

Q4 2022

HR Technology Sector M&A Review



M&A Overview – Review of 2022

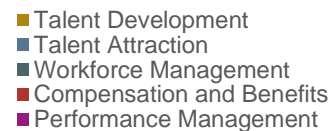
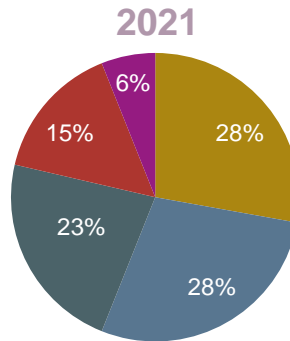
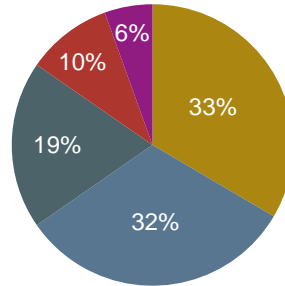
HR Technology continues to be an active and growing sector for M&A globally. Like 2021, we saw high transaction volumes reflective of the ongoing consolidation in the sector. We recorded a total of 254 M&A transactions in the HRTech sector compared to 248 in the previous year.

The most active buyers in 2022 were The Access Group, UKG and Cegid, who each completed 4 transactions during the year. In total, 20 acquirers completed multiple transactions in the period and over 200 diverse buyers each completing a single transaction.

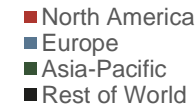
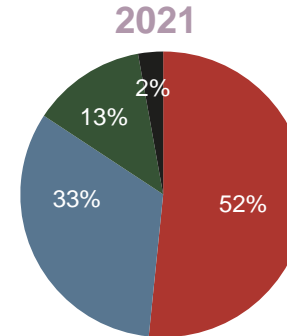
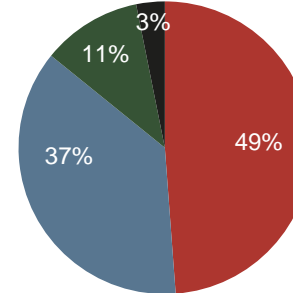
Strategic buyers remained the largest category of acquirer representing 93% (2021: 89%) of transactions.

The geographic mix was like the year prior to this, with roughly half of all buyers headquartered in North America, while cross-border transactions accounted for 38% of transactions.

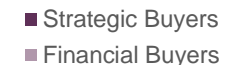
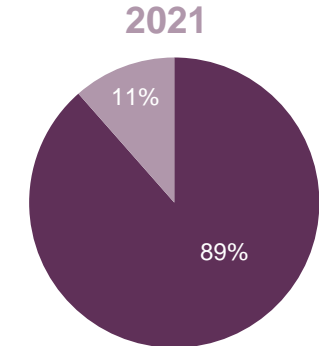
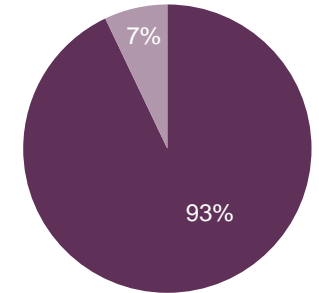
Deals by Subsector 2022



Deals by Region 2022



Deals by Buyer Type 2022



Public Markets Overview – Review of 2022

The aggregate market cap for our selected public companies in the sector saw their aggregate market capitalisation decline by over \$60m, which is reflective of the sell-off in the wider markets. The Goldenhill HRTech index showed similar movements to the NASDAQ and S&P indices throughout each quarter in 2022.

The public companies in our data set with the largest declines in 2022 were Fiverr and Upwork which each lost about 70% of their market cap in the period. Notably, Healthequity, a leading benefits administrator, outperformed the category with a 41% annual gain.

Outlook

We expect M&A volumes and valuations in 2023 to maintain at current levels. Any impact of lower GDP growth on M&A is likely to be offset by a more difficult venture funding environment causing some firms that would otherwise look for an additional funding round to consider M&A as an alternative.

Valuations are likely to remain stable, perhaps with some improvement as the year progresses. Talent Attraction and Talent Development are likely to remain the most active subsectors with strategic buyers continuing to account for most transactions.



Publicly traded large cap HRTech companies amongst our data set experienced an average decline of 28% in valuation in 2022, relative to 2021."



M&A Overview

In this report, we highlight 27 of the 61 M&A transactions within the HRTech sector completed during the final quarter of 2022. Overall deal volumes have decreased by 23% compared to Q3, which can be attributed to seasonality, and are marginally higher than in the same period of 2021.

Talent Development was the most active sub-sector, recording 30% of identified deals, followed by an equal number of deals across Talent Attraction and Workforce Management, each representing 26% of the total deal volume. Cross-border transactions accounted for 28% of the total, and 57% of deals involved a private capital backed buyer. The most active geographic market for transactions continues to be the US, closely followed by Europe.

Public Companies Overview

Q4 saw a decrease in average revenue multiples across all segments of quoted companies, though the large-cap companies finished the year ahead of the lows reached in Q2. As of 31st December, the average forward revenue multiple was 5.1x for all public companies, in line with Q3 2022, and 6.3x for the sub-category of large-cap companies.

Revenue growth continues to be a critical driver of higher valuations and growth rates are expected to come in lower in 2022 compared to 2021 – though the 2021 figures had a higher pandemic-related impact. The companies exhibiting the highest expected revenue growth Paycom (payroll and human capital management provider) and Paylocity (payroll and human capital management provider). EBITDA margins for the large-cap public companies have improved from an average of 16% in 2021 to a forecasted 25% in 2022.

HRTech Subsectors



Compensation and Benefits

HR software relating to the management of employee compensation and benefits administration



Performance Management

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



- SD Worx, a leading provider of HR Software and Services throughout Europe headquartered in Belgium, acquired Intelligo and Integrho during the quarter.
- Founded in 1996 and based in Ireland, Intelligo is a developer of cloud-based human resource and payroll software designed to help companies with demanding and complex payroll requirements.
- This acquisition between SD Worx and Intelligo further reinforces SD Worx's ambition of being the leading European provider of integrated end-to-end HR solutions for all organisations and workers. The company is on a long-term expansion journey, therefore the acquisition bolsters their presence and offering in Ireland. Ireland is a hub of business interaction and the firm's customer-base is ever-growing, so with this announcement the combined customers will, more than ever, benefit from high quality HR services.
- Integrho is a developer of human resource and ERP software solutions packages for the Spanish and Andorran markets.
- As SD Worx forged a partnership with Integrho approximately a year ago, the two teams have built a rapport. This will help facilitate the roll-out of further growth plans to evolve to 500 colleagues who support more than 300 customers in the next five years and to expand the company's presence from three to five locations across Spain. As a result, the business will be able to operate close to customers, who are supported with domestic HR and payroll solutions.

- Headquartered in Switzerland, People-Analytix's skills management platform includes a proprietary multilingual skills ontology with over 20,000 unique skills, enabling companies to identify organizational skills gaps, uncover workforce trends and match employees to jobs, projects and learning.
- Learning Pool is a leading provider of learning technologies and content in North America and Western Europe, serving 20 global companies from the Fortune 100 and over 1,500 organisations worldwide.
- The combination of both solutions enables Learning Pool to take a leading position in the field of global re-skilling and upskilling solutions. In addition to benefiting from People-Analytix technology, Learning Pool will be strengthening its ranks of skills and data experts.
- The new platform will use external employment marketplace data to inform recommendations to individual users, who will access the platform through their own personal profile.
- The entire People-Analytix team will continue to work together in the new company.

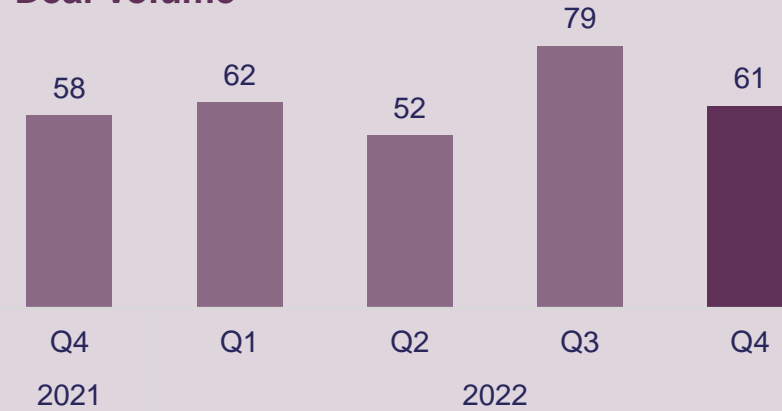
M&A HIGHLIGHTS Q4 2022

\$1.1bn
Aggregate Deal Value

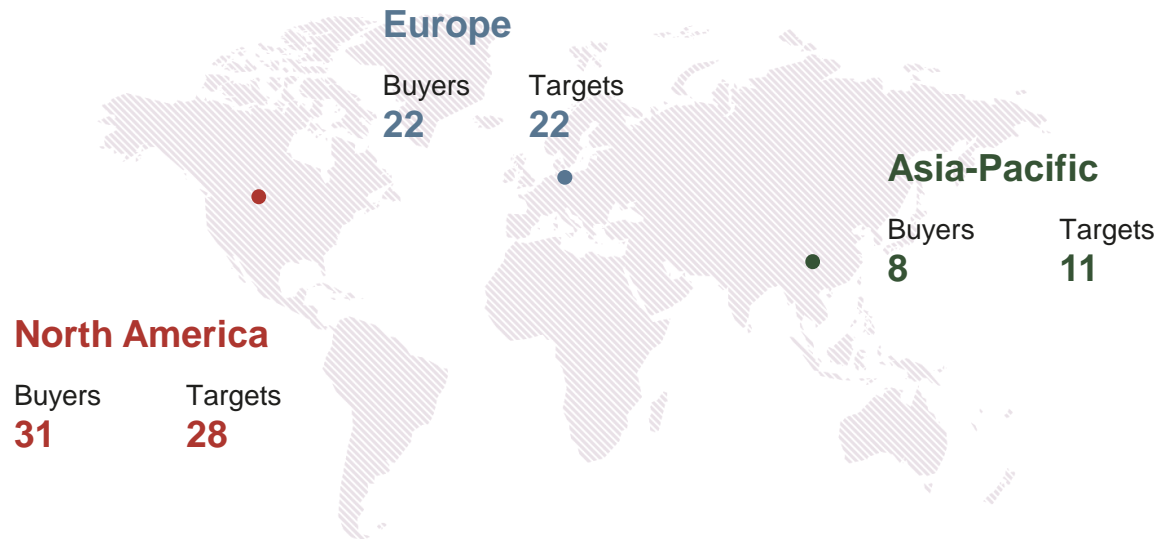
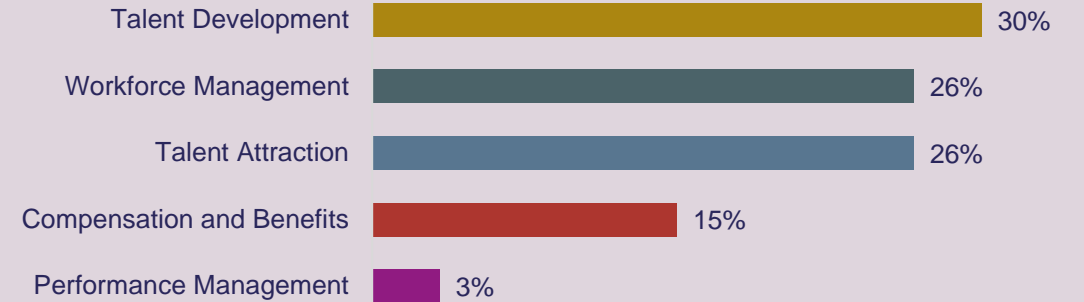
\$139m
Average Deal Size

3.0x
Average Revenue Multiple

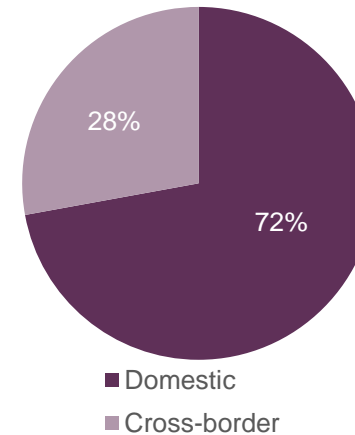
Deal Volume



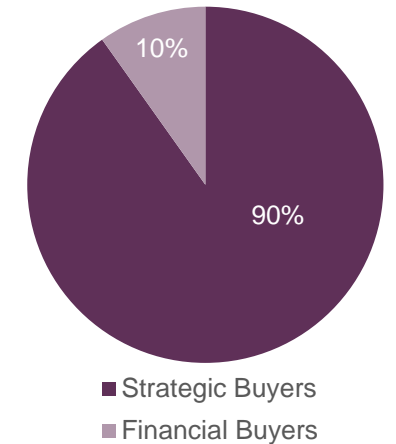
Deals by Subsector



Deals by Type



Deals by Buyer Type





SELECTED TRANSACTIONS: TALENT ATTRACTION

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Oct-22	IRIS Software Group (UK)	Networx (UK)	Developer of applicant tracking system software intended to serve the education, finance and legal sectors.	n/a	n/a	n/a	The transaction aligns with IRIS' intention to scale their HRTech offerings for their customers.
Oct-22	Alva Labs (Sweden)	DevSkills (Sweden)	A coding test platform that provides tools for practical developer assessment and hiring.	n/a	n/a	n/a	With the acquisition, Alva Labs will give its customers access to DevSkills' coding tests through its platform and will strengthen its product offering as a digital recruitment tool.
Oct-22	LDC (UK)	Talos360 (UK)	Developer of talent acquisition and employee engagement platform intended to help firms attract, engage and retain suitable candidates.	n/a	12.8	n/a	With LDC's support, Talos360 will be able to further invest in product development and continue to evolve its proposition for the benefit of new and existing customers. The partnership will also enable the team to create further opportunities for employees and it plans to create more than 50 new jobs by 2025.
Oct-22	Cegid (France)	DigitalRecruiters (France)	Developer of a SaaS based recruitment platform designed for multi-site, multi-brand and international organisations.	n/a	n/a	n/a	With this acquisition, Cegid aims to expand its portfolio of "best of breed" solutions for the HR market and accelerate the development of DigitalRecruiters by achieving revenue synergies.



SELECTED TRANSACTIONS: TALENT ATTRACTION

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Oct-22	iCIMS (US)	SkillSurvey (US)	Provider of cloud-based reference checking services intended to improve hiring and credentialing through technology.	n/a	n/a	n/a	With the acquisition of SkillSurvey, iCIMS' community of more than 4,000 customers can reduce the time and cost of traditional reference checking.
Nov-22	Youbahn (Netherlands)	ZenJob (Dutch Business) (Germany)	Developer of an on-demand staffing platform designed for students to get job offers.	n/a	n/a	n/a	With the acquisition, Youbahn said it is strengthening its position in the temporary employment sector and expanding its database. The acquisition also enables Youbahn to further broaden and improve its services to clients.
Dec-22	Groupe Crit (France)	Ok Job (Switzerland)	The company's platform offers job postings and applications for the hotel industry, construction work, healthcare, banking and finance, IT industry, sales, security services and logistics.	n/a	n/a	n/a	With OK Job, Groupe CRIT is strengthening its presence in the Swiss market and achieved growth of more than 8% in 2022.



SELECTED TRANSACTIONS: TALENT DEVELOPMENT

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Oct-22	LearningPool (Ireland)	People-Analytix (Switzerland)	A platform that uses artificial intelligence to identify competence gaps within organisations and predicts the skills required for the future, helping individuals and organisations assess current skills profiles and gaps.	n/a	n/a	n/a	The advancements from the acquisition of People-Analytix will grant customers the power to automatically address the skills gaps as they appear.
Oct-22	The Muse (US)	Fairygodboss (US)	Operator of an online career community platform intended to improve female job experience and work-life balance.	n/a	n/a	n/a	The acquisition reinforces The Muse's dedication to make a career match where the people, culture, and values align.
Oct-22	Kinastic (Switzerland)	Viabz (Switzerland)	Operator of a health and well-being platform intended to make corporate well-being accessible for all.	n/a	n/a	n/a	Through the acquisition, Kinastic will benefit from a broader customer base and the competencies in the field of personal services that Viabz has built up.
Oct-22	Visier (Canada)	Boostrs (France)	A provider of skills mapping for internal workforces.	n/a	n/a	n/a	By integrating Boosters data into Visier, organisations will be able to turn scattered internal and external workforce data into a clear picture of the skills they have, and need, to meet the challenges of an ever-changing world.
Dec-22	Pearson (UK)	Personnel Decisions Research Institutes (US)	Offers human capital and career management, training, organisational development, and integrated solutions.	190.0	33.0	5.8	This acquisition further expands Pearson's portfolio, accelerating the company's strategy to capture new market opportunities and grow its presence with large employers.



SELECTED TRANSACTIONS: WORKFORCE MANAGEMENT SOLUTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Oct-22	Businesssolver (US)	Workterra (US)	Developer of workforce-management software intended to transform the way benefits and people are managed.	n/a	n/a	n/a	Businesssolver's investment in innovative technologies and dedication to customer service will lead to greater opportunities for Workterra employees and customers, allowing the company to grow its footprint with the HR and benefits space.
Oct-22	PredictiveHR (US)	The WFC Group (US)	Developer of a workforce management platform intended to deliver powerful solutions to clients for their success.	n/a	n/a	n/a	The acquisition of The WFC Group welcomes an extension to PredictiveHR services, expanding the full HR suite.
Oct-22	Persol (Japan)	Workmate (Singapore)	Developer of an on-demand staffing and workforce management platform designed to hire and manage a workforce at scale.	n/a	n/a	n/a	This acquisition facilitates Workmate to accelerate its investment into technology and sales as well as speed up its launch to new markets.
Oct-22	Beeline (US)	Utmost (US)	Developer of a workforce management platform designed to help companies productively engage their workforce through the power of technology.	n/a	n/a	n/a	The acquisition will also allow small and mid-size companies to tailor their management of extended workforces as well as allow enterprises and partners to customise contingent workforce management for internal divisions and new markets.
Nov-22	UKG (US)	Quorbit (UK)	A U.K.-based start-up specialising in long-term workforce planning solutions for people in frontline and hourly roles.	n/a	n/a	n/a	With the acquisition, UKG will help organisations achieve new levels of operational excellence by bringing together strategic planning with employee development and will further strengthen its market leadership for solutions designed in service of people.
Nov-22	SD Worx Group (Belgium)	Integrho (Spain)	Provider of a web and mobile-based platform for payroll, human resource management, human resource planning, and time management.	n/a	n/a	n/a	With this acquisition, SD Worx strengthens its footprint in Spain and in doing so, reinforces its portfolio of local payroll and HR software.



SELECTED TRANSACTIONS: COMPENSATION AND BENEFITS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Oct-22	Accel-KKR (US)	Salary.com (US)	Provider of on-demand compensation data and software solutions.	n/a	n/a	n/a	The acquisition will be used to accelerate innovation and expand hiring at the industry's fastest-growing compensation management company.
Oct-22	BambooHR (US)	Welcome (US)	Developer of a compensation planning platform.	n/a	n/a	n/a	This acquisition marks a milestone in Welcome's journey and accelerates the company's mission by bringing the platform to tens of thousands of organisations and millions of employees..
Oct-22	K1 Investment Management (US)	Elmo Software (Ireland)	Cloud-based HR, payroll and expense management solutions.	307.7	66.2	4.6	This acquisition expands Elmo's payroll and expense management offering into new geographies.
Oct-22	SD Worx Group (Belgium)	Intelligo (Israel)	Developer of cloud based human resource and payroll software	n/a	n/a	n/a	By joining with SD Worx, Intelligo believe that the company can continue to deliver on the commitment of being a trusted payroll and HR solutions provider and that their clients will benefit from the European-wide footprint and experience SD Worx offers.
Nov-22	Voya Financial (US)	Benefitfocus (US)	Cloud-based benefits management platform for consumers, employers, insurance carriers, and brokers.	570.0	n/a	n/a	This acquisition accelerates Voya's strategy in health and wealth solutions, adding broad based benefits administration capabilities that extend its reach across workplace benefits and savings.
Nov-22	Payscale (US)	Agora (US)	Provider of solutions that foster transparency in compensation.	n/a	n/a	n/a	This acquisition strengthens PayScale's compensation management software.



SELECTED TRANSACTIONS: PERFORMANCE MANAGEMENT

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Oct-22	Mediafly (US)	Aptology (US)	A talent intelligence platform specialising in assessing and predicting sales rep performance.	n/a	n/a	n/a	Mediafly's acquisition of Aptology reinforces the company's commitment to revenue intelligence and follows its acquisitions of InsightSquared and ExecVision earlier this year.
Dec-22	LumpApps (France)	Vizir (France)	Provider of chatbot creation software enabling HR and ITC departments to automate mundane tasks and improve employee access to knowledge and integrates across various applications.	n/a	n/a	n/a	This acquisition is indicative of LumpApps investment in the growth of conversational AI and the company's response to the increased demand for digital assistants.

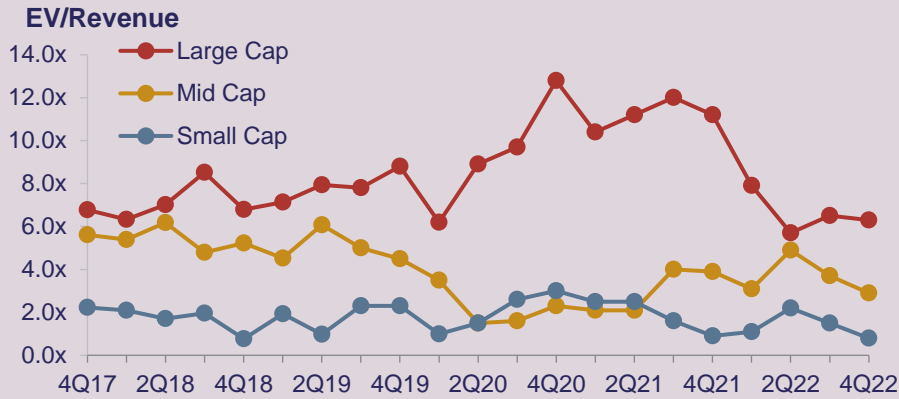
PUBLIC COMPS HIGHLIGHTS Q4 2022

5.1x
Avg. EV/Revenue CY2022E

23%
Avg. Revenue Growth CY2021

86%
% Recurring Revenue

Historic Revenue Multiples



Large Cap

6.3x Avg. EV/Revenue **30%** Avg. Revenue Growth **87.2%** % Recurring Revenue

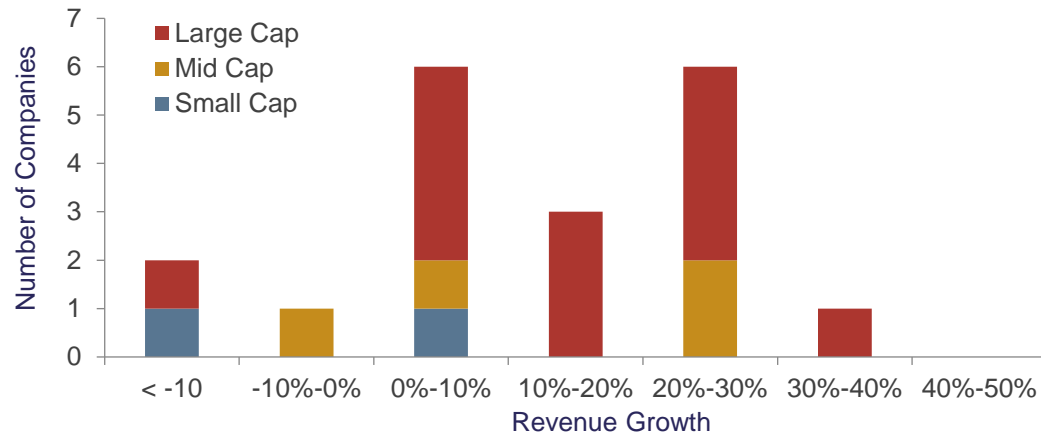
Mid Cap

2.9x Avg. EV/Revenue **19%** Avg. Revenue Growth **78.4%** % Recurring Revenue

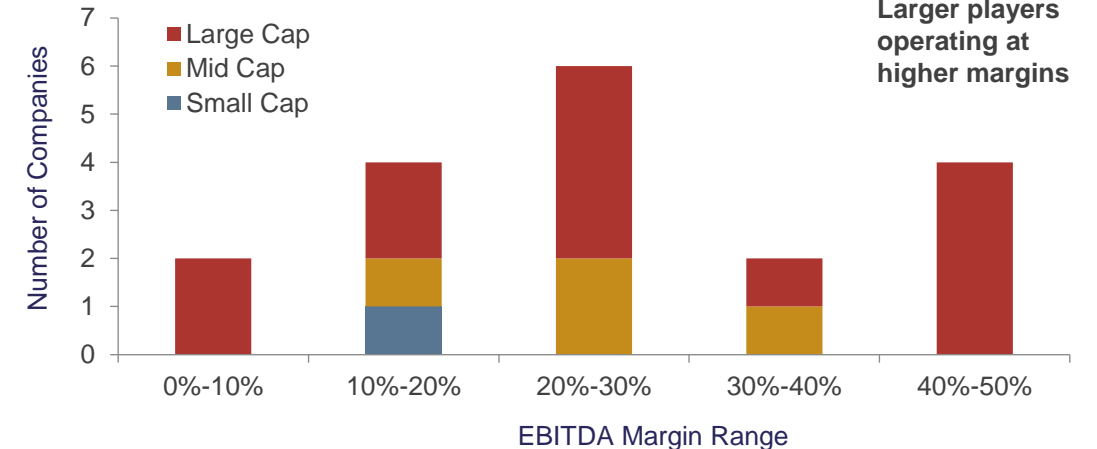
Small Cap

0.8x Avg. EV/Revenue **-0.5%** Avg. Revenue Growth **92.5%** % Recurring Revenue

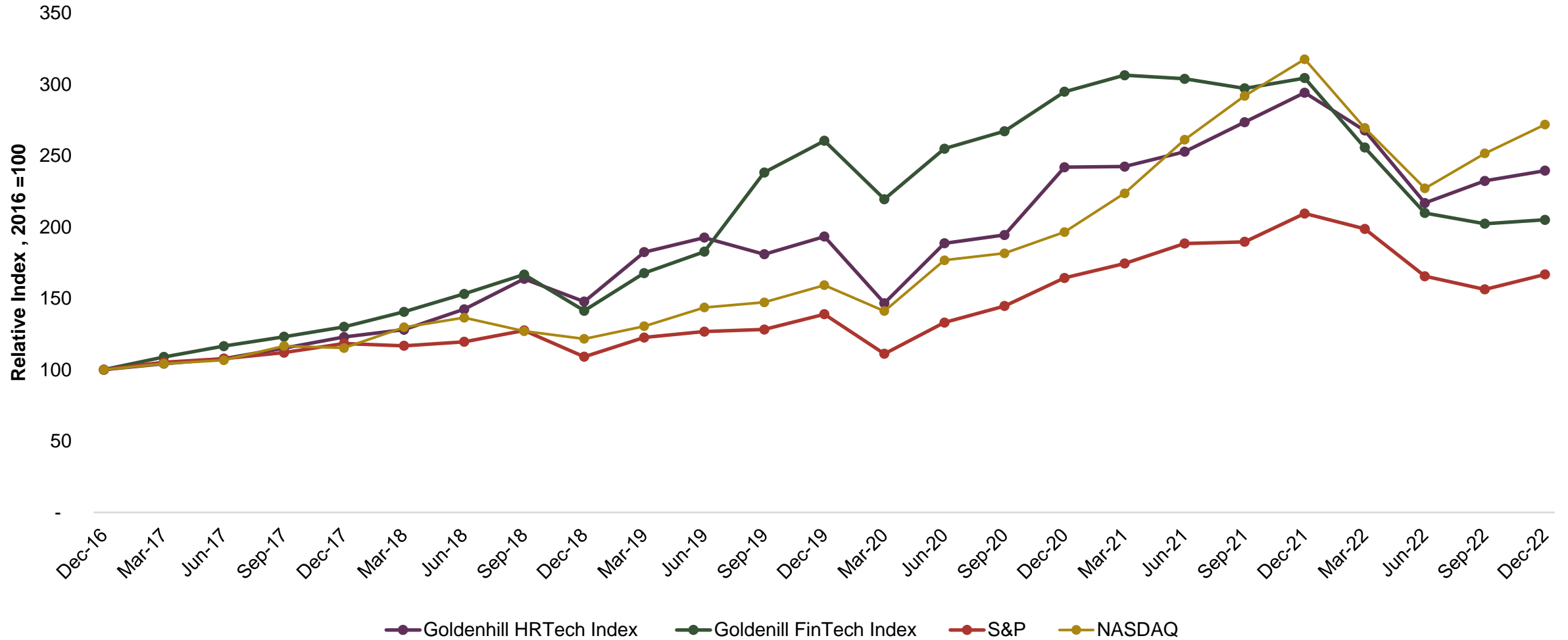
Revenue Growth Distribution



EBITDA Margin Distribution



GOLDENHILL HRTECH INDEX

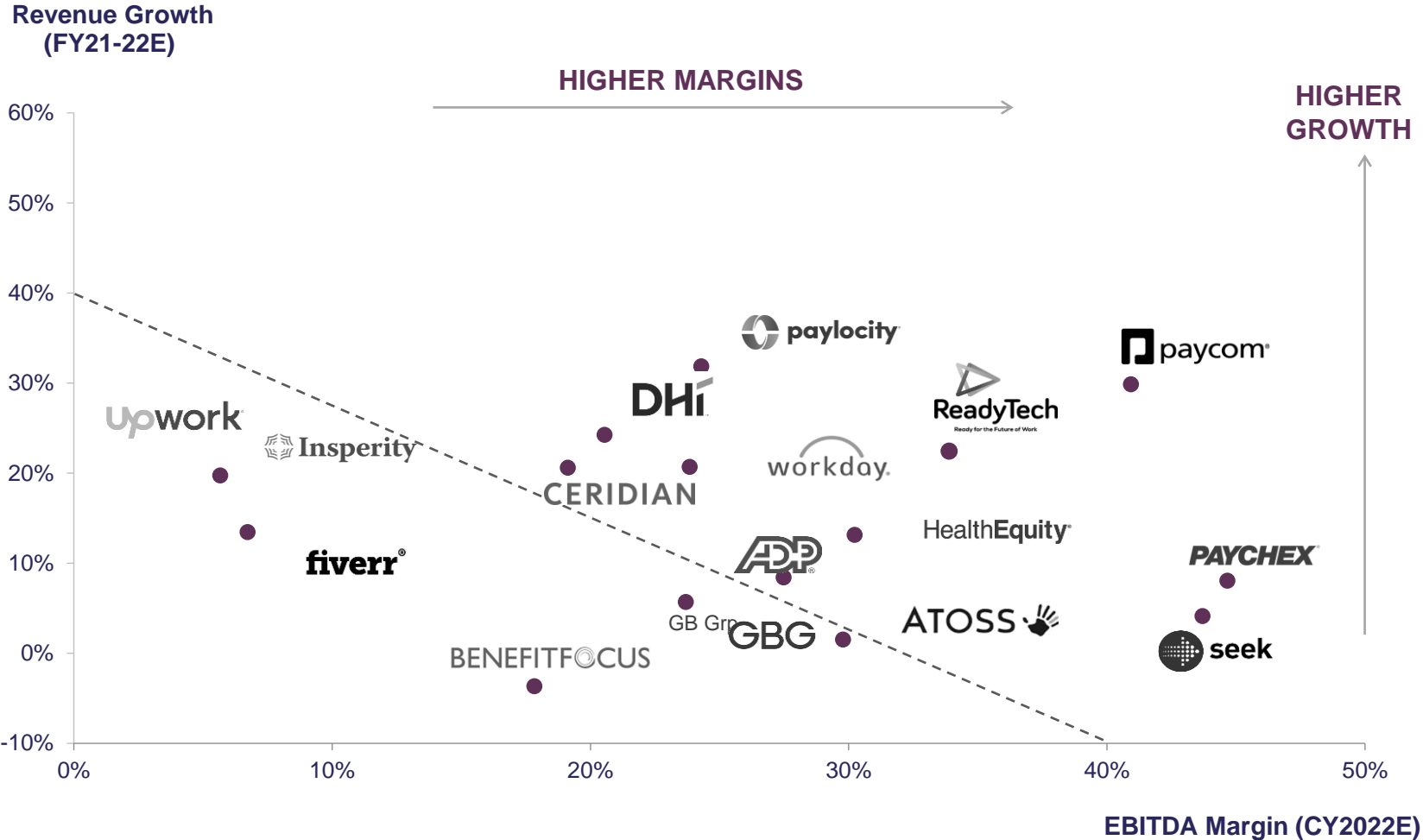


PERFORMANCE QUADRANTS

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The Rule of 40 is a recognised measure of health for SaaS companies, which states that Revenue Growth % and EBITDA Margin (profitability) should ideally add up to roughly 40%.

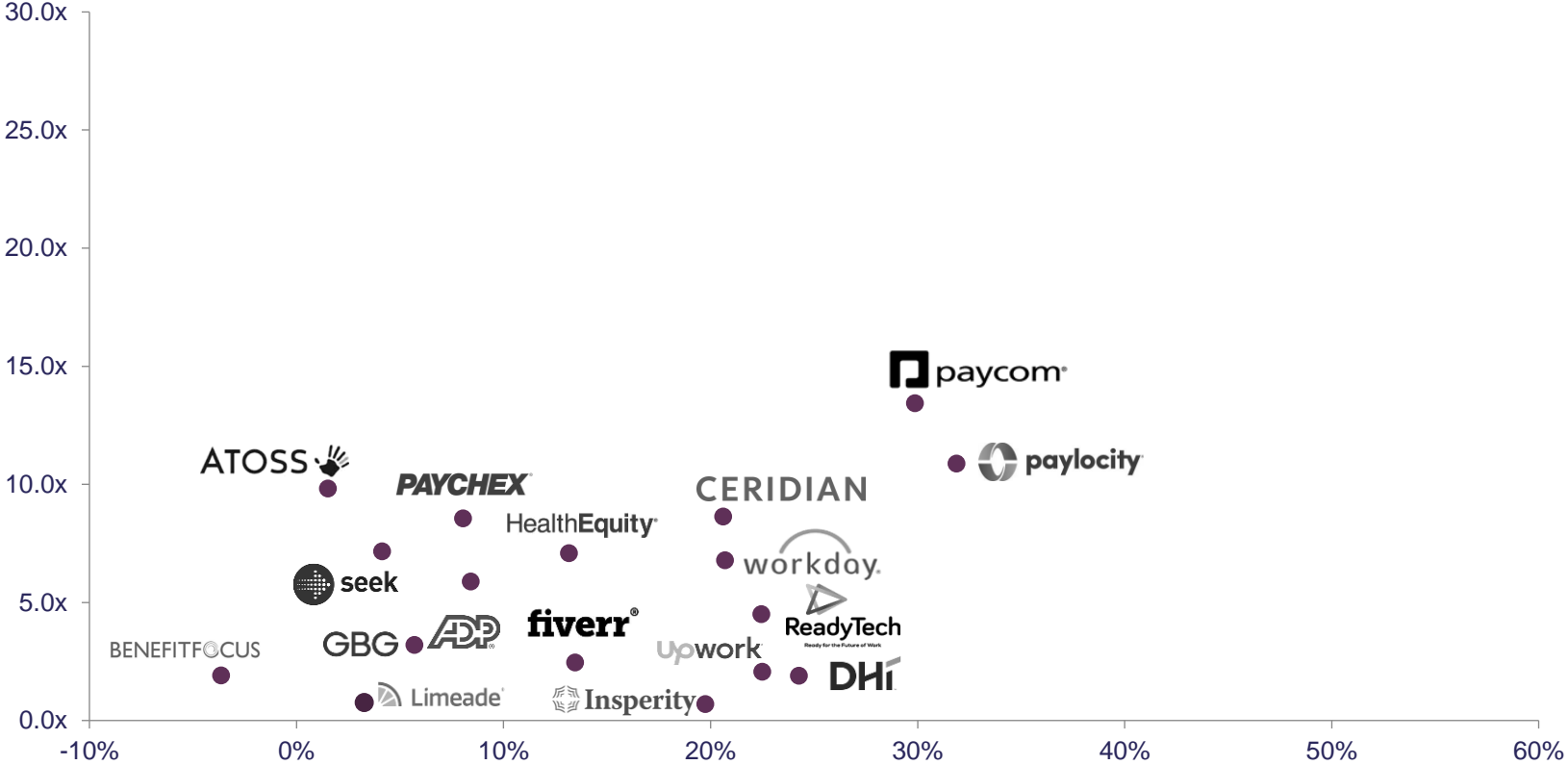
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REVENUE GROWTH AS A VALUE DRIVER

Revenue growth continues to be one of the most important drivers for higher valuations. The companies exhibiting the highest expected revenue growth this year are Paycom (online payroll and HR technology provider), Paylocity (HR and payroll provider) and DHI (provider of career marketplaces).

EV/Revenue (CY22E)



Revenue Growth (FY21-22E)

SECTOR VALUATION METRICS

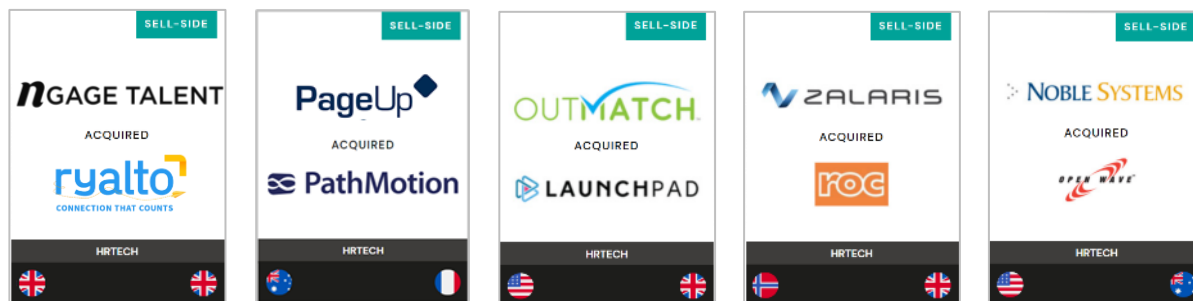
Company	Ticker	Share Price	Market Cap	Net Debt	Enterprise	Revenue		EV/Revenue		EV/Revs	EV/EBITDA		Revenue Growth		EBITDA Margin		% Revs
		31-Dec-22	(\$m) ⁽¹⁾	(\$m) ⁽²⁾	Value (\$m)	CY22E (\$m)	CY2021	CY2022E	Recurring	CY2021	CY2022E	CY2021	CY2022E	CY2021	CY2022E	Recurring ⁽³⁾	
Selected Large Cap																	
ADP	ADP US Equity	238.9	99,086	2,106	101,192	17,193	6.4x	5.9x	5.9x	23.9x	21.4x	9.9%	8.4%	26.8%	27.5%	100%	
Workday	WDAY US Equity	167.3	43,004	(1,547)	41,457	6,114	8.2x	6.8x	7.6x	NM	28.4x	19.0%	20.7%	6.0%	23.8%	90%	
Paychex	PAYX US Equity	115.6	41,656	(318)	41,338	4,828	9.4x	8.6x	8.7x	21.8x	19.2x	13.7%	8.0%	43.2%	44.7%	98%	
Paycom	PAYC US Equity	3.1	18,625	(218)	18,407	1,371	17.4x	13.4x	13.7x	55.3x	32.8x	25.4%	29.9%	31.5%	40.9%	98%	
Paylocity	PCTY US Equity	194.3	10,815	(62)	10,753	989	14.5x	10.9x	10.9x	85.2x	44.8x	34.1%	31.9%	17.0%	24.3%	100%	
Ceridian HCM	CDAY US Equity	64.2	9,853	811	10,664	1,235	10.4x	8.6x	11.5x	NM	45.1x	21.6%	20.6%	4.5%	19.1%	75%	
Healthequity	HQY US Equity	61.6	5,217	783	6,000	848	8.0x	7.1x	7.1x	46.5x	23.4x	3.1%	13.2%	17.1%	30.2%	100%	
SEEK Ltd	SEK AU Equity	21.0	5,067	858	5,926	827	8.6x	7.2x	9.7x	19.7x	16.4x	42.6%	4.1%	43.6%	43.7%	74%	
Insperty	NSP US Equity	1.1	4,309	(155)	4,155	5,955	0.8x	0.7x	0.9x	18.1x	12.3x	16.0%	19.7%	4.6%	5.7%	82%	
Trinet	TNET US Equity	67.8	4,219	(200)	4,019	1,356	0.9x	3.0x	3.5x	7.3x	6.5x	12.5%	-70.1%	12.1%	45.4%	85%	
Upwork	UPWK UW Equity	10.4	1,371	(100)	1,271	616	2.5x	2.1x	2.2x	NM	NM	34.6%	22.5%	-7.6%	-1.2%	92%	
Atoss	AOF GR Equity	139.2	1,186	(41)	1,145	117	10.0x	9.8x	17.0x	30.8x	33.0x	16.9%	1.5%	32.3%	29.8%	58%	
Learning Tech	LTG LN Equity	1.2	1,102	221	1,323	705	3.7x	1.9x	1.9x	20.5x	9.4x	109.1%	98.4%	18.2%	19.9%	97%	
Fiverr	FVRR US Equity	29.1	1,082	(253)	829	338	2.8x	2.5x	3.4x	NM	36.5x	57.1%	13.5%	-13.2%	6.7%	73%	
Average								7.4x	6.3x		32.9x	25.3x	30%	16%	16.9%	25.8%	87.2%
Total (Large Cap)			246,592	1,886	248,478												
Selected Mid Cap																	
GB Grp	GBG LN Equity	3.1	961	144	1,105	345	3.5x	3.2x	6.9x	15.5x	13.5x	16.4%	5.7%	22.3%	23.7%	46%	
Benefitfocus	BNFT US Equity	10.5	361	122	483	254	1.8x	1.9x	2.3x	24.1x	10.7x	-1.9%	-3.6%	7.6%	17.8%	83%	
ReadyTech	RDY AU Equity	3.4	265	19	284	63	6.0x	4.5x	5.4x	18.7x	13.3x	52.0%	22.4%	32.3%	33.9%	84%	
DHI Group	DHX US Equity	5.3	253	31	283	149	2.4x	1.9x	1.9x	16.6x	9.3x	7.9%	24.3%	14.3%	20.6%	100%	
Average								3.4x	2.9x		18.7x	11.7x	19%	12%	19.1%	24.0%	78.4%
Total (Mid Cap)			1,840	316	2,156												
Selected Small Cap																	
Freelancer	FLN AU Equity	0.3	77	(6)	71	NA	1.6x	NA	NA	20.6x	NA	6.3%	NA	8.0%	NA	NA	
Limeade	LME AU Equity	0.0	54	(11)	43	57	0.8x	0.8x	0.8x	NM	NM	-2.5%	3.3%	-14.0%	-17.9%	97%	
Dillistone	DSG LN Equity	14.5	3	1	NA	6	0.6x	0.8x	NA	3.1x	4.9x	-5.2%	-18.0%	20.3%	15.5%	88%	
Average								1.0x	0.8x		11.8x	4.9x	0%	-7%	4.8%	-1.2%	92.5%
Total (Small Cap)			135	(16)	114												
Sector Total			248,567	2,186	250,748			5.7x	5.1x	6.4x	26.7x	21.2x	23%	13%	16%	23%	86%

(1) Excludes treasury shares; (2) Net financial debt minus marketable securities and collaterals; (3) Recurring revenues (renewing licenses, maintenance, subscriptions, SaaS etc.) where reported for last full year; (4) NM - Not meaningful and NA - Not available

Quick Facts

- Sector experts focused on providing advisory services to sellers and buyers in M&A projects across the globe.
- Deep domain expertise across software, services and data intensive sectors, with a focus on FinTech, HRTech and Workforce Solutions.
- Our Partners have advised on 100+ transactions with values ranging from \$15 million to over \$100 million; the majority (70%) of our engagements result in cross-border transactions.
- International presence with offices in London, Milan, San Diego, Luxembourg, and Buenos Aires.
- Proven track record of successful long-term advisory relationships positioning clients for premium transactions using current insights into the relevant strategic acquirers.

Selected Transactions



HRTech Partners



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William Berrington
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Kevin O'Neill
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Carlos Ratto
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