

CHILDS

ADVISORY PARTNERS

MERGERS & ACQUISITIONS • CAPITAL RAISES • FINANCIAL & STRATEGIC ADVISORY

HR TECHNOLOGY MARKET UPDATE – JUNE 2016

HR TECH TRADING MULTIPLES

	EV/LTM Revenue	EV/LTM EBITDA
HR Tech	2.99x	18.7x
HR Outsourcing	2.57x	12.6x

CHILDS ACTIVE HR TECH M&A

Project Mustang

Sell-Side Advisory

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

Project Outback

Sell-Side Advisory

- SaaS-based provider of talent management solutions with a focus on learning management

Project Olympus

Sell-Side Advisory

- Leading HR & finance consultancy with a focus on deploying cloud-based solutions

RECENT HR TECH M&A

Kronos Acquires Empower Software

- Empower provides workforce and HCM solutions
- The acquisition extends Kronos' leadership in the HCM market, adding nearly 1,000 organizations to Kronos' customer base

TrueBlue's PeopleScout Acquires Aon's RPO Business

- Aon Hewitt's recruitment process outsourcing business joins PeopleScout
- TrueBlue and Aon Hewitt also announced they have established a long-term partnership

H.I.G. Acquires Salary.com from IBM (Kenexa)

- Salary.com provides employee compensation and performance management SaaS solutions

MAJOR INDICES & EXCHANGE RATES

	Close as of 5/31/2016	% Change	
		1 Month	12 Month
Dow Jones	17,706.05	0.1%	(1.2%)
NYSE	10,353.56	0.3%	(5.3%)
NASDAQ	4,861.06	3.6%	(2.4%)
AMEX	2,313.49	(1.3%)	(4.1%)
S&P 500	2,076.06	1.5%	(0.5%)
Russell 2000	1,135.31	1.7%	(7.7%)
USD/Euro	0.90	2.9%	(1.4%)
USD/Yen	110.95	3.8%	(10.6%)
USD/Pound	0.69	0.5%	4.9%

INTEREST RATE SUMMARY

	As of 5/31/2016	Bps Change	
		1 Month	12 Month
U.S. Prime Rate	3.500%	0.00 Bps	25.00 Bps
U.S. Treasury - 10 Year	1.850%	0.00 Bps	(27.00 Bps)
LIBOR - 3 month	0.673%	0.00 Bps	38.93 Bps
Fed Funds Overnight Rate	0.370%	0.00 Bps	29.00 Bps

HOT TRENDS

- The workforce analytics solutions market is estimated to grow from \$422 million in 2015 to \$860 million by 2020, at a Compound Annual Growth Rate (CAGR) of 15.3%
- Growth in the size of the global HCM Software industry from \$11.3 billion in 2014 to \$15.5 billion in 2018 (8.2% CAGR)
- HR compliance continues to increase in complexity with ACA and new overtime requirements for salaried employees



7TH ANNUAL GROWTH FIRM CONFERENCE

We hosted our 7th annual conference on May 12th attracting over 350 attendees – 2/3 company management and 1/3 private equity investors. Our roundtable moderators, Ravi Mehta (Mercer) and Jim Holm (PAN), lead discussion on HR Tech growth drivers.

erecruit

-CAPITAL RAISE-

Enterprise staffing software

Current Round: \$10.0M

Total Raised: \$35.0M

Representative Investors:

- North Bridge Venture Partners

CEO: David Perotti

Namely

-CAPITAL RAISE-

Payroll and benefits platform

Current Round: \$30.0M

Total Raised: \$107.8M

Representative Investors:

- Sequoia Capital
- Matrix Partners
- True Ventures
- Greenspring Ventures

CEO: Matt Straz

HIRED

-CAPITAL RAISE-

Marketplace for tech careers

Current Round: \$40.0M

Total Raised: \$72.7M

Representative Investors:

- Comcast Ventures
- CrossLink Capital
- NEA
- Sherpa Ventures
- Lumia Capital
- Sierra Ventures

CEO: Matt Mickiewicz



-ACQUISITION-

Talent management software

Transaction Date: Q1 2016

Total EV: \$132M

Key Metrics:

- Target Rev: **\$33M**
- Target EBITDA: **ND**
- EV/Rev: **4.0x**
- EV/EBITDA: **NM**

-ACQUISITION-

Cloud-based talent solutions

Transaction Date: Q1 2016

Total EV: \$375M

Key Metrics:

- Target Rev: **\$75M**
- Target EBITDA: **ND**
- EV/Rev: **5.0x**
- EV/EBITDA: **NM**

-ACQUISITION-

Compensation data and analytics

Transaction Date: Q1 2016

Total EV: \$55M

Key Metrics:

- Target Rev: **\$14M**
- Target EBITDA: **\$5M**
- EV/Rev: **3.8x**
- EV/EBITDA: **11.7x**

CHILDS Advisory Partners

RECENT HR TECHNOLOGY M&A TRANSACTIONS

Year	Quarter	Buyer	Target	Enterprise Value (\$M)
2016	Q2	Chegg	Imagine Easy Solutions	\$61
2016	Q2	Wolters Kluwer	Macmillan Learning, Learning Technology Platform	ND
2016	Q2	Callidus Software	ViewCentral	\$4
2016	Q2	PayScale	MarketPay	\$55
2016	Q2	Frontline Technologies	Centris Group	ND
2016	Q1	Asure Software	Mangrove Software	\$18
2016	Q1	HGCapital	Raet	ND
2016	Q1	Reward Gateway	Yomp	ND
2016	Q1	Barnes & Noble	LoudCloud Systems	ND
2016	Q1	Follett Corporation	@ a Glance Software, Inc. (dba Classbook.com)	ND
2016	Q1	Hodes	QUEsocial	ND
2016	Q1	New Harbor Capital Management	Certica Solutions	ND
2016	Q1	Certica Solutions	Peet Consulting (dba Academic Benchmarks)	ND
2016	Q1	Karelab	Propulse	ND
2016	Q1	Aon Hewitt	Modern Survey	ND
2016	Q1	Employer Advantage	Cobalt Astra	ND
2016	Q1	PeopleScout (TrueBlue)	Aon Hewitt, Recruiting Process Outsourcing business	\$72
2016	Q1	LinkedIn	Connectifier	\$100
2016	Q1	PowerSchool Group	Interactive Achievement	ND
2016	Q1	Mercer	CPSG Partners	ND
2016	Q1	PrismHR	Summit Software	ND
2016	Q1	Civitas Learning	College Scheduler	ND
2016	Q1	Weld North Holdings	Intellify Learning	ND
2016	Q1	Intapp	Rekoop	ND
2016	Q1	Kronos	Empower Software Solutions	\$132
2016	Q1	Capita	BrightWave Ltd.	ND
2016	Q1	Mintra Trainingportal	OCS HR AS	ND
2016	Q1	H.I.G. Capital; Prudential Capital Group	Salary.com	ND

CHILDS Advisory Partners

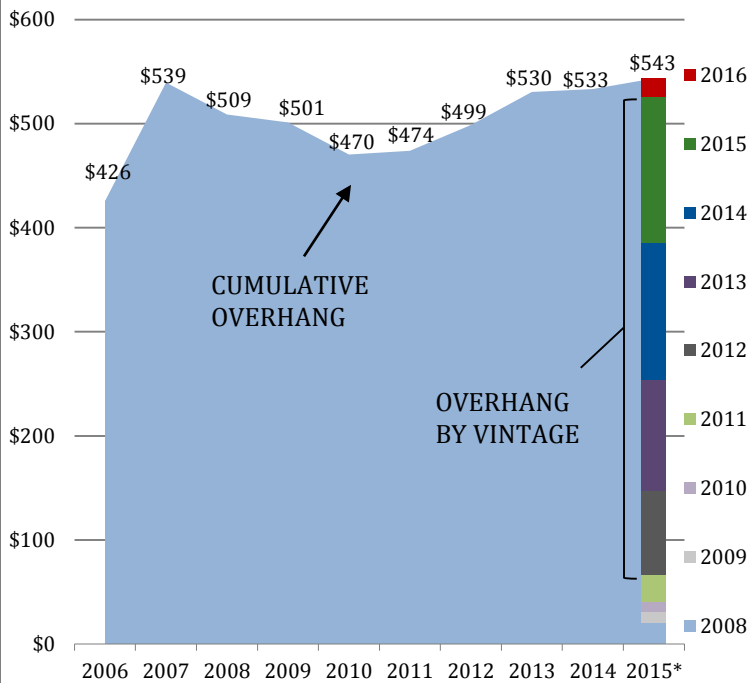
RECENT HR TECHNOLOGY CAPITAL RAISES

Year	Quarter	Investors	Target	Investment (\$M)
2016	Q2	Romulus Capital	Humanyze	\$4
2016	Q2	Goldman Sachs Private Capital Investing	ON24	\$25
2016	Q2	Charleston Angel Partners; SCRA Technology Ventures	Job Market Maker	\$1
2016	Q2	-	Employeemeo	ND
2016	Q2	Orange Fab, Foundry Group	Wonolo	\$6
2016	Q2	-	STEM Premier	\$3
2016	Q2	-	Qmerit	\$2
2016	Q1	OpenView Venture Partners; Allos Ventures, LLC; High Alpha	Lessonly	\$5
2016	Q1	Five Elms Capital	SpeakWorks	\$5
2016	Q1	Rittenhouse Ventures	Take The Interview	\$3
2016	Q1	Primus Capital	Netchex Online	ND
2016	Q1	Goldman Sachs Private Capital Investing; One Peak Partners	STAFF FINDER AG	ND
2016	Q1	Highland Capital Partners; Lewis & Clark Venture Capital	OneSpace Solutions	\$9
2016	Q1	Eden Capital Management; University Ventures; United Student Aid Funds	Revature	ND
2016	Q1	-	Reflik	\$1
2016	Q1	Matrix Partners; Sequoia Capital; Greenspring Associates, Inc.; True Ventures	Namely	\$30
2016	Q1	Converge Venture Partners; Avalon Ventures; Stage 1 Ventures; Hyperplane Venture Capital	Talla	\$4
2016	Q1	Accel; Costanoa VC; SofTech VC; Greg Waldorf; Vayner Capital	Grovo	\$40
2016	Q1	Rho Acceleration; NewSpring Capital; Invus Group	Snagajob	\$100
2016	Q1	Seedcamp	Beeline.com	\$0.1
2016	Q1	Omidyar Network; Andreessen Horowitz; Kapur Capital; Valar Ventures; Magic Johnson Enterprises	Jopwell	\$3
2016	Q1	500 Startups, Digital Entertainment Ventures (DEV)	Tackl	\$0.1
2016	Q1	Bessemer Venture Partners; OpenView Venture Partners	Smashfly Technologies	\$22
2016	Q1	Matrix Partners; Index Ventures; Scale Venture Partners; Correlation Ventures	Lever	\$20
2016	Q1	Accel Partners; Felix Capital Partners; Mangrove Capital Partners	Job Today S.A.	\$10
2016	Q1	JMI Equity	CoreHR	ND

M&A ACTIVITY AND TRENDS

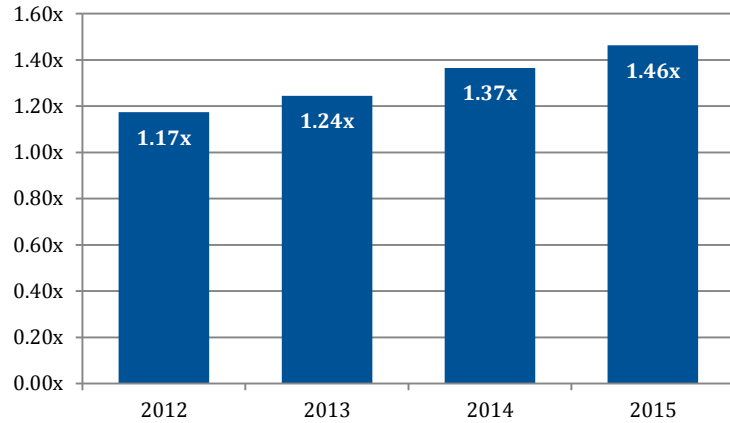
- Choppy stock market and global growth concerns in Q4 2015 and Q1 2016 slowed down M&A market activity year to date in 2016
- Middle market software M&A (< \$500M) volume down in 2016 after 2 record years
- Private equity funds and corporations are sitting on record amounts of cash to fund future M&A activity

PRIVATE EQUITY OVERHANG (\$ IN BILLIONS)

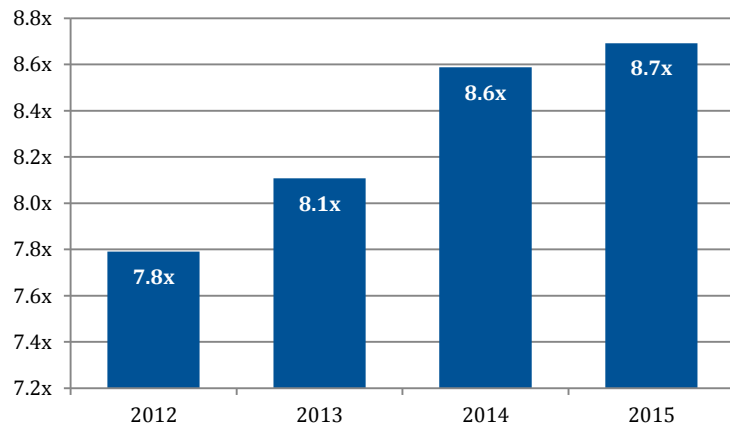


MIDDLE MARKET M&A VALUATIONS

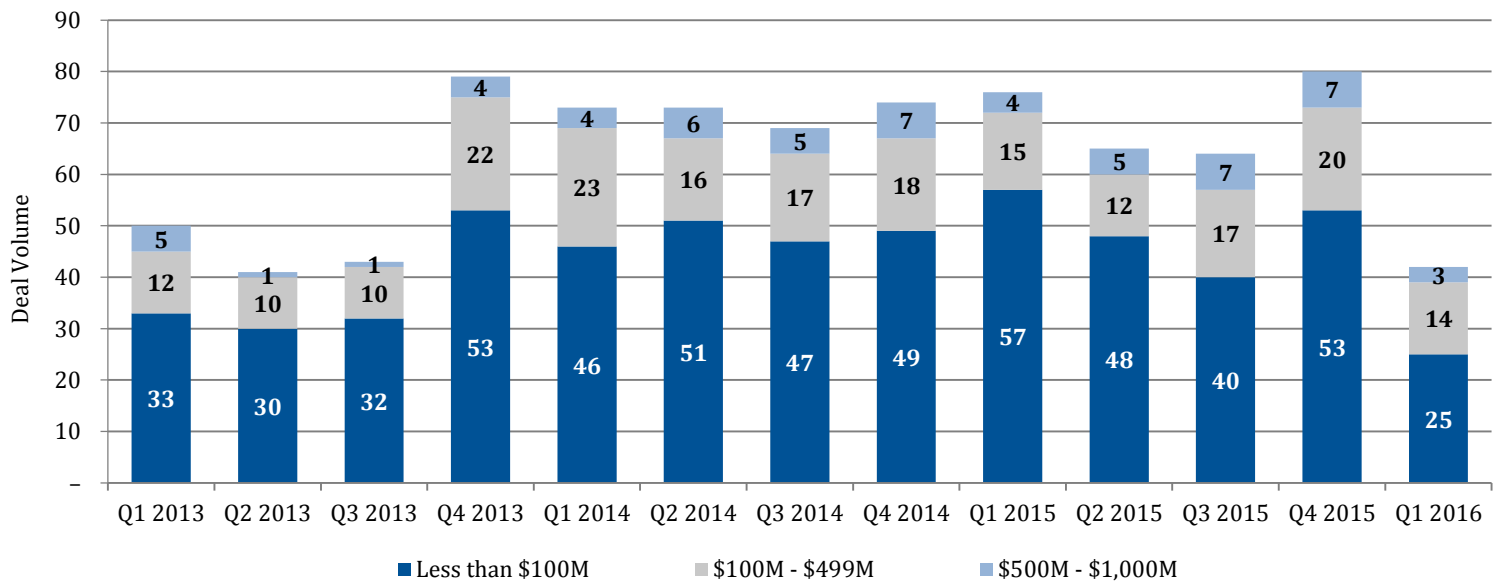
EV/Revenue



EV/EBITDA



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 5/31/2016	52 Week High	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		CY2017		3 Year Rev CAGR
						Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA	
LinkedIn Corporation	\$136.50	\$258.39	52.8%	\$17,543.0	\$15,549.0	\$3,213.9	\$266.1	8.3%	4.84x	58.4x *	3.49x	12.5x	42.6%
Workday, Inc.	75.84	85.67	88.5%	14,896.8	13,434.8	1,162.3	(181.7)	(15.6%)	11.56x *	NM	6.62x *	58.5x *	61.9%
The Ultimate Software Group, Inc.	204.48	216.27	94.5%	5,886.6	5,800.7	660.4	64.4	9.7%	8.78x *	90.1x *	6.11x *	24.1x	23.3%
Paycom Software, Inc.	40.44	46.35	87.2%	2,447.4	2,400.9	259.6	61.0	23.5%	9.25x *	39.4x *	5.77x *	24.5x	44.5%
Cornerstone OnDemand, Inc.	40.01	40.70	98.3%	2,173.9	2,132.2	365.0	(58.7)	(16.1%)	5.84x *	NM	3.98x	35.3x *	40.5%
WageWorks, Inc.	56.05	58.00	96.6%	2,044.6	1,561.1	336.0	65.1	19.4%	4.65x	24.0x	3.87x	12.1x	21.1%
Paylocity Holding Corporation	36.71	46.90	78.3%	1,884.9	1,795.1	210.9	4.9	2.3%	8.51x *	NM	6.19x *	49.7x *	40.5%
Benefitfocus, Inc.	36.71	47.49	77.3%	1,085.3	1,087.9	197.3	(44.0)	(22.3%)	5.52x *	NM	3.75x	193.9x *	31.6%
Callidus Software Inc.	18.56	21.64	85.8%	1,037.2	935.3	181.7	(0.0)	(0.0%)	5.15x *	NM	3.75x	28.8x	22.7%
HealthStream, Inc.	23.49	32.41	72.5%	742.0	591.5	215.9	23.9	11.1%	2.74x	24.8x	2.31x	12.9x	25.3%
DHI Group, Inc.	7.05	10.48	67.3%	366.1	433.1	254.3	59.3	23.3%	1.70x	7.3x	1.75x	6.2x	8.4%
Halogen Software Inc.	7.02	8.51	82.5%	152.3	117.7	67.4	(3.0)	(4.4%)	1.76x	NM	1.44x	35.2x *	18.2%
Bond International Software plc	1.27	2.11	60.5%	54.4	58.2	66.3	7.8	11.8%	0.95x *	8.0x	NM	NM	5.6%
Asure Software, Inc.	4.95	6.39	77.5%	31.4	62.2	27.3	2.1	7.7%	2.28x	29.4x	1.46x	7.7x	7.8%
Mean			80.0%			\$515.6	\$19.1	4.2%	2.99x	18.7x	2.87x	16.1x	28.2%
Median			80.4%			\$235.1	\$6.4	8.0%	2.51x	24.0x	3.49x	12.7x	24.3%

HRO (HUMAN RESOURCES OUTSOURCING)

(USD in millions, except for stock price)

Company Name	Market Data				Operating Statistics				EV as a Multiple of:				3 Year Rev CAGR
	Stock Price 5/31/2016	52 Week High	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		CY2017		
						Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA	
Automatic Data Processing, Inc.	\$87.82	\$91.00	96.5%	\$40,105.3	\$39,147.9	\$11,464.0	\$2,414.2	21.1%	3.41x	16.2x	3.08x	14.4x	1.1%
Paychex, Inc.	54.22	54.78	99.0%	19,565.4	19,238.2	2,890.2	1,234.5	42.7%	6.66x *	15.6x	6.06x *	14.1x	8.0%
Willis Towers Watson Public Limited	128.02	130.97	97.8%	17,708.0	20,871.0	4,947.0	1,157.0	23.4%	4.22x	18.1x	2.42x	10.2x	12.2%
Capita plc	15.49	19.45	79.6%	10,298.1	13,308.8	7,133.0	1,070.9	15.0%	1.89x	12.6x	1.77x	11.2x	13.0%
CEB Inc.	63.76	91.57	69.6%	2,041.9	2,437.1	930.0	208.2	22.4%	2.62x	11.8x	2.35x	9.1x	10.8%
51job Inc.	31.01	36.11	85.9%	1,819.7	1,185.0	328.5	97.5	29.7%	3.61x	12.2x	2.91x	8.6x	13.5%
Insperity, Inc.	71.97	72.25	99.6%	1,522.0	1,305.7	2,706.5	110.8	4.1%	0.48x *	11.8x	0.39x *	7.7x	7.6%
TriNet Group, Inc.	20.15	29.72	67.8%	1,430.3	1,723.8	2,766.6	114.7	4.1%	0.62x *	15.0x	0.49x *	8.6x	27.2%
Xchanging plc	2.84	2.98	95.1%	704.1	778.3	649.2	86.0	13.2%	1.21x	9.2x	NM	NM	(13.0%)
CBIZ, Inc.	10.56	11.54	91.5%	545.3	778.5	760.8	86.6	11.4%	1.02x	9.0x	0.94x *	8.0x	5.9%
Barrett Business Services Inc.	37.36	53.00	70.5%	263.0	257.6	740.8	39.3	5.3%	0.35x *	6.6x	NM	NM	22.5%
Monster Worldwide, Inc.	2.65	8.23	32.2%	241.0	293.7	651.8	92.5	14.2%	0.45x *	3.1x	NM	NM	(9.1%)
Connecture, Inc.	1.40	12.35	11.3%	28.9	77.4	92.8	3.4	3.7%	0.83x *	22.4x	0.66x *	4.4x	28.2%
Mean			76.7%			\$2,773.9	\$516.6	16.2%	2.57x	12.6x	2.51x	9.6x	9.8%
Median			85.9%			\$930.0	\$110.8	14.2%	2.62x	12.2x	2.42x	8.9x	10.8%

UPCOMING HCM EVENTS [1]

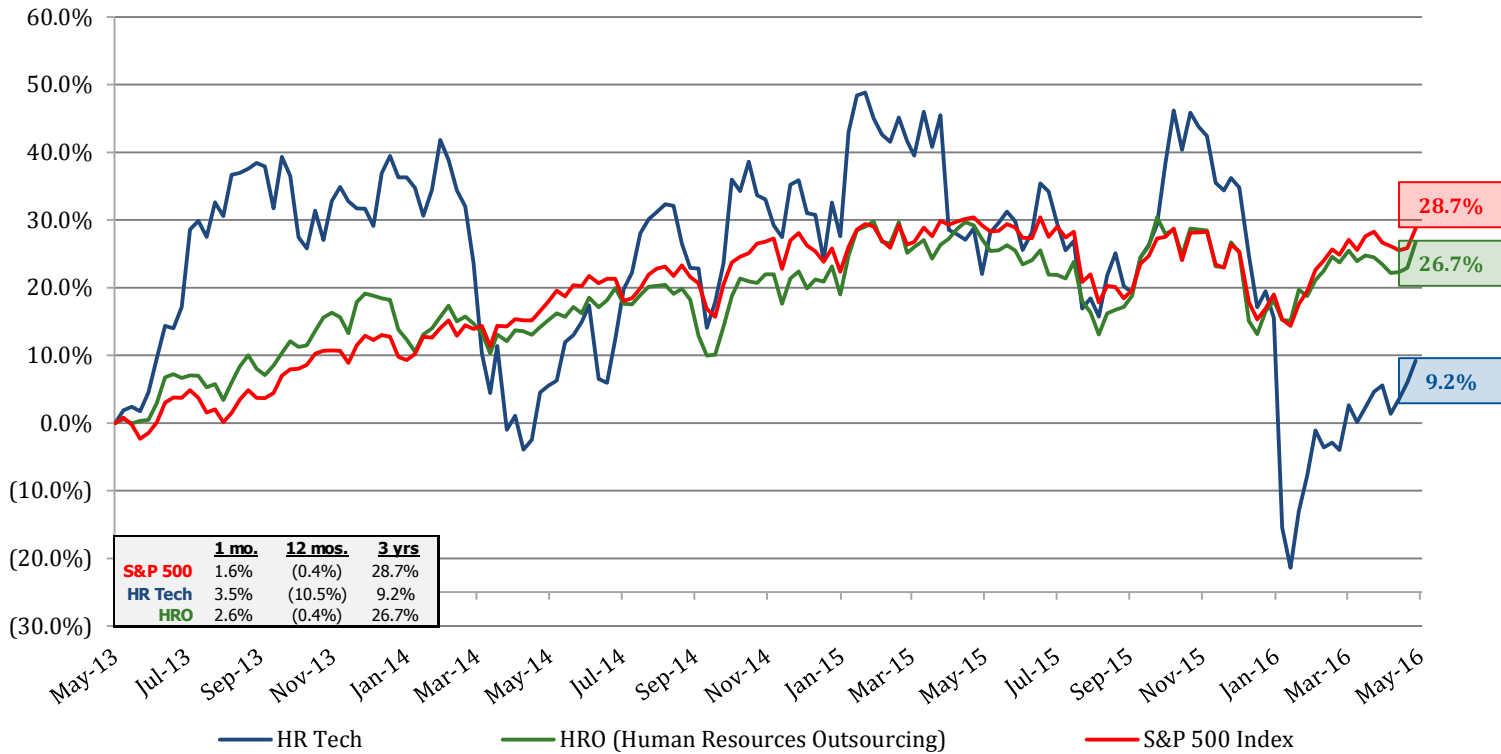
DATES	EVENT	LOCATION
Jun 19 – Jun 22	SHRM Annual Conference & Exposition	WEW Convention Center – Washington, DC
Jul 19 – Jul 20	Employee Engagement Conference	Sheraton Denver Downtown – Denver, CO
Sep 08 – Sep 10	NAPEO's Annual Conference & Marketplace	JW Marriott Austin – Austin, TX
Sep 18 – Sep 20	NAPBS – Annual Conference	Palm Desert, CA
Sep 21 – Sep 23	Ohio HR Conference	Kalahari Resort - Sandusky, OH
Oct 04 – Oct 07	HR Technology Conference	McCormick Place – Chicago, IL
Oct 16 – Oct 19	HR Southwest Conference	Omni Fort Worth Hotel – Fort Worth, TX

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

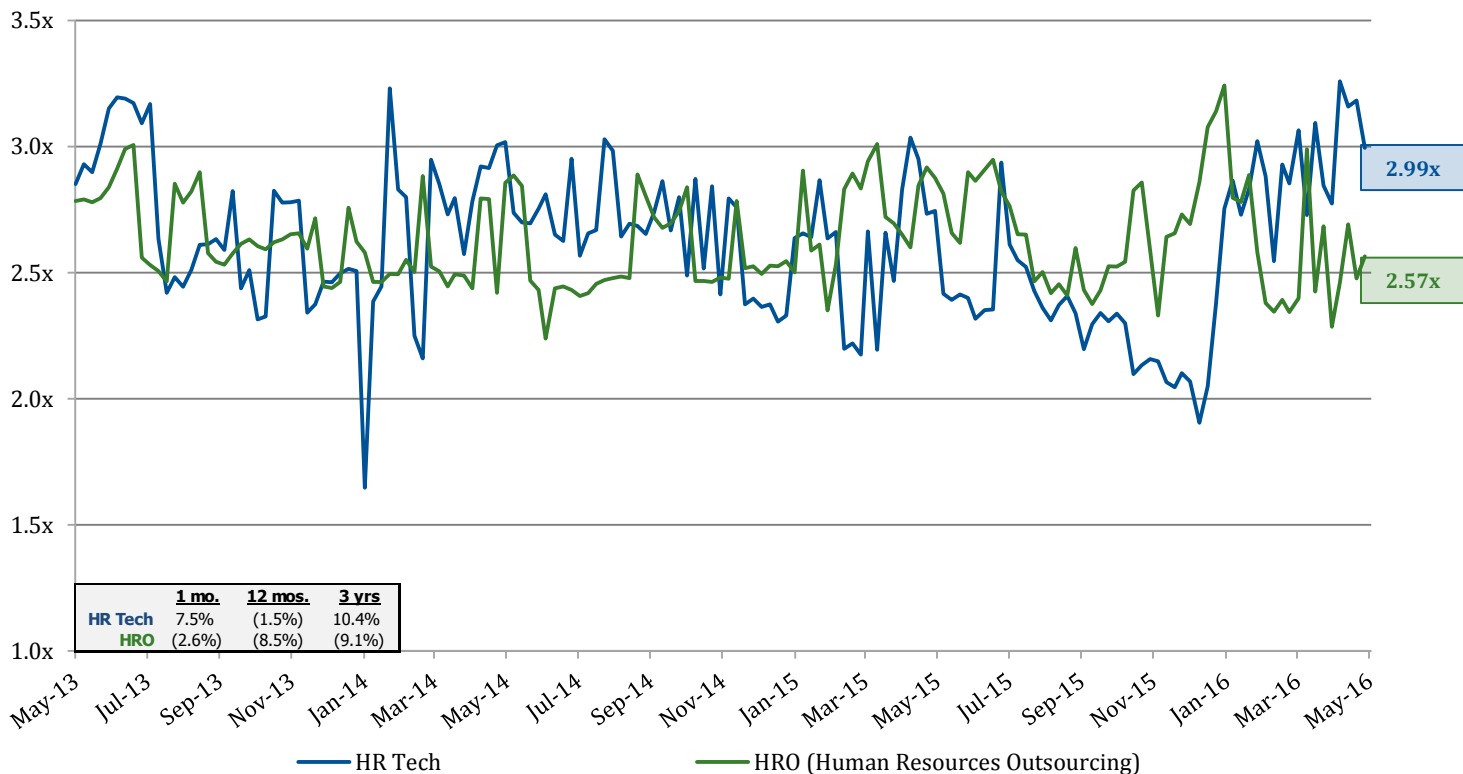
[1]: Green font represents planned attendance by CHILDS Advisory Partners

STOCK MARKET FUNDAMENTALS

HR SECTOR INDICES VS. S&P 500



VALUATION TREND DATA (EV/LTM REVENUE)



FIRM OVERVIEW

KEY FACTS

- 34 professionals across four offices in U.S. with headquarters in Atlanta
- 66 transactions completed in last 3 years
- 60% Sponsor / 40% Strategic buyers
- Leadership in Middle Market M&A transactions (<\$500M)
 - #1 in HCM / Staffing
 - #1 in Healthcare IT Consulting
 - #1 in IT Services
- Humble. Hungry. Smart. Team.

SOFTWARE SECTOR FOCUS

HR TECHNOLOGY

VERTICAL
SAAS

HEALTHCARE

BI &
ANALYTICS

RECENT ACCOLADES

**RANKED #1 BY
451 GROUP FOR IT SERVICES
TRANSACTIONS IN 2015**

**2013 M&A ADVISOR'S U.S.
BOUTIQUE INVESTMENT BANK
OF THE YEAR FINALIST**

**ATLANTA'S FASTEST
GROWING INVESTMENT BANK**

**2014 M&A ADVISOR'S
CROSS-BORDER TRANSACTION
OF THE YEAR FINALIST**

**2014 M&A ADVISOR'S IT
PROFESSIONAL SERVICES
TRANSACTION OF THE YEAR
FINALIST**

**2013 M&A ADVISOR'S
STRATEGIC DEAL OF THE
YEAR WINNER**

MAKING A DIFFERENCE WITH CRISTO REY

CHILDS Advisory Partners is sponsoring 4 individuals this year in a national program called Cristo Rey ("CR"). CR provides a fully funded 9-12 grade education for underprivileged kids – typically those with a family income of less than \$30k/year – with the goal of preparing them to be accepted into college and ultimately into the working world. This is only the second CR class in Atlanta since the school opened in 2014.



CHILDS Advisory Partners

TEAM'S EXTENSIVE EXPERIENCE IN HR TECHNOLOGY

Project Mustang

Sell-Side Advisory

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

Project Outback

Sell-Side Advisory

- SaaS-based provider of talent management solutions with a focus on learning management

Project Olympus

Sell-Side Advisory

- Leading HR & finance consultancy with a focus on deploying cloud-based solutions



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



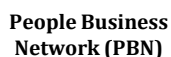
Recapitalization Advisory

- 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



Sell-Side Advisory

- Time and scheduling software focused on consulting organizations

CHILDS Advisory Partners

CHILDS' HR TECHNOLOGY TEAM

CHILDS OFFERS THE SENIOR LEVEL ATTENTION AND ADVISORY FOCUS OF A BOUTIQUE FIRM, COUPLED WITH THE BREADTH OF SERVICES AND RELATIONSHIPS PROVIDED BY BULGE BRACKET INVESTMENT BANKS

Scott Rhodes
Managing Director



404.751.3021

- Former Corp. Dev. executive for two S&P 500 companies, Equifax and Waste Management, and CEO of private equity backed business called Bagster
- 12 years of investment banking experience with Robinson Humphrey and Bank of America with over 80 M&A and capital markets transactions
- MBA from Kellogg School at Northwestern University 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

CHILDS ADVISORY PARTNERS' SERVICES

**MERGERS &
ACQUISITIONS**

CAPITAL RAISES

**FINANCIAL &
STRATEGIC ADVISORY**

Scott Rhodes
Managing Director
404.751.3021
srhodes@childsap.com

Tom Donahue
Managing Director
617.290.5433
tdonahue@childsap.com

Justin Bentley
Vice President
404.751.3048
jbentley@childsap.com

Steve Carr
Vice President
404.751.3013
scarr@childsap.com

CHILDS Advisory Partners | 3438 Peachtree Road, Suite 1400 Phipps Tower | Atlanta, GA 30326 | ph: 404.751.3000 | www.childsadvisorypartners.com