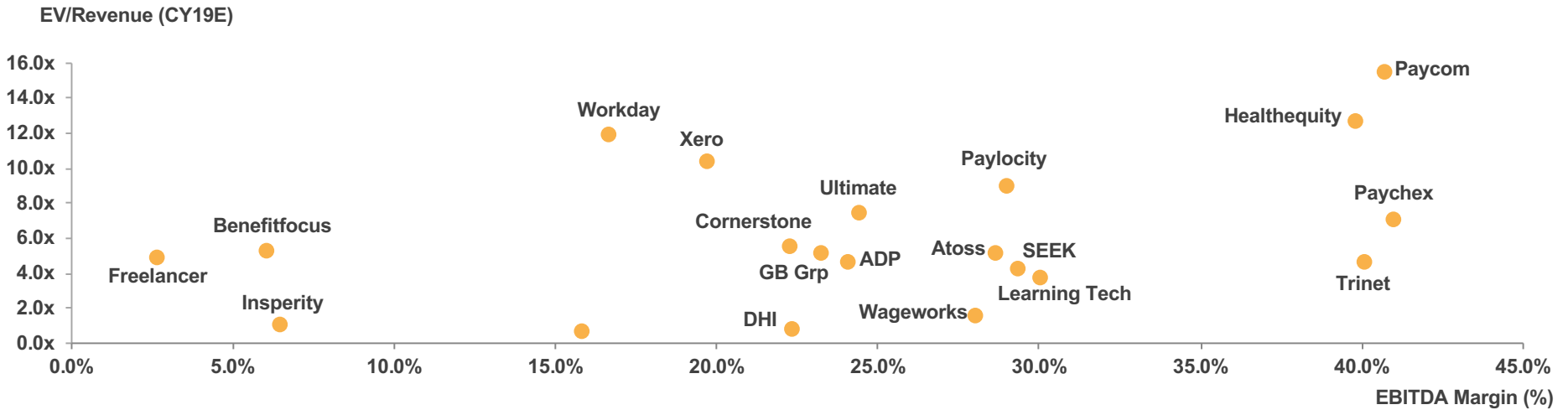


Note: Bubble size depicts enterprise value

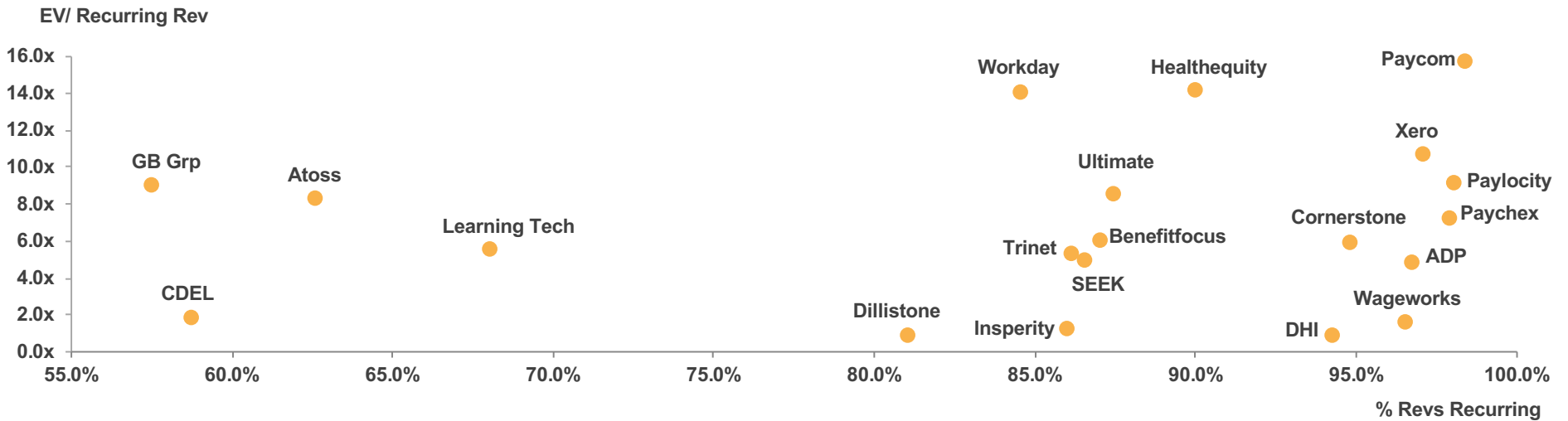


# OPERATING EFFICIENCY AND RECURRING REVENUE AS VALUE DRIVERS

## Revenue Multiples



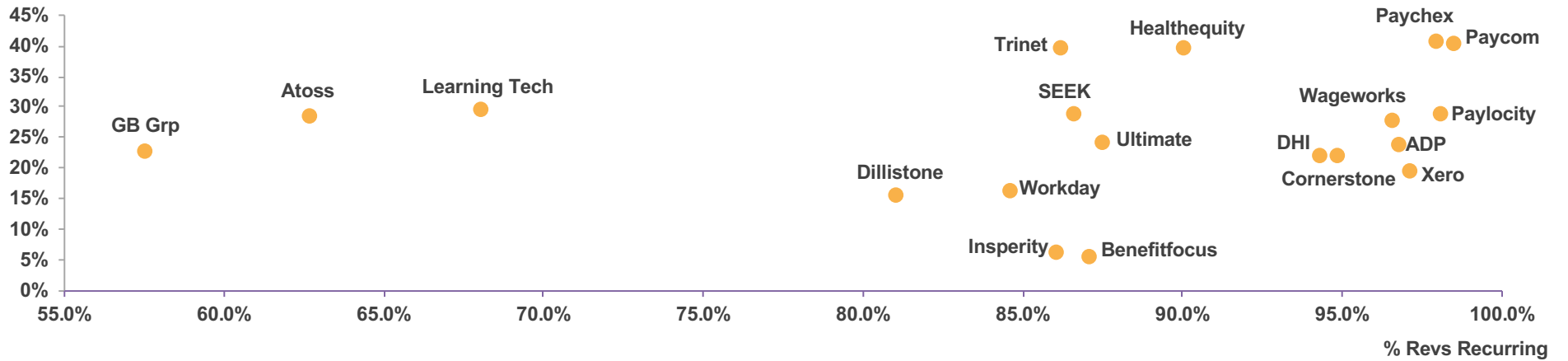
## Recurring Revenue Multiples



# EBITDA MARGIN ANALYSIS

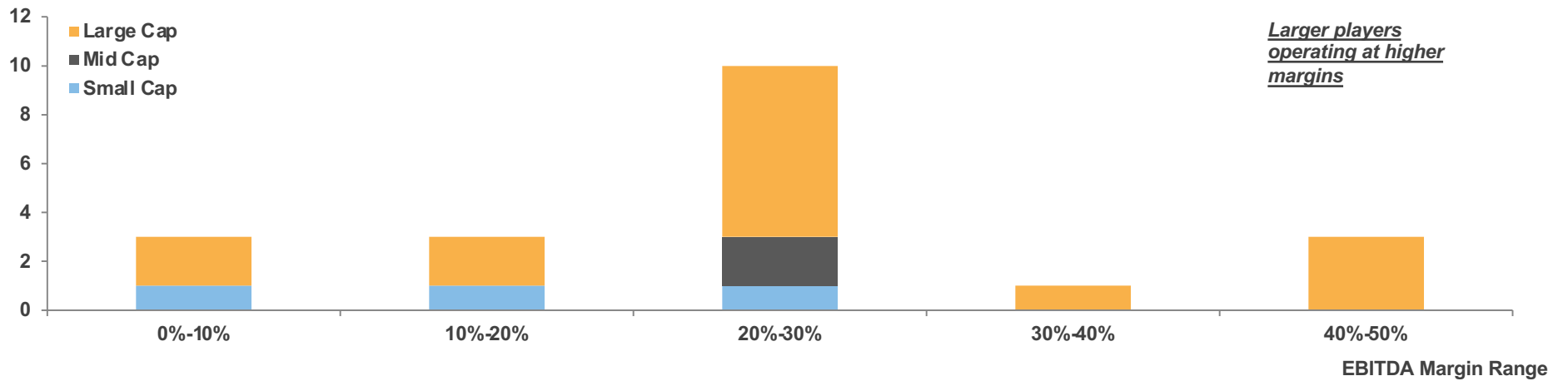
## Recurring Revenue as a Driver of Operating Margins

EBITDA Margin (CY19E)



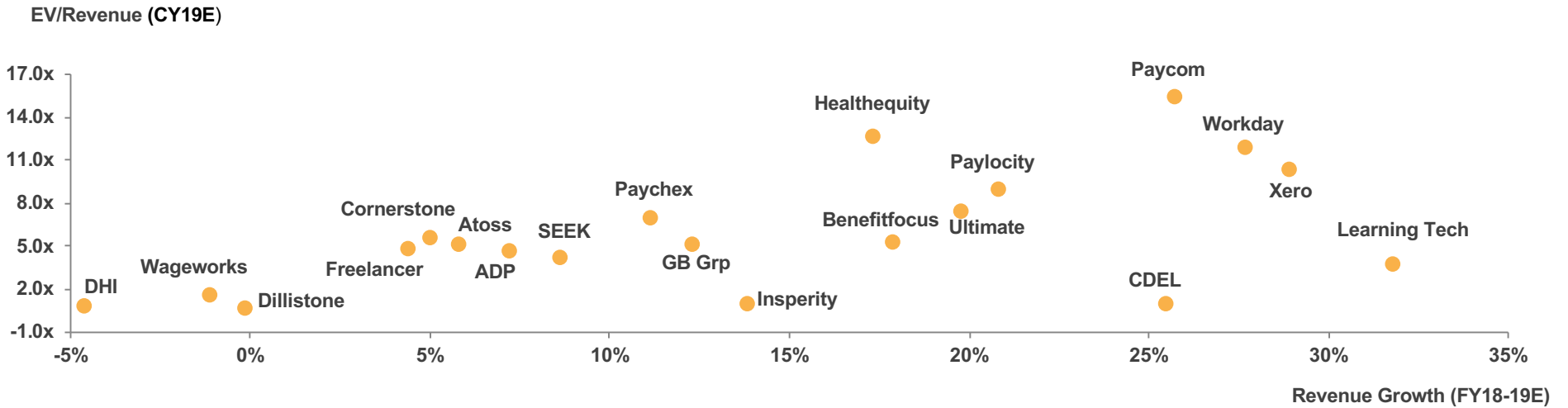
## EBITDA Margin Range Distribution

Number of Companies

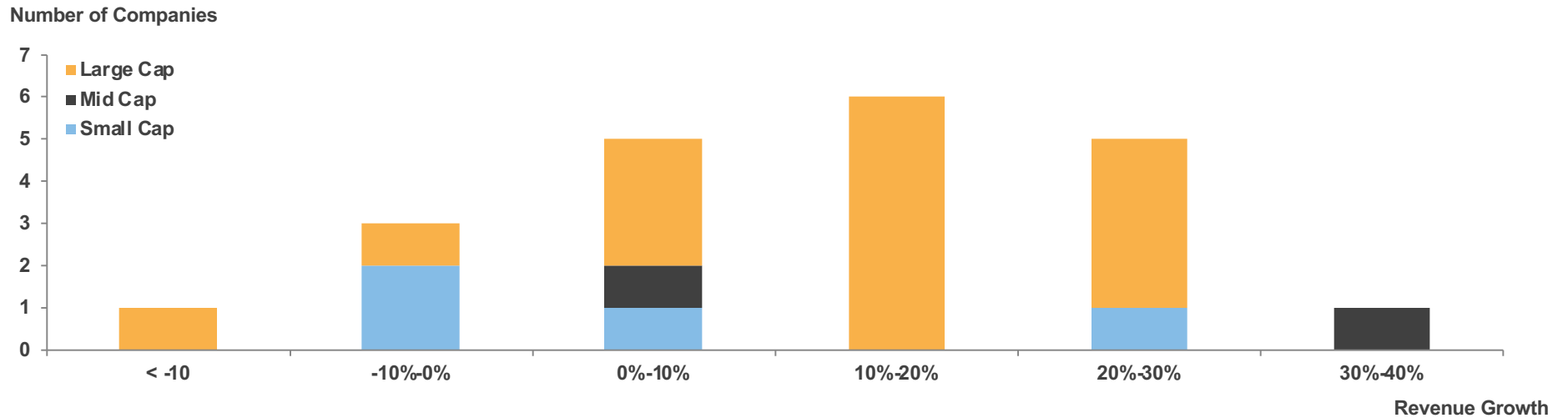


# GROWTH AS A VALUE DRIVER

## Revenue Growth



## Revenue Growth Distribution



## SELECTED HR TECH DEALS – FIRST QUARTER 2019

	<u>Buyer</u>	<u>Target</u>	<u>Target Product Line</u>	<u>Deal Size (m)</u>	<u>Target Revenue (m)</u>	<u>Revenue Multiple</u>	<u>Commentary</u>
Compensation and Benefits	Vista Equity Partners	PlanSource Holdings	Provides benefit and payroll management SaaS for small and medium-sized businesses.	Undisclosed	n.a.	n.a.	<ul style="list-style-type: none"> <li>PlanSource, a provider of cloud-based benefits-administration software agreed to be acquired by private equity firm Vista Equity Partners for an undisclosed amount</li> <li>The acquisition marks the beginning of a new phase of growth for PlanSourcer which now intends to accelerate its product roadmap and build on its innovative partnership programs</li> </ul>
Compensation and Benefits	iSolved HCM [Accel-KKR]	Sage Payroll Solutions [The Sage Group]	Provides payroll processing SaaS to businesses	\$78.0	\$38.0	2.1x	<ul style="list-style-type: none"> <li>iSolved HCM has agreed to acquire Sage Payroll Solutions ("SPR"), the US-based payroll outsourcing business of The Sage Group plc (LSE: SGE) for £73m in cash, plus an earnout of up to £5m based on the achievement of unspecified financial milestones</li> <li>SPR includes more than 44,000 SMEs as customers which will extend iSolved's technology to more than 145,000 employers once the transaction has completed</li> <li>The acquisition also accelerates iSolved's growth in the HCM industry, targeted toward the midmarket and increases its licensee and partner network</li> </ul>
Compensation and Benefits	Blackbaud	YourCause [Providence Equity Partners]	Develops SaaS-based employee engagement and grants management solutions for employees and non-profits	\$157.0	n.a.	n.a.	<ul style="list-style-type: none"> <li>Blackbaud, provider of software and related services to nonprofit organisations, acquired YourCause from exiting investor, Providence Strategic Growth, for a consideration of US\$157m</li> <li>The newly combined footprint in corporate social responsibility and employee engagement positions Blackbaud as the industry leader in providing solutions to both nonprofit organisations and for-profit companies committed to social issues</li> </ul>
Performance	Sabio Group	Callware Voice Technologies	Provides workforce optimisation (WFO), unified communications and cloud contact centre solutions in Spain and Mexico.	Undisclosed	n.a.	n.a.	<ul style="list-style-type: none"> <li>The acquisition of Callware establishes Sabio Group as the largest independent contact centre specialist in Spain</li> <li>Bringing Callware into the Sabio Group confirms Sabio as a leading independent provider of advanced workforce optimisation solutions and business consultancy, with a particular focus on the application of speech analytics, workforce management and customer experience process optimisation. By combining these specialisms, the two companies will be able to deliver increased value to clients across all geographies</li> </ul>
Talent Attraction	Erecruit	Innovantage	Provides recruitment software, including real-time lead generation and industry analytics	Undisclosed	n.a.	n.a.	<ul style="list-style-type: none"> <li>US-based Erecruit Holdings LLC, a provider of enterprise software for staffing firms, acquired Innovantage, a UK-based analytics provider in the talent ecosystem.</li> <li>Innovantage will enable Erecruit to provide its customers with critical market data in addition to its industry-leading software technologies</li> <li>Innovantage will initially be offered as a stand-alone product and, over time, as an integrated solution with all Erecruit and Adapt applications</li> <li>In 2017 Erecruit merged with staffing and recruitment software provider Bond International Software</li> </ul>











Source: 451 Research, CapIQ, Megabyte, target press releases, deal announcements

## SELECTED HR TECH DEALS – FIRST QUARTER 2019

	<u>Buyer</u>	<u>Target</u>	<u>Target Product Line</u>	<u>Deal Size (m)</u>	<u>Target Revenue (m)</u>	<u>Revenue Multiple</u>	<u>Commentary</u>
Talent Attraction	Xing	Honeypot	Operates a recruitment platform for technology professionals	€57.0	n.a.	n.a.	<ul style="list-style-type: none"> <li>The acquisition of Honeypot comes ahead of Xing's planned rebrand to 'New Work' in the second half of 2019 and it enables Xing to further reinforce its international presence</li> <li>The basic acquisition price is €22 million, with earn-outs of up to €35 million to be paid in addition if certain operating targets are reached within the next three years</li> <li>Honeypot is now planning to rapidly grow its business activities in German-speaking countries and is looking to expand to other international markets</li> </ul>
Talent Attraction	Access Group [TA Associates]	Volcanic	Provides of SaaS based website and marketing technology platforms for the recruitment sector	\$15.0	\$5.0	3.0x	<ul style="list-style-type: none"> <li>This latest acquisition continues Access' expansion in the recruitment sector and is in line with the group's strategy of expanding in its existing verticals</li> <li>The deal will add approximately £5m to Access' revenue base and be a meaningful addition to its recruitment software division</li> <li>Although no deal details were disclosed, given Volcanic's fast growth trajectory, the deal value is estimated to be £15m or 3x 2019 sales</li> <li>The deal also seems strategically sensible with Access acquiring a seemingly high-IP recurring revenue software asset that provides an additional cross sell opportunity for its existing recruiter customer base</li> </ul>
Talent Attraction	Workday Ventures [Workday]	Beamery UK	Provides software that helps recruiters or employers identify, connect with and build relationships with, prospective candidates long before they apply for a job	Undisclosed	n.a.	n.a.	<ul style="list-style-type: none"> <li>Beamery announced it has received a strategic investment from Workday Ventures and it will join the Workday Software Partner Program</li> <li>Additionally, Beamery also announced that the Workday Talent Acquisition team has selected Beamery products that help further its efforts to identify early-stage, passive candidates and are complementary to Workday HCM</li> </ul>
Talent Attraction	Business Talent Group	Hillgate	Operates an online talent marketplace	Undisclosed	n.a.	n.a.	<ul style="list-style-type: none"> <li>The transaction expands US-based Business Talent Group's international footprint and will help BTG solidify its position as one of the leading platforms for on-demand consultants and high-end talent</li> <li>Combining BTG's platform, data, compliance capabilities and customer success process with Hillgate will accelerate BTG's growth in Europe</li> <li>This acquisition follows two recent announcements: a collaboration with executive search provider Heidrick &amp; Struggles to provide on-demand independent talent to its clients and a minority equity investment by Kelly Services</li> </ul>
Talent Attraction	K1 Investment Management	Jobvite	Provides analytics-based recruitment management SaaS, enabling social recruiting, employee referrals, applicant tracking and mobile recruiting.	\$200.0	n.a.	n.a.	<ul style="list-style-type: none"> <li>Private equity firm K1 Investment Management, acquired a majority stake in Jobvite, developer of employee recruitment software</li> <li>Jobvite will use the proceeds to create market-leading and the only true end-to-end talent acquisition platform, provide its customers with accelerated growth in innovation of product features and services and bring together three companies, Talemetry, RolePoint and Canvas as the industry's most comprehensive solution</li> </ul>









Source: 451 Research, CapIQ, Megabyte, target press releases, deal announcements

## SELECTED HR TECH DEALS – FIRST QUARTER 2019

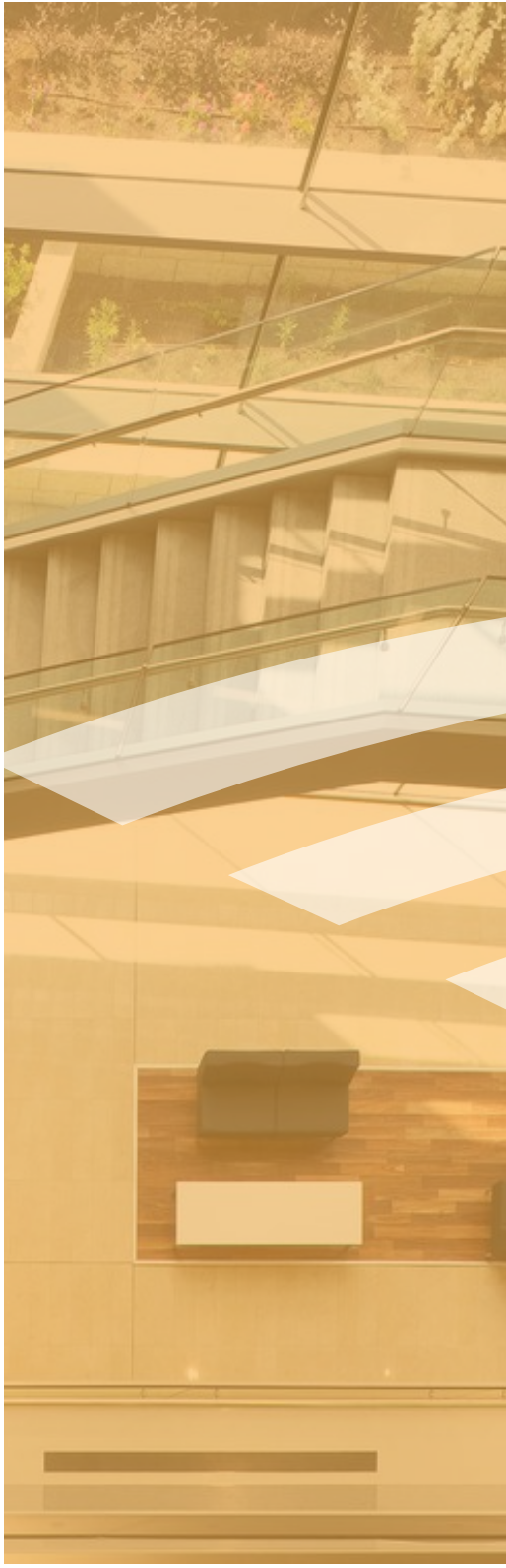
	<u>Buyer</u>	<u>Target</u>	<u>Target Product Line</u>	<u>Deal Size (m)</u>	<u>Target Revenue (m)</u>	<u>Revenue Multiple</u>	<u>Commentary</u>
Talent Attraction	Private Group led by Francisco Partners 	TalentSoft 	Develops SaaS-based integrated talent and competency management solutions	\$50.0	n.a.	n.a.	<ul style="list-style-type: none"> <li>The total funding round announced by Talentsoft is \$50 million and ranks among the largest funding rounds in Europe in 2018 for enterprise software</li> <li>The entire investment will be used to accelerate the company's continued growth through innovation and international market expansion, reinforcing the company's position as a leader in HR Tech</li> </ul>
Talent Development	Access Group [TA Associates and Hg] 	Unicorn Training Group 	Provides of learning technology solutions focused on helping organisations with their training, governance, risk management and compliance needs	\$22.5	\$9.1	2.5x	<ul style="list-style-type: none"> <li>Unicorn comes to Access with more than £10m of revenues and in excess of 1,500 customers, including key names such as UK Finance Association, University of London, Tesco Bank and Chartered Insurance Institute</li> <li>As part of The Access Group, Unicorn will strengthen its position in the Digital Learning space, especially in the Financial Services and Insurance sector</li> <li>Investment will ensure a rapidly expanding content library that will build on existing Training, Compliance and Risk Management solutions for multiple industries</li> </ul>
Talent Development	Unit4 [Advent International] 	Intuo 	Provides HR management SaaS for businesses. Software enables employee feedback and onboarding, training, performance reviews and digital social learning.	Undisclosed	n.a.	n.a.	<ul style="list-style-type: none"> <li>The acquisition combines Unit4's experience delivering rich transactional HR, payroll and vertical specific applications to services industries, with Intuo's innovative technology for strategic HR</li> <li>Unit4 now offers an extensive HCM portfolio covering People, Finance, Project and Planning in the cloud for mid-market organisations</li> </ul>
Talent Development	Ideagen 	Scannell Solutions 	Provides quality, environment, health and safety (QEHS) compliance, training and incident management SaaS for businesses.	\$4.5	\$1.1	3.9x	<ul style="list-style-type: none"> <li>Ideagen, a UK-based software developer operating in the governance, risk and compliance (GRC) sector has announced the acquisition of Scannell Solutions \$4.5m (£3.5m)</li> <li>The transaction will enable Ideagen to grow both its SaaS capabilities and accelerate its QEHS offering</li> </ul>
Workforce Management	Advanced [Vista Equity Partners] 	Kirona [Livingstone] 	Provides workforce management and resource scheduling software including a mobile solution for businesses with field-based service teams in the public and private markets	\$60.0	\$11.5	5.2x	<ul style="list-style-type: none"> <li>Through the acquisition of Kirona, UK-based enterprise software provider Advanced is expected to see additional revenue and EBITDA growth as it wraps the product into the HCM area of its ERP suite</li> <li>The deal will also boost its workforce management capability and support its strategy of building out vertically aligned ERP solutions for the local government, business services, retail and healthcare sectors it targets</li> <li>The most obvious synergistic boost will be to the social housing part of the Advanced business as 80% of Kirona's revenue comes from this area</li> </ul>

Source: 451 Research, CapIQ, Megabyte, target press releases, deal announcements

## SELECTED HR TECH DEALS – FIRST QUARTER 2019

	<u>Buyer</u>	<u>Target</u>	<u>Target Product Line</u>	<u>Deal Size (m)</u>	<u>Target Revenue (m)</u>	<u>Revenue Multiple</u>	<u>Commentary</u>
Workforce Management	Causeway Technologies 	Donseed UK 	Provides biometric workforce management SaaS and hardware for the construction, railway, and retail industries in the UK and Ireland	Undisclosed	n.a.	n.a.	<ul style="list-style-type: none"> <li>The acquisition of Donseed will enhance Causeway's capabilities across various areas, helping the business to consolidate its extensive range of cloud software solutions, class-leading intelligence and development tools and the UK's largest connected supply chain network into a single connected platform built specifically for the construction industry</li> </ul>
Workforce Management	Private Group Led by Hellman & Friedman 	Ultimate Software Group 	Provides HCM SaaS including human resources, payroll and benefits management and workforce management	\$11,000.0	\$1,100.0	9.9x	<ul style="list-style-type: none"> <li>Ultimate Software (Nasdaq: ULTI), a leading global provider of HCM solutions in the cloud, agreed to be acquired by an investor group led by Hellman &amp; Friedman ("H&amp;F") in an all-cash transaction for \$331.50 per share in cash—representing an aggregate value of approximately \$11 billion</li> <li>Upon completion, Ultimate Software Group will operate as a privately held company. Private investors Blackstone, GIC and Canada Pension Plan Investment Board (CPPIB) and other investors including JMI Equity will also invest along with Hellman &amp; Friedman, for a significant stake in the company</li> </ul>
Workforce Management	Private Group led by Index Ventures 	Personio 	Develops and delivers HR management and recruiting software for clients in Germany	\$39.9	n.a.	n.a.	<ul style="list-style-type: none"> <li>The funding will help Personio in its push to become Europe's leading provider of HR software for SMEs</li> <li>More than 1,000 clients in 35 countries are already using Personio for their HR and recruiting processes. In total, over 150,000 employees and several hundred thousand applicants are currently being managed with Personio</li> <li>In 2019, the company plans to expand into new European markets, having doubled the size of its international team to 150 employees in the last year</li> </ul>
Workforce Management	Alfvén & Didrikson, Battery Ventures and Zobito 	Quinyx 	Provides Web-based workforce management software solutions, including employee scheduling, communication, task-management and payroll integration	\$25.0	n.a.	n.a.	<ul style="list-style-type: none"> <li>The investment represents the largest investment in the company to date, demonstrating confidence among its investors as it continues to grow into the global workforce management market</li> <li>The funding will further accelerate Quinyx's roll-out of innovative features and new AI technologies that will automate and streamline workforce management processes</li> <li>Quinyx currently has close to 500,000 employees on its platform and supplies workforce management technology to some of the world's most admired companies, including McDonald's, Burger King, Swarovski and Boots</li> </ul>

Source: 451 Research, CapIQ, Megabyte, target press releases, deal announcements



Goldenhill International M&A Advisors  
49 Grosvenor Street  
London  
W1K 3HP  
United Kingdom

Goldenhill International M&A Advisors  
415 Laurel Street PMB 326  
San Diego, California  
92101  
United States

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

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