

MESIROW INVESTMENT BANKING

HCM TECHNOLOGY SECTOR OVERVIEW

4Q2024

Mesirow 



Executive summary

Introduction

- **Mesirow’s knowledge, experience and relationships** within the Human Capital Management (HCM) Tech sector **enable us to add substantial value and unique insights** on behalf of our clients
- These discussion materials will highlight:
 - Mesirow’s dedicated coverage of the *HCM and HR Tech sectors*
 - Strategic insights of the HR Tech segment and relevant case studies

Mesirow capabilities

- Experienced professionals with a **strong track-record of successful strategic advisory in the HCM and HR Tech sectors**
- Engagements are **led by senior industry bankers** who possess significant experience and unique, invaluable insight
- **Direct lines of communication** with key investor decision-makers enable Mesirow to add substantial value
- We welcome the opportunity to further develop our relationships with various participants in the sector and look forward to building a constructive and on-going dialogue

Team leadership



Shane McDaniel
Managing Director
Technology & Software

- 24+ years of investment banking experience
- Previously at Raymond James, Piper Jaffray and Citigroup
- M.B.A., Booth – University of Chicago
- B.A., University of Illinois



Doug Brookman
Managing Director
Financial Sponsor Coverage

- 14+ years of M&A and advisory experience
- Previously at Pacific Avenue Capital Partners and Platinum Equity
- B.S., University of Arizona



Eric Markin
Director
Consumer & eCommerce



- 18+ years at Mesirow Financial
- Northwestern University, M.B.A.
- University of Wisconsin, B.B.A.

Dedicated coverage of the HR/HCM Technology & Services sectors

Deep expertise and experience across a range of relevant sub-sectors

Select industry participants and relationships

Category specialization

Assessments, Certification & Up-Skilling	
ATS	
Hiring & Talent Acquisition	
Workforce Management	

Sub-sectors of focus

- Applicant Tracking Systems ("ATS")
- Benefits Management Technology
- Certification, Education & Training
- Digital Workforce and Verification Services
- Employee Experience & Retention
- ERP Focused Platforms
- Hiring & Talent Acquisition and Onboarding
- SaaS HR Software
- Team Building and Collaboration
- Workforce Management
- Workforce Risk Management and Compliance

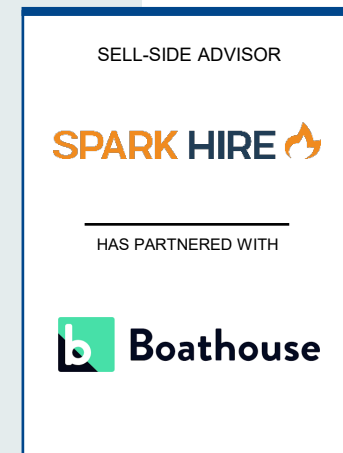
CASE STUDY: Mesirow advises Spark Hire, Inc. on its partnership with Boathouse Capital

Business description

- Headquartered in Northbrook, IL, Spark Hire is a SaaS video-based interview platform in the HR technology sector, serving thousands of customers in both enterprise and SMB in various end-markets.
- Spark Hire’s one-way interview solution functions as a productivity and collaboration tool for both recruiters and hiring managers

Process overview and key takeaways

- Mesirow was retained as the Company’s exclusive financial advisor to assist in a potential sale
- Mesirow’s investment thesis for the Company included the following:
 - Diverse customer base with high retention and recurring revenue
 - Multifaceted high growth profile combined with exceptional management team
 - Unmatched technology and innovation
 - Superior service and a consultative approach to product development
 - Culture rooted in customer service, quality and ease of doing business
- Mesirow structured and executed a highly efficient process to drive competitive tension and attract peak interest from prospective parties
- With an efficient process, the Company received multiple LOIs with very competitive multiples
- Acquired by Boathouse, a high-growth middle market private equity firm



Product demonstration



The Human capital management software market is large and growing

Valuable segments of the market remain underserved and continue to grow larger

The HCM software market is highly attractive...



Significant addressable market of \$18.2 billion for Human Capital Management Software, forecasted to grow at a CAGR of 11% through 2027



The market has steady customer demand since recruiting is an annuity business with companies making hires to replace departing employees or to facilitate growth



Increased AI and machine learning integration provides a significant opportunity for HCM software to expand its accessibility and effectiveness



A shift towards mobile-first HCM solutions is allowing employees greater flexibility and facilitating a tech-savvy workforce



SMBs have a more acute pain point as it relates to recruiting as they typically do not have the internal HR staff and processes to recruit employees and carry out HR functions needed to fuel growth

...Supported by sector growth drivers

Increasing emphasis of consumer-oriented experiences across all businesses (for end-clients and employees)

Generative AI is a transformative force, enhancing efficiency and freeing HR for strategic tasks

Enhance ATS with improved functionality and better collaboration tools and adoption of automation, artificial intelligence and machine learning



Ever-growing focus around data-driven insights via improved analytics and better reporting tools

HR function is increasingly being viewed as a means to differentiate in tight labor markets

High volume of dense information that employees / employers have to understand

HCM Technology spectrum

Pre-Hire	Hire/Onboarding			Compensation	Talent Management		Post
Sourcing/Tracking	Qualify	Interview	Post-Hire	Benefits	Learning	Performance	Succession
<ul style="list-style-type: none"> • Branding templates • Applicant tracking • Job board integration • Candidate compliance • Talent bench • Social recruitment • Programmatic recruitment 	<ul style="list-style-type: none"> • Assess • Cultural fit testing • Background credential • Offer letter automation • Skill testing / validation 	<ul style="list-style-type: none"> • Interview scheduling • Automated emails • Video • Real-time evaluation tools • Offer letter automation 	<ul style="list-style-type: none"> • Onboarding • Drug testing • Automated data capture • Information integration • Task tracking • E-signatures • Payroll • Time & attendance • Employee scheduling 	<ul style="list-style-type: none"> • Benefits admin. • Health insurance • Retirement services • COBRA • Compensation management 	<ul style="list-style-type: none"> • Learning mgmt. system • Content integration • Compliance & certification mgmt. • Test and survey 	<ul style="list-style-type: none"> • Talent mgmt. • Customizable forms • Goal setting and tracking • Performance improvement • Employee recognition 	<ul style="list-style-type: none"> • Succession planning • Skill gap reporting • Talent pools and planning • Offboarding

Platform decision spectrum

Outsource (Managed Services) or Insource

Best of Breed vs. Single Platform (and Extended Community)

Industry Workflow Integration

Workforce Data/Analytics and Forecasting

HCM M&A overview

Secular tailwinds driving digital transformation

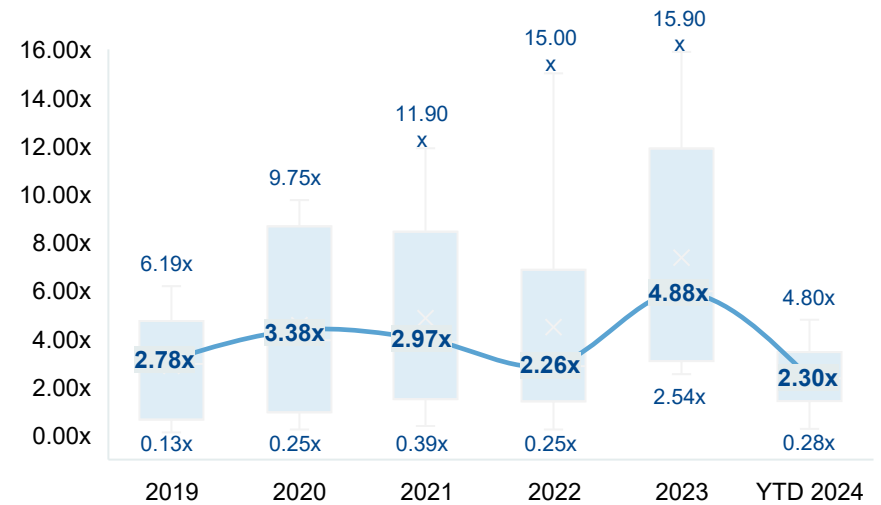
- The HCM market is relatively fragmented due to the large number of upstart players and a high degree of customized SaaS offerings
- In Q4 2023, all HCM subsectors rebounded following a decline in Q2 2023, primarily due to improvements in macro-economic conditions and geopolitical conflicts that affected public markets across the globe
- HCM platforms and workforce management public companies continue to trade at a premium compared to the major indices as investors continue to place more value on high-revenue visibility and subscription-based models
- Larger software platforms are using acquisitions of smaller firms to improve their market presence, to increase their product base and to grow market share
- Overall investment activity remains strong with 130+ transactions in the first 10 months of 2024; investors and strategic buyers continue to look to capitalize on the growing importance of technology in the work environment
- Constantly evolving employment laws, regulations and costly fines associated with any non-compliance drives companies' reliance on HCM software's ability to help organizations stay compliant by automating payroll, tax filings and benefits administration

Selected active participants

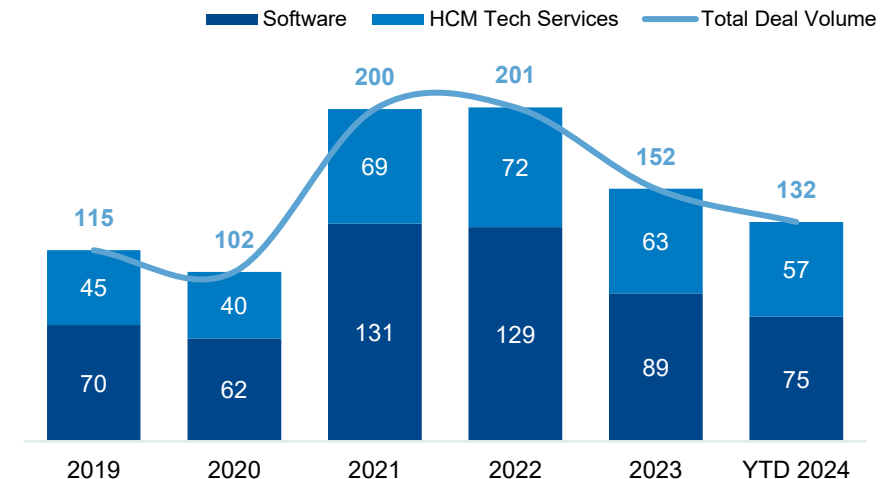
Strategic Acquirers					
					
Private Equity / Venture Capital					
					
Hybrid Acquirers					
					

Sources: Pitchbook, company filings. 1. Represents select disclosed transactions







Average Annual HCM Technology Revenue Multiples¹



















HCM Tech Deal Volume¹



Selected HCM Technology transactions (1/3)

Acquirer	Target	Enterprise Value/ Capital Raised (\$mm)	Commentary
		ND	<ul style="list-style-type: none"> H.I.G. Capital has signed a definitive agreement to acquire CompTIA for an undisclosed amount Provider of IT certifications and trainings, focused on promoting industry growth and skills development
		~\$650	<ul style="list-style-type: none"> EQT acquired PageUp for between \$600 and \$700 million in October of 2024 Developer of a cloud-based suite specialized in the management of human resources EV / Revenue of 8.70x
		\$115	<ul style="list-style-type: none"> Fingercheck raised \$115 million in growth investment led by Edison Partners and supported by StepStone Group and Columbus Capital Small business payroll and human resource software company that supports hiring, onboarding, scheduling and more
		\$1,100	<ul style="list-style-type: none"> SAP SE (XTRA:SAP) announced its acquisition of WalkMe Ltd. for \$1.1 billion in September 2024 Provides cloud-based digital adaption platform and associated professional services EV / Revenue of 4.80x
		\$53	<ul style="list-style-type: none"> Ideagen acquired Damstra Technology for \$53 million in April 2024 Operates a suite of cloud-based contractor and workforce management tools EV / Revenue of 2.30x
		\$2,170	<ul style="list-style-type: none"> First Advantage acquired Sterling Check Corp. for ~\$2.2 billion in February 2024 Provides background and identity verification services through its cloud-based technology platform EV / Revenue of 3.01x and EV / EBITDA of 17.2x
		\$1,835	<ul style="list-style-type: none"> General Atlantic Service Company and Stone Point Capital acquired HireRight Holding for ~\$1.8 billion in December 2023 Provides technology-driven workforce risk management and compliance solutions worldwide EV / Revenue of 2.54x and EV / EBITDA of 11.7x
		\$33	<ul style="list-style-type: none"> Intertek Group plc acquired PlayerLync, LLC for \$33 million in August 2023 Develops modern learning software for the mobile workforce EV / Revenue of 4.25x

Selected HCM Technology transactions (2/3)

Acquirer	Target	Enterprise Value/ Capital Raised (\$mm)	Commentary
 WESTVIEW CAPITAL PARTNERS	 Hubstaff	\$17	<ul style="list-style-type: none"> HubStaff (Netsoft Holdings) received \$17 million of development capital from WestView Capital Partners in August 2023 Developer of a time tracking software intended for team management
 SPARK HIRE	 comeet	\$50	<ul style="list-style-type: none"> Spark Hire acquired Comeet for \$50 million in June 2023 Developer of a collaborative recruiting platform designed to streamline the recruiting process EV / Revenue of 3.80x
 Edenred	 Reward Gateway	\$1,400	<ul style="list-style-type: none"> Groupe Edenred acquired Reward Gateway for \$1.4 billion in May 2023 Platform that offers employee savings, rewards & recognition and well-being and corporate social animation EV / Revenue of 12.20x and EV / EBITDA of 25.7x
 HireVue	 Modern Hire	\$375	<ul style="list-style-type: none"> HireVue acquired Modern Hire for \$375 million in May 2023 Provides AI-based human resource hiring SaaS and related APIs for businesses globally EV / Revenue of 5-6x
 QAD	 Redzone	\$115	<ul style="list-style-type: none"> QAD Inc. acquired Redzone for \$115 million in February of 2023 Developer of a risk management technology platform designed to provide intelligence support analysis EV / Revenue of 10.00x
 humanforce	 intelliHR	\$58	<ul style="list-style-type: none"> Humanforce acquired intelliHR, Inc. for \$58 million in January 2023 Provides an HR cloud-based platform that offers analytics, people management, and automation EV / Revenue of 15.90x
 WESTCAP	 HUNTING CLUB WILDERNESS	\$40	<ul style="list-style-type: none"> WestCap provided \$40 million of funding to Hunt Club in December 2022 Operator of a full-service recruitment firm intended to connect organizations with suitable executives
 VOYA FINANCIAL	 Benefitfocus	\$588	<ul style="list-style-type: none"> Voya Financial, Inc. (NYSE:VOYA) acquired Benefitfocus.com, Inc. for \$560 million in November 2022 Develops a cloud-based benefits management technology solutions for employers and health plans EV / Revenue of 2.30x

Source: PitchBook, Capital IQ and other sources.

Selected HCM Technology transactions (3/3)

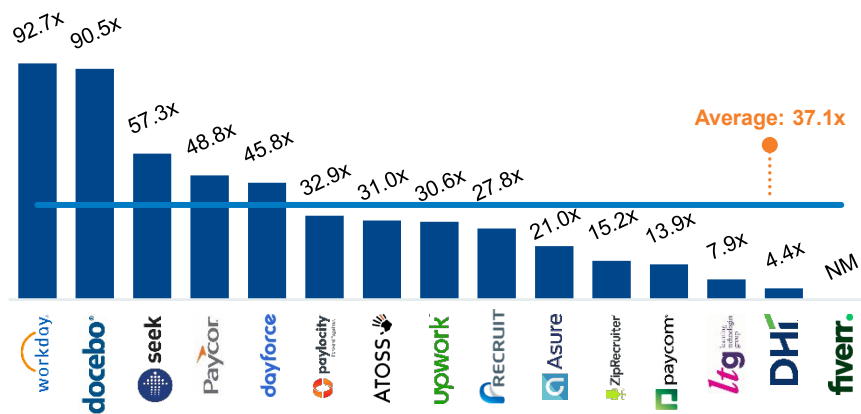
Acquirer	Target	Enterprise Value/ Capital Raised (\$mm)	Commentary
		\$180	<ul style="list-style-type: none"> • iCIMS acquired SkillsSurvey for \$180 million in October 2022 • Provides talent intelligence SaaS and related APIs for businesses in the U.S. • EV / Revenue of 5.10x
		\$338	<ul style="list-style-type: none"> • K1 Investment Management, a B2B enterprise SaaS software investment firm acquired ELMO Software for \$338 million in October 2022 • Provides HR and payroll management SaaS, APIs, and related mobile application to businesses globally • EV / Revenue of 5.80x
		\$45	<ul style="list-style-type: none"> • AD1 Holdings acquired Scout Talent Group for ~\$45 million in August 2022 • Provides talent acquisition SaaS, open APIs, and related mobile application for businesses • EV / Revenue of 4.30x
		\$110	<ul style="list-style-type: none"> • Mitrtech acquired talent management platform Talentreef for \$100 million in August 2022 • Provides HR and talent management SaaS and related APIs for businesses • EV / Revenue of 3.70x
		\$200	<ul style="list-style-type: none"> • Cornerstone OnDemand, Inc. acquired SumTotal Systems, LLC for \$200 million in June 2022 • HR software company that develops talent acquisition, onboarding, learning management, and talent management solutions • EV / Revenue of 1.70x
		\$200	<ul style="list-style-type: none"> • Pearson acquired digital credentialing leader Credly for \$200 million in January 2022 • US-based provider of digital workforce credentialing • EV / Revenue of 15.00x

Source: PitchBook, Capital IQ and other sources.

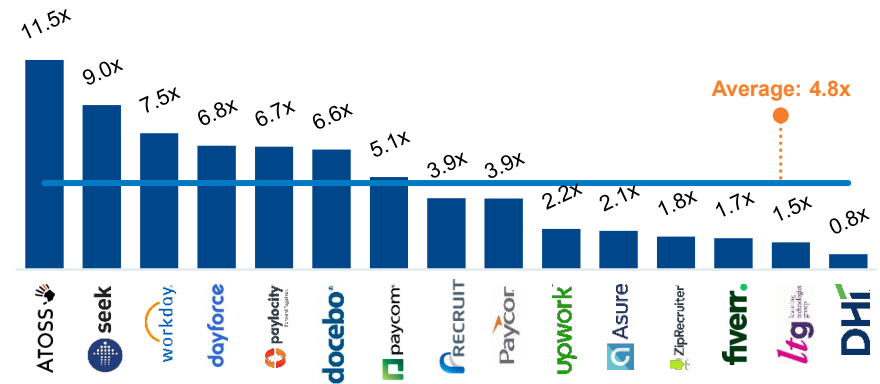
Comparable public company analysis

Selected HR / HCM Technology Comparables: Multiple analysis

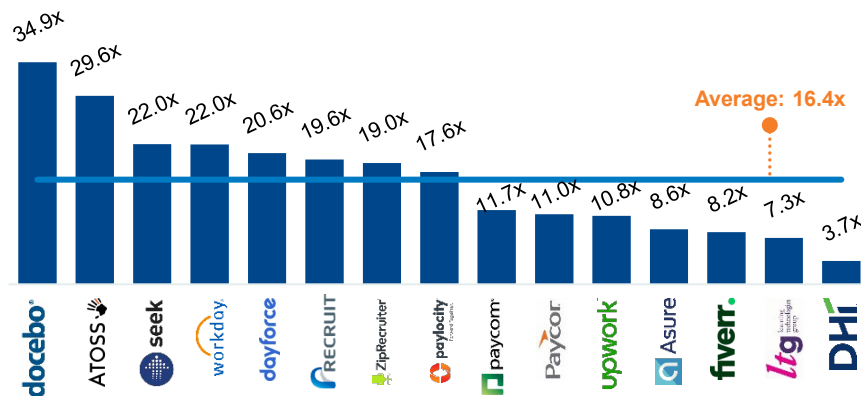
EV / LTM EBITDA



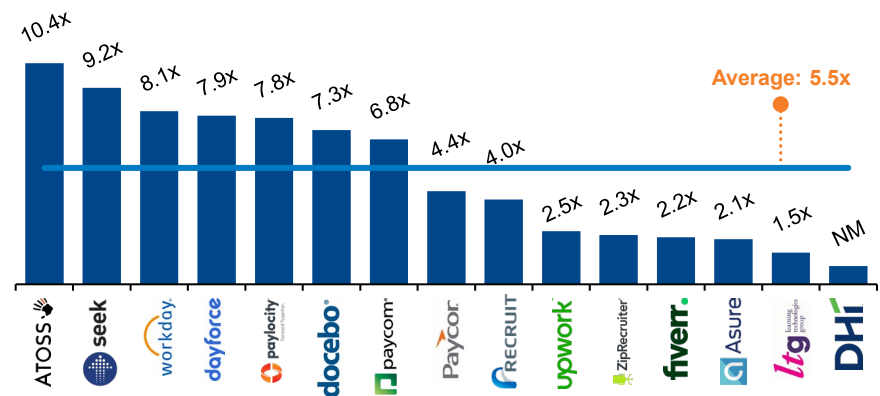
EV / LTM Revenue



EV / NTM EBITDA



EV / NTM Revenue

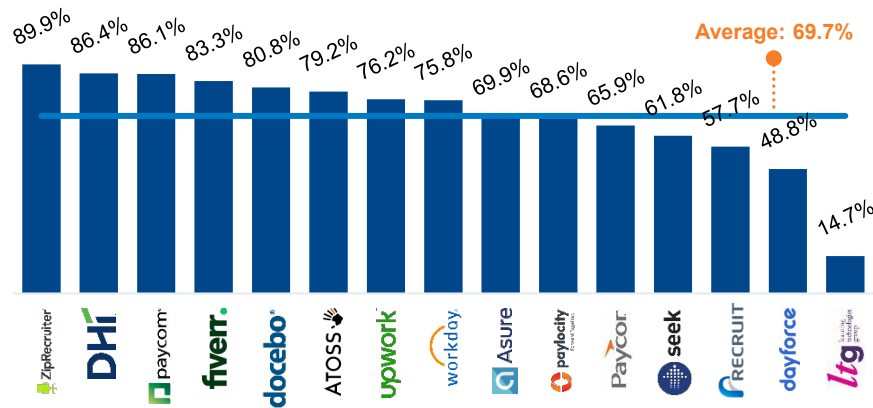


Source: S&P Capital IQ as of 10.29.2024.

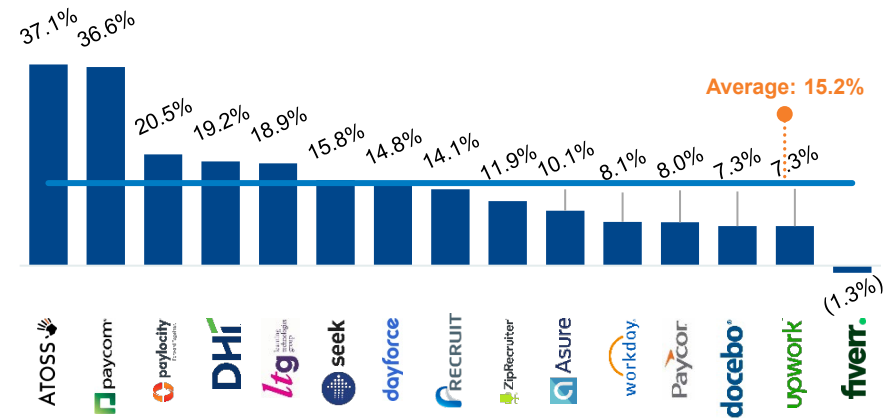
Comparable public company analysis

Selected HR / HCM Technology Comparables: Metric analysis

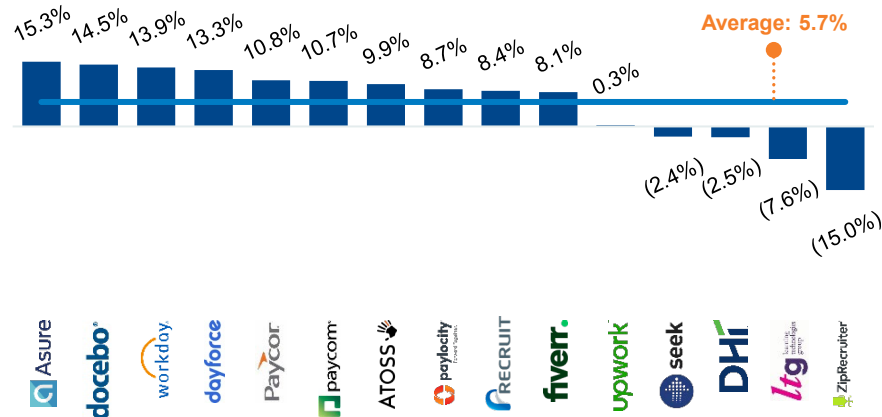
LTM Gross Margin



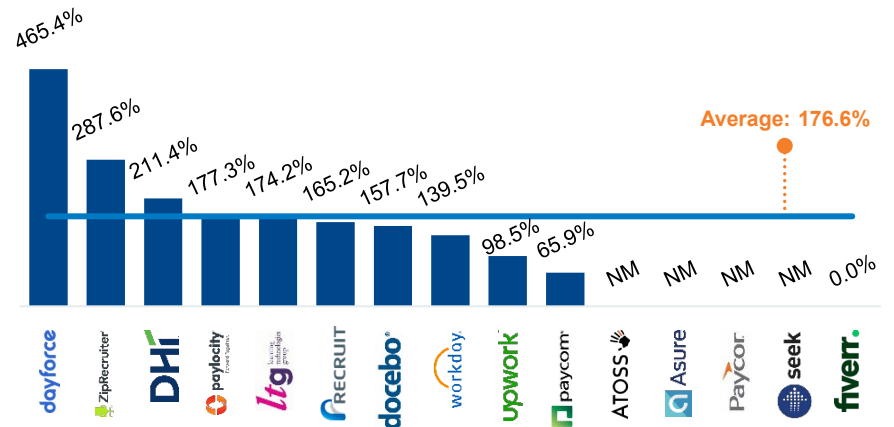
Revenue CAGR (LTM - NTM)



LTM EBITDA Margin



LTM FCF Conversion



Source: S&P Capital IQ as of 10.29.2024.



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