



1Q 2024 in Review

Future of Work M&A and Investment Activity

About Our Firm

#1 Work Tech corporate finance and M&A advisor globally



100% focused on the
Future of Work sector

Deep market insights
and participation

Unrivalled access to
decision makers

Highly experienced
senior advisors

“ Our Sector Expertise Becomes Your Competitive Advantage ”

Sell-Side M&A

Most Work Tech acquisitions involve strategic buyers with limited track record of HCM sector M&A. Without a broad understanding of sector dynamics, it can be very hard to create a long list of suitable potential acquirers.

We have been covering Work Tech for years and have developed senior-level access to a long list of suitable strategic and financial acquirers, including potentially non-obvious ones.

Buy-Side M&A

Our deep sector expertise and knowledge of the Work Tech landscape provides buyers with a competitive advantage when bidding for assets.

As part of a buy-side mandate, we can help you select the preferred target segments, produce a shortlist of suitable acquisition prospects, approach them confidentially and execute the transaction based on well-defined criteria.

Debt Financing & Equity Capital Raising

Leveraging our understanding of the proof points sought by investors and lenders, we can help you develop a funding thesis that is sufficiently differentiated, defensible, well structured and appealing.

A well-executed financing round will also benefit from our insights into valuation benchmarking, investor and lender access, potential concerns, process structuring and term negotiations, through to closing.

Our coverage of the WorkTech ecosystem

Venero offers unparalleled coverage of the WorkTech ecosystem, maintaining deep and long-standing relationships with corporates and investors globally

An industry driven by constant innovation and change requires the sophistication of an advisor who can think ahead of the market and utilize solid industry relationships and insights to help advance your vision

Our team of experienced investment bankers optimizes client outcomes by running competitive processes with well-informed, deep domain expertise

 Our Sector Expertise

WORKTECH INDUSTRY COVERAGE



HR Technology

- Talent Acquisition
- Talent Management
- Learning & Development
- Workforce Management
- Employer Of Record / PEO
- Field Service Management
- Regulatory Compliance
- Vendor Management Systems
- Core HR & Payroll
- Compensation, Benefits, Rewards
- Daily Pay
- Employee Wellbeing
- Case Management
- Employee Communications
- Project Management
- Occupational Safety



Business Management

- Business Intelligence & Analytics
- ERP
- Finance & Accounting
- Bill Payment
- Subscription Management
- Operations Management
- CRM
- Budgeting & Forecasting
- Supply Chain Management
- Business Spend Management
- Practice Management
- Office Space Management



Productivity

- Collaboration And Messaging
- Document Management
- Process Automation
- Workspace Management
- Video And Audio Communication
- Content Management
- Data Management
- Organizational Design

International presence

We provide our clients with superior service and global coverage through colleagues and partners in the world's major financial hubs

Our main offices are:

London

23 Berkeley Square
London W1J 6HE

Berlin

Europaplatz 2
Berlin 10557

Los Angeles

360 E 2nd St
Los Angeles, CA 90012


























































The financial advisor of choice for Future of Work businesses



We are incredibly proud to be the financial advisor of choice for Future of Work businesses globally. Our clients range from early-stage businesses and midsize companies to large, private-equity-backed, and publicly traded corporations. More WorkTech and HRTech companies trust Venero to deliver a successful M&A transaction than any other investment bank.

 [View our extensive deal track record](#) —>

SELECTED TRANSACTIONS

<p> Venero Capital Advisors is pleased to announce its role as exclusive financial advisor to</p> <p> on its sale to</p> <p></p>	<p> Venero Capital Advisors is pleased to announce its role as exclusive financial advisor to</p> <p> on its sale to</p> <p></p>	<p> Venero Capital Advisors is pleased to announce its role as joint financial advisor to</p> <p> a portfolio company of  on its €25M debt refinancing by  </p>	<p> Venero Capital Advisors is pleased to announce its role as joint financial advisor to</p> <p> on its sale to</p> <p></p>	<p> Venero Capital Advisors is pleased to announce its role as exclusive financial advisor to</p> <p> on its sale to</p> <p></p>	<p> Venero Capital Advisors is pleased to announce its role as exclusive financial advisor to</p> <p> a portfolio company of  on its sale to</p> <p></p>	<p> Venero Capital Advisors is pleased to announce its role as exclusive financial advisor to</p> <p> on its sale to</p> <p></p>	<p> Venero Capital Advisors is pleased to announce its role as exclusive financial advisor to</p> <p> on its sale to</p> <p> a portfolio company of </p>
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State of the Market in 1Q 2024

Executive Summary



FOREWORD

The entire Technology sector is feeling the effects of slower VC funding, and WorkTech is no exception. After a record-low fourth quarter last year, Q1 2024 saw \$1.7bn invested in the space – a 30% quarter-on-quarter growth

However, this growth in value was due to a limited number of later-stage deals rather than to a more widespread rebound. In fact, the total number of funding rounds was flat QoQ, at a near 5-year low. Artificial Intelligence has been an important driver of investment overall but, in WorkTech, most use cases are not yet transformational

For WorkTech vendors this means that funding can be hard to come by, particularly as borrowing costs are still elevated. And while VCs do still invest, rounds take longer, business plans often need to be revised, and the bar is now higher across all funding stages

On the other hand, M&A is a bright spot with a steady and consistent flow of acquisitions each quarter. In Q1 2024 there were 93 acquisitions in the space, a 12% QoQ growth

M&A valuations, meanwhile, are reverting to their historical mean, in a sign of discipline amongst acquirers and particularly PE firms

KEY SECTOR THEMES

	Payroll	Pickup of investment and M&A activity in the payroll market, from multi-country payroll providers & EOR's to emerging local payroll SaaS vendors
	Recruitment	A perpetual pain point for customers, recruitment is a major source of M&A and investment. From engaging passive candidates to embedding AI into co-pilots that boost efficiency, the opportunity is outsized
	Corporate Learning	Leaning in the flow of work and personalized development journeys that enable career mobility
	Skills	Across recruitment, learning and career mobility, skills are becoming the central point for assessing, managing and developing talent
	Workforce Management	Frontline workers have long been underserved by technology vendors. This is changing, with well-funded vendors catering to specific industries and creating a comprehensive offering through M&A
	Platformization	As WorkTech solutions proliferate, vendor bloat can lead to churn. To increase stickiness, point-solution vendors are therefore expanding their offering, either organically or through M&A

Public Markets Update

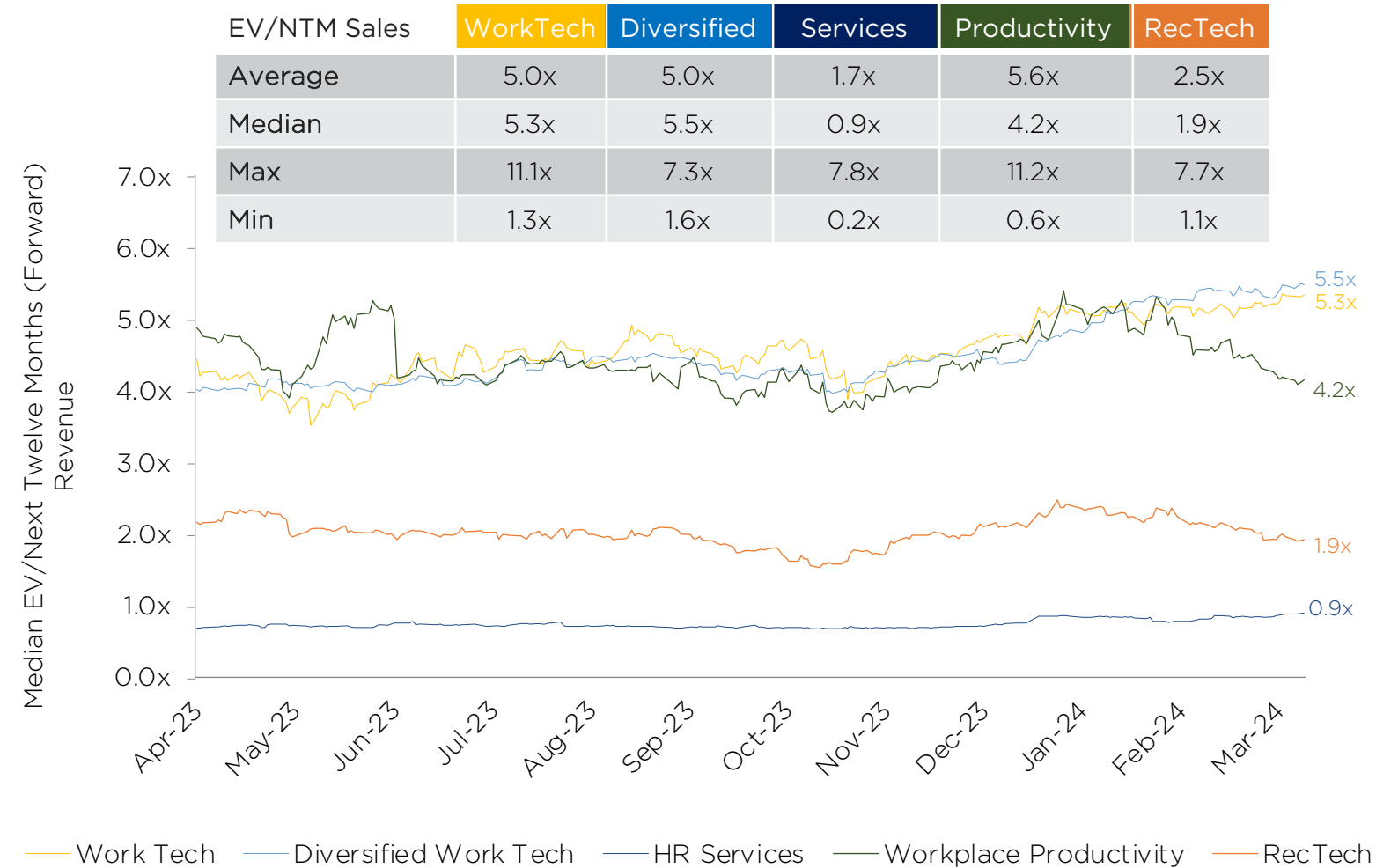
Public peer valuation development

Valuations of publicly traded businesses in the WorkTech space grew by c. 10% in 1Q 2024

This is in line with much of the broader tech sector, and reflects guarded optimism on behalf of investors that central banks in major economies, particularly the US, will soon begin to lower interest rates

However, inflation and employment data still indicate resilient demand, which means timing of rate cuts remains uncertain and the near-term outlook for valuations and business spending resembles that of 2023

In any case, the effect of eventual rate cuts will take multiple quarters to propagate across the economies



Source: LSEG, Venero Capital Advisors analysis

Revenue growth benchmarking

	COMPANY	YOY REVENUE GROWTH ^(a)				CAGR
		2022	2023	2024E	2025E	2023-25E
WORK TECH	ATOSS	17%	33%	15%	15%	15%
	Intuit	23%	12%	12%	13%	12%
	Workday	21%	17%	16%	17%	16%
	Paylocity	36%	26%	16%	14%	15%
	Docebo	38%	26%	23%	22%	22%
	Paycom	30%	22%	11%	12%	12%
	Freshworks	34%	19%	19%	20%	19%
	Sage	7%	11%	10%	10%	10%
	Paycor	26%	23%	17%	16%	17%
	First Advantage	-4%	2%	8%	10%	9%
	WalkMe	27%	9%	5%	10%	7%
	Udemy	22%	16%	10%	14%	12%
	LTG	131%	-6%	-2%	4%	1%
	Asure Software	26%	25%	3%	7%	5%
	Median	26%	18%	12%	13%	12%

For pure WorkTech businesses, 2024 is expected to be a slower year in terms of revenue growth than 2023

Median revenue growth is forecasted to be 12% compared to 18% last year

While still too early to tell with certainty, analysts expect 2025 to be similar to 2024, with median YoY revenue growth of 13%

This is likely a reflection of the lag between interest rate cuts, the timing of which is still uncertain, and a pickup in business spending

Revenue growth benchmarking (cont.)

	COMPANY	YOY REVENUE GROWTH ^(a)				CAGR
		2022	2023	2024E	2025E	2023-25E
RECRUITMENT TECH	Seek	24%	0%	3%	10%	6%
	Recruit	21%	4%	2%	6%	4%
	Fiverr	13%	7%	6%	11%	8%
	ZipRecruiter	22%	-29%	-18%	23%	0%
	Upwork	23%	11%	12%	13%	12%
	Freelancer	-3%	-4%	7%	8%	7%
	New Work	8%	-2%	-11%	-1%	-6%
	DHI	25%	0%	-2%	5%	1%
	Median	21%	0%	2%	9%	5%
DIVERSIFIED WORK TECH	Oracle	12%	11%	8%	9%	9%
	SAP	11%	1%	9%	10%	10%
	ADP	10%	8%	6%	6%	6%
	Upland Software	5%	-6%	-8%	0%	-4%
	Median	10%	4%	7%	8%	7%

Recruitment Tech vendors had a particularly difficult 2023, on the back of what was a strong 2022

The outlook for 2024 is challenging, as companies have slowed the pace of hiring

In today's environment, "flat" is the new "grow" for recruitment vendors

Analysts expect growth to pick somewhat in 2025, assuming central banks begin to lower interest rate some time during 2024 and hiring picks up soon thereafter

Revenue growth benchmarking (cont.)

	COMPANY	YOY REVENUE GROWTH ^(a)				CAGR
		2022	2023	2024E	2025E	2023-25E
HR SERVICES	Paychex	11%	7%	5%	6%	6%
	Healthstream	4%	5%	5%	5%	5%
	HireRight	10%	-11%	5%	9%	7%
	Zalaris	15%	11%	26%	11%	18%
	TriNet	8%	8%	8%	8%	8%
	Insperity	20%	9%	6%	12%	9%
	Adecco	13%	1%	1%	4%	2%
	Randstad	12%	-8%	-1%	3%	1%
	Manpower	-4%	-5%	-3%	5%	1%
	TrueBlue	4%	-15%	-9%	4%	-3%
Median		10%	3%	5%	6%	5%

HR Services (primarily recruitment, benefits and payroll) also had a difficult 2023, with revenue growth slowing meaningfully vs. the year before

Similarly, 2024 is expected to be characterized by slow growth, particularly for recruitment and staffing agencies

Healthcare was the one sector exhibiting resilience, however even there staffing firms experienced bill rate compression

The performance of HR outsourcing firms and PEO's was more stable, which is largely attributable to the sticky nature of their business model

Revenue growth benchmarking (cont.)

	COMPANY	YOY REVENUE GROWTH ^(a)				CAGR
		2022	2023	2024E	2025E	2023-25E
WORKPLACE PRODUCTIVITY	Hubspot	33%	25%	18%	19%	18%
	Atlassian	30%	23%	20%	22%	21%
	Monday.com	69%	40%	28%	26%	27%
	Salesforce	19%	12%	9%	10%	10%
	Box	13%	5%	4%	7%	5%
	Asana	46%	21%	11%	16%	13%
	Smartsheet	39%	26%	17%	16%	17%
	DocuSign	21%	10%	6%	6%	6%
	Dropbox	8%	7%	2%	3%	2%
	Zoom	10%	3%	2%	4%	3%
	ON24	-6%	-15%	-10%	1%	-5%
	Median	21%	12%	9%	10%	10%

The common theme across the entire WorkTech sector is that all vendors are exhibiting revenue growth deceleration

Still, Workplace Productivity businesses delivered divergent results in 2023, and their 2024 outlook is similarly contrasting

Companies like Monday.com, Atlassian and Hubspot had a strong 2023, and analysts expect similar performance both this year and the next

By contrast, Asana, Zoom, Box and Dropbox have seen growth slowing down to low single digits

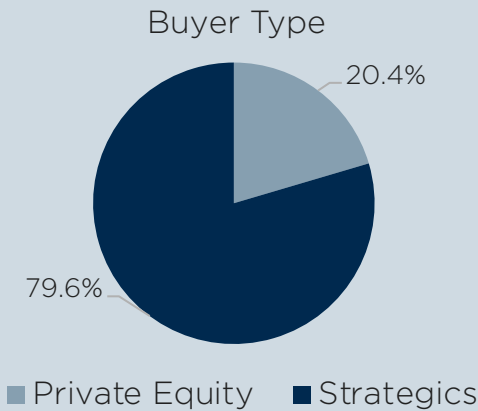


M&A Update

WorkTech M&A trends

M&A activity picked up somewhat in 1Q 2024, with 93 transactions – the highest quarterly volume in almost two years

Private equity was active, leading c. 20% of transactions

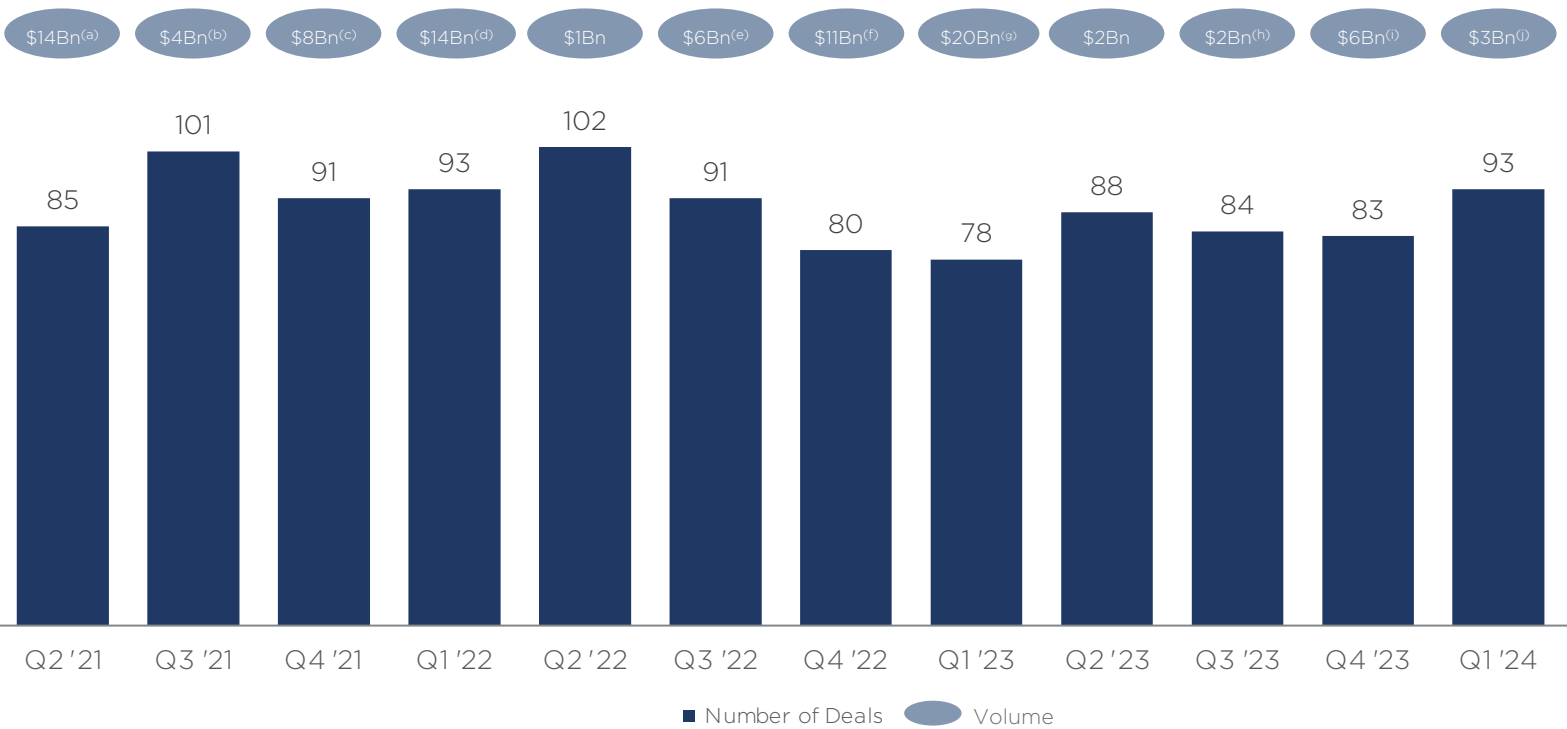


Note: Disclosed deal values only

(a) Includes acquisition of 51Job by DCP Capital (\$5.7Bn); (b) Includes acquisition of Infor by Hexagon (\$2.7Bn); (c) Includes acquisition of Cornerstone OnDemand by Clearlake Capital (\$6.1Bn); (d) Includes acquisition of Anaplan by Thoma Bravo (\$10.5Bn); (e) Includes acquisition of Frontline Education by Roper Technologies (\$3.7Bn) and acquisition of LifeWorks by Telus (\$1.7Bn) (f) Includes acquisition of Coupa Software by Thoma Bravo (\$8.0Bn); (g) Includes acquisition of Knowbe4 by Vista (\$4.6Bn) and acquisition of Qualtrics by Silver Lake (\$12.5Bn) and acquisition of Works Human Intelligence by GIC (\$2.6Bn); (h) Includes acquisition of Kahoot! by Goldman Sachs (\$1.7Bn); (i) Includes acquisition of Iris by Leonard Green & Partners (\$4.0Bn); (j) Includes acquisition of Sterling by First Advantage (\$2.2Bn)

Source: Press reports as of 3 April 2024, Venero Capital Advisors analysis

WORK TECH M&A VOLUME AND VALUE



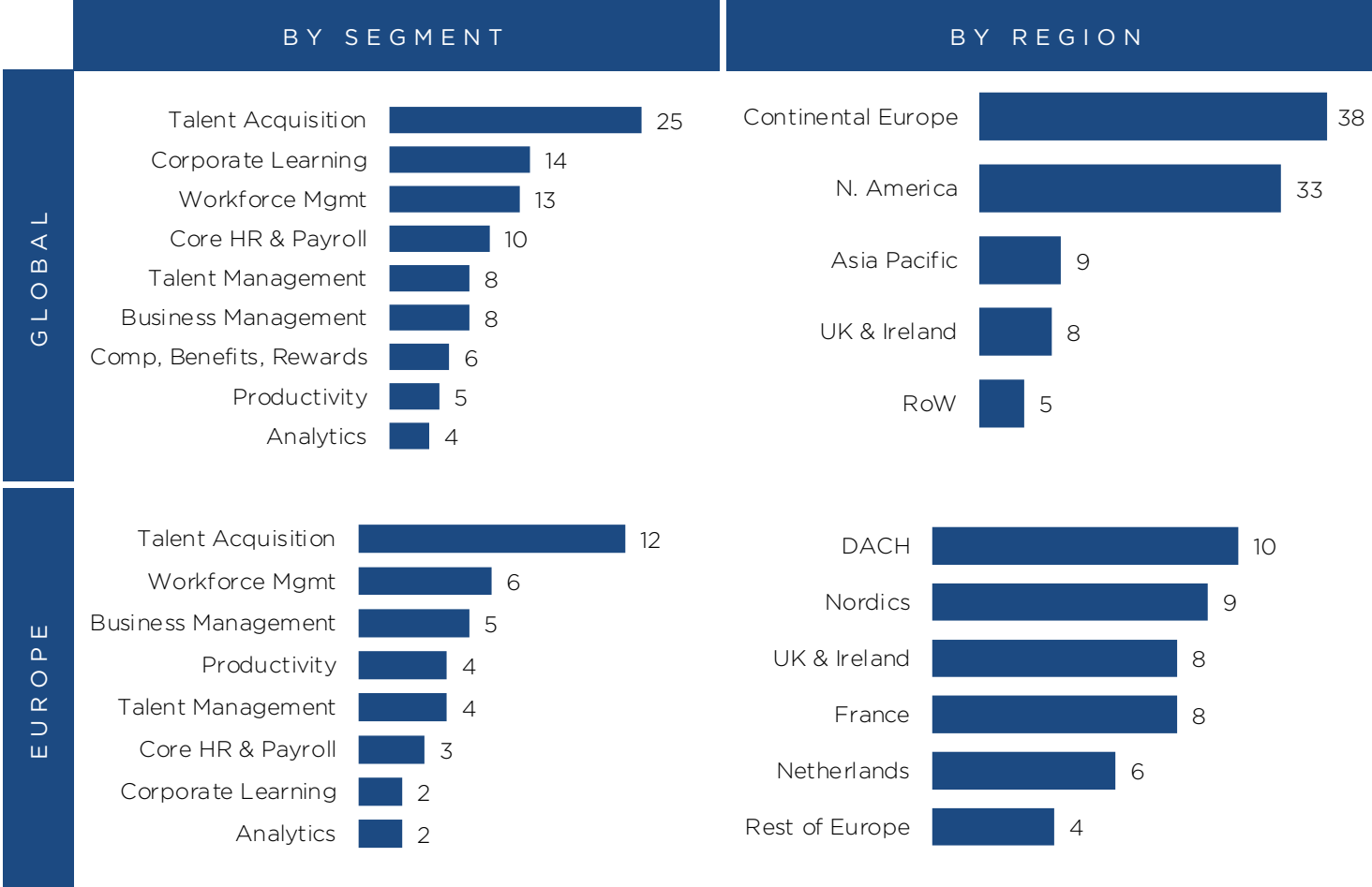
WorkTech M&A trends (cont.)

The segment exhibiting the greatest consolidation was Talent Acquisition

Talent Acquisition has consistently been the most active WorkTech segment, indicating the still unresolved challenges in recruitment, the size of the market, the constant innovation and the plethora of point solutions that often address specific customer needs

Somewhat atypical is the lower M&A volume in N. America compared to Europe this quarter, however this is likely to reverse in the coming quarters

BREAKDOWN BY SEGMENT AND GEOGRAPHY



Source: Company information, press, Venero Capital Advisors analysis

M&A valuation multiples over time

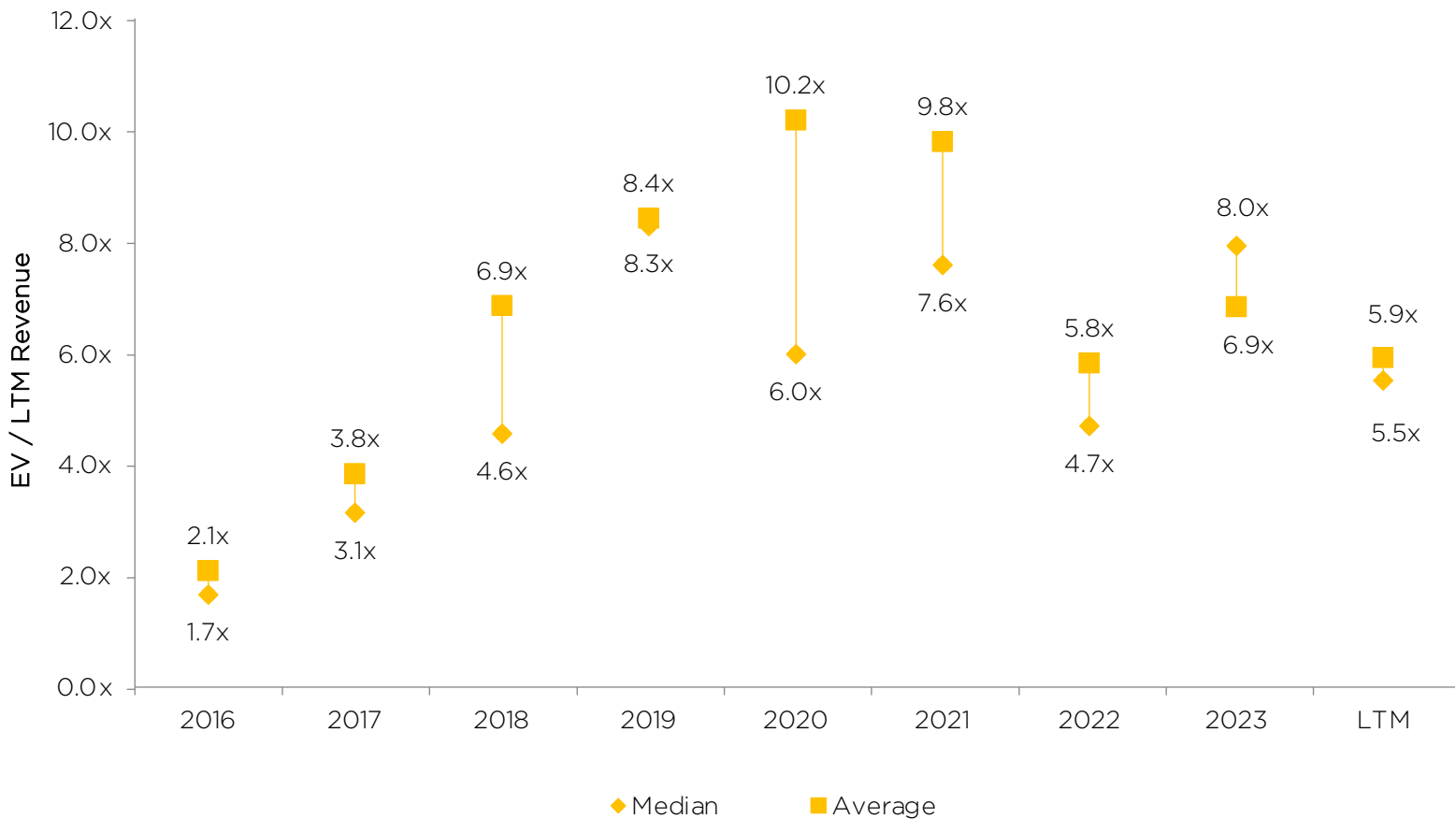
WorkTech experienced a significant M&A boom between 2019 and 2021. During that time, average valuation multiples reached high single digits and were deemed to form a new norm

Today we are entering the third year of a post-boom correction and valuation multiples appear to be converging towards a new baseline

While certain high-performing assets still attract significant demand, the bar has been raised for achieving a double-digit or high single-digit revenue multiple

Valuation discipline among buyers has now become the new norm

CONVERGING TOWARDS THE HISTORICAL MEAN



Source: Company information, press, Venero Capital Advisors analysis

Main drivers of valuation



THE IMPORTANCE OF THE NARRATIVE

In the context of M&A, the factors that drive valuation for WorkTech businesses are both qualitative and quantitative. Combined, they form the narrative that acquirers ultimately evaluate

Qualitative factors are crucial for both strategic and financial buyers, as they provide context for the quantitative aspects of the business. In their absence, numerical KPI's would be assessed in a vacuum and would likely present an incomplete view of the situation

KEY QUALITATIVE FACTORS

- Technology and product differentiation
- Customer base and reasons for churn
- Barriers to entry and competitive landscape
- Proof points for future growth
- Execution risks and uncertainties
- Strength of management team
- Strategic fit and synergies, for strategic acquirers

KEY QUANTITATIVE FACTORS

	Revenue Growth	– Expectation varies by company size
	Gross Revenue Retention	<ul style="list-style-type: none">– Enterprise: > 95%– SMB: > 85%– Long tail: > 75%
	Net Revenue Retention	– > 105%
	Profitability, or profitable fundamentals and clear path to breakeven	– Potential to achieve 20%+ EBITDA margin
(X)	“Rule of X”, whereby top-line growth is assessed in the context of EBITDA margin	– Varies based on narrative

1Q 2024 selected M&A transactions



Date	Target	Acquirer	Date	Target	Acquirer	Date	Target	Acquirer
Jan-24	Vault	Sterling	Feb-24	Easy Employer	Valsoft	Mar-24	PaySpace	Deel
Jan-24	VEDA	Investcorp	Feb-24	Circular	SNGULAR	Mar-24	Locatee	Tango
Jan-24	Otta	Welcome to the jungle	Feb-24	Validata	DISA	Mar-24	Udacity	Accenture
Jan-24	Homerun	ISH Holding	Feb-24	Populum	CatalystOne	Mar-24	Courseplay	CIEL HR
Jan-24	Mployee	Bullhorn	Feb-24	Morson Group	Onex	Mar-24	Regate	Qonto
Jan-24	Core Strengths	Crucial Learning	Feb-24	Fieldster	Teamfront	Mar-24	Voxel	Amadeus
Jan-24	Metadados	Volaris	Feb-24	Geektastic	Deazy	Mar-24	Omnia	Qualitas Equity
Jan-24	Mineral	Mitratesh	Feb-24	Hubtobee	deskbird	Mar-24	Vanson	CORA Group
Jan-24	Syntrio	Mitratesh	Feb-24	Pento	HiBob	Mar-24	SafetyDirect	Teleo Capital
Jan-24	Online Academie	Main Capital Partners	Feb-24	Vimly	Rubicon	Mar-24	Perkbox	Great Hill Partners

Investment Activity Update

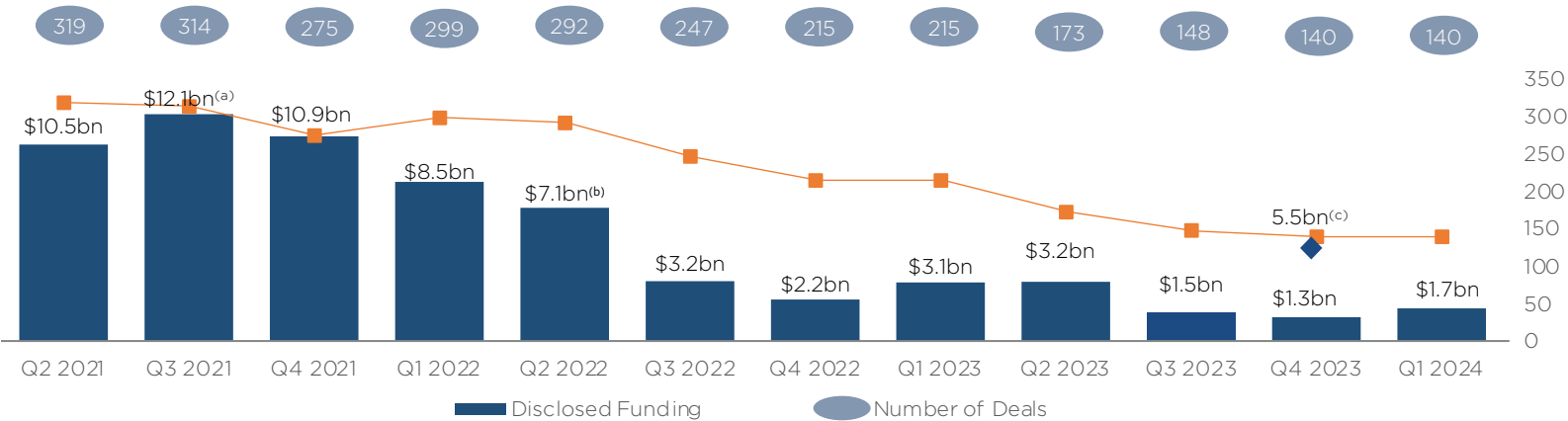
Investment activity highlights

Investment into WorkTech picked up slightly in 1Q 2024, with \$1.7bn invested across 140 rounds. That's a 30% increase quarter-on-quarter, but still at almost the lowest level since 2018 (the only quarters with lower investments were the two preceding ones)

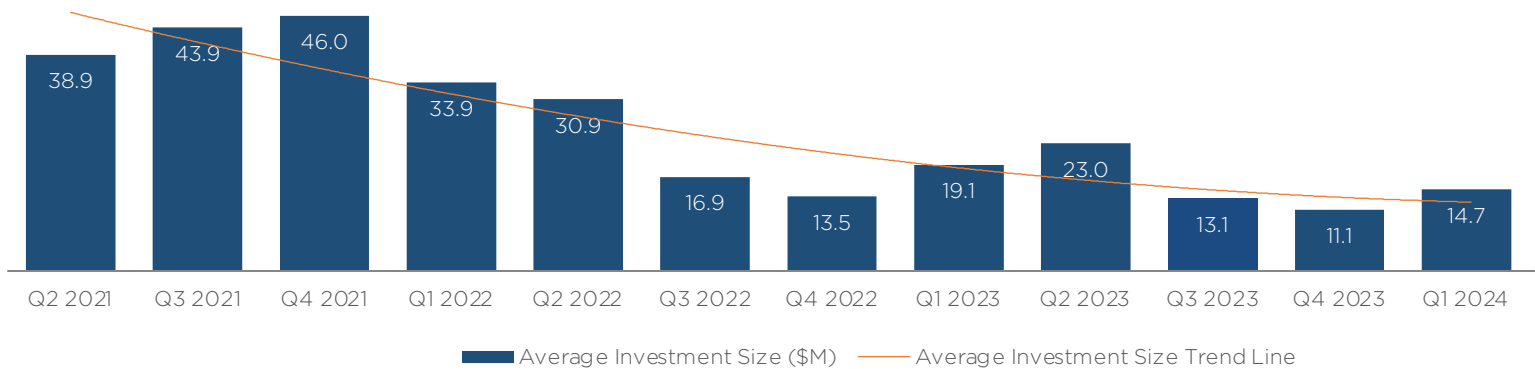
This is consistent with global VC investments across all industries, which fell to a near five-year low this quarter despite large investments in the AI space, while the number of deals was at a near four-year low

In WorkTech, 140 rounds were announced this quarter – in line with 4Q 2023 and similarly a five-year low

QUARTERLY INVESTMENTS INTO WORK TECH (GLOBAL)



AVERAGE INVESTMENT SIZE



Note: Disclosed deal values only

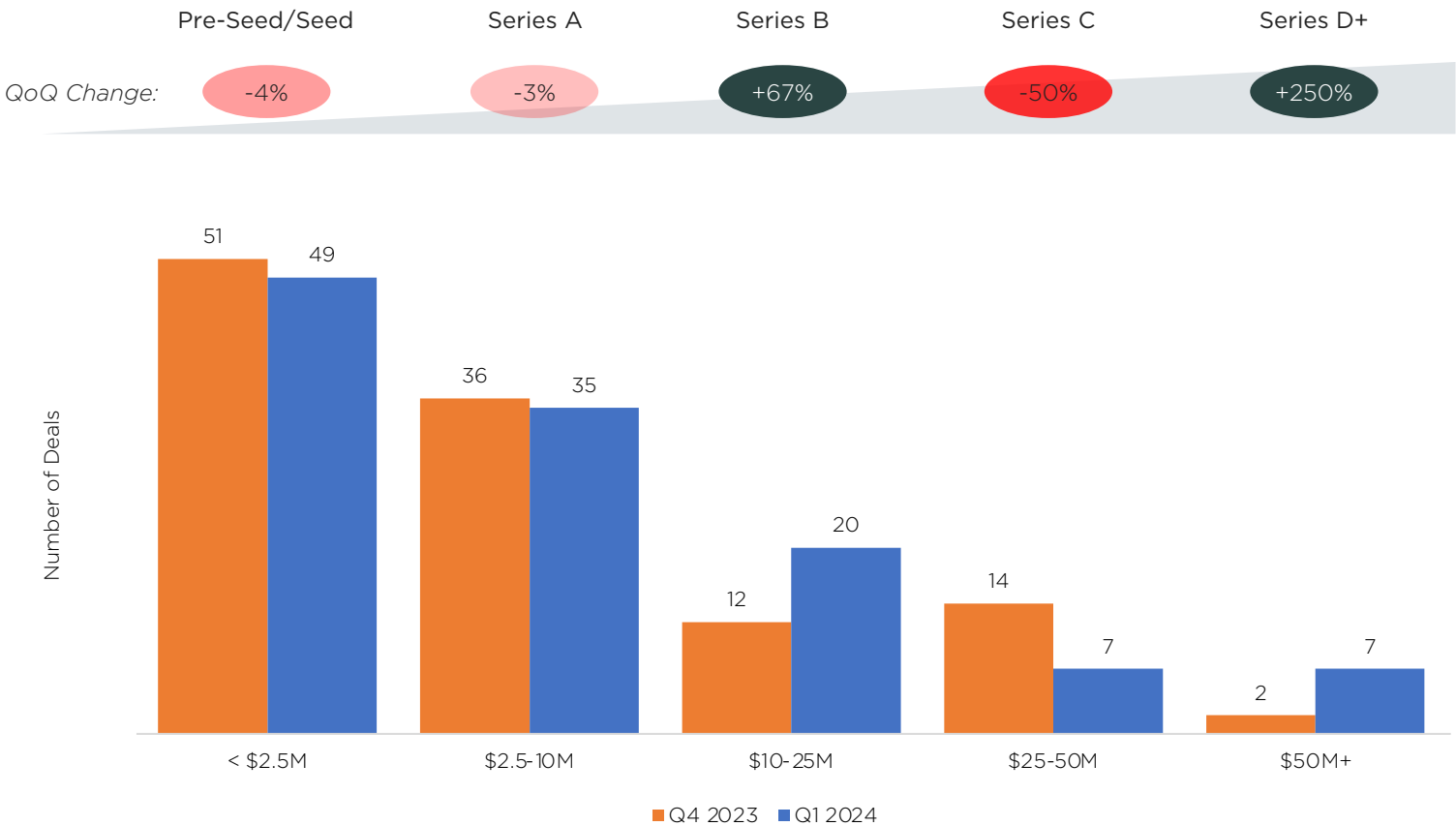
(a) Includes investment of \$1.0Bn in Insightsoftware; (a) Includes investment of \$1.3Bn in The Access Group; (c) Aggregate calculations exclude investment of €4.0bn (\$4.4bn) in Visma (outlier)

Source: Press reports as of 3 April 2024, Venero Capital Advisors analysis

Investment volume by deal size

In Q1, the number of early-stage investments dropped slightly (3%-4%), however there was an uptick in \$10m-\$25m and \$50m+ rounds

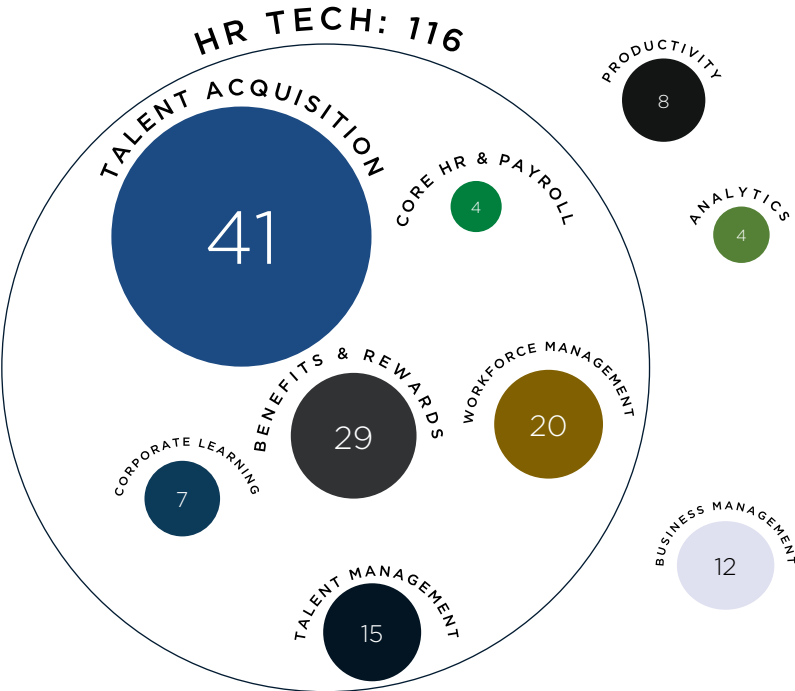
Since the total number of funding rounds was unchanged quarter-on-quarter, the 30% quarterly volume increase was driven by this limited number of later-stage transactions, as opposed to reflecting a more broad-based recovery



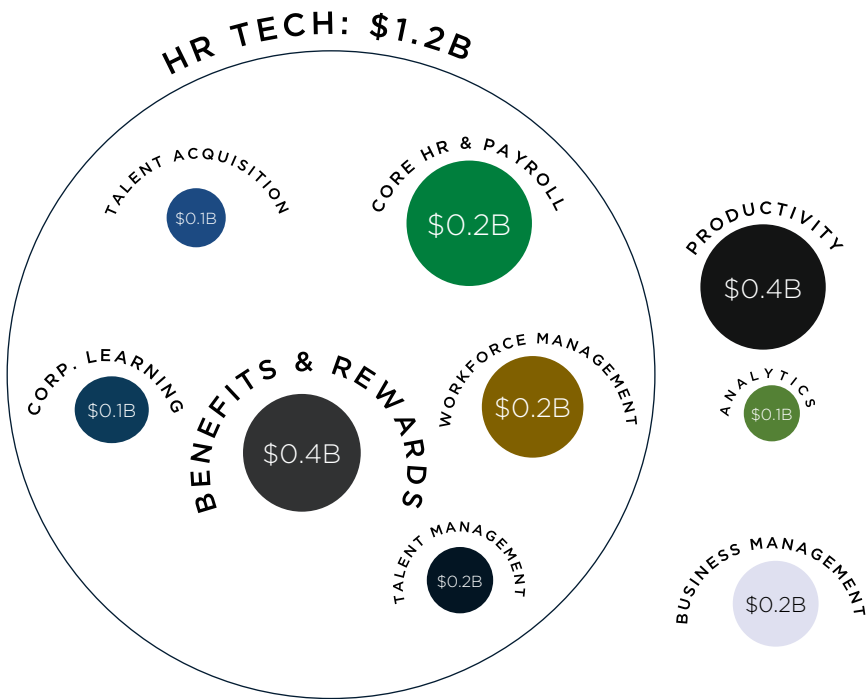
Note: Disclosed deal values only
Source: Press reports as of 3 April 2024, Venero Capital Advisors analysis

Q1 2024 Investment activity by segment

NUMBER OF FUNDING ROUNDS: 140



AMOUNT RAISED: \$1.7BN

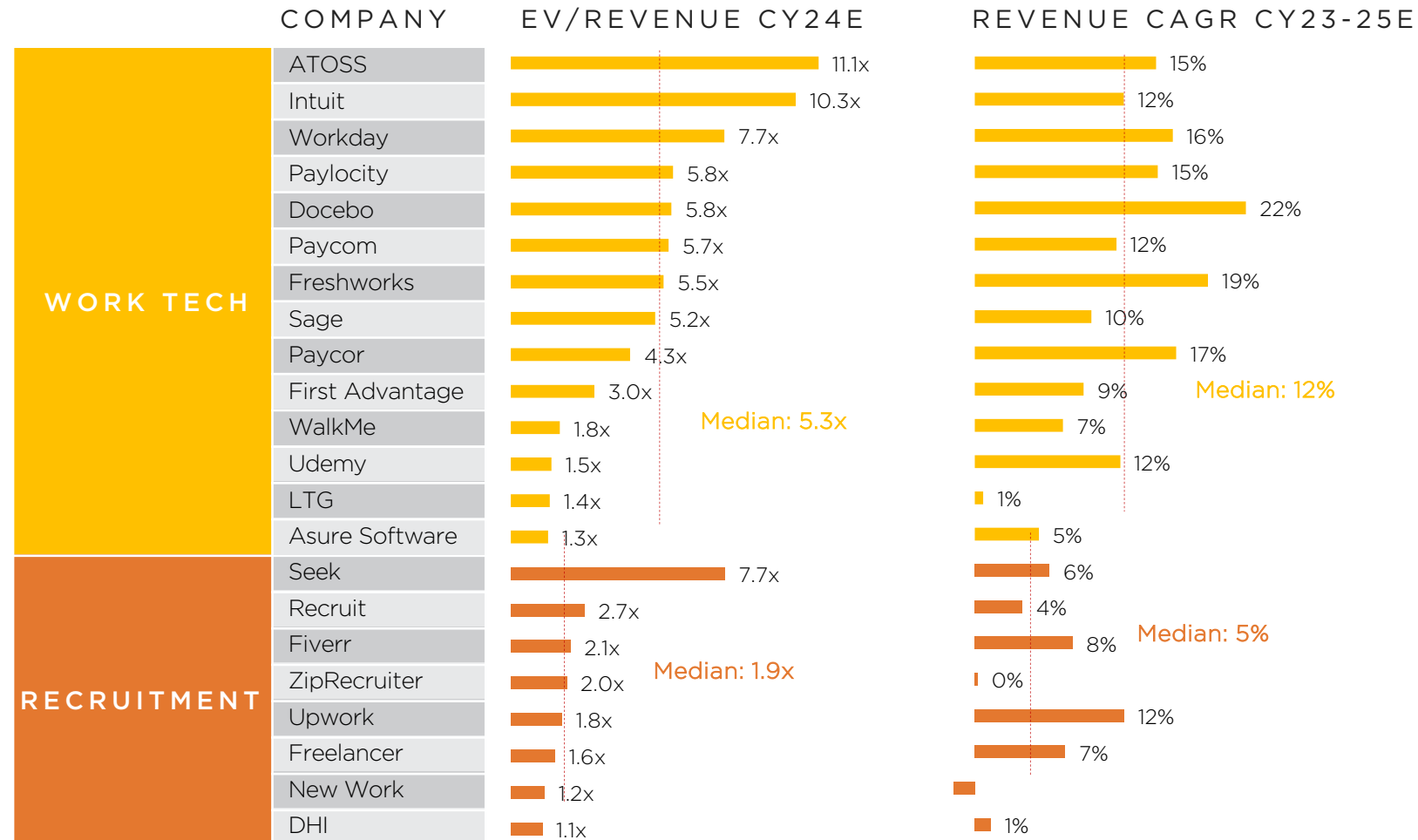


1Q 2024 selected funding rounds, by size

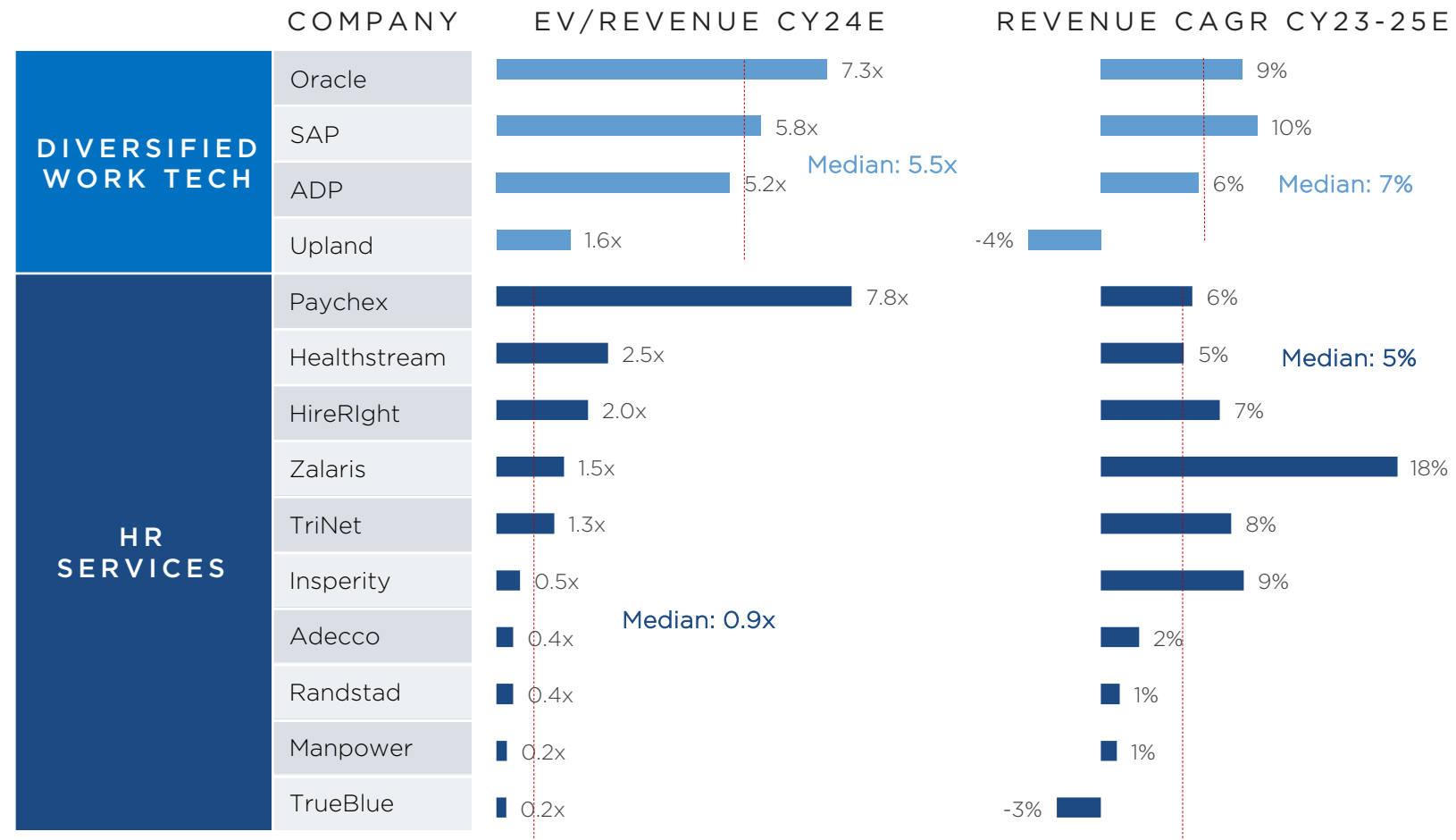
Date	Company	Amount (\$m) ▼	Date	Company	Amount (\$m) ▼	Date	Company	Amount (\$m) ▼
Feb-24	Glean	200.0	Mar-24	Deputy	37.0	Jan-24	Topia	24.4
Mar-24	Paycor	161.2	Mar-24	Healthee	32.0	Jan-24	Weavix	23.6
Jan-24	Kore.ai	150.0	Jan-24	Sema4.ai	30.5	Mar-24	Wagely	23.0
Jan-24	Travelperk	104.0	Jan-24	Kashable	25.6	Feb-24	Colossyan	22.0
Jan-24	PerformYard	95.0	Jan-24	Anecdotes	25.0	Feb-24	Upwards	21.0
Jan-24	DailyPay	75.0	Jan-24	Vertice	25.0	Jan-24	Benepass	20.0
Feb-24	Intenseye	64.0	Feb-24	Scribe	25.0	Mar-24	NewRetirement	20.0
Mar-24	Empathy	47.0	Mar-24	Ema	25.0	Mar-24	Borderless AI	19.9
Feb-24	Pennylane	43.1	Mar-24	Remofirst	25.0	Mar-24	Confetti	16.0
Jan-24	Conta Simples	41.5	Mar-24	Coast	25.0	Feb-24	Embat	15.8

Appendix: Public Companies Benchmarking

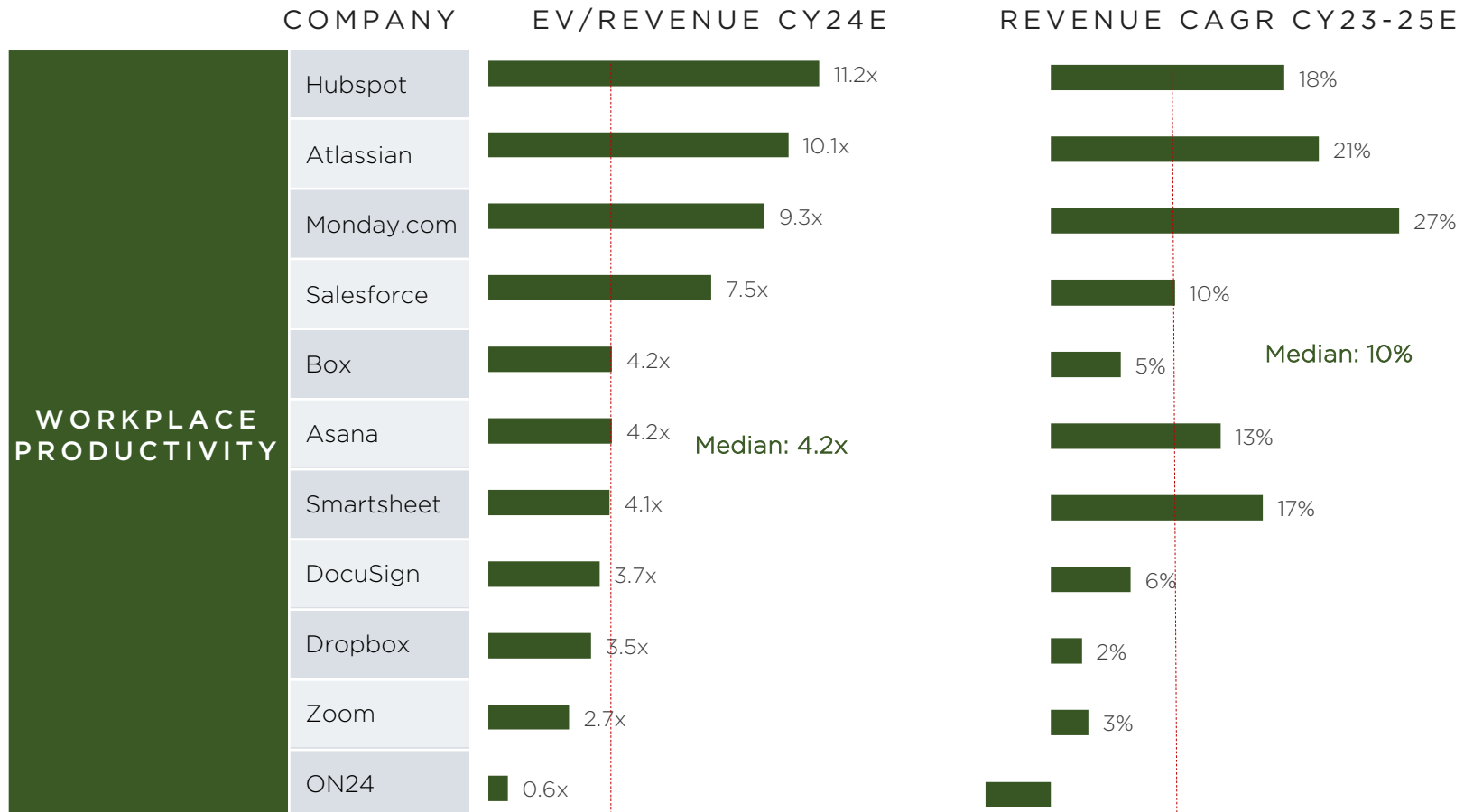
Peer benchmarking: valuation & revenue growth (cont.)



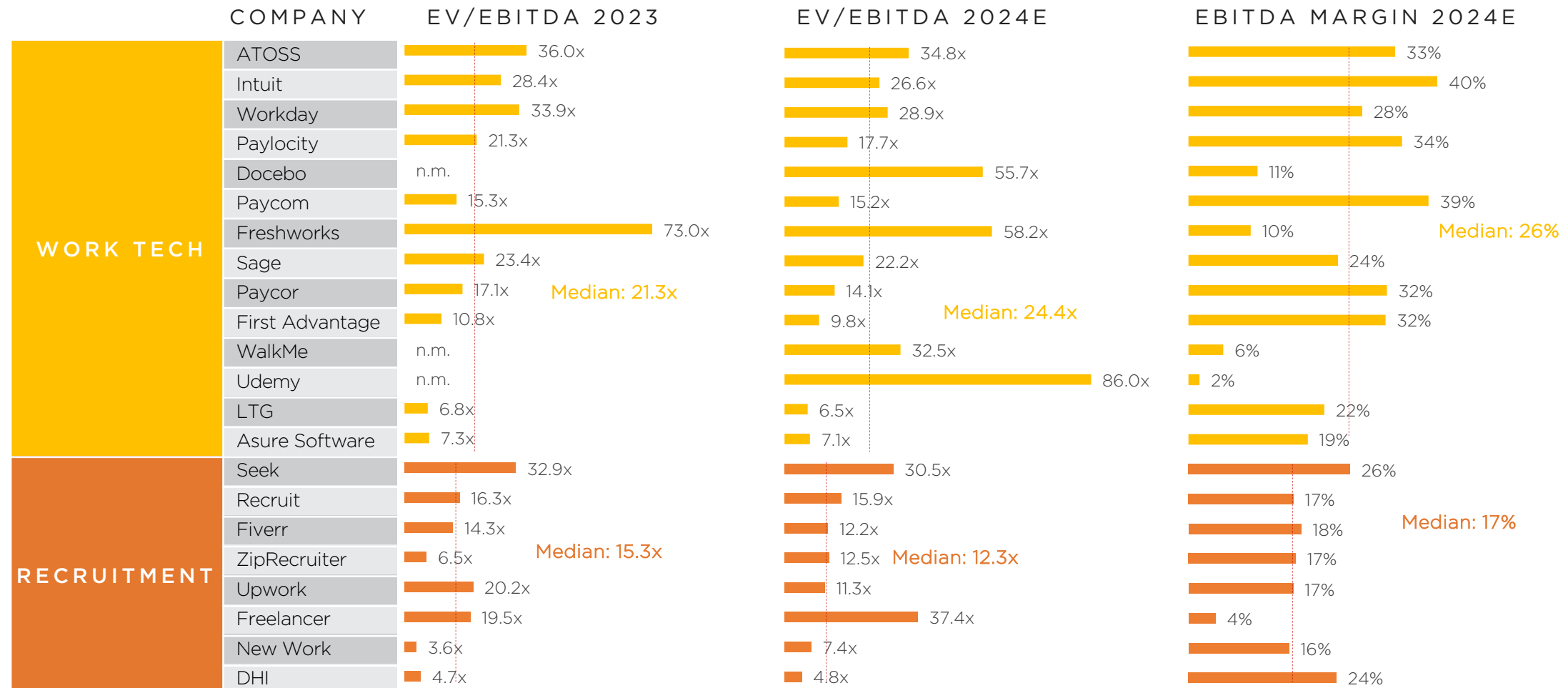
Peer benchmarking: valuation & revenue growth (cont.)



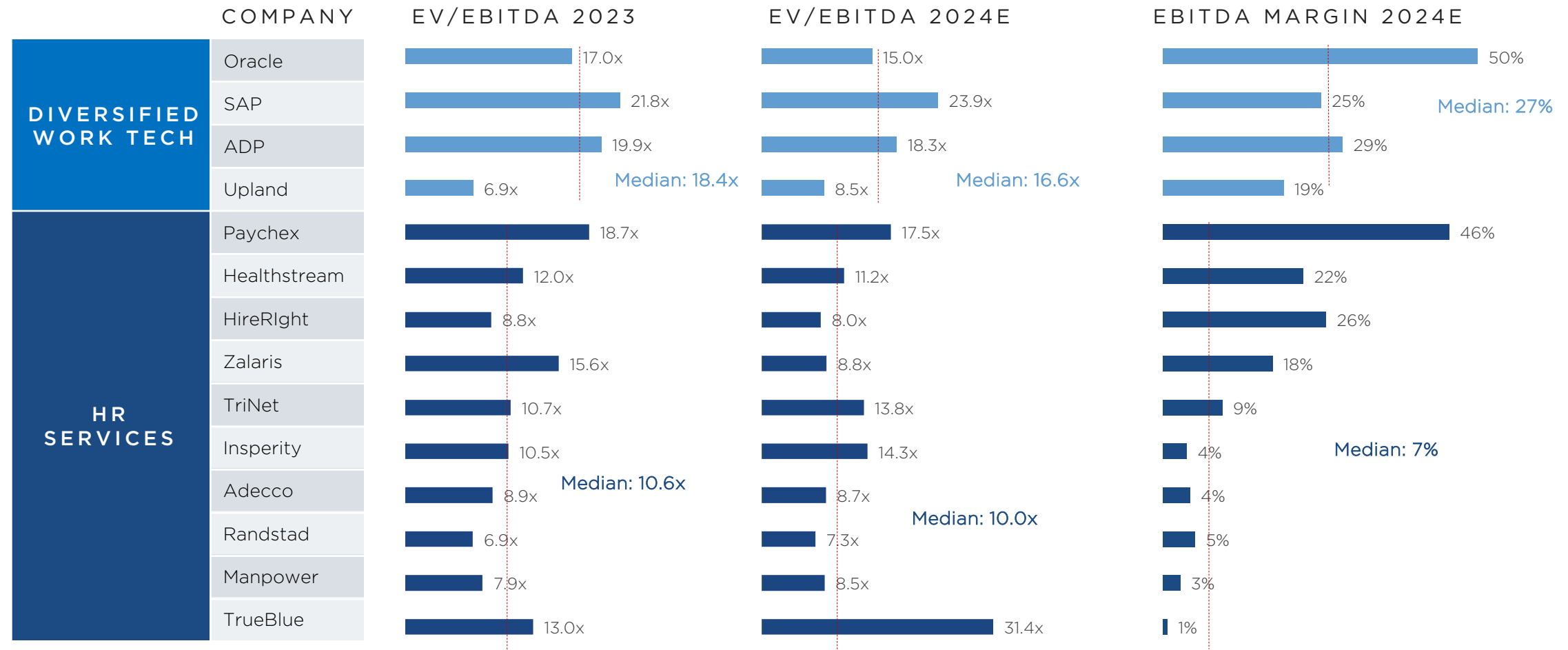
Peer benchmarking: valuation & revenue growth (cont.)



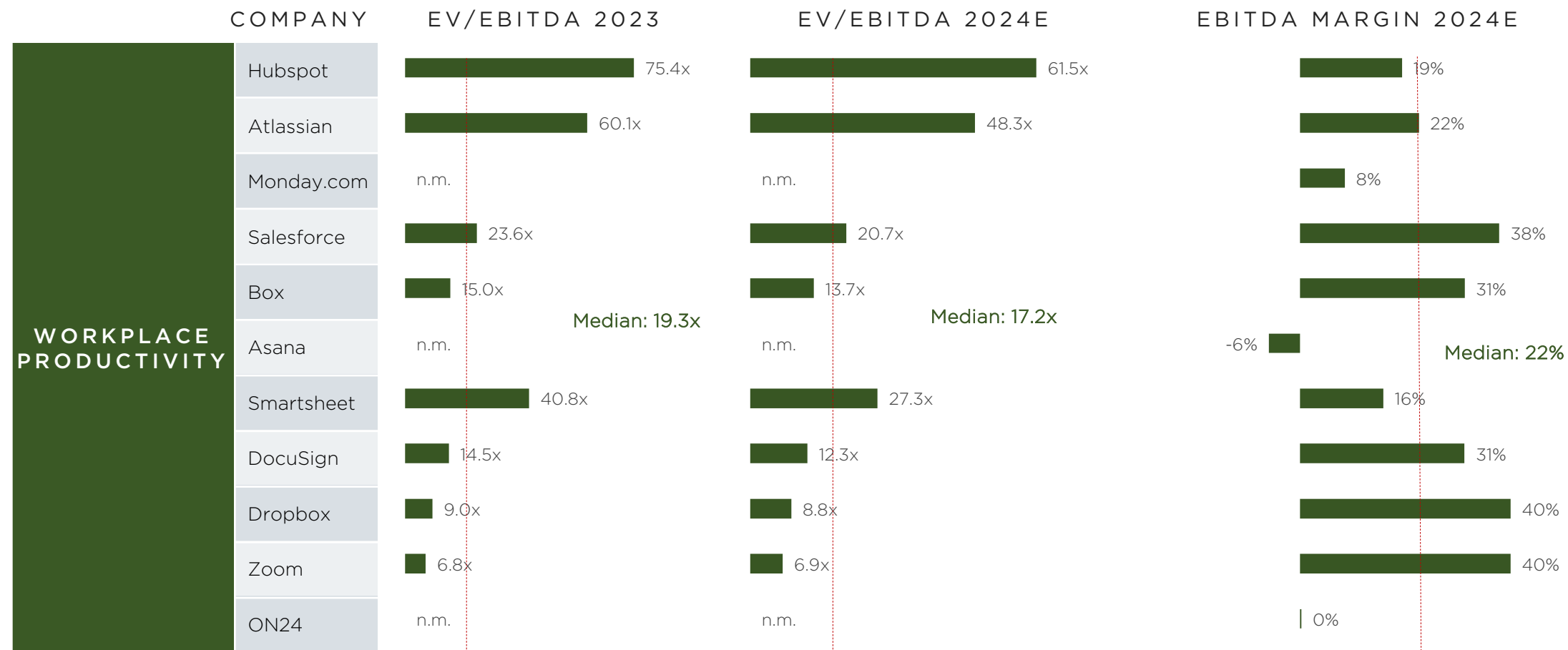
Peer benchmarking: valuation & revenue growth (cont.)



Peer benchmarking: valuation & revenue growth (cont.)



Peer benchmarking: valuation & revenue growth (cont.)



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