

Technology, Media & Telecom

Human Capital Management
Technology Sector Review | Q2 2020



HW Human Capital Management (“HCM”) Introduction

HARRIS WILLIAMS (“HW”)

- 25+ years and more than 1,000 closed transactions
- 350+ professionals across eight office globally
- 170+ closed transactions in the last 24 months
- 10 industry groups

FOCUSED ADVISORY SERVICES

- Mergers and acquisitions (M&A)
- Capital raises
- Corporate divestitures

CONSISTENT RECOGNITION FOR QUALITY



HW TECHNOLOGY, MEDIA & TELECOM (“TMT”) GROUP

- 35+ dedicated TMT professionals
- TMT offices include Boston, San Francisco, and London

KEY TMT THEMES

- ✓ SaaS / Cloud
- ✓ Data & Analytics
- ✓ Digital Transformation
- ✓ A.I. / Machine Learning

HORIZONTAL FOCUS SECTORS

- Application Software
- Cloud Managed Services and Hosting Solutions
- Compliance Solutions
- CRM and Marketing Automation
- **Human Capital Management**
- Infrastructure and Security Software
- IT and Tech-Enabled Services
- Marketing, Research, and Insights Software

VERTICAL FOCUS SECTORS

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

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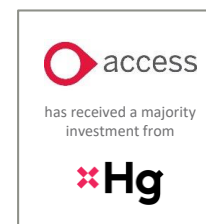
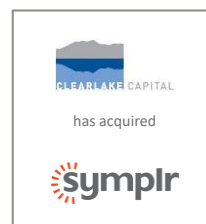
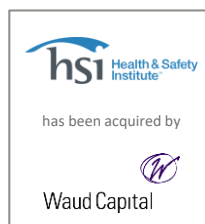
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SELECT HW HCM EXPERIENCE



HCM Technology Focus Areas

TALENT ACQUISITION AND MANAGEMENT



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

SELECT REPRESENTATIVE COMPANIES

accurate

Bullhorn

HireVue

iCIMS

JOBVITE



Modern Hire

psi

QUANTUM
WORKPLACE

SHL

- Employee recruitment, engagement, and retention remain top of mind – especially as the job market tightens
- Data-driven/marketplace 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 are increasingly core to the HR suite

WORKFORCE MANAGEMENT



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

SELECT REPRESENTATIVE COMPANIES

Brightfield

businessolver

Connect Your Care

evive

people2.0
GLOBAL WORKFORCE DEPLOYMENT

REFLEXIS

trackforce
VALIANT

ThinkHR

workforce
SOFTWARE

- “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
- Automated and comprehensive risk management/compliance tools continue to experience strong adoption
- Back-office HR capabilities for the on-demand labor market are an emerging market opportunity
- Leading vertical-specific platforms remain highly attractive to investors and acquirers (e.g., retail, healthcare, and hospitality)

Notable Q2 2020 Human Capital Management Technology Transactions^{1,2}

Completed: May 26, 2020

Benefitfocus

BUILDGROUP

Transaction Value: \$80M

EV / Rev: 2.3x

Revenue: \$315M

EV / EBITDA: 21.0x

BUILDGROUP'S PIPE INVESTMENT IN BENEFITFOCUS

- Benefitfocus provides a cloud-based platform to deliver data-driven insights and services enabling employers, insurance brokers, carriers, and suppliers to simplify benefits administration
- BuildGroup invested \$80M in a Series A convertible preferred stock with an 8% dividend and a conversion price of \$15, which represented a 50% premium to the 10-day volume-weighted average share price of Benefitfocus
- Benefitfocus will use the infusion of cash to bolster the company's balance sheet and facilitate the accelerated transformation of the platform

Completed: May 18, 2020

opening.io

iCIMS

Transaction Value: NP

EV / Rev: NP

Revenue: NP

EV / EBITDA: NM

iCIMS's ACQUISITION OF OPENING.IO

- Opening.io provides data science and artificial intelligence software solutions for existing large-scale recruitment processes
- The company's solution includes matching and ranking of candidates in relation to jobs, skills inference, CV summarizing, salary recommendations, parsing, and the analysis of resumes
- iCIMS will leverage Opening.io's technology to power its iCIMS Talent Logic product and bring new and existing customers artificial intelligence solutions to help them stay a step ahead in a rapidly evolving workforce environment

Completed: May 11, 2020

PARADOX

BRIGHTON PARK CAPITAL

Enterprise Value: \$40M

EV / Rev: NP

Revenue: NP

EV / EBITDA: NP

BRIGHTON PARK CAPITAL'S INVESTMENT IN PARADOX

- Paradox provides a conversational AI platform helping HR and talent teams automate administrative tasks and deliver real-time candidate and employee communications
- The company serves more than 200 clients globally, including some of the biggest brands in the world — CVS Health, McDonald's, Unilever, Intel, Aramark, and many more in the Fortune 500
- Paradox has been recognized with several awards, including HCM Solution of the Year at the 17th annual American Business Awards
- Paradox plans to leverage the funding to expedite its vision of a future where AI is a liberating force to help people do their best work

Completed: April 14, 2020

KWANTEK

TEAM Software

Enterprise Value: NP

EV / Rev: NP

Revenue: NP

EV / EBITDA: NP

TEAM SOFTWARE'S ACQUISITION OF KWANTEK

- Kwantek provides a software platform for security and cleaning companies to diversify applicant pools, improve hiring efficiency, and enable a more selective hiring process for high-turnover situations
- Kwantek's technology suite includes accounting and financial solutions, operations management, mobile workforce solutions, and business analytics capabilities
- The acquisition provides TEAM Software with an industry-leading applicant tracking software and expands TEAM's pre-hire solutions

Completed: April 6, 2020

VidGrid

paylocity

Enterprise Value: \$17.5M

EV / Rev: NP

Revenue: NP

EV / EBITDA: NP

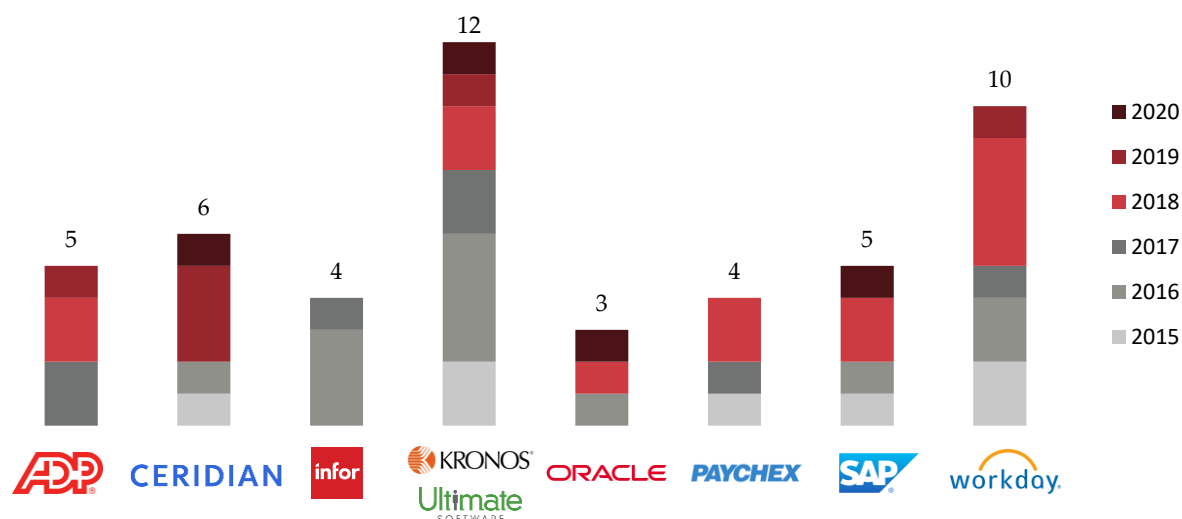
PAYLOCITY'S ACQUISITION OF VIDGRID

- VidGrid provides peer-to-peer video learning courses to help users communicate and collaborate across sales, customer success, training, and education
- Prior to the acquisition, Paylocity partnered with VidGrid to enhance its learning management system and provide learning opportunities that the modern workforce expects
- Paylocity's acquisition of VidGrid highlights the growing importance of video-based solutions to enable remote work opportunities and optimize flexible learning environments

HCM Technology Acquisition Activity

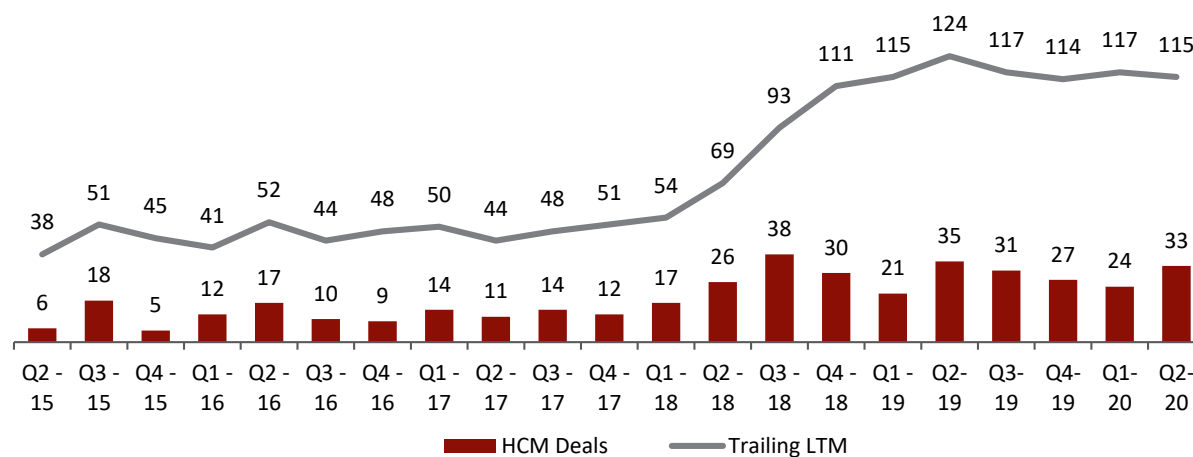
MOST ACTIVE STRATEGIC ACQUIRERS OF HCM TECHNOLOGY ASSETS BY VOLUME¹

- The key strategic acquirers have combined for 49 HCM technology-related acquisitions since 2015
- Workday and Kronos have established a consistent HCM M&A strategy, accounting for 22 transactions for the last five years
- The combination of Ultimate Software and Kronos has created one of the largest privately held HCM companies



GLOBAL HCM TECHNOLOGY M&A ACTIVITY¹

- There were 33 HCM technology acquisitions in Q2 2020
- The HCM technology space maintained steady, robust transaction volume in Q2 2020
- HCM technology companies continue to attract attention from both strategic and financial acquirers



Impact of COVID-19 by HCM Focus Areas

COVID-19 IS HAVING A MEANINGFUL IMPACT ON THE WAY EMPLOYERS ENGAGE WITH EMPLOYEES, REQUIRING FURTHER ADOPTION OF NEW AND EXISTING HCM TECHNOLOGY SOLUTIONS.

TALENT ACQUISITION

Short-Term Impact

- While hiring has slowed significantly across much of the economy, technology-enabled solutions are well-positioned:
 - AI-powered recruiting platforms are increasing the speed and effectiveness of remote hiring processes
 - Remote evaluation solutions are easily accessible and configurable to business needs

Impact



Long-Term Impact

- As hiring returns to normal post-COVID-19:
 - There will be an increased reliance on contingent workforces, vendor management systems, and managed service providers
 - Employers will require more screening, testing, and related compliance and certification tools as they bolster their workforces

Impact



TALENT MANAGEMENT

Short-Term Impact

- Immediate opportunity for employers to strengthen their relationship with employees through proactive messaging, introduction of relevant employee-centric initiatives, and training/career advancement programs
- Optimizing internal employee communication and engagement is imperative to maintaining business performance today and should provide benefits in the future

Impact



Long-Term Impact

- Opportunity for more vocal and engaged workforce to drive better talent-related decision-making
- Stronger demand for ongoing training, more frequent performance reviews, and career progression opportunities

Impact



WORKFORCE MANAGEMENT

Short-Term Impact

- Imperative to assist employees as they navigate government stimulus and assistance programs and minimize disruption to their lives
- Increasing prevalence of employee health status and risk monitoring inside of organizations
- Opportunity for employers to support the health and wellness of their employees with resource and assistance tools

Impact



Long-Term Impact

- Coming out of COVID-19, employers will reassess workspace design and worker interactions
- Considering workforce health and employee productivity, employers will weigh the benefits of remote and physical work environments
- Further investment in technology to support virtual work settings
- Employee demand for more seamless/mobile access to benefits and paychecks

Impact



“Today, more than ever, it’s critical that employers prioritize employee wellness by engaging and caring for their people.”

- David Ossip, Chairman and CEO, Ceridian



Moderate Impact



Strong Impact



Significant Impact

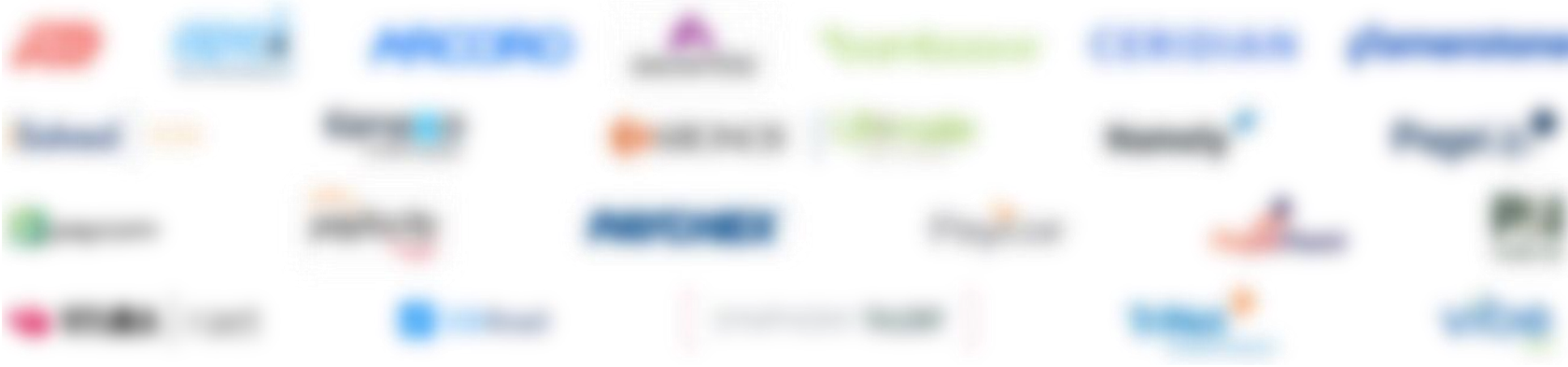
HCM Technology - Landscape

To receive the latest **Human Capital Management Technology** market map, please contact HW at [*TMT_HCM@harriswilliams.com](mailto:TMT_HCM@harriswilliams.com)

ERP FOCUSED PLATFORMS



DIVERSIFIED PLATFORMS



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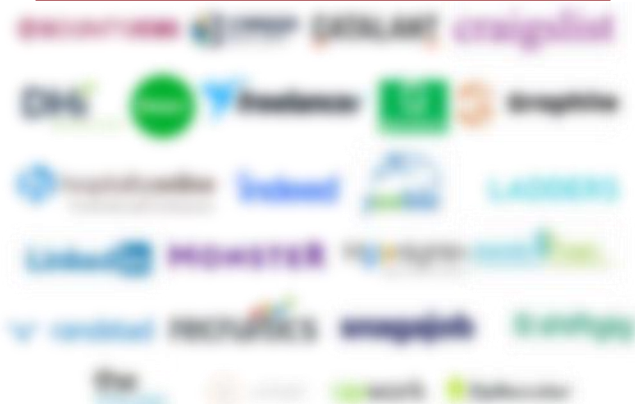
TALENT ACQUISITION

APPLICANT TRACKING SYSTEM (ATS) / CANDIDATE RELATIONSHIP MANAGEMENT (CRM)



SOURCING

ADVERTISING / JOB BOARDS / MARKETPLACE



CANDIDATE MATCHING (AND REDISCOVERY) /
EMPLOYEE REFERRALS



CAREER PAGE OPTIMIZATION

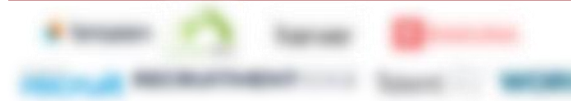


RECRUITMENT & ASSESSMENT

CHATBOTS / MOBILE ENGAGEMENT



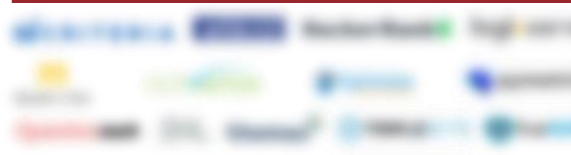
CAMPUS / SOCIAL RECRUITING



INTERVIEW TRAINING / SCHEDULING



ASSESSMENTS

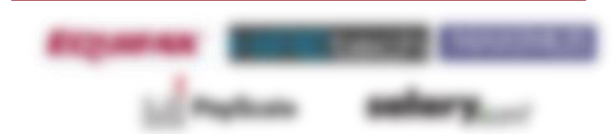


VIDEO INTERVIEWS



PRE-HIRE & ONBOARDING

COMPENSATION / COMPLIANCE (E.G., WOTC)



REFERENCE CHECK



BACKGROUND CHECK / I-9 / E-VERIFY



ONBOARDING COMMUNICATIONS /
PROCESS MANAGEMENT



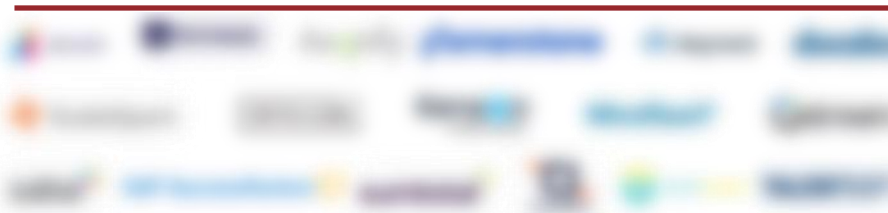
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TALENT MANAGEMENT

TRAINING / LEARNING

LMS / LCMS / LXP / ML



EDUCATION / STAFF TRAINING



AI / AR / VR / VIDEO TRAINING

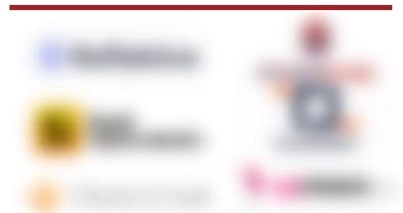


PERFORMANCE / SUCCESSION

COMPENSATION PLANNING



PERFORMANCE REVIEW



SUCCESSION PLANNING



COACHING / MENTORING



EMPLOYEE ENGAGEMENT

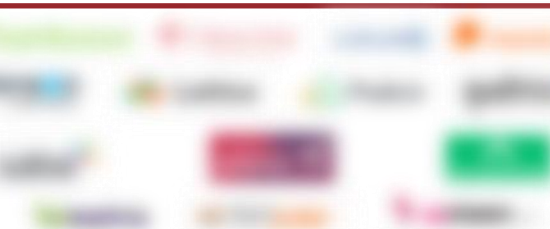
DIVERSIFIED PLATFORMS



CORPORATE SOCIAL RESPONSIBILITY (CSR)



EMPLOYEE COMMUNICATION / ENGAGEMENT SURVEYS



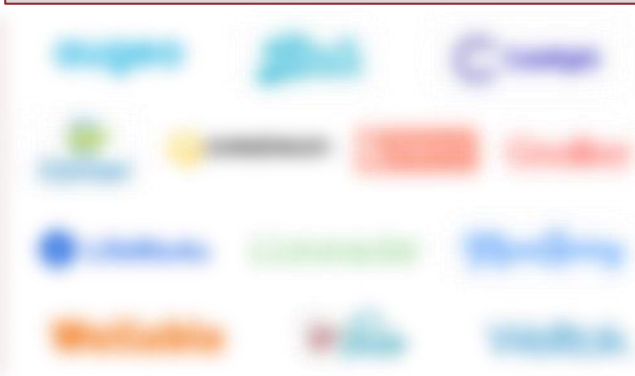
RECOGNITION / REWARDS



P2P / SOCIAL RECOGNITION



WELLNESS

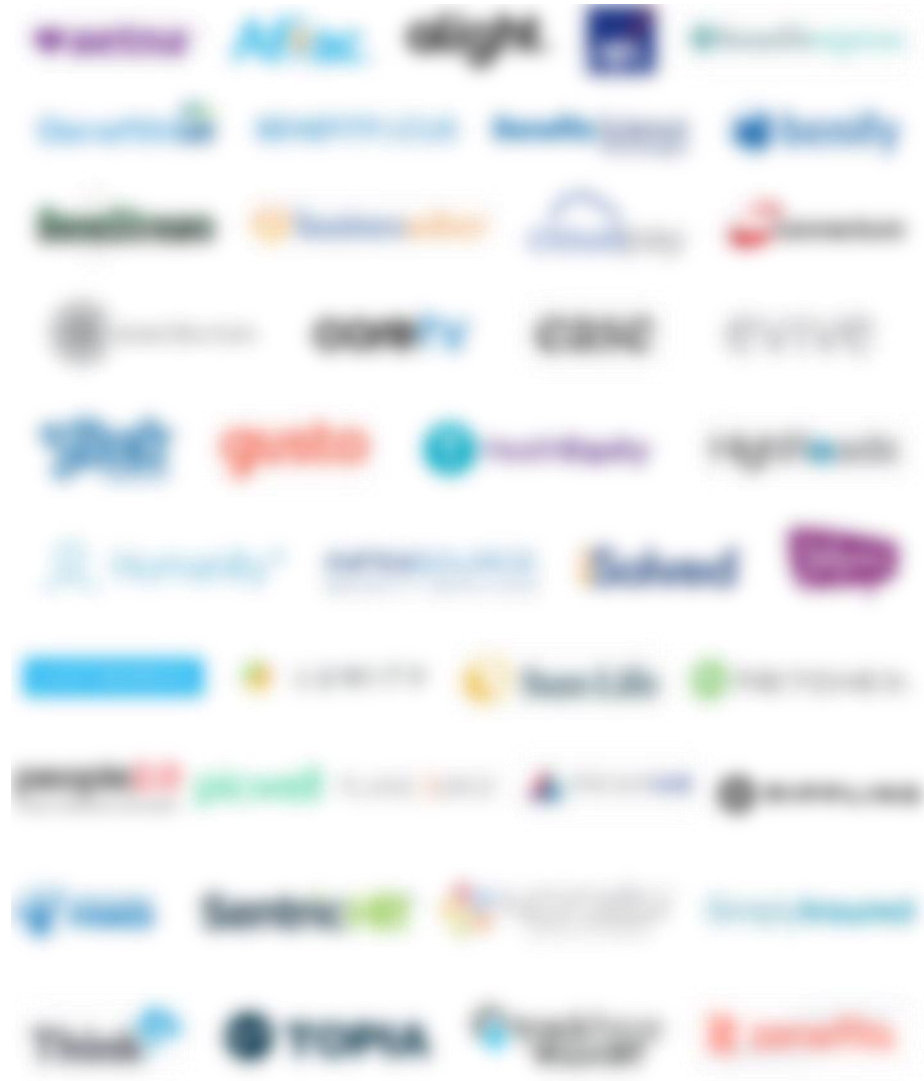


HCM Technology - Landscape

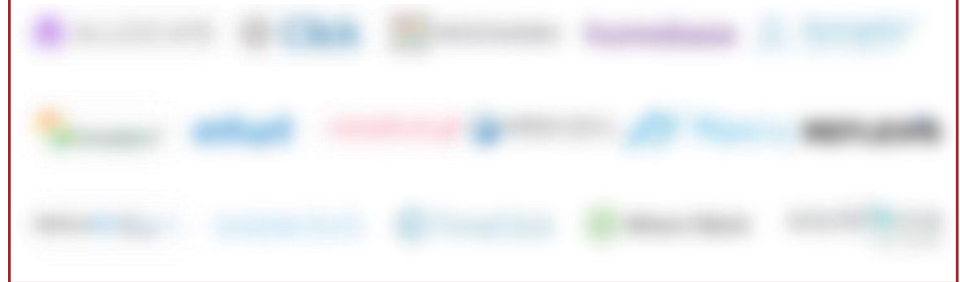
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WORKFORCE MANAGEMENT

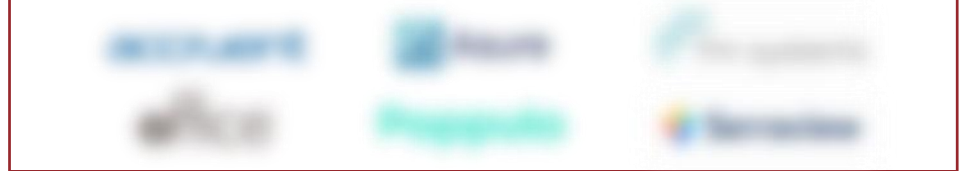
PAYROLL / BENEFITS



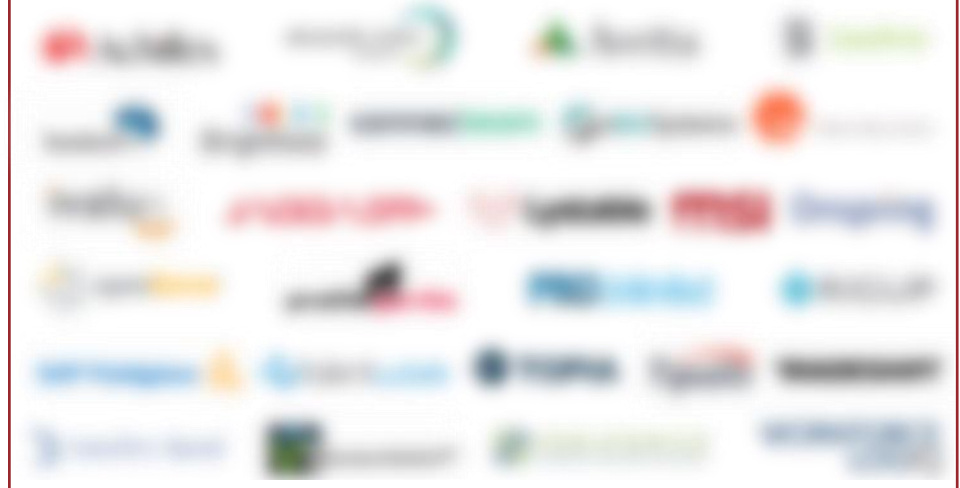
TIME / ATTENDANCE



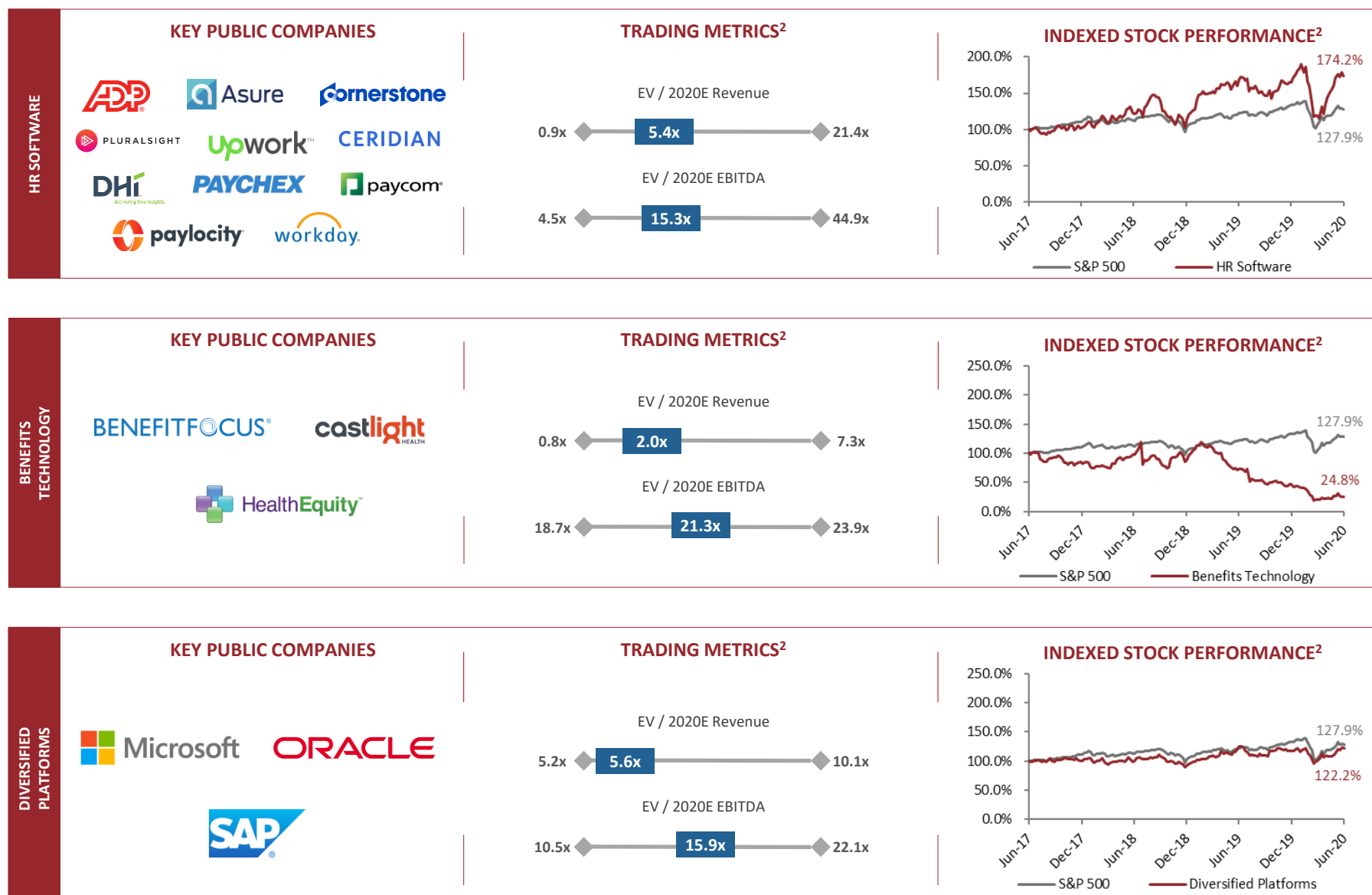
WORKPLACE MANAGEMENT



VENDOR MANAGEMENT / SUPPLY CHAIN



Public HCM Technology Companies²



HCM Technology – Trading Comparables¹

PUBLIC COMPARABLES

(\$ in millions)

(\$ in millions)

Company	Market Capitalization	Enterprise Value	Revenue		EBITDA Margin		Multiples Summary			
			CY2020E	CY2021E	CY2020E	CY2021E	Enterprise Value/Revenue		Enterprise Value / EBITDA	
							CY2020E	CY2021E	CY2020E	CY2021E
HR Software										
Automatic Data Processing, Inc.	\$63,989	\$64,745	\$14,339	\$15,054	23.9%	25.0%	4.5x	4.3x	18.9x	17.2x
Workday, Inc.	44,061	43,562	4,194	4,892	23.1%	23.4%	10.4x	8.9x	44.9x	38.0x
Paychex, Inc.	27,173	27,309	3,907	4,025	40.1%	40.1%	7.0x	6.8x	17.4x	16.9x
Paycom Software, Inc.	17,789	17,661	825	998	40.4%	42.2%	21.4x	17.7x	NM	42.0x
Ceridian HCM Holding Inc.	11,949	12,410	850	976	19.5%	20.3%	14.6x	12.7x	NM	NM
Paylocity Holding Corporation	7,832	7,735	583	681	25.1%	26.8%	13.3x	11.4x	NM	42.4x
Cornerstone OnDemand, Inc.	2,461	2,372	741	915	29.0%	30.5%	3.2x	2.6x	11.0x	8.5x
Pluralsight, Inc.	1,905	2,046	378	459	NM	NM	5.4x	4.5x	NM	NM
Upwork Inc.	1,663	1,574	337	387	NM	2.0%	4.7x	4.1x	NM	NM
DHI Group, Inc.	102	130	145	155	20.0%	23.4%	0.9x	0.8x	4.5x	3.6x
Asure Software, Inc.	101	113	63	67	13.5%	15.7%	1.8x	1.7x	13.2x	10.7x
Median	\$7,832	\$7,735	\$741	\$915	23.9%	24.2%	5.4x	4.5x	15.3x	17.0x
Benefits Technology										
HealthEquity, Inc.	\$4,189	\$5,327	\$733	\$797	30.4%	32.9%	7.3x	6.7x	23.9x	20.3x
Benefitfocus, Inc.	345	523	259	287	10.8%	12.9%	2.0x	1.8x	18.7x	14.2x
Castlight Health, Inc.	124	99	131	134	NM	NM	0.8x	0.7x	NM	NM
Median	\$345	\$523	\$259	\$287	20.6%	22.9%	2.0x	1.8x	21.3x	17.2x
Diversified Platforms										
Microsoft Corporation	\$1,543,306	\$1,489,689	\$148,141	\$165,601	45.4%	45.8%	10.1x	9.0x	22.1x	19.6x
Oracle Corporation	169,606	200,904	39,007	39,508	48.9%	48.5%	5.2x	5.1x	10.5x	10.5x
SAP SE	166,603	177,095	31,819	34,237	35.0%	36.3%	5.6x	5.2x	15.9x	14.2x
Median	\$169,606	\$200,904	\$39,007	\$39,508	45.4%	45.8%	5.6x	5.2x	15.9x	14.2x
Total Median	\$7,832	\$7,735	\$741	\$915	27.1%	26.8%	5.4x	5.1x	17.4x	16.9x

As of June 30, 2020.

Note: Margins less than 0%, revenue multiples greater than 30x, and EBITDA multiples greater than 50x are considered Not Meaningful ("NM").

Recent Transaction Activity^{1,3}

RECENT M&A TRANSACTIONS

(\$ in millions)

Announced Date	Target	Buyer	Description	Enterprise Value
06/11/2020	StatusToday	Glickon	Provider of a cloud-based workplace analytics platform designed to help employers and employees understand each other.	NP
05/27/2020	Carrom.io	Oyster	Provides cross-border hiring, payroll, benefits, and compliance solutions.	NP
05/18/2020	Cammio	StepStone	Provides live and online video recruitment solutions.	NP
05/14/2020	Opening HR	iCIMS, Inc.	Provides an AI-powered talent recommendation engine for HR tech vendors, enterprises, and staffing agencies.	NP
05/13/2020	SpaceIQ	ARCHIBUS; Serraview	Provides a workplace management software and operations data analytics platform.	NP
05/06/2020	Excelity Global Solutions	Ceridian HCM Holding	Provides payroll processing and human resource management services.	NP
05/05/2020	Ignite PEO Services	G&A Partners	Provides employee benefits, employee administration, risk management, and government compliance services.	NP
04/28/2020	Trivantis Corporation Inc./Edulence Corporation	eLearning Brothers	Provides electronic learning software solutions.	NP
04/23/2020	RoiKoi	Terminal	Provides a database of pre-vetted candidates to be hired by recruiters.	NP
04/22/2020	Leading Edge Payroll and HR Solutions	G&A Partners	Provides human resource management support services.	NP
04/14/2020	Kwantek	TEAM Software	Provides applicant tracking software (ATS) for specific industries, such as contract security and commercial cleaning.	NP
04/09/2020	Adessa Consulting S.A.	SD Worx VZW	Provider of talent management software for HR and payroll sectors.	NP
04/07/2020	Farmington Company	Aon	Provides voluntary benefit communications and administrative services for employers in the United States.	NP
04/06/2020	VidGrid Inc.	Paylocity Holding Corporation	Provides an enterprise video platform.	\$17.5

Recent Capital Raises^{1,3}

RECENT CAPITAL RAISES

(\$ in millions)

Announced Date	Company	Round Type	Round Size	Investor(s)	Description
06/25/2020	Work Shield, LLC	Series A	\$4	Hoak & Co.	Provides a platform for companies and employees to report and track harassment and discrimination claims.
06/12/2020	Trade Hounds, Inc.	Seed	\$3	Index Ventures; Idinvest Partners	Provides a mobile application software for construction workers to showcase their work and improve their crafts.
06/11/2020	CoderPad, Inc.	Growth	NP	Summit Partners	Provides online technical assessment software for conducting programming phone screen interviews.
06/10/2020	QGenda, LLC	Growth	NP	ICONIQ Capital	Provides automated physician scheduling software.
05/19/2020	Deel, Inc.	Series A	\$14	Andreessen Horowitz	Provides a platform to manage payment for businesses working with global remote contractors.
05/18/2020	GO1 Pty Limited	Series C	\$40	Madrona Venture Group; SEEK Limited; M12	Provides a platform that allows companies to upscale their workforce with on-demand training.
05/15/2020	Benefitfocus, Inc.	PIPE	\$80	BuildGroup	Provides a cloud-based benefits management platform.
05/12/2020	Zenjob GmbH	Series C	\$29	Redalpine Venture Partners; Acton Capital Partners	Provides an online recruitment platform.
05/08/2020	Paradox, Inc.	Series B	\$40	Brighton Park Capital Management	Provides a conversational artificial intelligence (AI) platform that enables human resources and talent teams to automate administrative tasks.
04/28/2020	Topia Limited	Series D	\$15	Notion Capital Partners; Workday Ventures	Provides a talent mobility platform.
04/27/2020	Everyday Software, SL	Series A	\$16	Origin Ventures; Signal Peak Ventures	Provider of a cloud-based platform intended to simplify the management of human resources in small and medium enterprises.
04/22/2020	Remote Technology, Inc.	Seed	\$11	Index Ventures; General Catalyst Partners	Provides payroll, benefits, compliance, and tax related services for remote workforces.
04/08/2020	Everee, Inc.	Series A	\$10	Origin Ventures; Signal Peak Ventures	Everee, Inc. designs and develops software as a service (SaaS) based payroll application for small and medium-sized businesses.

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

Harris Williams Capabilities and Locations

Harris Williams has a broad range of industry expertise, which creates 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. Capital IQ.
2. Mergermarket.
3. PitchBook.

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