

Future of Work M&A and Investment Activity

Q4 and FY 2023



VENERO CAPITAL ADVISORS
INVESTMENT BANKING FOR THE FUTURE OF WORK

About Venero Capital Advisors

#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.

INTERNATIONAL COVERAGE

We provide our clients with global coverage through colleagues and partners in 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



LARGEST WORK TECH DEAL TRACK RECORD

More WorkTech and HRTech companies trust Venero to deliver a successful M&A transaction than any other investment bank. We are incredibly proud to be the financial advisor of choice for Future of Work businesses globally.

SELECTED TRANSACTIONS

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

STATE OF THE WORK TECH MARKET



Georgios Markakis,
Managing Partner

As 2024 gets underway, companies and investors across all sectors look forward to a respite from the difficult narrative of 2023

Here is what happened in Work Tech during the last 12 months:

- Most businesses saw revenue growth slow down during H1 2023 and pick up in Q4
- Average YoY growth for publicly listed companies was 18% for specialized Work Tech vendors, 1% for Recruitment Tech vendors, 10% for Workplace Productivity vendors and 6% for HR-related service businesses. This was a 30%-50% deceleration vs. the previous year's growth, and largely similar to growth expectations for 2024
- VC funding fell off a cliff, both in Work Tech and beyond, causing companies to reduce costs and focus on cashflow
 - \$8.9bn was invested in Work Tech during 2023, excluding the \$4.4bn raised by Visma; this is the lowest in 5 years
 - In an ominous sign, fundraising by VC firms also hit a six-year low in the US and eight-year low globally
- Median trading multiples for publicly listed Work Tech businesses remained relatively constant during the year, at c. 4.2x-5.2x NTM^(a) Revenue (2.1x for Recruitment Tech vendors)
- Acquisition multiples recovered somewhat as the year progressed, with the median being 6.3x LTM^(b) Revenue

Going into 2024, interest rates are likely to remain high for a few more quarters, as central banks in both the US and Europe continue to grapple with inflation and employment levels. With both debt and equity financing conditions challenging, VC-backed businesses may face difficult choices, including down-rounds, further cost reductions or a sale

On the positive side, the M&A market is highly active, and while valuation multiples are well below their peak, differentiated assets can still command attractive multiples when presented to the right buyers

Public Markets Update

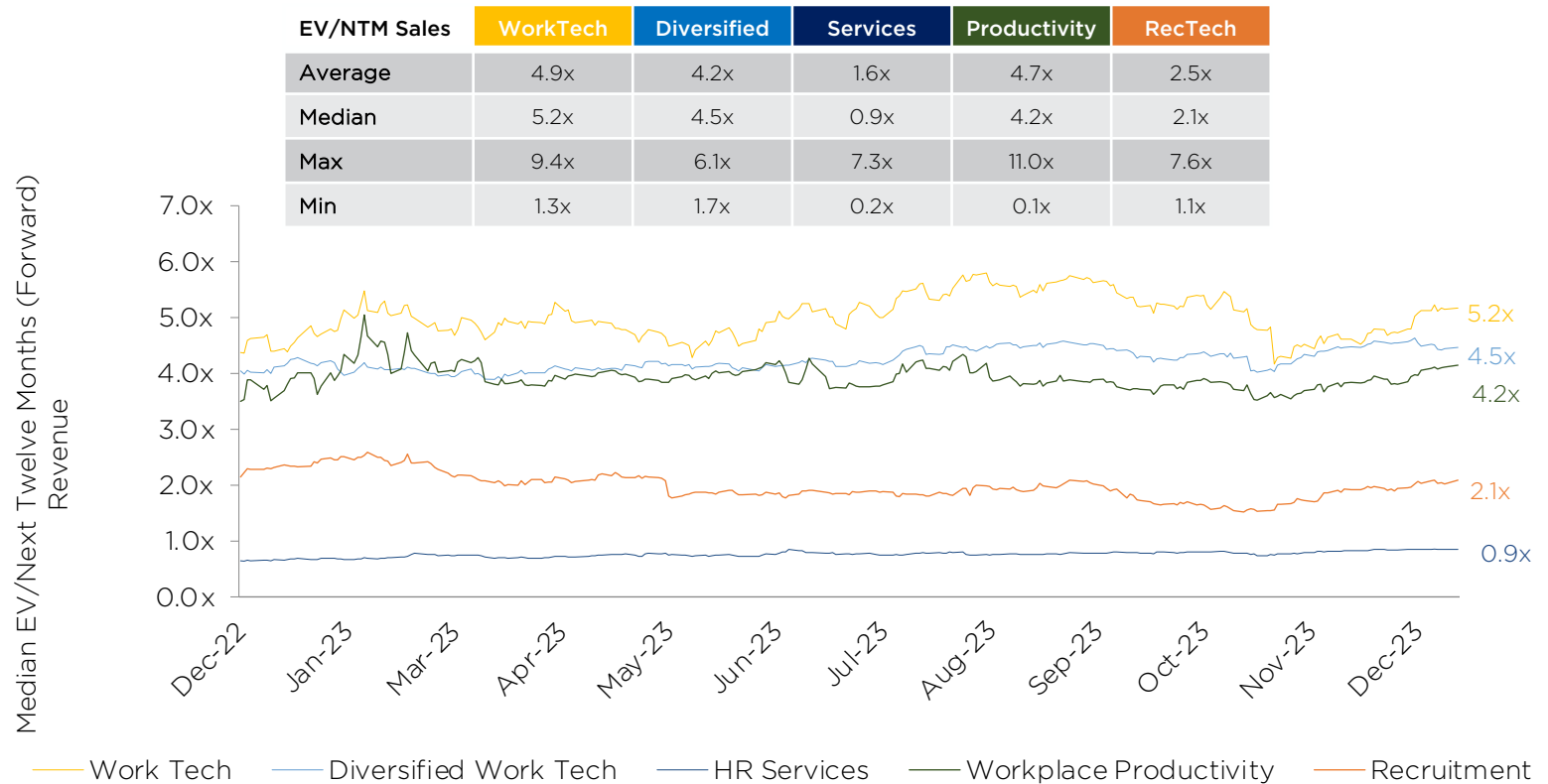
PUBLIC PEER VALUATION DEVELOPMENT

TRADING VALUATIONS OVER TIME (FORWARD REVENUE MULTIPLES)

Trading multiples remained relatively constant throughout the year, with specialist WorkTech businesses trading at around 5.2x forward revenue

Recruitment Tech vendors trade at a significant discount, which is a reflection of both the nature of their business model (job boards) and lingering uncertainty around hiring

Median YoY growth for specialist WorkTech vendors was 18% in 2023, compared to low single digits for others



REVENUE GROWTH BENCHMARKING

	COMPANY	YOY REVENUE GROWTH ^(a)				CAGR
		2022	2023	2024E	2025E	2023-25E
WORK TECH	Intuit	23%	12%	12%	12%	12%
	ATOSS	17%	28%	17%	19%	18%
	Freshworks	34%	19%	18%	20%	19%
	Workday	21%	17%	16%	18%	17%
	Kahoot	60%	16%	17%	20%	19%
	Ceridian	22%	22%	15%	16%	15%
	Docebo	38%	26%	23%	22%	22%
	Paycom	30%	22%	11%	15%	13%
	Paylocity	36%	28%	19%	17%	18%
	Sage	7%	11%	10%	10%	10%
	Paycor	26%	23%	17%	17%	17%
	First Advantage	-3%	6%	9%	9%	9%
	WalkMe	27%	9%	7%	12%	10%
	Udemy	22%	15%	14%	15%	15%
	Asure Software	26%	25%	3%	3%	3%
	LTG	131%	-6%	3%	4%	4%
	Median	26%	18%	15%	15%	15%

(a) Calendarized to December



REVENUE GROWTH BENCHMARKING (CONT.)

	COMPANY	YOY REVENUE GROWTH ^(a)				CAGR
		2022	2023	2024E	2025E	2023-25E
RECRUITMENT TECH	Seek	24%	2%	4%	8%	6%
	Fiverr	13%	7%	13%	17%	15%
	Recruit	21%	3%	2%	7%	5%
	Upwork	23%	11%	14%	15%	14%
	ZipRecruiter	22%	-29%	-9%	22%	5%
	Freelancer	-3%	-1%	9%	9%	9%
	New Work	8%	-2%	1%	5%	3%
	DHI	25%	0%	-5%	8%	1%
	Median	21%	1%	3%	9%	6%
DIVERSIFIED WORK TECH	Oracle	12%	11%	8%	9%	8%
	ADP	10%	8%	6%	6%	6%
	SAP	11%	1%	9%	10%	10%
	Upland Software	5%	-6%	-2%	0%	-1%
	Median	10%	4%	7%	7%	7%

(a) Calendarized to December



REVENUE GROWTH BENCHMARKING (CONT.)

	COMPANY	YOY REVENUE GROWTH ^(a)				CAGR
		2022	2023	2024E	2025E	2023-25E
HR SERVICES	Paychex	11%	7%	6%	6%	6%
	Healthstream	4%	5%	6%	6%	6%
	HireRight	10%	-10%	5%	9%	7%
	TriNet	8%	8%	8%	8%	8%
	Zalaris	15%	11%	11%	11%	11%
	Insperty	20%	9%	8%	-2%	3%
	Randstad	12%	-6%	1%	3%	2%
	Adecco	13%	1%	1%	4%	3%
	TrueBlue	4%	-16%	-3%	6%	1%
	Manpower	-4%	-5%	-1%	5%	2%
Median		3%	6%	6%	4%	4%

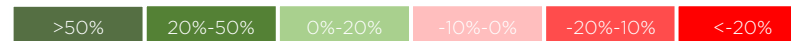
(a) Calendarized to December



REVENUE GROWTH BENCHMARKING (CONT.)

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

(a) Calendarized to December

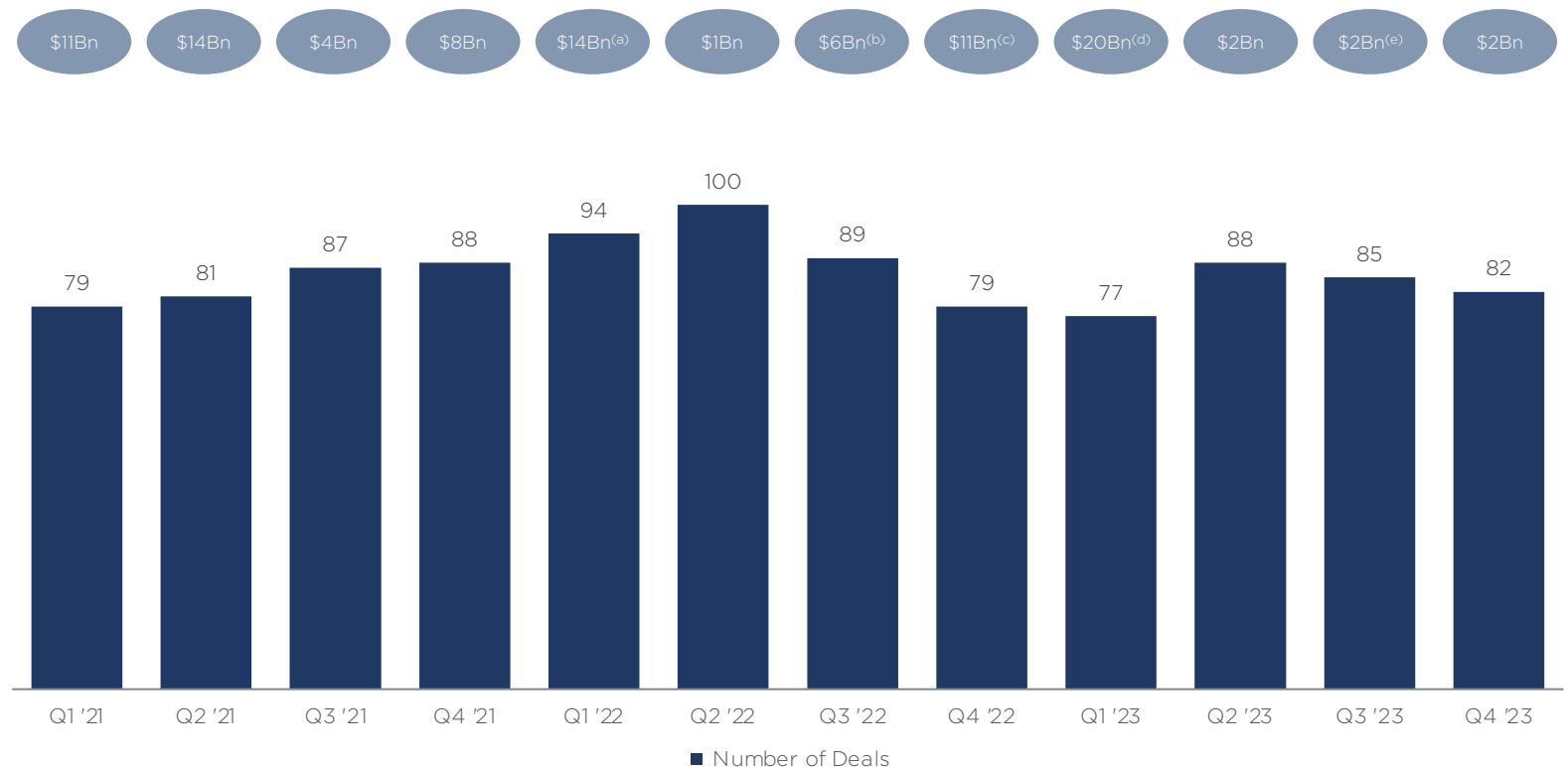


M & A

WORK TECH M&A VOLUME AND VALUE

M&A activity remained resilient in 2023, with 82 transactions announced in Q4 and 332 in total during the year. This compares to 362 in 2022 and 335 in 2021

Private Equity accounted for 55 platform transactions (direct investments, excluding acquisitions by PE-backed strategics). This compares to 34 PE transactions in 2022 and 53 in 2021



Note: Disclosed deal values only

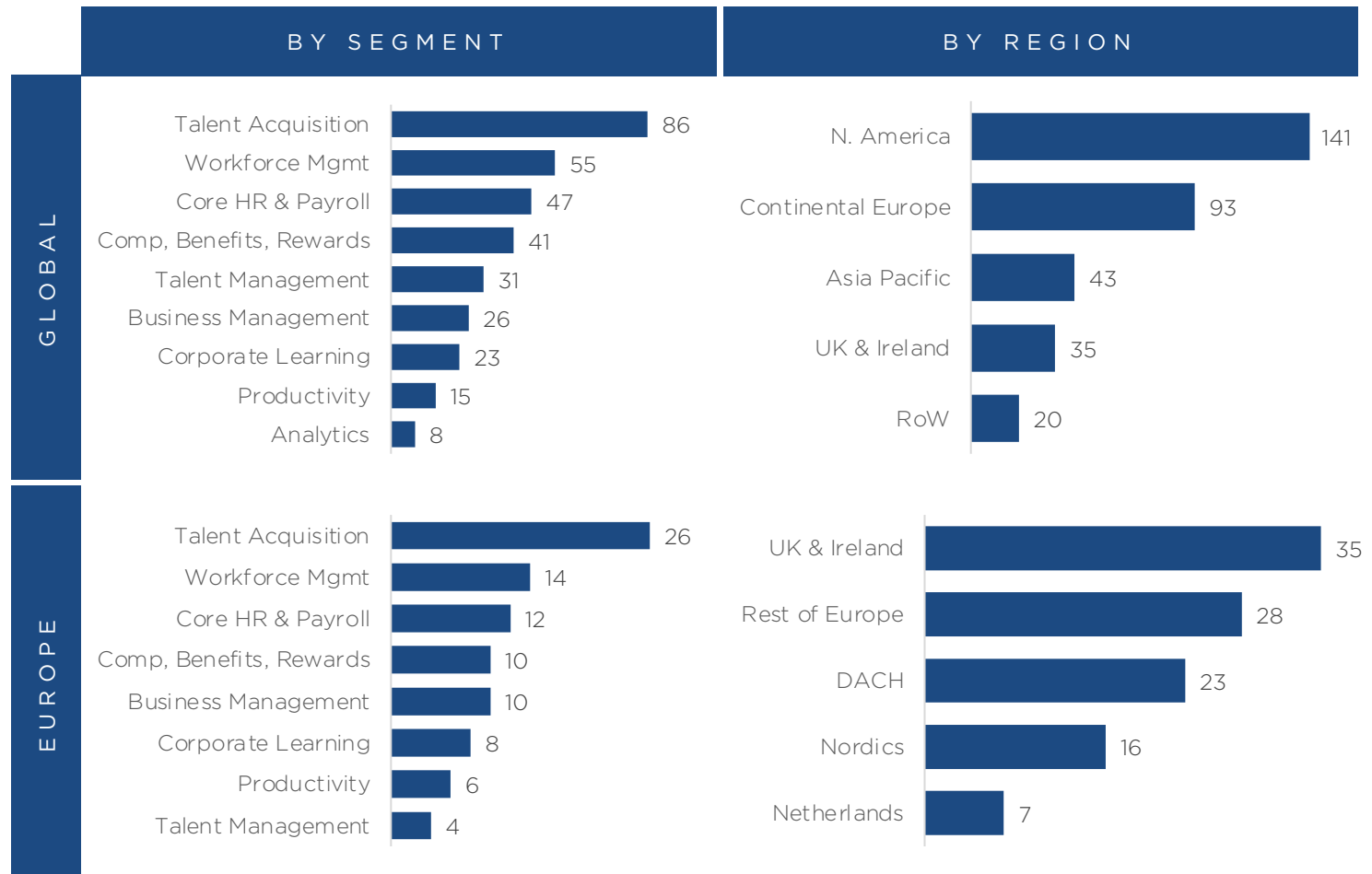
(a) Includes acquisition of Anaplan by Thoma Bravo (\$10.5Bn); (b) Includes acquisition of Frontline Education by Roper Technologies (\$3.7Bn) and acquisition of LifeWorks by Telus (\$1.7Bn) (c) Includes acquisition of Coupa Software by Thoma Bravo (\$8.0Bn); (d) Includes acquisition of Knowbe4 by Vista (\$4.6Bn) and acquisition of Qualtrics by Silver Lake (\$12.5Bn) and acquisition of Works Human Intelligence by GIC (\$2.6Bn); (e) Includes acquisition of Kahoot! by Goldman Sachs (\$1.7Bn)

Source: Press reports as of 28 December 2023, Venero Capital Advisors analysis

FY 2023 M&A ACTIVITY BREAKDOWN

Talent Acquisition was by far the most active segment in 2023, followed by Workforce Management – which has been attracting strong interest in the last couple of years

From a geographical perspective, the US was the most active region with 141 announced acquisitions; Europe (incl. UK&I) followed, with 128 deals



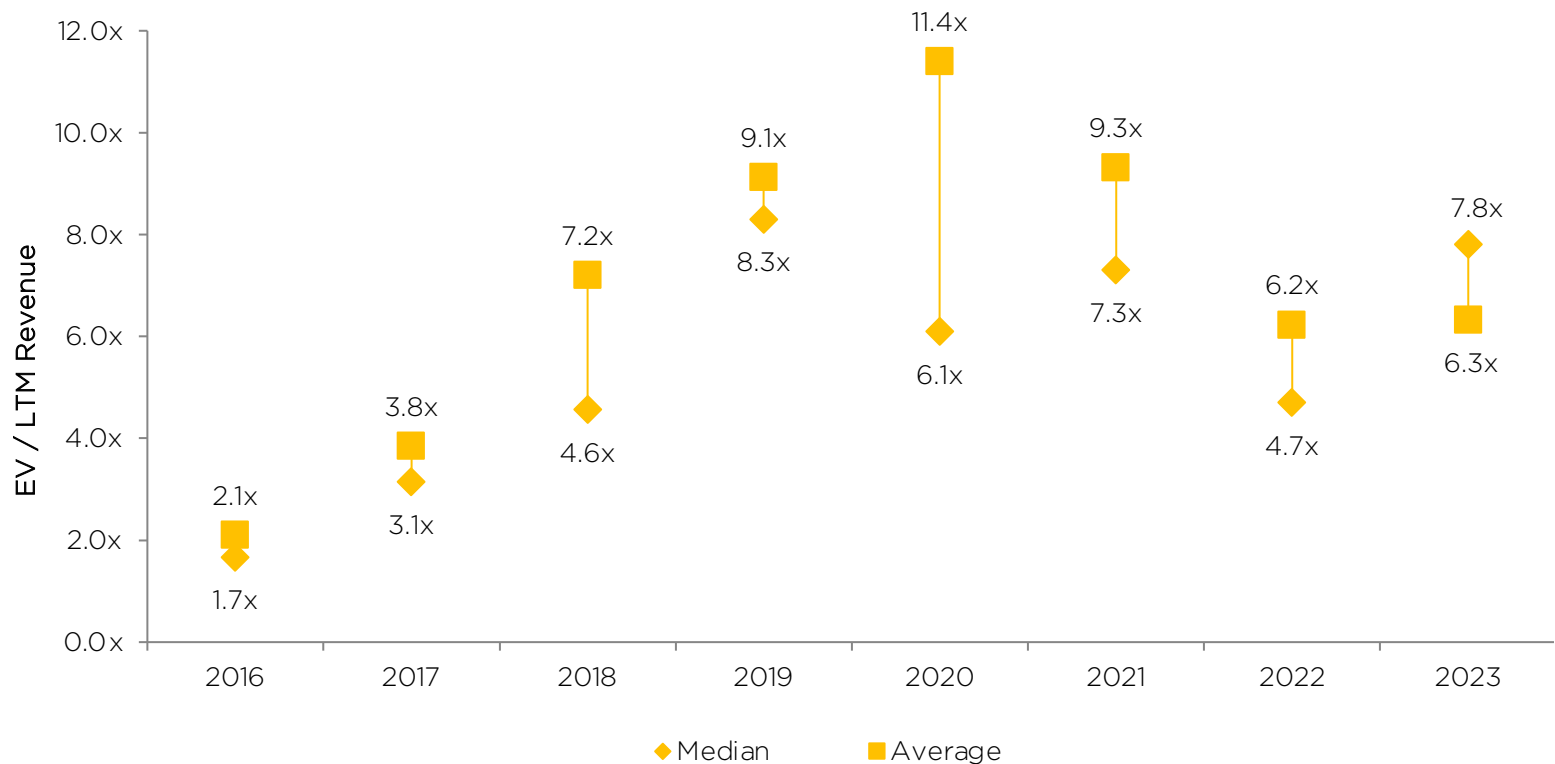
WORK TECH M&A VALUATION MULTIPLES OVER TIME

SIGNIFICANT DEMAND FOR DIFFERENTIATED ASSETS

Following a significant multiple compression in 2022, multiples recovered somewhat in 2023

However, this uplift has been driven primarily by strong demand for assets that are differentiated and in-demand, either because of above-average performance or strong strategic fit with the buyer

Revenue growth remains a key valuation driver, alongside retention metrics and cash flow



FY 2023 SELECTED M&A TRANSACTIONS

DATE	BUYER	TARGET	TARGET SEGMENT	DEAL SIZE
13 March 2023	Silver Lake Partners (US)	Qualtrics (US)	Talent Management	\$12.5B
1 February 2023	Vista (US)	Knowbe4 (US)	Corporate Learning & Development	\$4.6B
23 December 2023	Leonard Green & Partners (US)	Iris Software Group (UK)	Core HR & Payroll	\$4.0Bn
31 March 2023	GIC (Singapore)	Works Human Intelligence (Japan)	Workforce Management	\$2.6B
16 May 2023	Edenred (France)	Reward Gateway (US)	Compensation, Benefits, Rewards	\$1.4B
4 October 2023	NICE Systems (US)	LiveVox (US)	Workforce Management	\$353M

Investment Activity

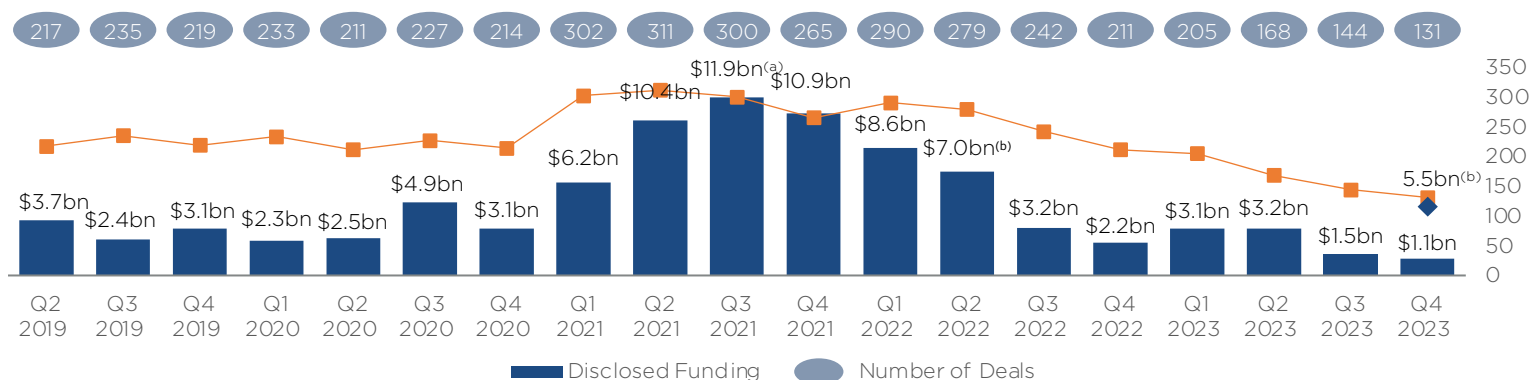
INVESTMENT ACTIVITY HIGHLIGHTS

QUARTERLY INVESTMENTS INTO WORK TECH (GLOBAL)

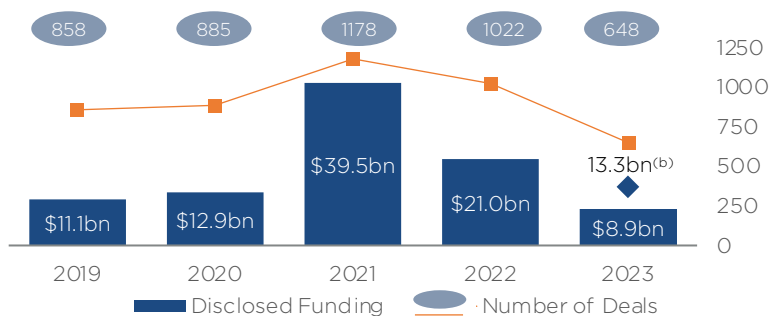
2023 was a very difficult year in terms of venture funding, with both deal value (\$8.9bn, excl. Visma's \$4.4bn raise) and volume (648 rounds) at a five-year low

A strong recovery in the near term seems unlikely, as VC's remain cautious and companies grapple with the prospect of down-rounds

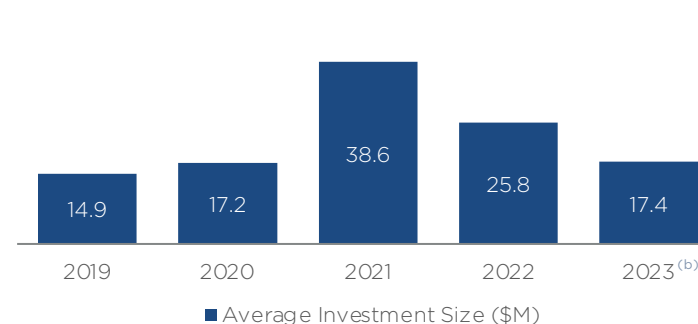
Fundraising by VC firms also slowed down to a six-year low in the US and eight-year low globally, suggesting possible longer-term effects



ANNUAL DEAL ACTIVITY



AVERAGE INVESTMENT SIZE



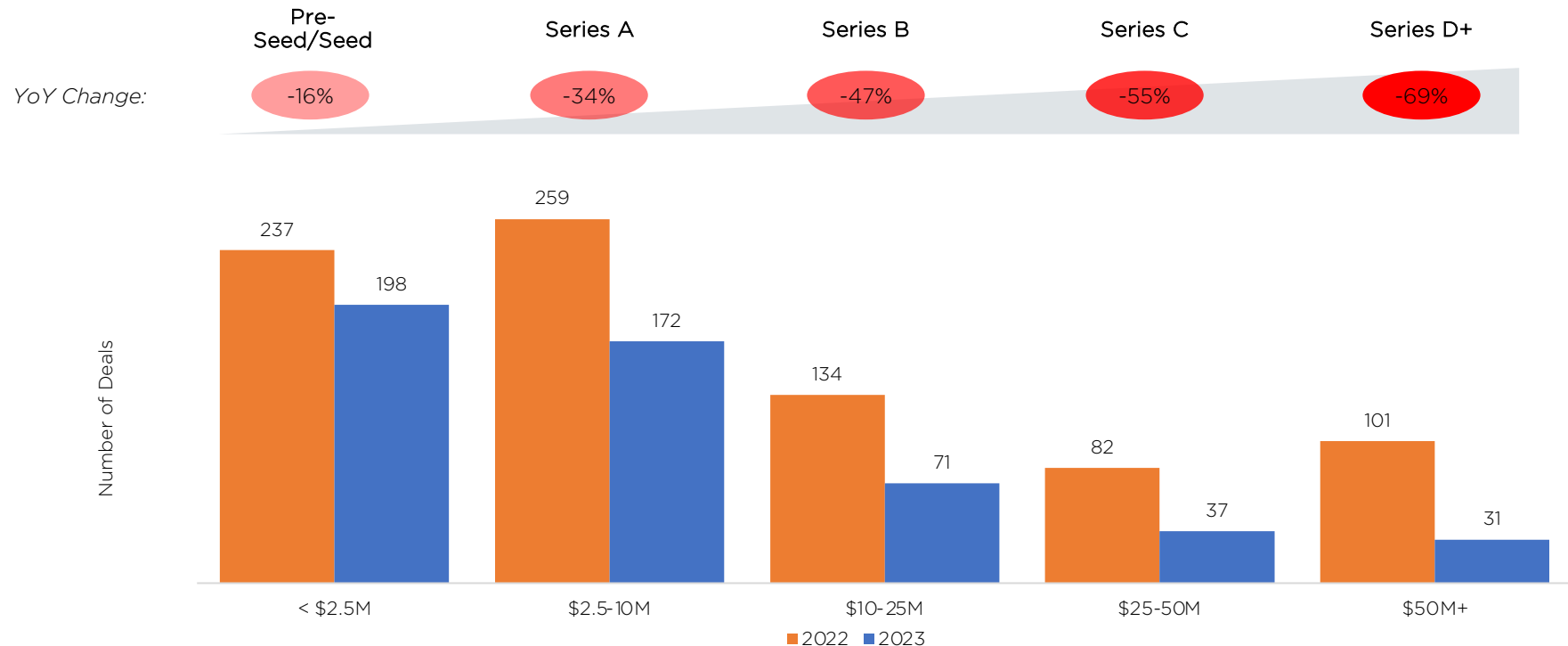
Note: Disclosed deal values only

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

Source: Press reports as of 4 January 2024, Venero Capital Advisors analysis

INVESTMENT VOLUME BY DEAL SIZE

Later-stage rounds dropped the most in 2023 vs. 2022, likely because of two reasons: firstly, later-stage businesses raised sizeable rounds in early 2022 and have since been focusing on reducing costs and extending their runway. Secondly, later-stage businesses are more sensitive to the prospect of a down-round, which wouldn't be unlikely in the current environment

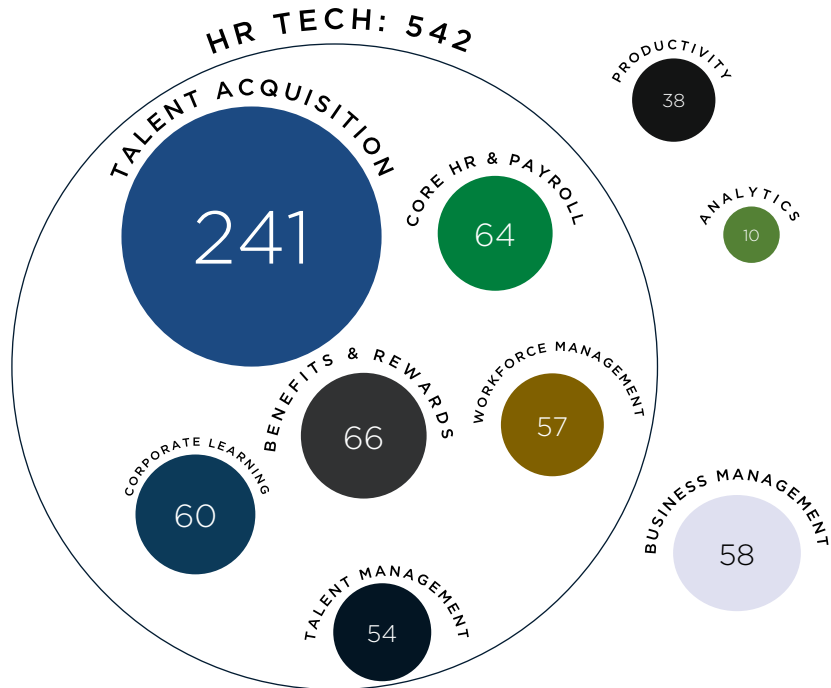


Note: Excludes rounds with undisclosed amount raised

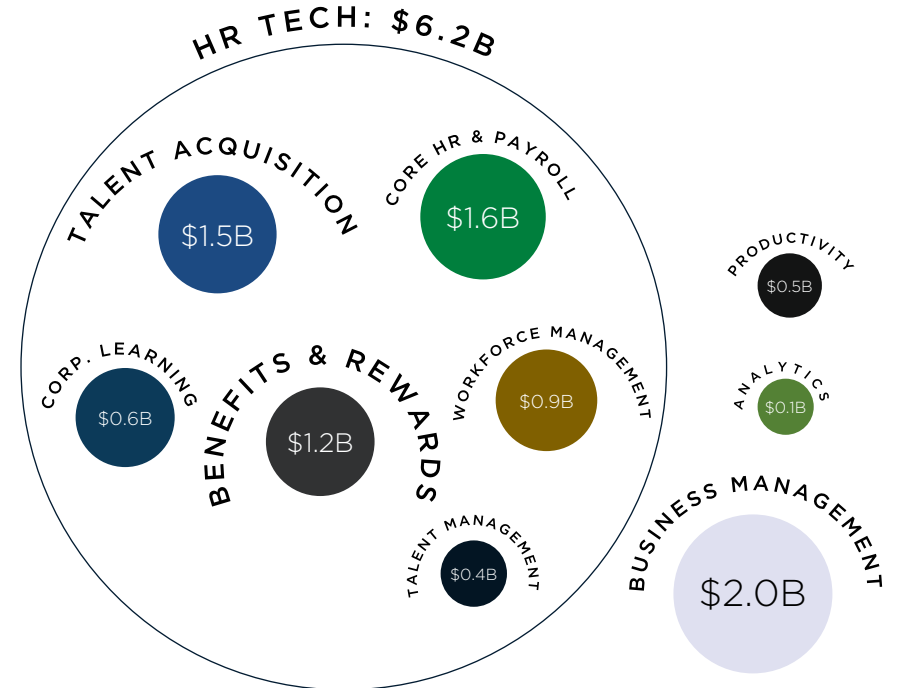
Source: Company information, press, Venero Capital Advisors analysis

FY 2023 INVESTMENT ACTIVITY BY SEGMENT

NUMBER OF FUNDING ROUNDS: 648



AMOUNT RAISED: \$8.9BN



FY 2023

SELECTED FUNDING ROUNDS

DATE	COMPANY	FUNDING STAGE	SECTOR	AMOUNT RAISED	DESCRIPTION
17 March 2023	Rippling (US)	Series E	Core HR & Payroll	\$500M	Human resource management company that manages employees' payroll, benefits, devices, and apps
20 June 2023	SD Worx (Belgium)	Private Equity	Core HR & Payroll	\$440M	Provider of recruitment and payroll management services
11 January 2023	ShiftKey (US)	Private Equity	Workforce Management	\$300M	Scheduling and credential management platform for the healthcare industry
24 January 2023	DailyPay (US)	Venture - Series Unknown	Compensation, Benefits, Rewards	\$260M	Provides an enterprise pay tool for the financial industry
6 February 2023	ShiftMed (US)	Venture - Series Unknown	Workforce Management	\$200M	Offers a uniquely efficient and user-friendly approach to on-demand staffing for the healthcare industry

FY 2023

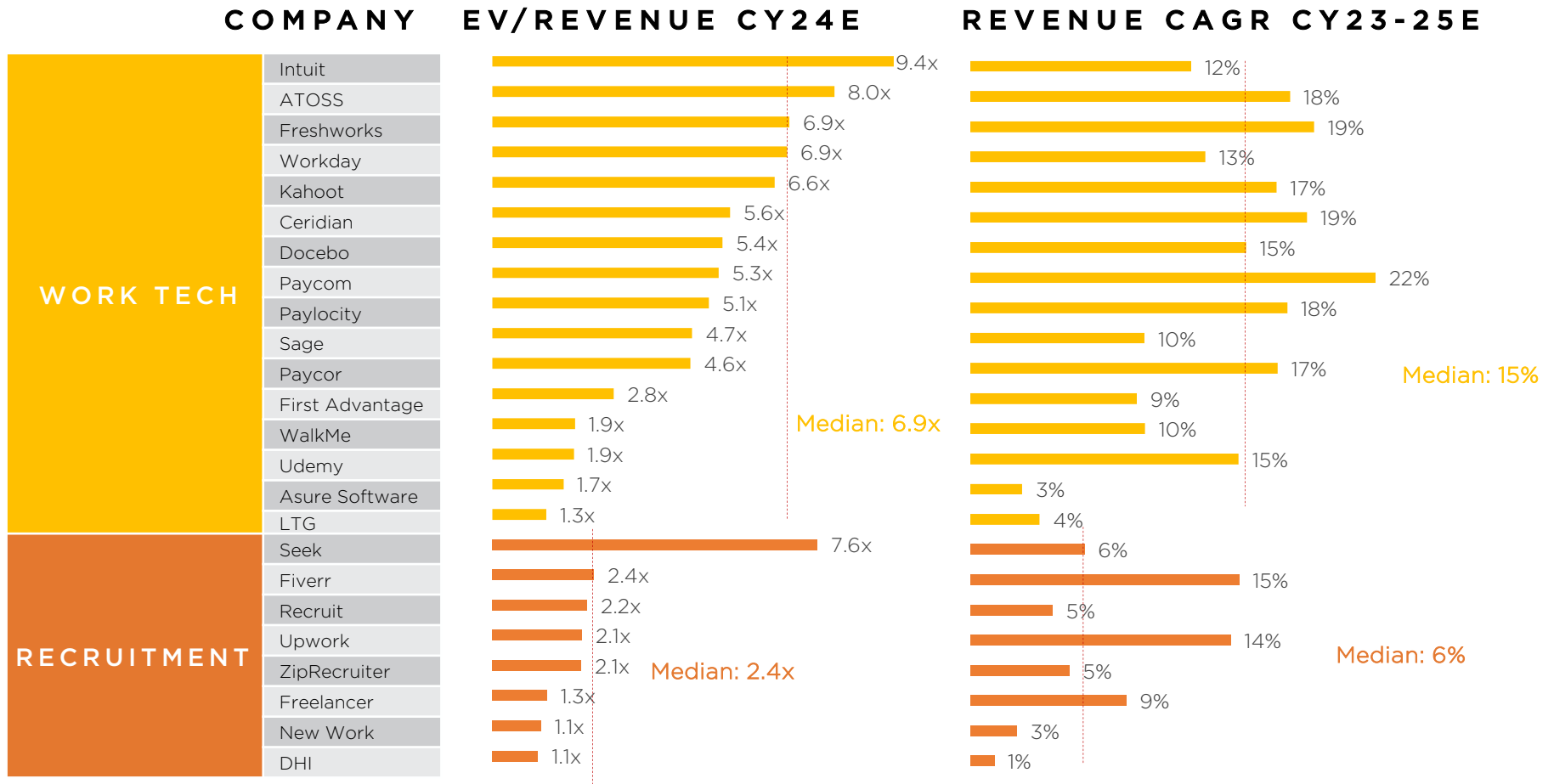
SELECTED FUNDING ROUNDS (CONT.)

DATE	COMPANY	FUNDING STAGE	SECTOR	AMOUNT RAISED	DESCRIPTION
19 October 2023	Employment Hero (Australia)	Series F	Talent Acquisition	\$166M	Employment Hero operates as an online human resource platform for small and medium-sized businesses.
15 August 2023	VBA Software (US)	Private Equity	Compensation, Benefits, Rewards	\$156M	Provider of virtual benefits administrator software for enterprises
19 September 2023	Hibob (Israel)	Venture - Series Unknown	Core HR & Payroll	\$150M	Hibob offers a cloud-based human resource and benefits platform that allows companies to streamline their HR processes.
11 January 2023	HeadHunter (Russia)	Private Equity	Talent Acquisition	\$147.3M	Job search platform in Russia
6 June 2023	Workleap (Canada)	Private Equity	Talent Management	\$93.7M	Digital platform offering solutions for HR management

Appendix:

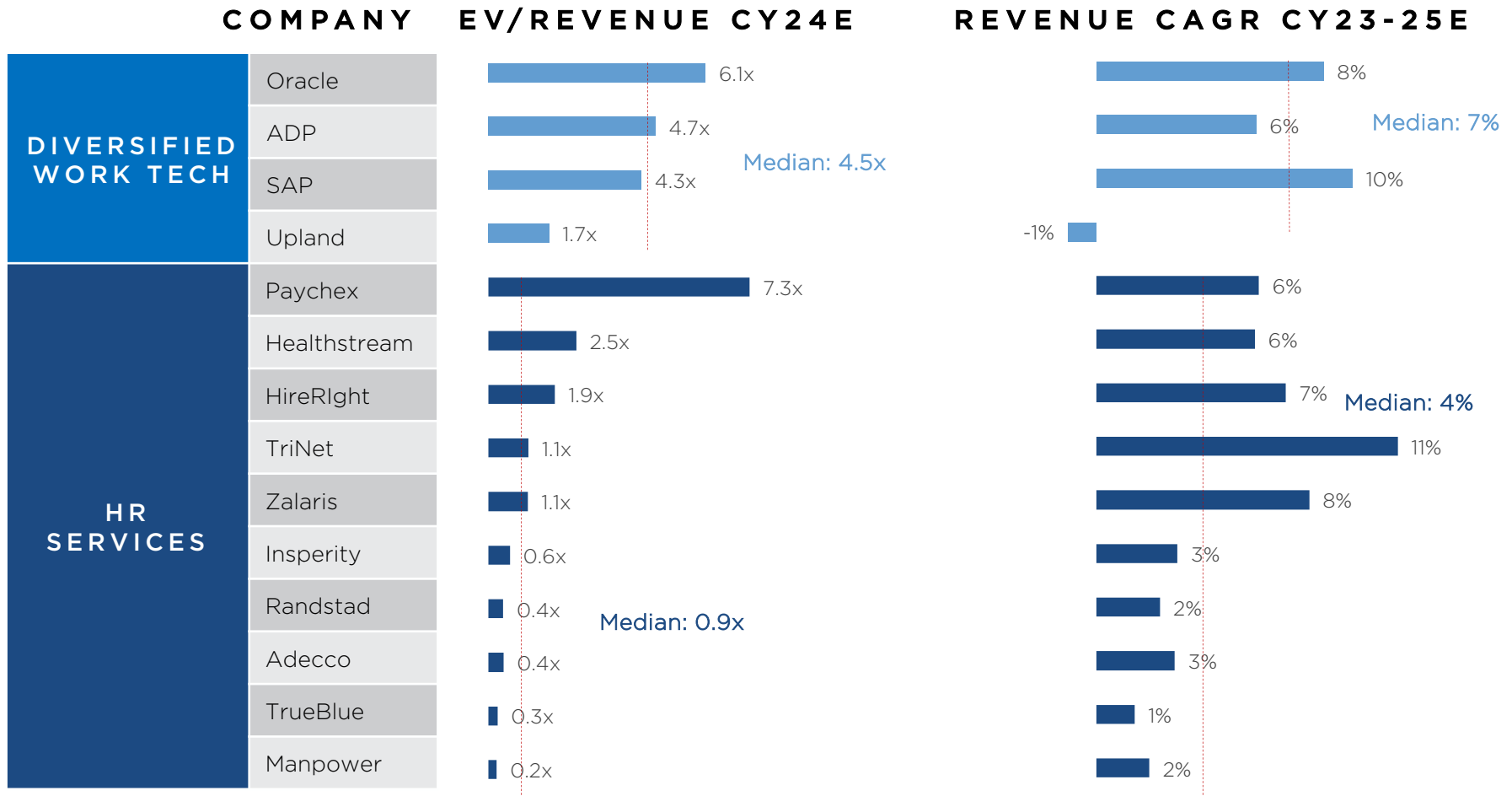
Public Companies
Benchmarking

PEER BENCHMARKING: VALUATION & REVENUE GROWTH



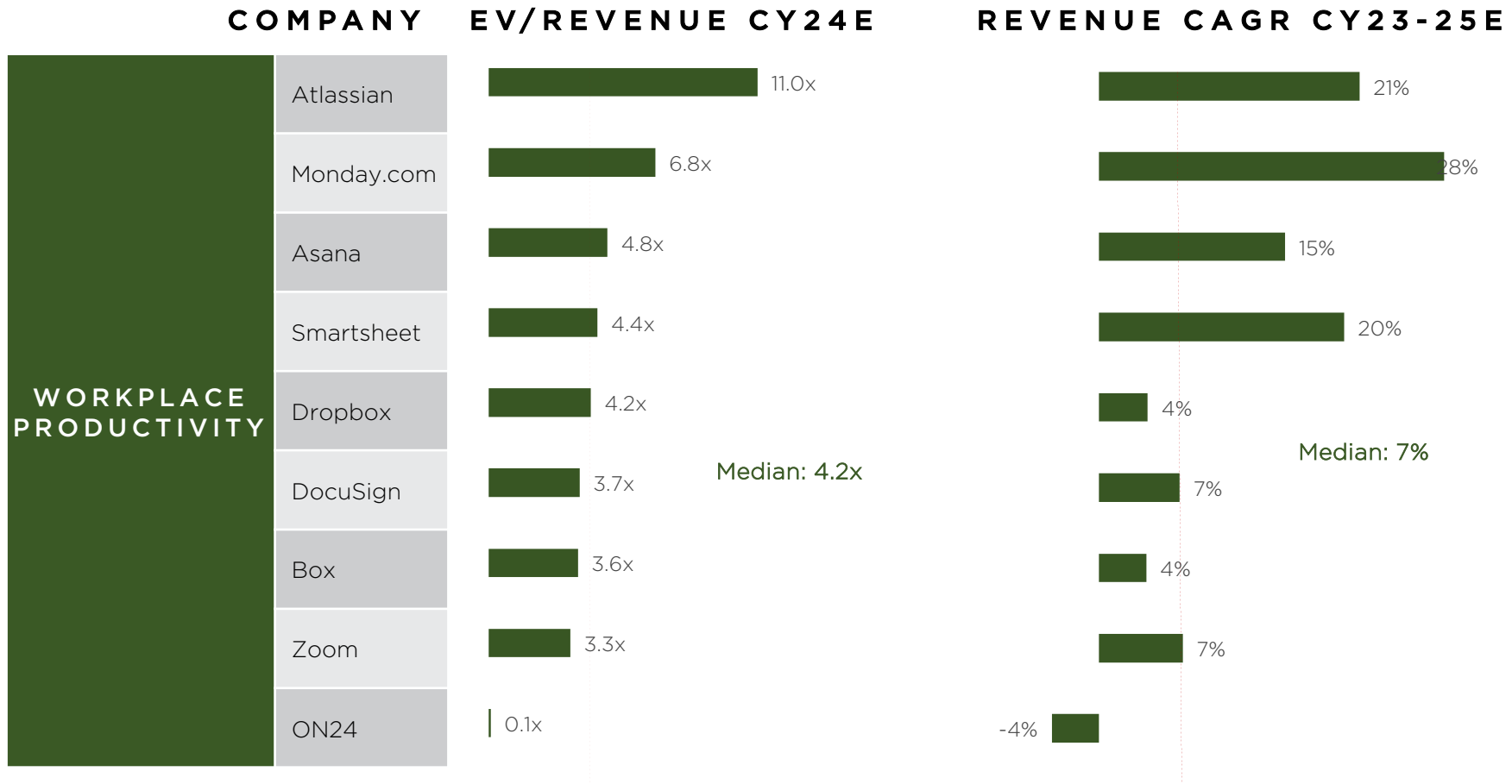
Source: Venero Capital Advisors analysis, December 2023

PEER BENCHMARKING: VALUATION & REVENUE GROWTH (CONT.)



Source: Venero Capital Advisors analysis, December 2023

PEER BENCHMARKING: VALUATION & REVENUE GROWTH (CONT.)



Source: Venero Capital Advisors analysis, December 2023

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