



Technology, Media & Telecom

HCM TECHNOLOGY SECTOR REVIEW | Q3 2019

HW Harris Williams



Harris Williams' Technology Practice

HARRIS WILLIAMS ("HW")

- 360+ professionals across eight offices globally
- 170+ closed transactions in the last 24 months
- 10 industry groups



TECHNOLOGY, MEDIA & TELECOM ("TMT") GROUP

- 35+ professionals across Boston, San Francisco, and London

HORIZONTAL FOCUS SECTORS

- Compliance Software
- CRM and Member Management Software
- Data & Analytics
- Enterprise Software
- Human Capital Management
- Infrastructure & Security Software
- IT & Tech Enabled Services
- Managed Services, Hosting & Data Center Solutions
- Online Marketing, Data & Research

VERTICAL FOCUS SECTORS

- Architecture, Engineering & Construction
- eCommerce & Retail Software
- Education Technology
- Energy Technology
- Facilities & Real Estate Technology
- Financial Technology
- Government Technology
- Healthcare IT
- Industrial & Supply Chain Software

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SELECT RECENT HW HCM TECHNOLOGY TRANSACTIONS

 has been acquired by 	Provider of an environmental, health and safety compliance and training platform for organizations in high-risk, highly-regulated end-markets	 has been acquired by 	Provider of fully-integrated, SaaS-based operator qualification (OQ); drug and alcohol; safety and insurance; and training solutions across multiple end-markets	 has acquired 	Provider of GRC SaaS solutions including credential management and payer enrollment services to healthcare facilities	 has been acquired by 	Provider of Workforce Management, Training, and Compliance Solutions for the Healthcare, Financial Services, and Real Estate Industries	 has received a majority investment from 	Developer of business management software for businesses and non-profit organizations in the United Kingdom
 has made a majority investment in 	Provider of time and attendance management, staff scheduling, payroll and security management software products	 has been acquired by 	Employee scheduling solutions for retail and hospitality sectors	 has been acquired by 	Provider of administration software, rules-based online benefits enrollment, data integration, medical and voluntary benefits, broker and HR admin dashboards	 has acquired a majority stake in 	Developer of business management software for businesses and non-profit organizations in the United Kingdom	 has been acquired by 	Offers courses for healthcare professionals and healthcare organizations & provides an online business-education library

HCM Technology Focus Areas

TALENT ACQUISITION AND MANAGEMENT



Solutions focused on sourcing, recruiting, interviewing, and on-boarding employees to an organization

Select, Representative Companies



Modern Hire



- Employee recruitment, engagement, and retention remain top of mind - especially as job market tightens
- Data-driven / market place tools are increasing connectivity for both enterprises and their contingent / on-demand workers
- Talent tools adopting machine learning, predictive analytics, assessment algorithms, and artificial intelligence
- Real time employee review solutions gaining traction (social, collaboration management, rewards)
- Identification and recruitment of internal and known talent are corporate strategic initiatives
- Learning management systems and corporate learning, training and compliance content increasingly core to HR suite

WORKFORCE MANAGEMENT



Solutions focused on optimizing the efficiency and productivity of an organization's employees

Select, Representative Companies



- “Workforce as a Strategy” is increasingly driving companies to adopt data-driven technologies that remove friction from the employee journey
- Benefits and payroll solutions are fundamental to employee / employer connectivity with engagement and wellness proliferating
- HRIS automation is table-stakes as employers now shifting focus to productivity and collaboration enhancers
- Automated and comprehensive risk management / compliance tools continue to experience strong adoption
- Back office HR capabilities for on-demand labor market is an emerging market opportunity
- Leading vertical-specific platforms remain highly attractive to investors and acquirers (e.g., retail, healthcare, and hospitality)

Notable Q3 2019 HCM Technology Transactions²

Announced September 3, 2019

EV: Confidential

EV / Rev: Confidential

Rev: Confidential

EV / EBITDA: Confidential

The Carlyle Group's majority growth investment in HireVue

- HireVue provides an assessments and video interviewing platform that uses a combination of industrial/organizational science and rigorously tested, predictive artificial intelligence to help customers find and engage higher quality talent
- HireVue operates at a global scale with over 700 customers including over one-third of the Fortune 100 such as Unilever, Hilton, JP Morgan Chase, and Delta Air Lines
- The growth investment from Carlyle will help HireVue accelerate its next phase of growth and further accelerate HireVue's vision to transform the hiring process globally

Announced August 22, and July 2, 2019

EV: Confidential

EV / Rev: Confidential

Rev: Confidential

EV / EBITDA: Confidential

Alight's acquisitions of NGA Human Resources and Hodges-Mace

- NGA Human Resources provides digital HR and multi-country payroll services to more than 250 clients and 3 million employees
- The acquisition of NGA Human Resources will expand Alight's global footprint while providing clients with a broader set of cloud-based solutions across multiple platforms
- Hodges-Mace provides employee benefits technology, voluntary benefits, and custom enrollment services
- Putting their IPO on hold, Alight subsequently ramped up M&A with the acquisition of Hodges-Mace which will expand Alight's capabilities and further their efforts to help employers deliver impactful benefits programs

Announced August 19, 2019

EV: Confidential

EV / Rev: Confidential

Rev: Confidential

EV / EBITDA: Confidential

CIP Capital's strategic investment in Benefit Resource Inc.

- Benefit Resource Inc. administers pre-tax benefit plans and COBRA services allowing employers and employees to set aside dollars to pay for common expenses associated with medical care, dependent care, mass transit, and parking costs
- Benefit Resource Inc. utilizes a proprietary suite of technology solutions coupled with a high-touch service model to over 3,500 clients and their employees
- The strategic investment from CIP Capital will allow Benefit Resource Inc. to further expand their market presence and accelerate investments in their solution offering

Announced July 24, 2019

EV: Confidential

EV / Rev: Confidential

Rev: Confidential

EV / EBITDA: Confidential

Toast's acquisition of StratEx

- StratEx provides HR and payroll software for restaurants including automated applicant tracking, scheduling, payroll, benefits, and labor law compliance
- StratEx's restaurant-specific solution is used by brands recognized nationwide such as Dunkin Donuts, Sonic, Jimmy Johns, Arby's, and Restaurant.com
- By adding StratEx to the Toast platform, Toast will be able to better support restaurants of all sizes in simplifying HR, payroll, and talent management on a platform that works seamlessly with Toast and their technology partner ecosystem

Announced July 10, 2019

EV: Confidential

EV / Rev: Confidential

Rev: Confidential

EV / EBITDA: Confidential

Marlin Equity Partners' and Insight Partners' acquisition of HotSchedules and Fourth

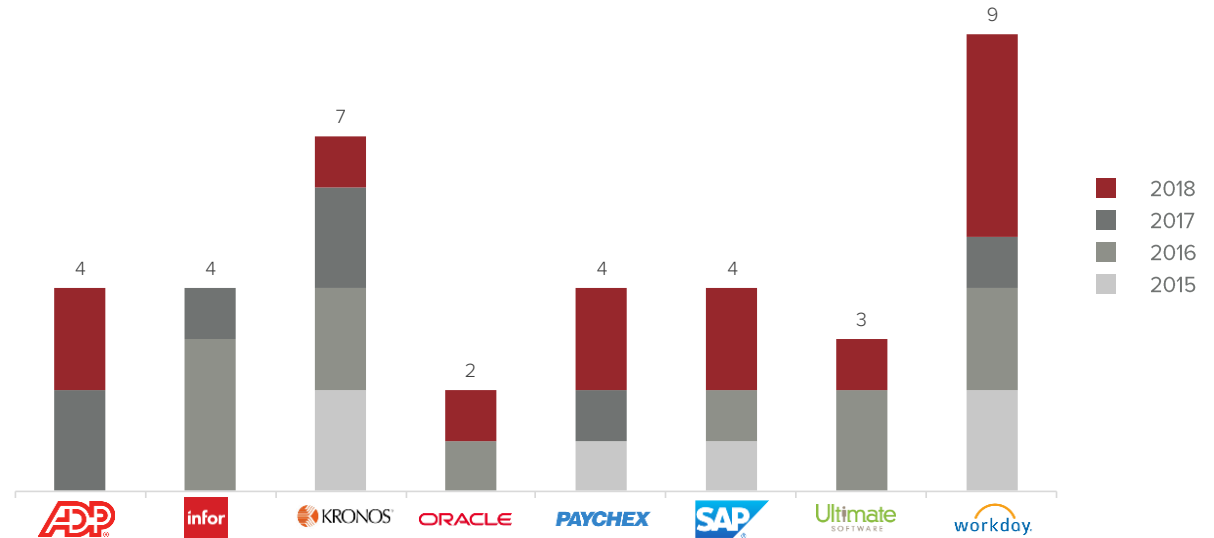
- Fourth provides end-to-end restaurant and hospitality management solutions to help customers optimize profits, enhance guest satisfaction, improve employee engagement, and scale profitably
- HotSchedules provides software and solutions for customers in the restaurant, retail, and hospitality sectors to control costs, maintain compliance, improve visibility, and drive operational consistency
- Marlin has merged the two companies to create a comprehensive back-of-house SaaS suite which will deliver a fully integrated inventory management, workforce management, payroll, and intelligent cost-control operations platform

(1) Insight Partners holds a minority position

HCM Technology Acquisition Activity

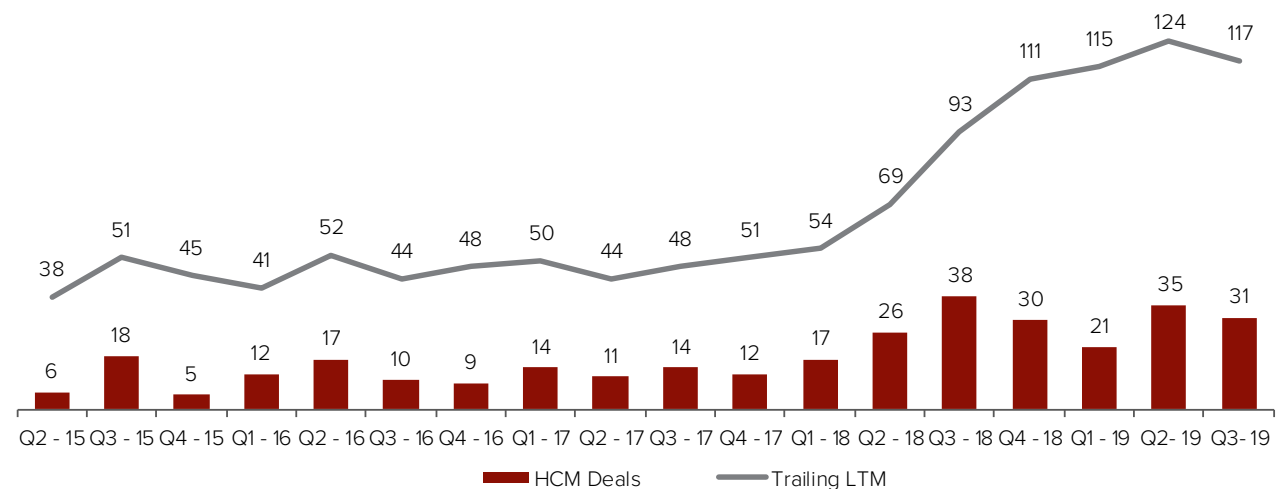
MOST ACTIVE STRATEGIC ACQUIRERS OF HCM TECHNOLOGY ASSETS BY VOLUME¹

- The key strategic acquirers have combined for 37 HCM technology related acquisitions since 2015
- Key strategics accounted for none of the HCM Technology deals YTD 2019
- Workday and Kronos have established a consistent HCM M&A strategy, accounting for 16 transactions for the last 4 years



GLOBAL HCM TECHNOLOGY M&A ACTIVITY¹

- There were 31 HCM Technology acquisitions in Q3 2019
- The HCM technology space maintained steady, robust transaction volume in Q3 2019
- HCM technology companies continue to attract attention from both strategic and financial acquirers





HCM Technology - Landscape

REPRESENTATIVE PROVIDERS

Focused Solutions		
Talent Acquisition	Talent Management	Workforce Management
Sourcing	Training & Learning	Payroll & Benefits
	Performance & Succession	Time & Attendance
Recruitment & Assessment		Employee Management
Screening & Onboarding		Supply Chain

To receive the latest Human Capital Management Technology market map, please contact HW at tmt_reader@harriswilliams.com

ERP Focused Platforms

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Diversified Platforms

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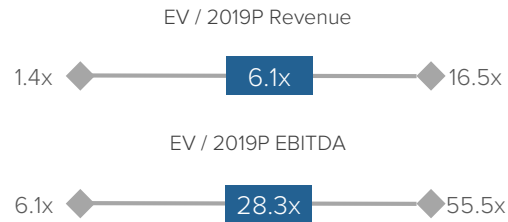
Public HCM Technology Companies

HR SOFTWARE

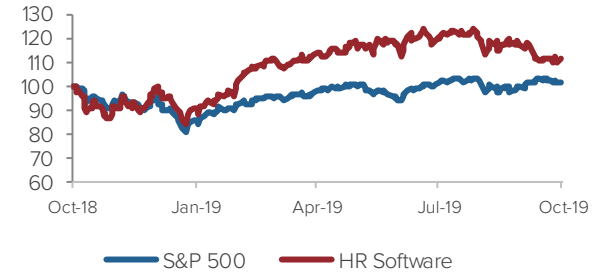
Key Public Comps



Trading Metrics²



Indexed Stock Performance²

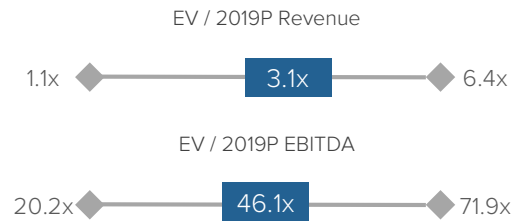


BENEFITS TECHNOLOGY

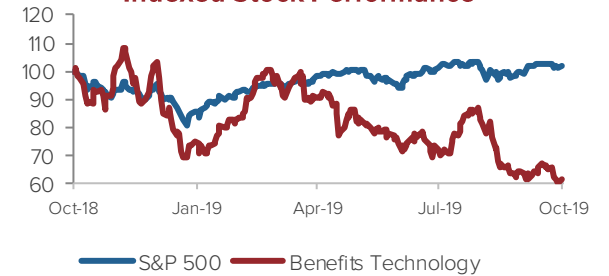
Key Public Comps



Trading Metrics²



Indexed Stock Performance²

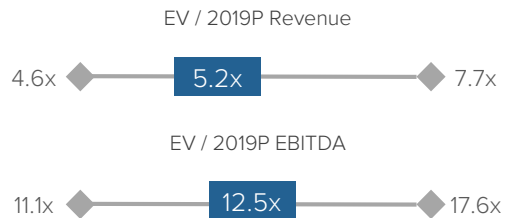


DIVERSIFIED PLATFORMS

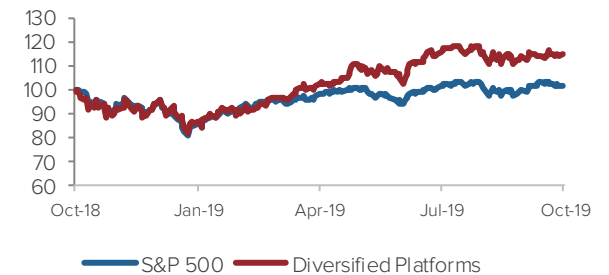
Key Public Comps



Trading Metrics²



Indexed Stock Performance²



HCM Technology – Trading Comparables

PUBLIC COMPARABLES²

As of Sept. 30, 2019 (\$ in millions)

Company	Ticker	Enterprise Value	Market Capitalization	% of 52 Week High	1-Year Stock Performance	3-Year Stock Performance	Revenue Growth		2019P EBITDA Margin	Enterprise Value /		Price / Earnings
							2018	2019P		'19P Rev.	'19P EBITDA	
HUMAN RESOURCES SOFTWARE												
Automatic Data Processing, Inc.	ADP	70,523	70,008	(7.5%)	7.1%	83.0%	8.0%	5.8%	25.0%	4.8x	19.4x	42.8x
Workday, Inc.	WDAY	39,736	38,751	(25.1%)	16.4%	85.4%	31.7%	27.8%	19.9%	11.1x	55.5x	NM
Paychex, Inc.	PAYX	29,871	29,643	(6.4%)	12.4%	43.0%	7.0%	16.4%	40.4%	7.4x	18.3x	28.6x
Paycom Software, Inc.	PAYC	12,043	12,077	(19.3%)	34.8%	317.9%	29.6%	30.2%	42.1%	16.5x	39.3x	NM
Ceridian HCM Holding Inc.	CDAY	7,901	7,092	(16.3%)	17.5%	NM	NM	9.6%	22.8%	9.7x	42.5x	NM
Paylocity Holding Corporation	PCTY	5,148	5,180	(13.2%)	21.5%	119.5%	24.7%	23.7%	28.4%	10.0x	35.3x	NM
Cornerstone OnDemand, Inc.	CSOD	3,473	3,327	(12.5%)	(3.4%)	19.3%	9.6%	7.6%	21.5%	6.1x	28.3x	NM
Upwork Inc.	UPWK	1,586	1,474	(46.8%)	NM	NM	NM	20.5%	1.6%	5.2x	NM	NM
Pluralsight, Inc.	PS	1,757	1,700	(53.0%)	(47.5%)	NM	NM	36.4%	NM	5.6x	NM	NM
Asure Software, Inc.	ASUR	220	104	(46.1%)	(46.0%)	4.4%	60.3%	17.0%	22.0%	2.1x	9.6x	NM
DHI Group, Inc.	DHX	213	194	(13.3%)	83.3%	(51.2%)	(21.7%)	(6.2%)	23.2%	1.4x	6.1x	35.5x
HR Software Median		\$5,148	\$5,180	(16.3%)	14.4%	63.0%	17.2%	17.0%	23.0%	6.1x	28.3x	35.5x
BENEFITS TECHNOLOGY												
HealthEquity, Inc.	HQY	3,321	4,036	(43.7%)	(39.5%)	51.0%	25.7%	80.9%	31.8%	6.4x	20.2x	56.1x
Benefitfocus, Inc.	BNFT	920	779	(60.7%)	(41.1%)	(40.4%)	0.2%	15.3%	4.3%	3.1x	71.9x	NM
Castlight Health, Inc.	CSLT	163	205	(66.0%)	(47.8%)	(66.1%)	18.4%	(7.8%)	NM	1.1x	NM	NM
Benefits Technology Median		\$920	\$779	(60.7%)	(41.1%)	(40.4%)	18.4%	15.3%	18.1%	3.1x	46.1x	56.1x
DIVERSIFIED PLATFORMS												
Microsoft Corporation	MSFT	1,014,174	1,061,551	(2.3%)	21.6%	141.4%	17.1%	11.8%	43.6%	7.7x	17.6x	29.8x
Oracle Corporation	ORCL	206,124	180,637	(9.0%)	6.7%	40.1%	2.0%	(0.3%)	47.0%	5.2x	11.1x	17.5x
SAP SE	SAP	136,381	140,411	(13.7%)	(4.5%)	29.3%	(0.5%)	6.4%	36.6%	4.6x	12.5x	44.2x
Diversified Platforms Median		\$206,124	\$180,637	(9.0%)	6.7%	40.1%	2.0%	6.4%	43.6%	5.2x	12.5x	29.8x












Note: Margins less than 0% and multiples greater than 75x are considered Not Meaningful ("NM")

HCM Technology – Transaction Activity

SELECT RECENT M&A TRANSACTIONS²

Announced Date	Target/Issuer	Buyer	Description	Enterprise Value (\$m)
09/18/2019	Exaserv	HR Path	Provides SaaS solutions including implementation services and application support	NA
09/11/2019	Burning Glass International	KKR & Co.	Provides real-time labor market data and analytics	NA
09/05/2019	RITEQ	Ceridian HCM	Develops, implements, and supports SaaS-based workforce management solutions	NA
09/05/2019	Fusion Risk Management	Vista Equity Partners	Develops business continuity, disaster recovery, and risk management solutions	NA
09/04/2019	TimeClock Plus	Providence Equity Partners	Develops time and attendance software solutions for employee labor tracking	NA
09/04/2019	Pareto Captive Services	Great Hill Partners	Develops and manages employee benefit group plans and services	NA
09/03/2019	Health & Safety Institute	Waud Capital	Provides a compliance and training technology platform to help organizations create safer workplaces	HW Confidential
09/03/2019	HireVue	The Carlyle Group	Develops and delivers video interviewing software solutions and assessment services	NA
08/26/2019	ConveyIQ	Entelo	Provides a cloud-based and mobile technology-based platform for candidate interviews	NA
08/22/2019	NGA Human Resources	Alight Solutions	Offers workforce management, time and attendance, and talent administration software	NA
08/20/2019	NurseFly	IAC/InterActiveCorp	Offers employment services to nurses	\$15.0
08/19/2019	Benefit Resource Inc.	CIP Capital	Administers and manages pre-tax employee benefit plans	NA
08/14/2019	Benefit Commerce Group	Alera Group	Provides a platform for managing employee benefit plans	NA
08/14/2019	FMP Global	IRIS Software Group	Develops software that provides international payroll services and international HR services	NA
08/09/2019	Beneco	Ascensus	Provides retirement, medical and ancillary, life insurance, and HR solutions to contractors	NA
08/07/2019	eLogic Learning	Absorb Software	Provides web-based learning management solutions and corporate training services	NA
08/07/2019	ClickSoftware Technologies	salesforce.com	Provides software products and solutions for workforce management and service operations	NA
07/24/2019	CoAdvantage	Aquiline Capital Partners	Provides integrated HR solutions for small and medium-sized businesses	NA
07/24/2019	StratEx	Toast	Provides software for restaurant business to manage the employee life cycle	NA
07/24/2019	Top Echelon Software	SageLink Capital	Develops and delivers recruiting and applicant tracking software	NA
07/18/2019	Darrell Phillips	Arthur J. Gallagher & Co.	Provides human resources consulting services for employee benefit plans	NA
07/18/2019	Escape Technology	Ares Capital Management, Thoma Bravo	Develops a platform for fund accounting and payroll software solutions	NA
07/16/2019	Healthline Networks	Red Ventures	Provides health information services to online consumers	NA
07/16/2019	Perengo	Gemspring Capital	Provides software tools for recruitment, campaign management, and business intelligence	NA
07/12/2019	ClickIQ	Indeed.com	Provides automated job advertising software	NA
07/11/2019	Mammoth	ThinkHR	Provides SaaS-based HR solutions for small- and medium-sized businesses	NA
07/10/2019	HotSchedules	Marlin Equity Partners; Insight Venture Partners	Provides a labor management solution for restaurant, retail, and hospitality industries	NA
07/09/2019	Talmundo	HR Group Nordic	Develops a mobile friendly cloud application for employee onboarding	NA
07/02/2019	Hodges-Mace	Alight Solutions	Provides employee benefits communication and enrollment services	NA
07/01/2019	Appcast	StepStone	Provides job advertising solutions for employers, recruitment / staffing firms, and job sites	\$93.2

Select Recent Private Placements

DATE	COMPANY	ROUND	ROUND SIZE (\$MM) ¹	TOTAL RAISED (\$MM) ¹	LEAD INVESTOR(S)	DESCRIPTION
08/30/19		PE Growth	\$41	\$42	CDPQ	Operates a job aggregator website that provides a platform to search for jobs
08/20/19		Seed	\$3	\$3	WestRiver Group	Offers a SaaS-based paid-time-off management software
08/19/19		Series B	\$17	\$29	Redline Capital Management	Provides an online job search portal
08/14/19		Series C	\$34	\$51	Icon Ventures, Polaris	Provides an online marketplace for healthcare jobs
08/12/19		PE Growth	Confidential	Confidential	TCV	Operates an employee survey and people analytics platform
07/31/19		Series B	\$4	\$7	LiveOak Venture Partners	Provides a suite of talent management software
07/31/19		Series B	\$15	\$35	Insight Partners	Provides a candidate selection platform using machine learning
07/30/19		Series A	\$12	\$15	Sequoia Capital	Hosts an API for employment verification
07/29/19		Series C	\$40	\$81	Norwest Venture Partners	Provides sales enablement services
07/24/19		Series D	\$200	\$521	Fidelity Management & Research and Generation Investment Management	Provides a cloud-based payroll, benefits, and HR mgmt. solutions
07/08/19		Series C	\$15	\$30	Seek	Operates an online human resource platform

Note: Financial information presented above represents reported capital raised only.

Our Firm

Harris Williams has a broad range of industry expertise, which create powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at www.harriswilliams.com/industries.



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Sources & Disclosures

Sources

1. PITCHBOOK.
2. CAPITAL IQ.

Disclosures

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