

# **HCM SOFTWARE SNAPSHOT: 3Q22 UPDATE**

**WITH MARKET DYNAMICS FORCING  
LEADERSHIP TEAMS TO RETHINK THEIR  
STRATEGY, HCM FUNCTIONS CONTINUE TO  
SEEK TECH-ENABLED SOLUTIONS TO DRIVE  
LONG-TERM COST EFFICIENCIES**

**HCM SOFTWARE CONTINUES TO ATTRACT  
INVESTMENT AS UNDERLYING DEMAND  
DRIVERS REMAIN ROBUST**

**COOPER PARRY**  
**CORPORATE FINANCE**

GLOBAL  
M&A  
PARTNERS

# KEY THEMES & DEAL SNAPSHOTS

The view on the market remains positive with significant opportunities available for management teams and investors despite economic headwinds

## Scarcity of good businesses in the market

- Despite economic headwinds, demand for high-quality, mission-critical HCM software businesses with strong revenue growth and profits (or near-term path to profitability) remains robust – whilst we have seen a drop in valuations compared to the record highs seen in 2021, scarcity value is continuing to underpin valuations
- HCM multiples continue to lead Vs other SaaS product categories – global skills shortages and cost pressures are underpinning demand for tech-enabled solutions

## White space in the lower mid-market

- SMEs that have been slow to adopt digital technologies are increasingly turning towards software solutions to manage inflationary pressures and streamline processes
- This has created a whole new market opportunity for HCM software players, particularly in those sectors that are traditionally more prone to recessionary forces as businesses seek efficiencies and alternatives to differentiate themselves

## Shifts in management sentiment

- Historically management teams have prioritised recruiting talent and re-allocating resources, particularly where the labour market is stagnant. We are now seeing a shift aimed at driving greater retention and empowerment of the employee through tech-enabled solutions
- Employees now expect their onboarding and engagement experience to be the same as in their consumer life, an end to end digital experience

**Target:** Paycircle Ltd  
**Buyer:** The Access Group  
**EV:** n/d



Target description:

- Developer of a payroll management platform designed to accelerate payroll efficiency. The company's cloud-based payroll ecosystem, exclusively distributed through the bureau and accountancy channels, facilitates payroll compliance

Deal synopsis:

- The company was acquired by The Access Group, via its private equity backing from Hg Capital and TA Associates Management through an LBO on October 27, 2022 for an undisclosed amount

**Target:** Talos360  
**Buyer:** LDC  
**EV:** n/d



Target description:

- Developer of talent acquisition and employee engagement platform intended to help firms attract, engage and retain suitable candidates

Deal synopsis:

- The company was acquired by LDC through an LBO on October 15, 2022 for an undisclosed amount, providing an exit for Twenty 20 Capital

**Target:** Rotaready  
**Buyer:** The Access Group  
**EV:** n/d



Target description:

- Developer of staff management software designed to build intelligent rota schedules. The company's cloud-based platform and mobile application provide rota scheduling, live cost of staffing, budgeting tools, and custom revenue streams

Deal synopsis:

- The company was acquired by The Access Group for an undisclosed amount on September 26, 2022 providing an exit for early stage growth investors Scale Commerce and True Private Equity

(1) Top vertical deals as a % of all vertical SaaS deals in 3Q22.

# HCM SOFTWARE METRICS

Robust deal volumes and a healthy average deal size amongst private equity and M&A transactions suggests an insatiable appetite for companies exhibiting profitable growth

## Q3-22 KEY METRICS

77

Deals completed

£36.8m<sup>1</sup>

Average deal size

£1.5bn<sup>2</sup>

Aggregate deal value

9.0x

Median TTM  
EV/Revenue multiple  
of listed players

## Most active investors



AUM: £48.3bn  
Median deal size (2022): £127m  
Vertical preference: SaaS  
Sector investments in last 2 years: 3



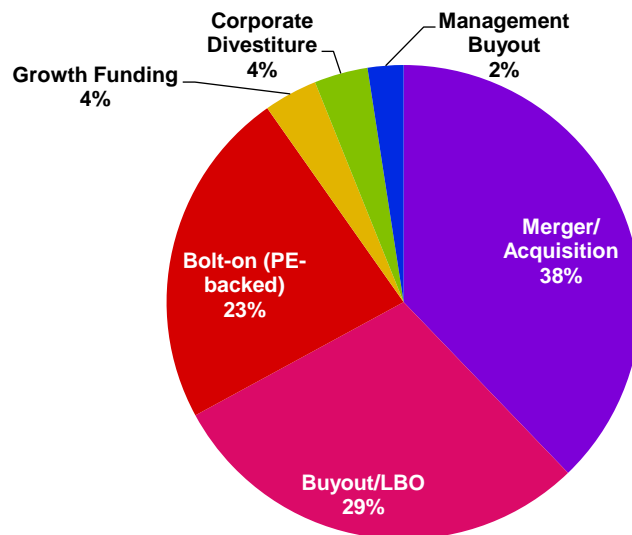
K1 INVESTMENT MANAGEMENT

AUM: £11.4bn  
Median deal size (2022): £63m  
Vertical preference: SaaS, TMT  
Sector investments in last 2 years: 3



Revenue: £317m  
Ownership Structure: PE-backed  
Category: Enterprise software  
Sector investments in last 2 years: 2

## Q3-22 deals by buyer type



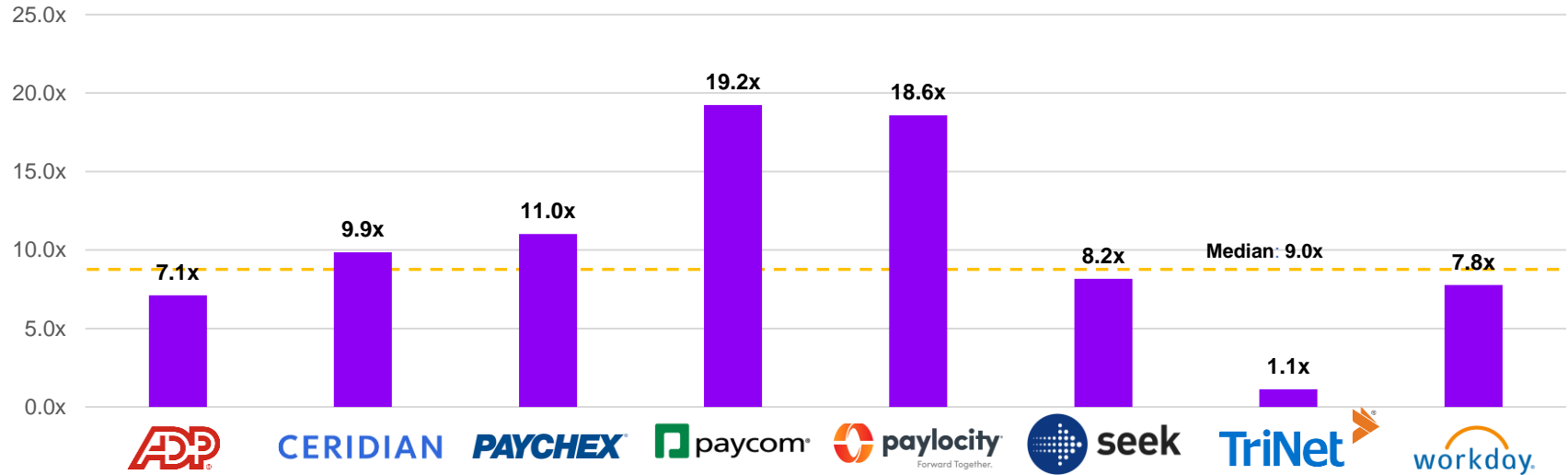
- The third quarter of 2022 saw continued deal activity in the HCM software vertical despite volumes and valuations cooling from record highs
- Investors continue to seek assets in recession-resistant end markets, however a scarcity of good quality businesses continues underpin valuations
- Private equity capital continues to flow into HCM tech and dominate deal activity with over 50% of deals involving a private equity investor either directly or indirectly

(1) Deals & deal size across all PE, M&A, LBO transactions where metrics disclosed. (2) Aggregate deal value across all deal types.

# HCM SOFTWARE METRICS

Despite the broader market uncertainty, key listed comparables in the HCM vertical continue to demonstrate revenue and profitability growth

EV/Revenue multiples - Selected listed comparables



Companies	Market Cap	EV	Net Debt	EV/Revenue (TTM)	Revenue % Growth (TTM)	EV/EBITDA (FY)	EBITDA % Growth (TTM)
Automatic Data Processing (NAS: ADP)	86,334,372	85,815,497	1,696,862	7.1x	9.6%	26.3x	10.4%
Paychex (NAS: PAYX)	35,958,895	37,809,750	(270,997)	11.0x	12.5%	23.9x	14.6%
TriNet Group (NYS: TNET)	3,581,866	4,043,545	(148,188)	1.1x	11.9%	12.8x	31.6%
Paycom Software (NYS: PAYC)	15,564,227	17,531,997	(184,363)	19.2x	30.1%	87.9x	52.2%
Seek (ASX: SEK)	4,096,848	4,840,000	704,195	8.2x	46.9%	18.9x	79.6%
Workday (NAS: WDAY)	29,910,966	30,874,529	(1,150,119)	7.8x	21.4%	165.7x	-38.5%
Paylocity (NAS: PCTY)	9,557,582	11,907,173	(51,314)	18.6x	35.6%	89.1x	23.5%
Ceridian HCM (NYS: CDAY)	7,383,185	8,396,396	599,569	9.9x	23.6%	N/A	N/A

# HCM SOFTWARE – MA& ACTIVITY Q3-22

## Selected M&A transactions

Deal Date	Target	Description	Investor/Acquirer	Deal Size	Implied EV/Revenue
25-Oct-2022	ApplicantOne	Developer of staffing and recruiting cloud-based application designed to boost productivity by coordinating hiring efforts across the organization. The company's software automates recruiting, applicant tracking and hiring platform is unequalled in its features and performance, they have streamlined the burdensome talent acquisition process, saving customers time and money.	Credit Bureau Connection(David Carner), Stellus Capital Investment Corporation BDC, The CapStreet Group	N/D	N/D
19-Oct-2022	Ultmost	Developer of a workforce management platform designed to help companies productively engage their workforce through the power of technology. The company's system focuses on helping large companies manage contracts and flexible workers and facilitate human resource services including onboarding, pay and benefits, enabling enterprises to improve efficiency and reduce management pain points.	Beeline (Jacksonville)(Doug Leeb), New Mountain Capital, Stone Point Capital	N/D	N/D
18-Oct-2022	Aptology	Developer of a sales fit-to-role platform designed to assist in sales management and analysis. The company's platform surveys the current team to identify behavioral traits that predict success, finds and interprets what traits are predictive of long-term success in a particular position, provides generated questions and interview guides, and stores all related data, enabling sales leaders to identify, hire and develop the right salespeople for their company's success and sales generation.	Boathouse Capital, Keiretsu Forum, Mediafly(Carson Conant), Tola Capital	N/D	N/D
15-Oct-2022	Talos360	Developer of talent acquisition and employee engagement platform intended to help firms attract, engage and retain suitable candidates. The company's tools streamline the candidate management process from applicant attraction and candidate management, to video interviewing and onboarding and offer employee engagement insights for HR professionals to improve engagement, well-being and productivity.	LDC(John Clarke)	N/D	N/D
12-Oct-2022	Fairygodboss	Operator of an online career community platform intended to improve female job experience and work-life balance. The company's platform provides anonymous job reviews, interview tips, maternity leave policies, and information about company culture towards women employees, enabling professional women to get insider information on companies and find organizations that believe in gender equality.	The Muse(Kathryn Minshew)	N/D	N/D
04-Oct-2022	Bluecrew	Developer of a workforce management platform designed to find and manage hourly workers. The company's platform uses a matching algorithm and application-based approach to employ workers doing warehouse work, stadium concessions and delivery and connects workers directly to companies to find jobs that fit their schedule and passions, enabling employers to easily hire a flexible workforce.	Apollo Global Management (NYS: APO)(Robert Kalsow-Ramos), EmployBridge(Billy Milam)	N/D	N/D
04-Oct-2022	Structural	Developer of an employee success management platform designed to inspire and help all organizations to unleash the full potential of their people and teams. The company's platform extracts basic demographic data from the company's HRIS, payroll and performance management systems, creating a centralized view of the company's employees, enabling organizations to find the right people for new projects.	Augeo(David Kristal)	N/D	N/D
03-Oct-2022	bswift	Provider of enrollment and administration system intended for human resources and payroll administration. The company's platform uses cloud-based technology to help employers and health-insurance exchanges streamline payroll, benefits and human resources administration for employees, thereby simplifying and reducing cost of the administration of health care and helping employees make smart decisions about their benefits and health care.	Francisco Partners(Justin Chen)	N/D	N/D
03-Oct-2022	Whistle Recruiting	Developer of a recruiting communication platform designed to intercept messages and phone calls from coaches. The company's platform equips the top collegiate football programs with tools and strategies to effectively and efficiently manage the recruiting communication process, enabling them to have a competitive advantage while recruiting.	Teamworks(Zachary Maurides)	N/D	N/D
26-Sep-2022	Rotaready	Developer of staff management software designed to build intelligent rota schedules. The company's cloud-based platform and mobile application provide rota scheduling, live cost of staffing, budgeting tools, and custom revenue streams with cross-site reporting and attendance monitoring, enabling businesses to simplify their workforce management processes.	The Access Group(Henry Seddon)	N/D	N/D
09-Sep-2022	Greenshades	Developer of payroll tax and human capital management (HCM) information processing platform designed for businesses that need to unify payroll and human resources processes. The company offers cloud-based products for filing, payment of tax, returns and distribution of forms as well as management of paystubs, timesheets, documents, online benefits and enrollment to mid-sized businesses.	ACE & Company, Grey Sky Venture Partners, WayPoint Capital Partners	N/D	N/D
08-Sep-2022	Skillate	Developer of a recruitment platform designed to optimize the talent acquisition process by leveraging artificial intelligence and machine learning algorithms. The company's platform allows users to screen and shortlist resumes, integrate with external channels and ATS to source resumes directly, and map relevant profiles with the job requirements, enabling companies to make hiring easy, fast and transparent and reduce resume screening time and find a suitable candidate.	Sense (Business/Productivity Software)	N/D	N/D
06-Sep-2022	Namely	Developer of a human capital management platform intended to meet the complex demands faced by today's HR professionals. The company's cloud-based platform provides tools across payroll, benefits, human resource information, and talent management, enabling mid-sized companies to focus on developing their people and providing a better employee experience.	PrismHR(Gary Noke), Vensure Employer Services(Alex Campos)	N/D	N/D
16-Aug-2022	SumTotal Systems	Provider of learning, performance and talent development software products. The company offers contextual and pervasive HR solutions spanning the entire employee lifecycle that help improve employee performance in real-time, enabling organizations to discover, develop and unleash the hidden potential within their workforce and entire business ecosystem.	Ares Management, Clearlake Capital Group(Prashant Mehrotra), Cornerstone OnDemand(Himanshu Palsule), Vector Capital (California)	165.47	N/D
16-Aug-2022	VAIRKKO Technologies	Developer of workforce and operations management software designed for businesses of all types and sizes to improve productivity and efficiency. The company's cloud-based platform offers tracking training systems, learning management systems (LMS), human resources information solutions, performance management and onboarding platform, along with applicant tracking and policy and document management platforms.	BV Investment Partners, EMS Management and Consultants(Greg Carnes)	N/D	N/D
11-Aug-2022	Pymetrics	Developer of an artificial intelligence-based talent matching platform intended to make the recruitment process effective, accurate, and unbiased. The company's platform uses a combination of neuroscience and machine learning to collect dense behavioral data from successful professionals in various roles and build models of which traits separate the successful professionals from the general population, enabling recruiters to find the right candidate and improve their recruitment process.	Harver(Scott Landers)	N/D	N/D
02-Aug-2022	OfficeTogether	Developer of an office reservation and scheduling software designed to schedule teams and manage capacity for hybrid offices. The company's software offers in-person collaboration, capacity management, facilities planning, flexible desk, and social features for communication, enabling businesses to give their employees flexibility in their work and better manage them.	Envoy(Larry Gadea)	N/D	N/D
02-Aug-2022	TalentReef	Operator of cloud-based recruiting and talent management software platform intended for hourly and decentralized workers. The company's platform offers candidate sourcing, assessments, background checks, quality benchmarks and compliance, thereby enabling the organizations to optimize recruiting, hiring and employee retention.	HG Capital (UK), HgCapital Trust (LON: HGT), Mitratech(Mike Williams), Noble Rock Advisors, Ontario Teachers' Pension Plan	N/D	N/D
01-Aug-2022	Entelo	Developer of recruitment platform designed to help companies identify and recruit technical talents. The company's SaaS-based platform uses data science, machine learning and directed scoring technologies to automatically rank and screen inbound applicants that improve key metrics such as quality of hire, time to hire and cost per hire, enabling recruitment and talent acquisition teams to find, qualify and engage with in-demand talent.	Foundation Capital, HighBar Partners(John Kim), SilkRoad Technology(Liith Christiansen), Two Sigma Investments	N/D	N/D
15-Jul-2022	SourceBreaker	Developer of an artificial intelligence-driven search and match platform designed to provide recruiters talent matching solutions for hiring talented people. The company's platform seamlessly integrates with various databases to improve candidate pools and identify vacancies that match candidate profiles at the click of a button, enabling recruiters to identify the candidates they need and candidates to fill their current roles, with top-quality talent.	Bullhorn (Boston)(Matthew Fischer), Genstar Capital, Insight Partners, Stone Point Capital	N/D	N/D
14-Jul-2022	Vivup	Developer of health and wellbeing benefits platform designed for employees in both the public and private sectors. The company's platform brings together employee benefits, well-being programs, discounts and savings, recognition and reward, plus workplace communications, thereby helping staff by providing access to everything in one single place.	Omni Partners (UK)(Charles Gallagher-Powell)	N/D	N/D
13-Jul-2022	Talivest	Operator of a cloud-based platform intended to manage the various alumni tasks and responsibilities. The company's platform helps to reconnect, recover and organize the past, present, and future contacts on the platform that is dedicated to keeping up to date with the alumni, enabling organizations to use people analytics to optimize their workforce to perform at their best at all stages of their journey.	GO1	N/D	N/D

Source: – Pitchbook, Cooper Parry analysis