

## HR TECHNOLOGY MARKET UPDATE – JANUARY 2017

### RECENT HR TECH NEWS

#### CareerBuilder and Dice.com for sale

- CareerBuilder, the provider of HR software to help companies recruit talent, retained Morgan Stanley in September to explore a potential sale, but no word of any offers. Owners are Tegna (NYSE:TNGA), Tribune Media (NYSE:TRCO) and the McClatchy Company (NYSE:MNI)
- DHI Group, owner of Dice.com and several other niche job boards, put itself up for sale in November. DHI Group's 2016 revenue is projected at \$225 million

#### Facebook and Google entering recruiting market

- Facebook is rolling out Jobs giving its 1.8 billion users ability to see and apply to job postings on a company page
- Google released a new Cloud Jobs API as part of its suite of machine-learning services in the cloud. Solution anticipates what job seekers are looking for and serves up targeted recommendations

#### Presidential election impact on human resources

- Overtime rule; ACA; immigration / e-verify; paid leave and regulatory reform to name a few

#### Gig economy growing

- Proportion of American workers engaged in alternative work arrangements (freelancer, temporary contractors and the like) increased from 10.1% in 2005 to 15.8% in 2015 with some estimates of 30.0% by 2020
- These changing employment patterns will benefit freelance management systems and freelance marketplaces such as Amazon Mechanical Turk, OnForce, TalentWave, TaskRabbit, GigWalk, ShiftGig, UpWork, WorkMarket and ZeroChaos, as well as traditional staffing agencies

#### Halogen hires banker to explore sale

- Halogen Software Inc. (TSE: HGN), whose shares have plunged by half since 2013, hired National Bank Financial to advise on strategic alternatives, including a potential sale. Halogen has market value of approximately \$130 million

### HR TECH TRADING MULTIPLES

	Enterprise Value	
	LTM Revenue	LTM EBITDA
HR Tech	4.22x	23.4x
HR Outsourcing	2.46x	13.0x

### MAJOR INDICES & RATES

	Close as of 12/30/2016	% Change	
		3 Month	12 Month
HR Tech Composite (CHILDS)	53,501.38	(9.5%)	0.9%
Dow Jones	19,804.72	7.9%	12.3%
NYSE	11,196.10	3.1%	8.1%
NASDAQ	5,555.65	1.3%	6.3%
AMEX	2,327.28	(5.2%)	6.7%
S&P 500	2,271.89	3.3%	8.5%
Russell 2000	1,358.56	8.4%	18.0%
USD/Euro	0.95	6.5%	3.4%
USD/Yen	116.75	15.3%	(3.2%)
USD/Pound	0.81	5.5%	20.2%
U.S. Prime Rate	3.750%	25.00 Bps	25.00 Bps
U.S. Treasury - 10 Year	2.450%	85.00 Bps	14.00 Bps
LIBOR - 3 month	0.998%	14.42 Bps	38.57 Bps
Fed Funds Overnight Rate	0.350%	6.00 Bps	0.00 Bps

### CHILDS TEAM RECENT HR M&A

#### CHILDS advises FFL Partners on its Recapitalization of Crisis Prevention Institute (CPI)

- Based in Milwaukee, WI, CPI is a global leader in outsourced crisis prevention training solutions
- CPI's training platform provides services to >9,000 customers globally and >1 million individuals annually

Project Hire

CHILDS was recently engaged to raise growth capital for a recruiting marketplace matching permanent job seekers with employers

## HR TECH NOTABLE TRANSACTIONS



**Deltek**

### -ACQUISITION-

*Deltek provides ERP, HR management, CRM, and project management SaaS*

Transaction Date: 12/28/16

Total EV: \$2,800mm

Key Metrics:

- Target Rev: \$535mm
- Target EBITDA: \$200mm
- EV/Rev: 5.2x
- EV/EBITDA: 14.0x

Seller Financial Sponsor:

**THOMA BRAVO**



**Integrity**

### -ACQUISITION-

*Integrity provides payroll and HR, POS, ERP, BI, and e-commerce software solutions*

Transaction Date: 11/21/16

Total EV: ND

Key Metrics:

- Target Rev: ND
- Target EBITDA: ND
- EV/Rev: ND
- EV/EBITDA: ND

Seller Financial Sponsor:

**AKKR**



**beeline**

### -ACQUISITION-

*Beeline provides a vendor management SaaS system for contingent workforces*

Transaction Date: 12/12/16

Total EV: \$130mm

Key Metrics:

- Target Rev: ND
- Target EBITDA: ND
- EV/Rev: ND
- EV/EBITDA: ND

Buyer Financial Sponsor:

**GTCR**



**HIRED**

### -CAPITAL RAISE-

*Hired provides online marketplace for recruiting software engineers*

Current Round: \$70mm

Total Raised: \$103mm

Representative Investors:

- The Glenmede Trust
- Ontario Pension Board
- Lumia Capital
- Comcast Ventures
- Great Oaks Venture Capital
- Sierra Ventures
- Silicon Valley Bank



**Namely**

### -CAPITAL RAISE-

*Namely provides HR, payroll, and benefits platform*

Current Round: \$50mm

Total Raised: \$158mm

Representative Investors:

- Altimeter Capital
- Scale Venture Partners
- Matrix Partners
- Sequoia Capital



### -CAPITAL RAISE-

*TalentSoft provides cloud-based talent management software*

Current Round: \$28mm

Total Raised: \$56mm

Representative Investors:

- Goldman Sachs, Merchant Banking Division
- Highland Capital Partners
- Seventure Partners

# CHILDS Advisory Partners

## RECENT HR TECHNOLOGY M&A TRANSACTIONS

Year	Quarter	Buyer	Target	Enterprise Value (\$M)
	Pending	Pivot Software	Remesys	ND
	Pending	Engage: BDR	Tiveo	\$7
	Pending	Compunnel	Jobhuk	ND
	Pending	Atairos Group	TriNet Group	\$2,028
2017	Q1	Kronos Incorporated	Financial Management Solutions	ND
2017	Q1	RIVS	InterviewStream	ND
2017	Q1	Asure Software	Corporate Payroll	\$3
2016	Q4	Halyard Capital	StratEx Partners	ND
2016	Q4	Mercer	Thomsons Online Benefits	ND
2016	Q4	First Republic Bank	Gradifi	ND
2016	Q4	Leeds Equity Partners [Simplify Compliance]	BLR [fka Business and Legal Resources]	ND
2016	Q4	Vector Solutions	LearnSmart	ND
2016	Q4	Kronos Incorporated	Financial Management Solutions	ND
2016	Q4	Kerridge Commercial Systems [Accel-KKR]	Integrity SA	ND
2016	Q4	Roper Technologies	Deltek	\$2,800
2016	Q4	Yoh Services	DreamJobs	ND
2016	Q4	IQNavigator	Beeline [Adecco]	\$130
2016	Q4	Lloyd Development Capital; Mitrefinch management team	Mitrefinch	\$24
2016	Q4	Broadridge Financial Solutions	M&O Systems	\$25
2016	Q4	Kronos	Datamatics Management Services	ND
2016	Q4	ELMO Learning Services	Techniworks	ND
2016	Q4	PowerSchool Group	Chalkable	ND
2016	Q4	Cisco Systems	WorkLife Solutions	ND
2016	Q4	Yodlee	Wheelhouse Analytics	ND
2016	Q4	Microsoft	LinkedIn	\$26,191
2016	Q4	Randstad	Monster Worldwide	\$429
2016	Q4	Symphony Technology Group	Bond International (Recruitment and Staffing)	\$23
2016	Q3	Access Capital; Tenzing Private Equity	Bond International (HR and Payroll)	\$39

# CHILDS Advisory Partners

## RECENT HR TECHNOLOGY CAPITAL RAISES

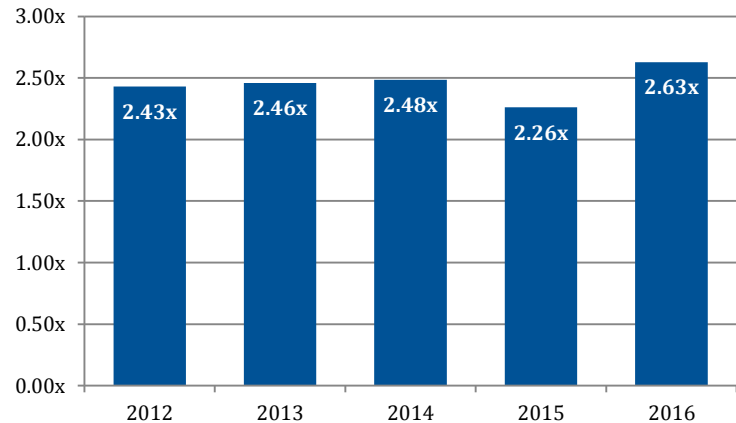
Year	Quarter	Representative Investors	Company	Current Raise (\$M)
2017	Q1	Slack Technologies Investment Arm	WorkRamp	ND
2016	Q4	ND	Bowmo	ND
2016	Q4	Altimeter Capital; Matrix Partners; Sequoia Capital; Scale Venture Partners; True Ventures	Namely	\$50
2016	Q4	ND	Acrowit	\$0
2016	Q4	Y Combinator; Initialized Capital Management; Susa Ventures; Liquid 2 Ventures; Haystack Partners	WorkRamp	\$2
2016	Q4	Spectrum Equity Management	Tenstreet	ND
2016	Q4	ND	Nutech Systems	ND
2016	Q4	ND	Job Post	ND
2016	Q4	CanopyBuilder; Poseidon Asset Management; The Archview Group	Surface Solutions	\$1
2016	Q4	ND	sizQ Software	\$1
2016	Q4	Serent Capital	Digital Architecture Group	ND
2016	Q4	Syven Capiptal	Kinexxia	ND
2016	Q4	Spectrum Equity	Tenstreet	ND
2016	Q4	JMI Equity; BDC Venture Capital	Axonify	\$27
2016	Q4	Glenmede Trust; Ontario Pension Board	Hired	\$70
2016	Q4	True Ventures; Kapor Capital; Precursor Ventures	Atipica	\$2
2016	Q4	Warburg Pincus	GovernmentJobs.com	ND
2016	Q4	Barn Investimentos	Skore	\$1
2016	Q4	Goldman Sachs Group, Merchant Banking	TalentSoft SA	\$28
2016	Q3	WestView Capital Partners	Collaborative Solutions	ND
2016	Q3	CIP Capital	CARCO Group	ND
2016	Q3	Gold Crest Capital; Spring Partners; Valar Ventures	Lystable	\$15
2016	Q3	-	Smart Employee Benefits	\$2
2016	Q3	Sterling Partners	Panopto	\$43
2016	Q3	-	Yello	\$3
2016	Q3	BDC Venture Capital; Relay Ventures; Globalive Capital	Kira Talent	\$4

## M&A ACTIVITY AND TRENDS

- M&A activity in Q4 2016 for U.S. based middle market software companies was consistent with recent trends, not too hot and not too cold
- With 387 closed deals in Q4, volume was flat with the prior quarter and down 25% from prior year
- Macro economic concerns including the U.S. presidential election and the Fed raising interest rates in December, continued to weigh on M&A activity during Q4 2016 as deal volume declined for the fourth consecutive quarter
- For the year, volume of completed software deals was 1,717 down 15% from 2,029 in 2016
- M&A valuations for software companies saw uptick to 2.63x times revenue on average, while public market valuations for HR Tech companies declined from 5.0x to 4.2x times revenue
- We define middle market as deals less than \$1 billion in enterprise value, including deals where value was undisclosed
- During the twelve month period ended December 31, 2016, the S&P 500 increased 8.5% (12% including reinvested dividends). The major indices had strong performances during the recently completed 4<sup>th</sup> quarter, with the S&P 500 increasing 3.3%
- We are seeing increased activity from financial sponsors in middle market deals they put their capital to work
- We suspect that strategic buyers are more spooked by market risks than financial investors at this moment in time (Brexit, 2<sup>nd</sup> longest bull market in history, Fed rate increases, trade policy / wars, etc.)

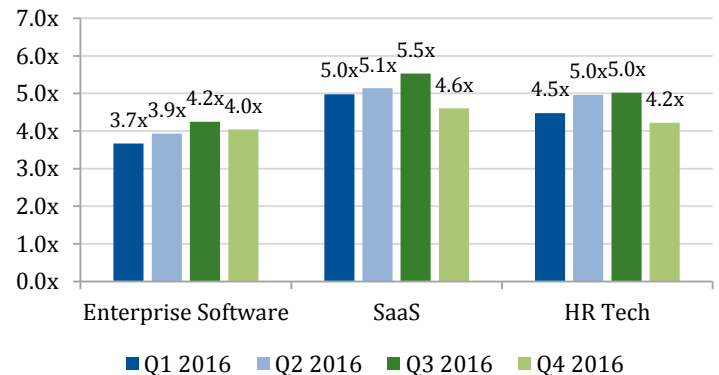
### SOFTWARE M&A VALUATIONS

#### EV/Revenue

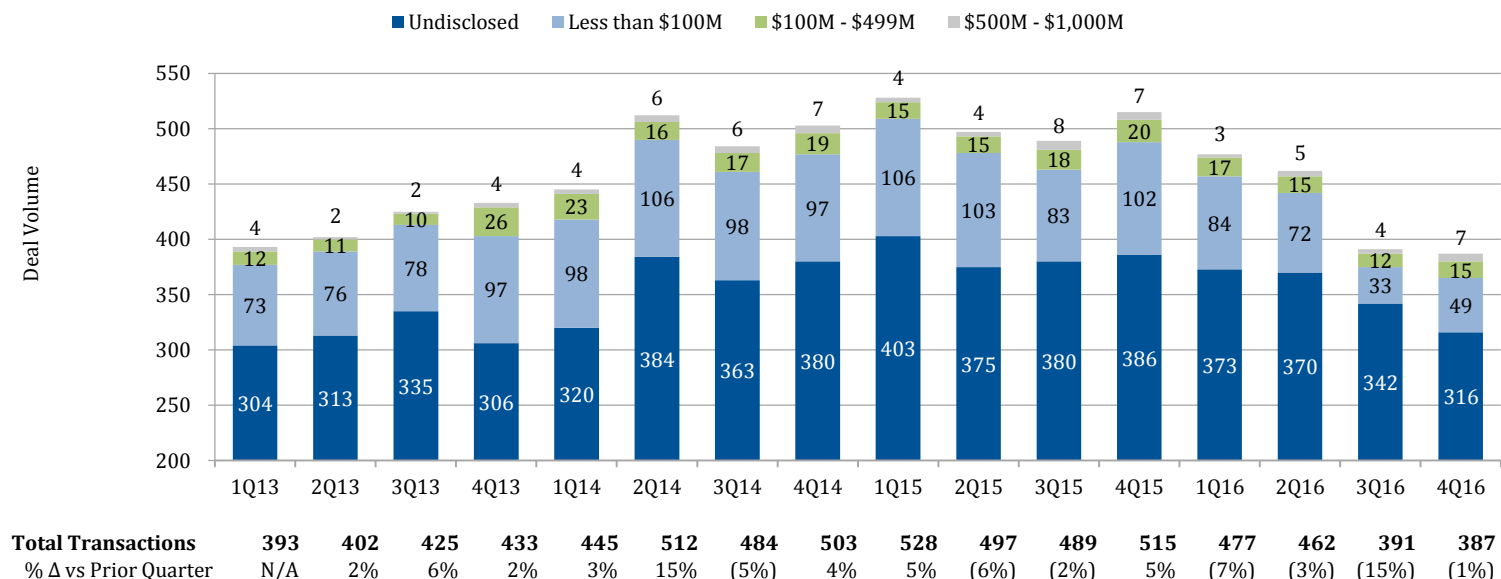


### SOFTWARE PUBLIC MARKET VALUATIONS

#### EV/Revenue



## U.S. MIDDLE MARKET SOFTWARE M&A ACTIVITY – QUARTERLY TRENDS



# CHILDS Advisory Partners

## HR TECHNOLOGY PUBLIC TRADING STATISTICS

### HR TECHNOLOGY

(USD in millions, except for stock price)

Company Name	Market Data			Operating Statistics				EV as a Multiple of:				Growth	
	Stock Price 12/30/16	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		CY2017		16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Paychex, Inc.	\$60.88	97.9%	\$21,846.4	\$21,656.5	\$3,063.4	\$1,310.5	42.8%	7.07x *	16.5x	6.21x	14.1x	6.9%	8.4%
Workday, Inc.	66.09	70.8%	13,284.1	11,897.8	1,456.2	(244.4)	(16.8%)	8.17x *	NM *	7.38x *	66.9x *	27.5%	52.7%
The Ultimate Software Group, Inc.	182.35	81.4%	5,288.3	5,187.9	741.4	64.6	8.7%	7.00x	80.3x *	5.83x	23.9x	24.0%	23.8%
Paycom Software, Inc.	45.49	85.9%	2,734.5	2,690.1	306.4	62.0	20.2%	8.78x *	43.4x *	6.75x	24.6x	28.7%	44.5%
WageWorks, Inc.	72.50	96.3%	2,656.6	2,068.8	346.8	64.5	18.6%	5.97x	32.1x	4.35x	14.8x	29.7%	18.0%
Cornerstone OnDemand, Inc.	42.31	88.6%	2,377.3	2,376.1	410.0	(46.6)	(11.4%)	5.80x	NM *	4.78x	47.8x *	15.4%	35.0%
Paylocity Holding Corporation	30.01	60.4%	1,540.8	1,462.8	250.6	6.6	2.6%	5.84x	221.8x *	4.93x	38.1x *	26.0%	40.5%
Callidus Software Inc.	16.80	78.4%	1,066.5	880.2	197.4	(0.9)	(0.5%)	4.46x	NM *	3.63x	26.5x	18.4%	22.5%
Benefitfocus, Inc.	29.70	66.0%	883.6	898.6	225.0	(27.5)	(12.2%)	3.99x	NM *	3.43x	82.7x *	19.2%	32.5%
HealthStream, Inc.	25.05	86.9%	795.1	694.5	223.1	23.5	10.6%	3.11x	29.6x	2.58x	17.6x	11.2%	21.9%
DHI Group, Inc.	6.25	64.8%	311.1	372.4	237.1	51.9	21.9%	1.57x	7.2x	1.60x	6.6x	(3.0%)	4.5%
Halogen Software Inc.	6.17	79.3%	132.5	97.9	70.7	3.3	4.6%	1.42x	30.6x	1.58x	14.6x	7.2%	15.8%
Asure Software, Inc.	8.51	85.2%	70.2	100.4	32.6	4.1	12.6%	3.08x	24.5x	2.65x	13.2x	28.1%	9.7%
<b>Mean</b>		<b>80.2%</b>			<b>\$581.6</b>	<b>\$97.8</b>	<b>7.8%</b>	<b>4.22x</b>	<b>23.4x</b>	<b>4.03x</b>	<b>17.3x</b>	<b>18.4%</b>	<b>25.4%</b>
<b>Median</b>		<b>81.4%</b>			<b>\$250.6</b>	<b>\$6.6</b>	<b>8.7%</b>	<b>4.23x</b>	<b>27.1x</b>	<b>3.99x</b>	<b>14.8x</b>	<b>19.2%</b>	<b>22.5%</b>

### HRO (HUMAN RESOURCES OUTSOURCING)

(USD in millions, except for stock price)

Company Name	Market Data			Operating Statistics				EV as a Multiple of:				Growth	
	Stock Price 12/30/16	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		CY2017		16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Automatic Data Processing, Inc.	\$102.78	98.9%	\$46,371.6	\$45,561.7	\$11,870.7	\$2,648.8	22.3%	3.84x	17.2x	3.40x	15.4x	7.1%	2.5%
Willis Towers Watson Public Limited	122.28	91.7%	16,721.4	19,927.4	6,844.0	1,360.0	19.9%	2.91x	14.7x	2.47x	10.7x	3.9%	24.0%
Capita plc	6.56	44.0%	4,362.7	6,999.6	6,618.0	1,008.6	15.2%	1.14x	7.5x	1.14x	7.9x	1.0%	11.8%
CEB Inc.	60.60	89.3%	1,953.0	2,703.5	938.6	194.0	20.7%	2.88x	14.0x	3.23x	12.5x	2.9%	5.9%
51job, Inc.	33.80	94.2%	2,025.6	1,364.1	337.3	97.6	28.9%	4.04x	14.0x	3.52x	10.1x	14.2%	13.6%
TriNet Group, Inc.	25.62	96.2%	1,763.4	2,071.0	2,974.9	144.0	4.8%	0.70x *	14.4x	0.61x *	10.4x	11.4%	26.1%
Insperty, Inc.	70.95	86.3%	1,509.6	1,388.6	2,862.3	115.2	4.0%	0.49x *	12.0x	0.43x *	8.4x	10.2%	8.7%
CBIZ, Inc.	13.70	97.5%	721.8	942.0	785.5	84.0	10.7%	1.20x	11.2x	1.11x	9.3x	5.4%	27.2%
Barrett Business Services, Inc.	64.10	95.8%	464.3	441.2	813.2	36.2	4.4%	0.54x *	12.2x	ND *	ND *	NM	17.4%
Connecture, Inc.	1.68	42.9%	37.5	107.3	90.2	(2.0)	(2.3%)	1.19x	NM *	1.14x	14.3x	10.2%	0.0%
<b>Mean</b>		<b>83.7%</b>			<b>\$3,413.5</b>	<b>\$568.6</b>	<b>12.9%</b>	<b>2.46x</b>	<b>13.0x</b>	<b>2.29x</b>	<b>11.0x</b>	<b>7.4%</b>	<b>13.7%</b>
<b>Median</b>		<b>92.9%</b>			<b>\$1,900.4</b>	<b>\$129.6</b>	<b>13.0%</b>	<b>2.88x</b>	<b>14.0x</b>	<b>2.47x</b>	<b>10.4x</b>	<b>7.1%</b>	<b>12.7%</b>

### HCM CONFERENCES [1]

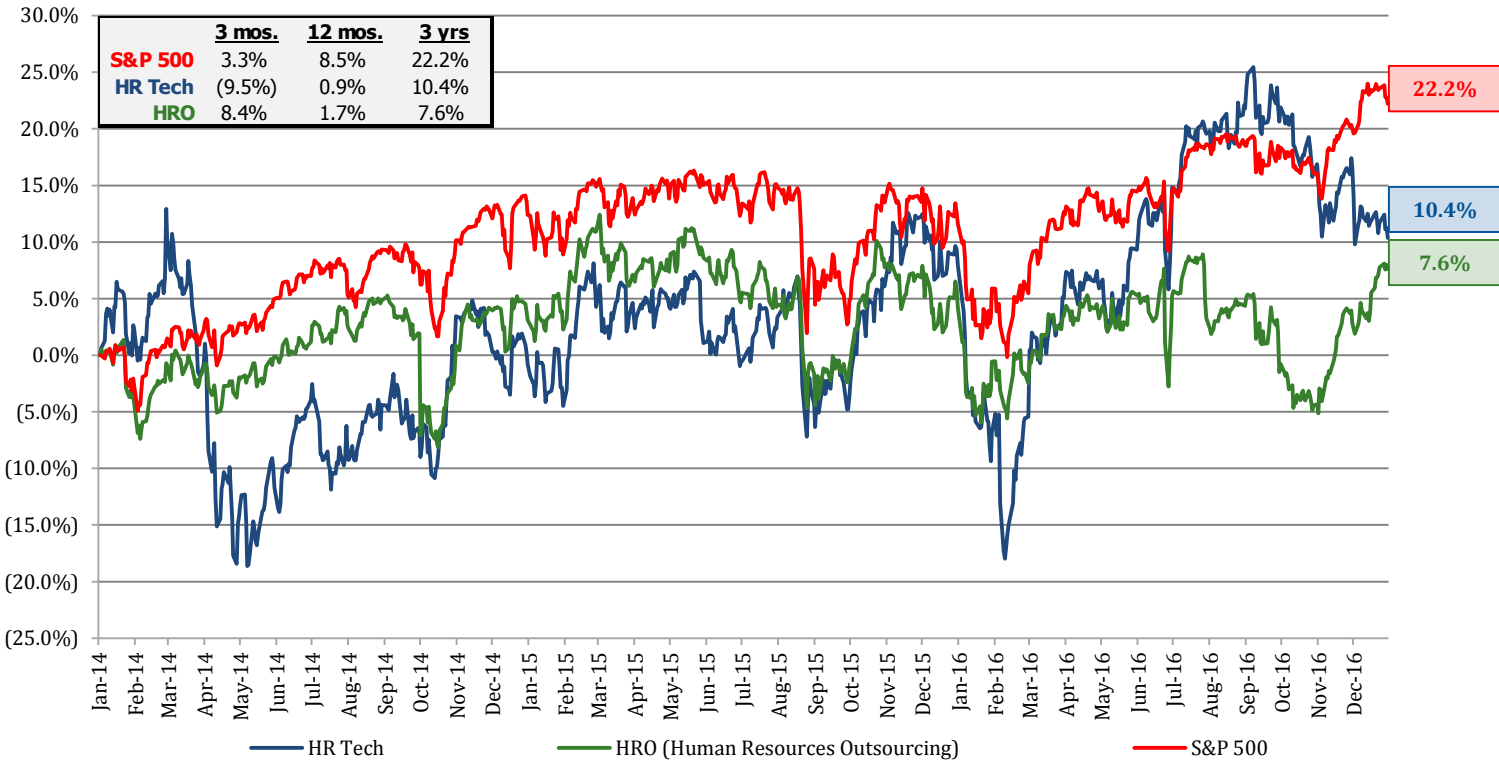
DATES	EVENT	LOCATION
Jan 30 – Feb 1	Training 2017 Conference & Expo	San Diego, CA
Mar 27 – Mar 29	HR in Hospitality Conference & Expo	Las Vegas, NV
Apr 19 – Apr 21	Health & Benefits Leadership Conference	Las Vegas, NV
May 7 – May 10	2017 Total Rewards Conference & Exhibition	Washington, DC
May 16 – May 20	35 <sup>th</sup> Annual American Payroll Association Congress	Orlando, FL
May 21 – May 24	Association for Talent Development 2017 Congress	Atlanta, GA
Jun 18 – Jun 21	SHRM Annual Conference & Expo	New Orleans, LA
Oct 10 – Oct 13	HR Technology Conference & Exposition	Las Vegas, NV

Sources: Capital IQ, CHILDS proprietary database  
\* Denotes figure excluded from mean calculation

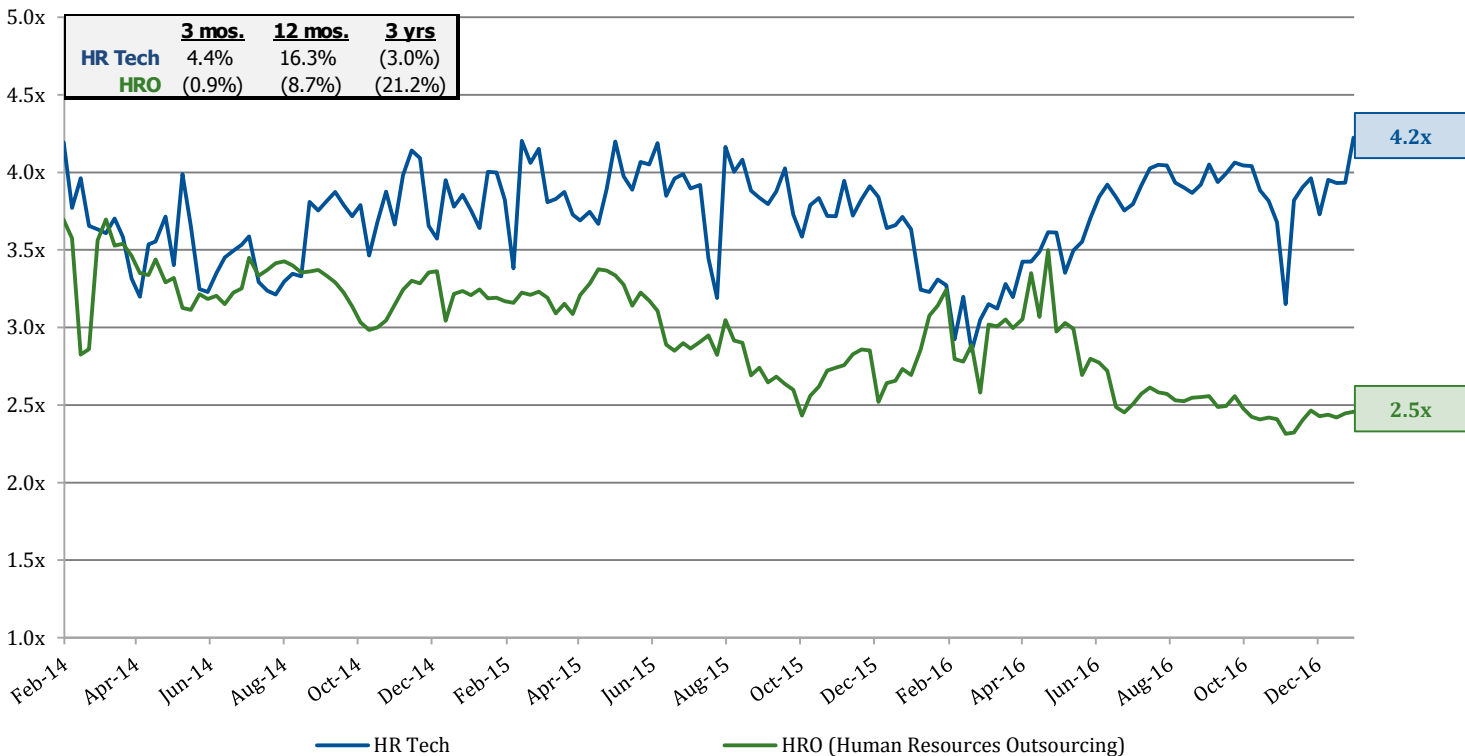
[1]: Green font represents planned attendance by  
CHILDS Advisory Partners

## STOCK MARKET FUNDAMENTALS

### HR SECTOR INDICES VS. S&P 500



### VALUATION TREND DATA (EV/LTM REVENUE)



# CHILDS Advisory Partners

## FIRM OVERVIEW

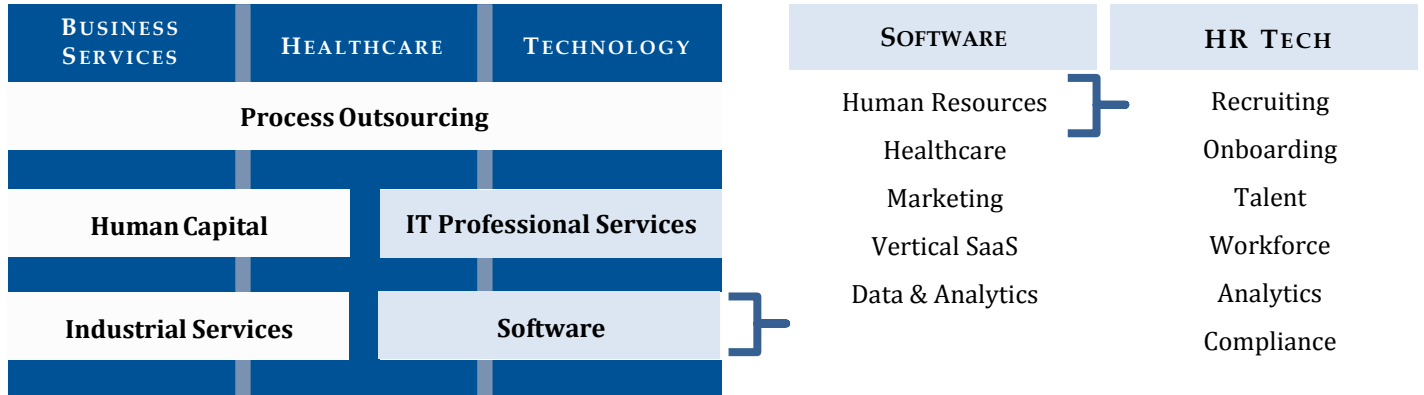
### QUICK FACTS

- **39** professionals across four offices in the U.S. with headquarters in Atlanta
- **55** total transactions closed since the beginning of 2014 with **26** in the technology space
- Over **450** transactions completed in the middle market (Enterprise Value less than \$1.0 billion)
- **60%** transactions since 2013 have involved a strategic buyer; **40%** a financial sponsor

### ACCOLADES

- **2016 U.S. Boutique Investment Bank of the Year**
- 2016 Ranked #1 by 451 Group for IT Services transactions in the U.S.
- 2014 Cross-Border Transaction of the Year Finalist
- 2014 Professional Services Transaction of the Year Finalist
- 2013 Strategic Acquisition of the Year Winner
- 2013 U.S. Boutique Investment Bank of the Year Finalist

### CORE COVERAGE



### CHILDS ADVISORY PARTNERS' SERVICES

MERGERS & ACQUISITIONS

CAPITAL RAISES

FINANCIAL & STRATEGIC ADVISORY



# CHILDS Advisory Partners

## TEAM'S EXTENSIVE EXPERIENCE IN HR TECHNOLOGY



### Capital Raise

- Leading HR & finance consultancy with a focus on deploying Workday and other cloud-based software solutions



### Buy-Side Advisory

- Provider of unemployment tax compliance, employment verification, unemployment claims administration, and international employment tax services



### Buy-Side Advisory

- Leading automated employment and salary verification service provider

Undisclosed  
Financial Sponsor



### Recapitalization Advisory

- SaaS-based provider of workforce management solutions with a focus on time & attendance



### Sell-Side Advisory

- Provider of pre-hire and post-hire talent assessments



### Buy-Side Advisory

- SAP and SuccessFactors partner in North America specializing in HCM consulting services



### Sell-Side Advisory

- Oracle/PeopleSoft consulting services to the healthcare and state/local industries



### Sell-Side Advisory

- Provider of integrated talent acquisition solutions such as MSP, VMS, payroll, and recruitment process outsourcing



### Recapitalization Advisory

- WFM consulting services and analytics software to the retail, healthcare, manufacturing and public sector industries



### Sell-Side Advisory

- Leading provider of Workday consulting services and the first acquisition in the ecosystem



### Buy-Side Advisory

- Job application evaluation and suitability software solutions



### Sell-Side Advisory

- Research and consulting services focused on assessment and development of leaders



### Buy-Side Advisory

- Workforce planning, scheduling, and management solutions



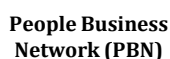
### Recapitalization Advisory

- End-to-end talent management software solutions exclusively for healthcare organizations



### Sell-Side Advisory

- Integrated operations management solutions to retail organizations



### Sell-Side Advisory

- On-demand workforce optimization solutions that monitor transitions, analyze metrics, and automate deployment processes

# CHILDS Advisory Partners

## CHILDS' MARKETING TECHNOLOGY TEAM

CHILDS OFFERS THE SENIOR LEVEL ATTENTION AND ADVISORY FOCUS OF A BOUTIQUE FIRM  
COUPLED WITH BANKERS WITH BULGE BRACKET EXPERIENCE

**Scott Rhodes**  
*Managing Director*

404.751.3021



- Former Corporate Development executive for two S&P 500 companies, Equifax and Waste Management
- CEO of private equity backed business called Bagster sold to strategic Fortune 500
- 12 years of investment banking experience with Citigroup and Bank of America with over 80 M&A and capital markets transactions
- MBA from Kellogg School at Northwestern University (Beta Gamma Sigma) and BA from UNC Chapel Hill (Phi Beta Kappa)

**Tom Donahue**  
*Managing Director*

617.290.5433



- Co-founder of Bulger Capital Partners
- Co-head of East Coast Services and Software for Needham & Company
- 18 years of investment banking experience executing M&A transactions and raising capital
- MBA from F.W. Olin School of Business at Babson College and a BA from Hobart College

**Justin Bentley**  
*Vice President*

404.751.3048



- 7 years of investment banking experience with Morgan Stanley and KPMG
- Executed 15 M&A and capital markets transactions (over \$15 billion in value)
- MBA from Darden School of Business at the University of Virginia and undergraduate from the University of Virginia

**Steve Carr**  
*Vice President*

404.751.3013



- Current and past clients include companies such as Nexus, Bear Data, Aggressor and Utopia
- Former investment banker at SunTrust Robinson Humphrey
- Graduated cum laude from Washington & Lee University

**Kenny Silverman**  
*Associate*

404.751.3041



- Former M&A investment banker at SunTrust Robinson Humphrey
- Prior to joining SunTrust, Mr. Silverman was an analyst in the technology group at Canaan Partners, a venture capital firm based in California
- M.A.c.c. and B.B.A. from the University of Georgia
- CPA earned in 2013

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