



# Human Capital Management Industry Report

November 2021

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Human Capital Management (HCM) software brings talent planning, employee management, and analytics together into a single system so that companies can best understand how to reach their full potential. The global HCM software market size is \$16.7B USD and is expected to reach \$24.6B by 2026, at a CAGR of 6.7% over the forecast period of 2021 - 2026.

## Top Areas of Focus in 2021

### Predictive Analytics



- Advancements in IT coupled with the introduction of predictive analytics in HR processes are expected to boost the growth and increase demand for intelligent workforce management solutions that utilize AI.

### Data Security



- Data Security is a major concern after implementation of HCM software. Software must prevent unauthorized access to sensitive and confidential data, with multiple levels of security being implemented.

### Cloud Adoption



- Cloud-based HCM solutions are enabling enterprises to make effective employee engagement tools leveraging social media integration, other APIs for learning, as well as coaching and recruiting tools that are disrupting the market.

## Paycor Raises \$426M in IPO

### Paycor's Business:

- Paycor is a leading SaaS provider of HCM software for small and medium-sized businesses
- Paycor provides services to over 28,000 customers in the United States

### Transaction Data:

- PYCR closed its first day on the Nasdaq on July 21, 2021, at \$26.05 per share, representing a 13% premium over the initial price of \$23
- The \$26.05 share price values Paycor at \$4.46B USD

### Funding Rounds:

- Private Equity Round – \$270M (January 2021)
- Private Equity Round – Undisclosed (September 2018)



## HireRight Holdings raises \$422M in IPO

### HireRight's Business:

- HireRight Holdings Corporation provides employee screening services via a unified software platform
- HireRight serves over 40,000 customers around the globe and screened more than 20 million applicants, employees, and contractors in 2020

### Transaction Data:

- HRT debuted on the Nasdaq on October 29, 2021, closing the day at \$17.29 per share.
- At the initial pricing of \$19.00 per share with 79.4M shares expected to be outstanding, the company went public with a valuation of \$1.6B

### Funding Rounds:

- Private Equity Round – Undisclosed (July 2018)



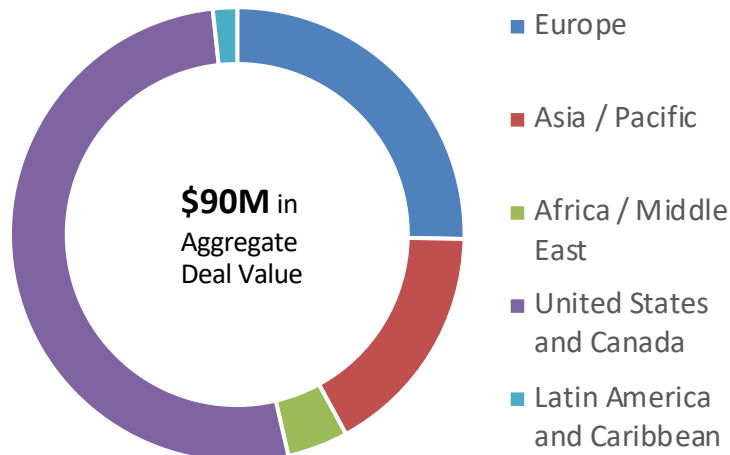
# Continued Momentum in HCM M&A Activity



## 2021 Aggregate M&A Deal Value on Track to Reach New Highs

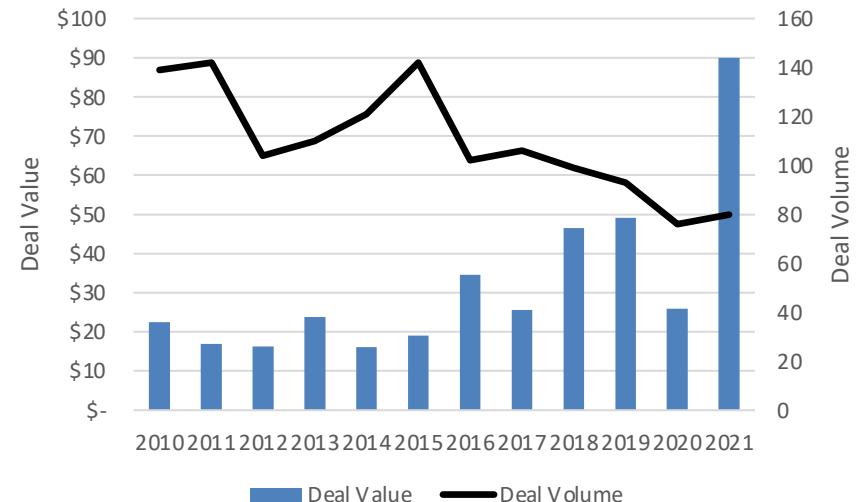
- Aggregate deal value of M&A transactions within the HCM sector continues to rise, with 2021 deal value already more than triple the size of 2020 deal value
- 2020 saw a mean deal size of \$557M and median deal size of \$26M, and so far, the mean deal size for 2021 is \$881.3M with a median of \$95M, with larger deals overall compared to 2020
- A notable HCM deal for 2021 is PHAST Invest's acquisition of Prodware for \$217.67M announced on October 20<sup>th</sup>

### M&A Activity by Global Region 2021 YTD



### HCM M&A Deal Value and Volume

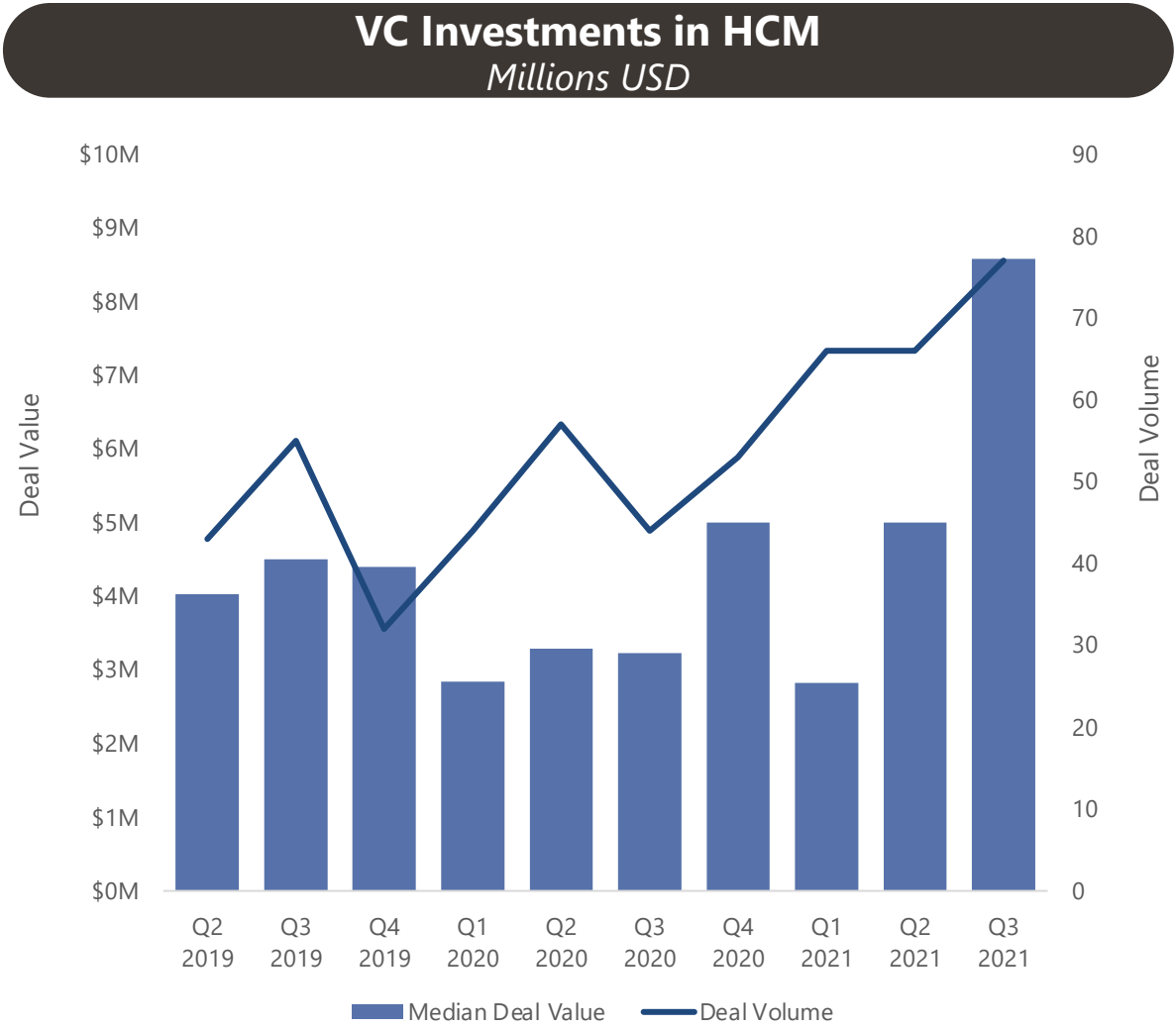
Millions USD



2021 data represents January 1<sup>st</sup> through November 5<sup>th</sup>

# Venture Capital Activity

- ▶ Median deal value has increased, with an upwards trend starting in Q2 2021 and increasing sharply in Q3 2021
- ▶ HCM software experienced lower levels of funding during the pandemic with a notable high in Q4 2020 and low in Q1 2021
- ▶ Deal volume has been on a steady upward trend starting in Q3 2020, suggesting smaller deal sizes and more total deals during the pandemic
- ▶ 43% of HCM funding in the last 12 months has gone towards companies in the U.S. and Canada, with the next largest geographic groups being Europe and Asia, each with a 24% share of deals



# Private Equity Activity

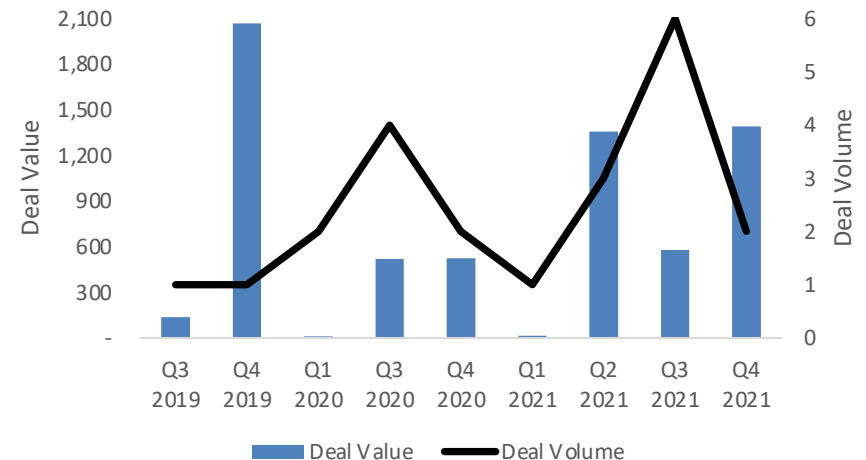


## Notable Leveraged Buyouts



- ▶ Median HCM multiples increased from 5.2x revenue in 2020 to 5.9x revenue in 2021
- ▶ Investors recognize that the Covid-19 Pandemic has increased demand for HCM software to manage more dynamic workforces
- ▶ ESG trends benefit HCM companies as investors look for products that advance the health, diversity and inclusion, and development of employees

## Recent PE HCM Activity Millions USD



Transaction values are reflective of disclosed values only.

- To increase workforce productivity, many companies are onboarding HCM vendors which provide robust and reliable software solutions
- The market is fragmented with new vendors offering specific services over the cloud such as Application Tracking or Employee Onboarding
- Legacy software giants and ERP providers are also gaining a significant market share

## Major Players

## Major Concentration

- 1 SAP AG
- 2 Oracle Corporation
- 3 Workday, Inc.
- 4 Ultimate Software Group, Inc.
- 5 ADP, LLC.

**Consolidated** – Market dominated by 1 – 5 major players

← Human Capital Management Software Market

**Fragmented** – Highly competitive market without dominant players



# HCM Software Facts



**74% of HR leaders plan on increasing spending on HR technology**



**44% of talent managers look to the cloud to increase productivity while reducing costs**



**58% of businesses use HR technology to retain talent**







**Top performers are up to 8x more productive than their coworkers**



**Companies with high employee engagement are 21% more profitable**

# HCM Startups Leading Marketing Solutions



Startup Company	Description	Funding Received To Date (\$M):
	Darwinbox is an end-to-end enterprise HR software that enables enterprises to automate entire employee lifecycle in one HR platform.	\$35
	Culturro aims to improve workplace experience by enabling enterprises to assess their company's leadership, employees, culture, policies, and processes. Agnya, an AI platform by Culturro enables an organization to focus on their workforce productivity and get data-driven insights on their flaws and impacts.	\$ -
	With a mission to modernize HR technology, Hibob provides an HRIS platform to customize policies, performance management, enhanced employee tracking, and other core HR processes.	\$274
	Simplifies the otherwise manual process of onboarding, offboarding, promotions, and others by integrating an advanced HRIS.	\$5

## Workday Acquires Peakon ApS

### Peakon's Business:

- Peakon is an employee success platform that converts feedback into actionable insights for businesses
- Peakon works to increase employee engagement by harnessing information from the largest standardized employee feedback dataset in the world

### Transaction Data:

- Transaction details remain undisclosed

### Investment Rationale:

- Workday customers will have access to Peakon's continuous listening platform, which will increase visibility into employee experience, sentiment, and productivity
- Peakon will operate as Peakon, a Workday company and report to Workday's Vice Chairman

### Previous Funding Rounds:

- Series B Round– \$35M (March 2019)
- Series B Round – \$22M (February 2018)
- Series B Round – \$6.6M (March 2017)
- Series A Round – \$4.3M (January 2016)



## LTG Acquires Reflektive

### Reflektive's Business:

- Reflektive is a leading performance management software provider specializing in engagement and analytics tools
- Reflektive offers a collaborative goal-setting, continuous feedback, and analytics platform to over 450 corporate customers

### Transaction Data:

- Transaction details remain undisclosed

### Investment Rationale:

- Together with Reflektive, LTG will have a database of over 25 million users who will accelerate AI-based predictions and automated processes
- Reflektive will join LTG's PeopleFluent business and increase LTG's proportion of pro-forma recurring revenue to over 80%

### Previous Funding Rounds:

- Series C Round – \$60M (February 2018)
- Series B Round – \$25M (January 2017)
- Series A Round – \$13M (May 2016)
- Seed Round – \$3.6M (October 2015)



## Culture Amp Acquires Zugata

### **Zugata's Business:**

- Zugata is an AI-based peer-to-peer feedback platform for businesses
- Zugata has experience with providing performance management solutions to over 1,000 organizations

### **Transaction Data:**

- Transaction details remain undisclosed

### **Investment Rationale:**

- The acquisition will combine AI and peer-to-peer feedback with industry leading engagement surveys
- The performance and engagement platforms will provide complementary data to create better solutions

### **Previous Funding Rounds:**

- Series A Round – \$7M (November 2016)
- Seed Round – \$3.2M (October 2015)



# Select HCM M&A Transactions



Date	Buyer	Target	Transaction Value (\$M)	EV/Rev (x)
11/2/2021	Fiverr International	Stoke Talent	95.00	N/A
9/29/2021	TPG Global	Smartgroup Corporation	922.53	N/A
8/5/2021	Clearlake Capital Group	Cornerstone OnDemand	4,961.90	N/A
7/22/2021	Veritone	Pandologic	150.00	N/A
7/21/2021	FPE Capital	Zest Technology	15.74	N/A
7/19/2021	Limeade	TINYhr	8.80	N/A
7/15/2021	Learning Technologies Group	GP Strategies Corporation	421.86	N/A
7/6/2021	Info Edge	Axilly Labs	2.81	N/A
6/17/2021	Visma	Holded Technologies	142.98	N/A
4/29/2021	Ceridian HCM Holding	O5 Systems	41.30	N/A
4/6/2021	Infoniqa Holding	Sage Schweiz	53.61	N/A
3/2/2021	Marlowe	Youmanage Hr	1.74	N/A
2/10/2021	Credential Management Information Systems	Bright People Technologies	12.39	N/A
2/1/2021	Ceridian HCM Holding	Pacific Payroll Partners	450.50	N/A
1/25/2021	Alight	Alight Holding Company	8,529.28	N/A

# HCM Private Placements



Date	Investor Lead(s)	Company	Transaction Value (\$M)
11/1/2021	Bain Capital	When I Work	200
11/1/2021	Apax Partners	Lever	50
10/26/2021	Index Ventures	Double Atelier	8.5
10/21/2021	Threshold Ventures	People Center	250
10/18/2021	Spark Capital Partners	Deel	425
10/18/2021	General Catalyst Group Management	Seafair	5.7
10/13/2021	NVP Associates	Karat	110
10/11/2021	Accel Partners	Personio	270
10/11/2021	Right Click Capital Management	Reejig	6
10/8/2021	Emergence Equity Management	PayDay Software Systems	1
10/7/2021	Chausson Finance	Elevo	6.9
10/5/2021	Greenoaks Capital Partners	Buk	50
10/4/2021	Nexus Venture Partners	Qikwork Services	4.3
10/4/2021	Tiger Global Management	Ontop Holdings	20
9/29/2021	Index Ventures	Cocoon Financial Services	20
9/28/2021	Accel Partners	Gem Software	100
9/13/2021	Acton Capital Partners	Hublo	26
9/6/2021	Charles River Ventures	Everyday Software	80

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