



HR Technology Market



Trends & Opportunities

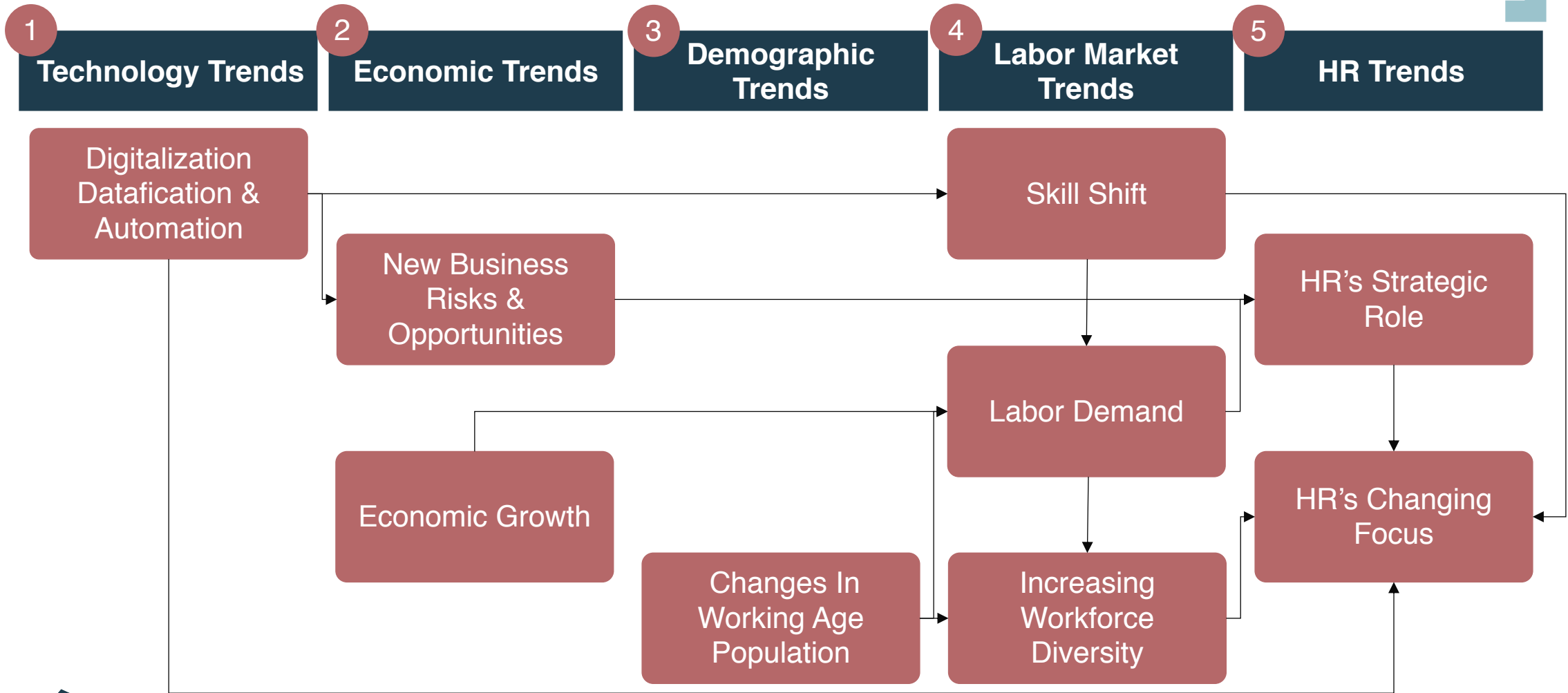


Part 1



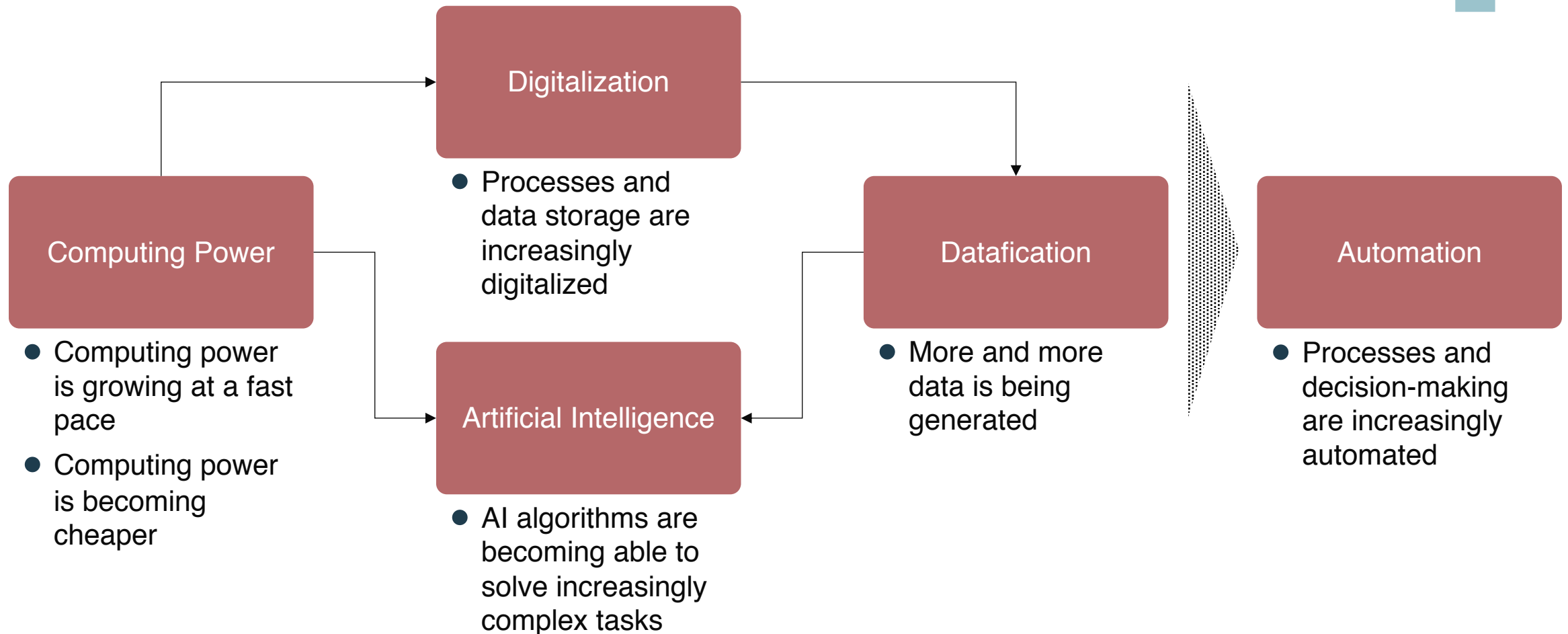
Underlying Market Drivers

HR technology market developments are determined by a number of underlying drivers, primarily technological, economic, demographic, labor market and HR trends



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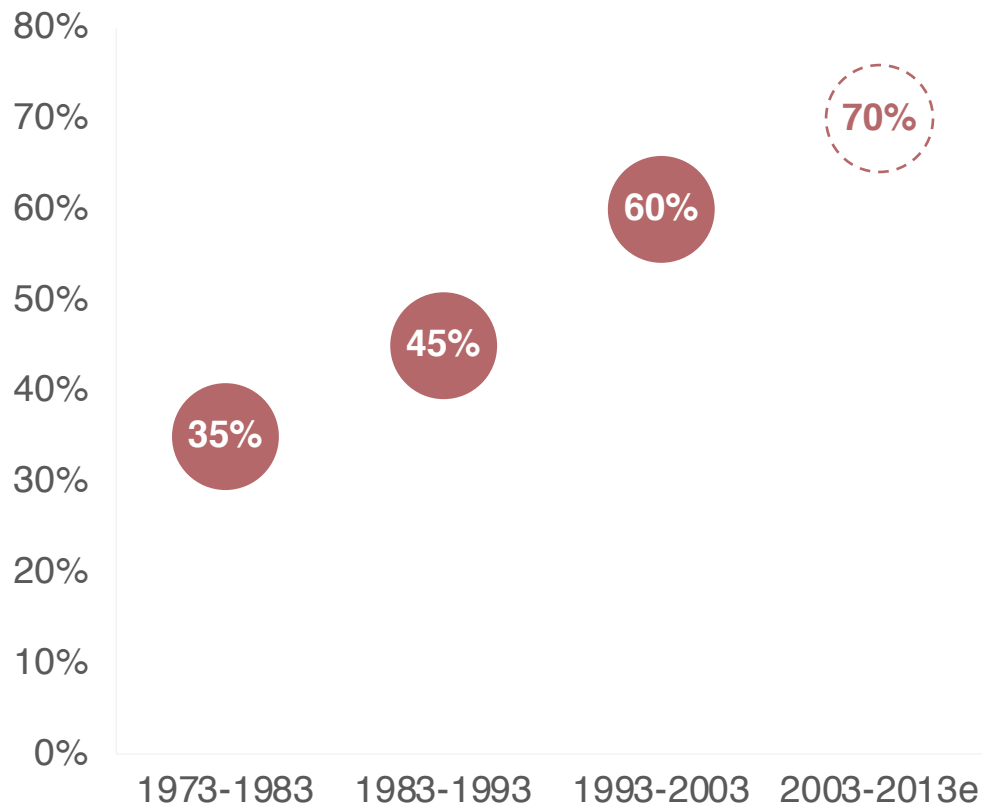
The growth of increasingly cheap computing power is driving advances in digitalization, datafication and AI, making it possible to automate various processes and decision-making



2

The fast pace of technology development is creating new business risks and opportunities, forcing companies to innovate faster while maintaining their core business

Share of new companies in the Fortune 1000*



- The fast pace of technology development (often referred to as “the fourth industrial revolution”) is causing fast changes in the business environment

“Most big businesses are restructuring every year now. When I talk to my customers and ask them what they’re doing this year, they say it’s the same thing they did last year, because they tried and failed at business transformation or HR transformation.”

CEO, UNLEASH (HR Tech World)
- These fast changes create new business risks and new business opportunities, particularly in digital, with as much as 40% of the Fortune 500 currently on the S&P 500 predicted to vanish within 10 years
- Most companies are facing the double challenge of maintaining their core business and developing new, primarily digital business lines at the same time

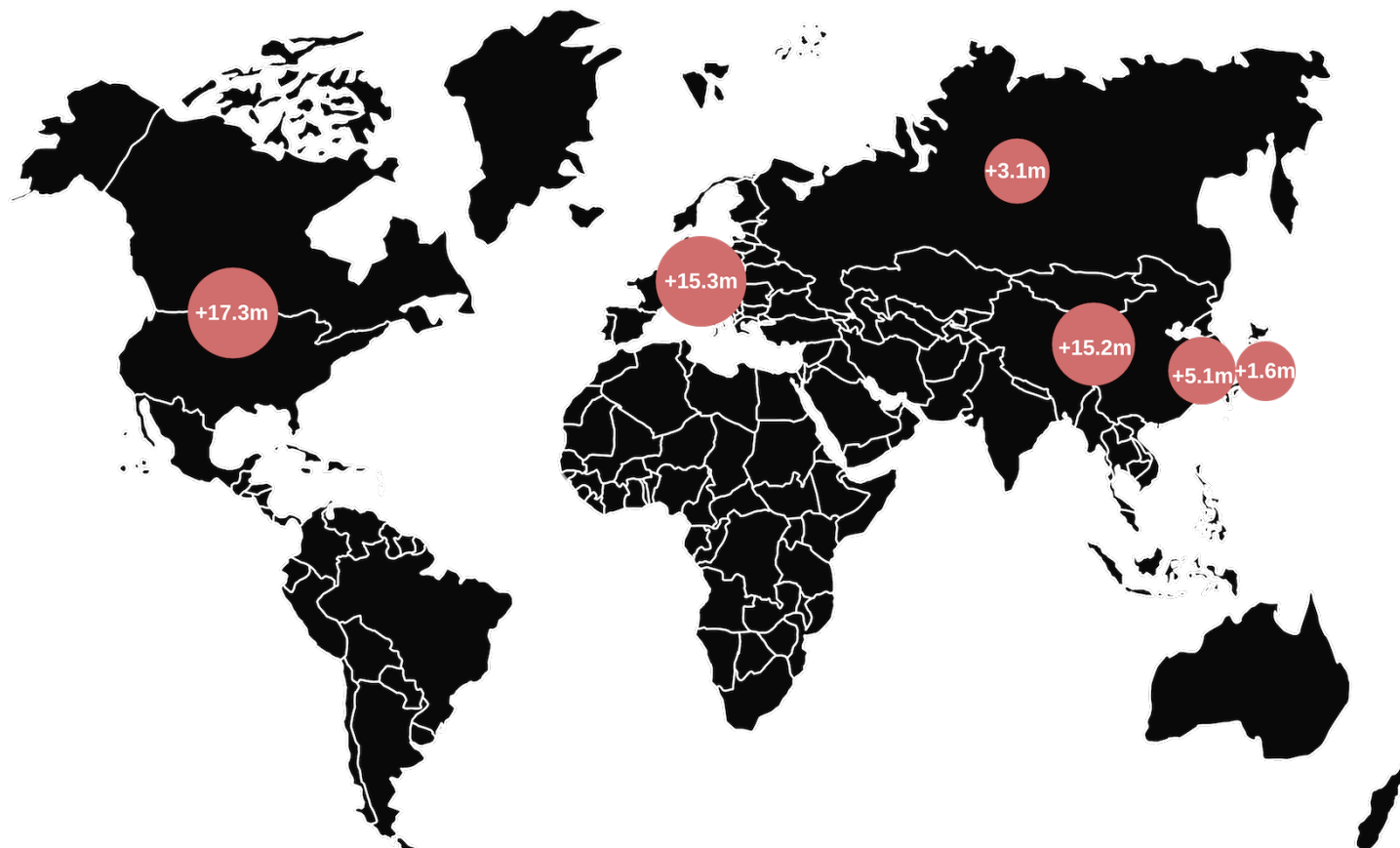
“We are facing the concurrent challenges of maintaining our core business while continuing to develop new business lines.”

Lead HR Business Partner, E.ON

2

If economic and productivity growth continue at the same rate as in the past 10 years, over 55 million new jobs will have been created between 2015-2030 in East Asia, Europe and NAM

Change in Labor Demand (2015-2030)*^

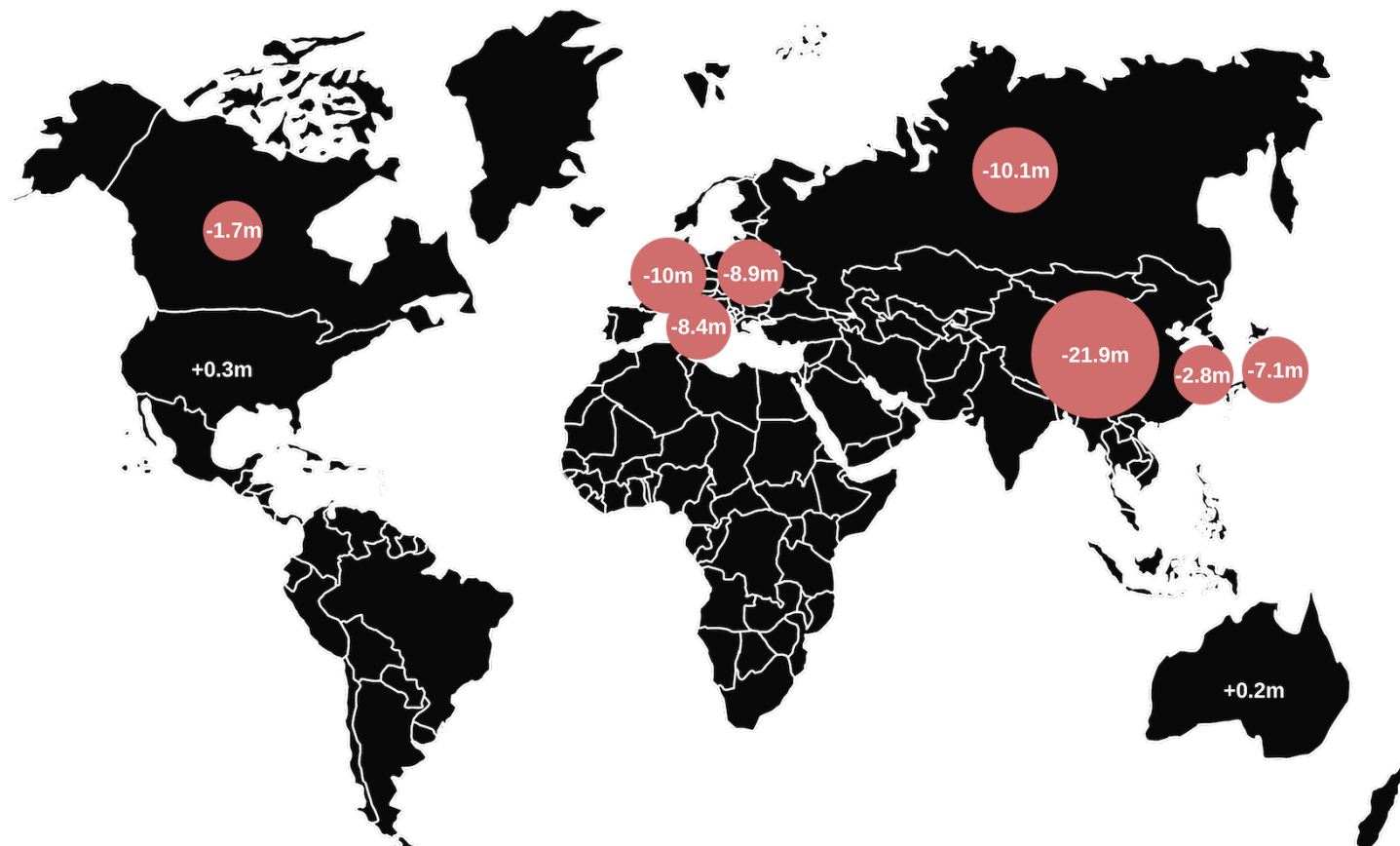


Region / Country	Working Age Population Change (2015-2030)
East Asia	+21.9m
China**	+15.2m
Japan	+1.6m
South Korea	+5.1m
Europe	+18.4m
EU^^	+15.3m
Russia	+3.1m
NAM	+17.3m

3

At the same time, the working age population in East Asia, Europe and NAM is projected to decrease by c. 70 million people between 2015-2030

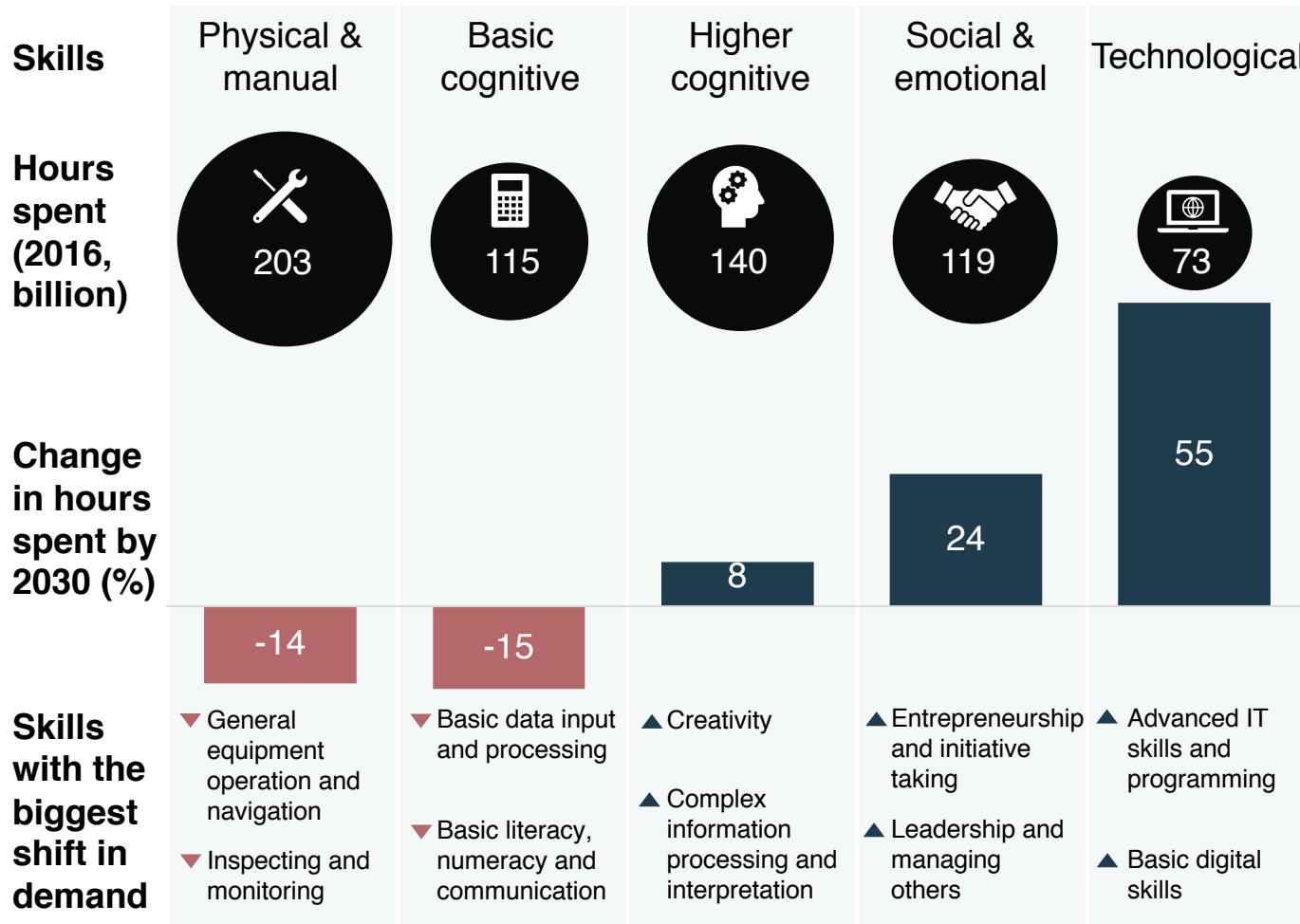
Change in Working Age Population (2015-2030)*^



Region / Country	Working Age Population Change (2015-2030)
East Asia	-31.8m
China**	-21.9m
Japan	-7.1m
South Korea	-2.8m
Europe	-37.4m
W. Europe^^	-10m
S. Europe	-8.4m
E. Europe	-8.9m
Russia	-10.1m
NAM	-1.4m
Canada	-1.7m
U.S.	+0.3m

4

New technologies are driving a skill shift in the labor market, with demand predicted to increase for digital, higher cognitive and social / leadership skills and decrease for labor that can be automated



75 million

people globally may have to change their occupations*

4

As a result, many developed countries are likely to experience growing talent shortages in the medium term, especially when it comes to in-demand digital skill sets

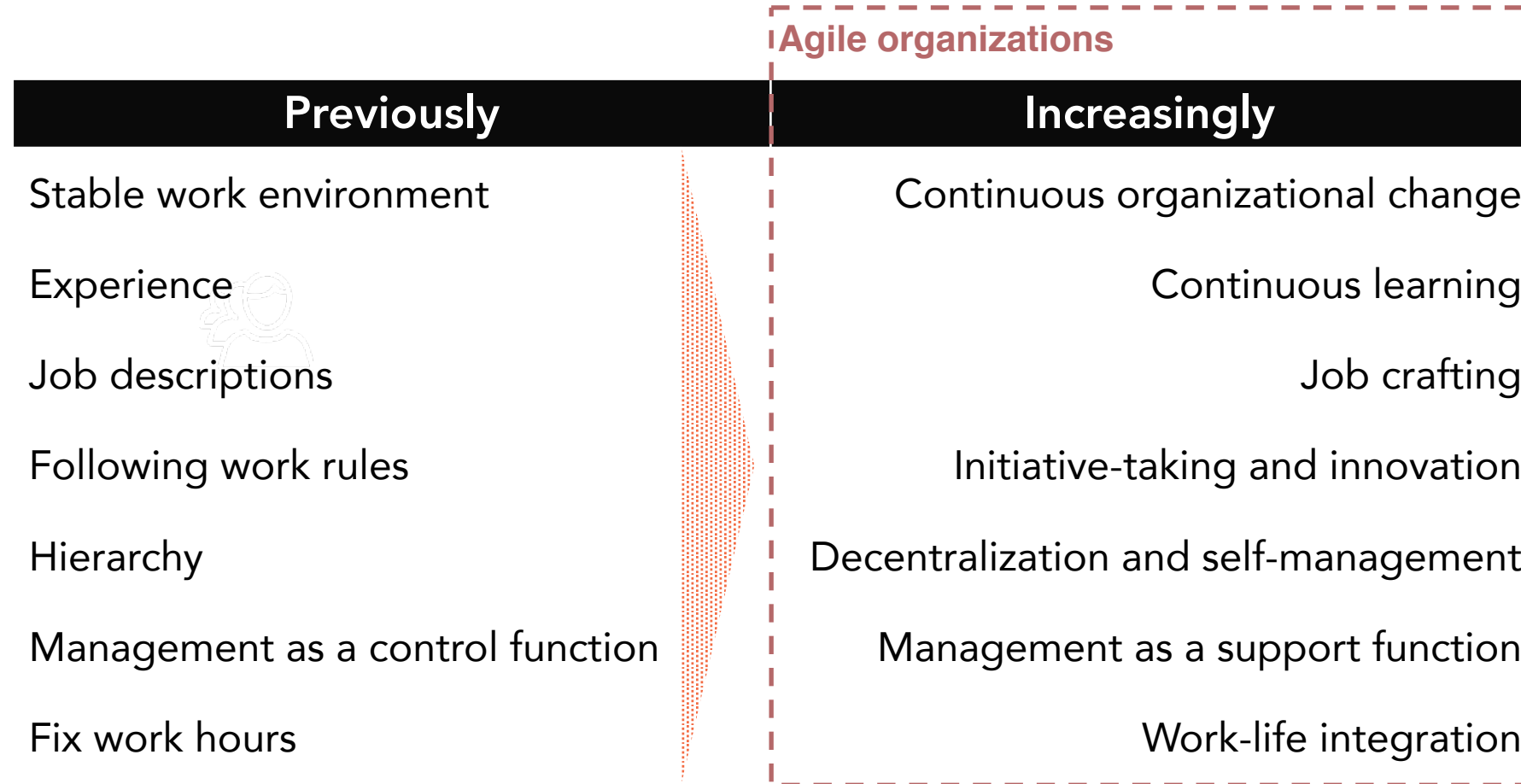
Region / Country	Change in Labor Demand* (2015-2025f)	Working Age Population Change (2015-2025)	Balance of Talent Supply & Demand (2025f)	YoY Automation Multiplier to Offset Talent Shortage^
East Asia	+14.1m	-6.4m	-20.5m	N/A
China	+9.6m	-0.8m	-10.4m	1.02x
Japan	+1.2m	-4.7m	-5.9m	3.7x
South Korea	+3.3m	-0.9m	-4.2m	1.8x
Europe	+12.9m	-20m	-32.9m	N/A
EU	+10.9m	-12.9m	-23.8m	3.4x
Russia	+2.0m	-7.1m	-9.1m	2.1x
NAM	+11.9m	+0.6m	-11.3m	1.9x

Source: World Bank, UN, ILO databases, EQIQ Research and Analysis

Notes: *Given same GDP and labor productivity growth rates as in past 10 years; ^Factor by which automation would have to boost historical YoY labor productivity growth to offset working age population change, even in the unlikely scenario that none of the gains from increased productivity result in creating new jobs

5

To cope with a fast changing business environment and labor shortages, companies increasingly need to create more agile, flexible and diverse organizations



5

As a result of these trends, HR's role is changing from an administrative support function to a business-critical and strategic value-adding function, but is facing obstacles on the road

Service provider



Regulator

Coach & strategic partner

- HR leaders recognize the need to boost HR's strategic impact, but most report difficulties in achieving that objective
 - “I'd like to strengthen HR's strategic position and standing within the company, but am not sure how to.”
 - “I often feel that being in HR is almost a handicap.”
 - “It is extremely difficult to build trust and have real impact as an HR leader.”

5

HR should increasingly focus on talent acquisition and retention, candidate and employee experience, organizational design to support innovation, people analytics, alternative employment forms, employee health & well-being and learning & development

Trend	Expected Impact on HR's Focus	Importance
Aging population + skill shift	Recruitment and retention is likely to become harder in most developed countries, especially in emerging digital skill sets. Only companies with a strong focus on talent acquisition and candidate / employee experience may be able to source and retain highly sought after talent.	●
	Employers will also need to become more flexible, leading to an increase in non-traditional forms of employment.	◐
Fast-changing business environment + skill shift	Companies will need to create more adaptive organizations to innovate faster.	●
	In the meantime, they will also need to invest heavily in learning and development as traditional education may not be able to keep up with the skill shift.	◐
	The accelerating pace of change is putting increasing pressure on the workforce to adapt, leading to increasing mental and physical strain, which forward-thinking companies should strive to address.	◐
Digitalization	The increasing digitalization of HR data is leading to growing adoption of people analytics technologies and approaches, albeit privacy concerns remain to be fully addressed.	◐



Part 2



The HR Technology Market



Investments into HR SaaS technology startups have exceeded US\$10bn in the past 10 years, with over 2,700 investment rounds and 377 successful exits in total



US\$10.6bn

total funding since 2009

2,706

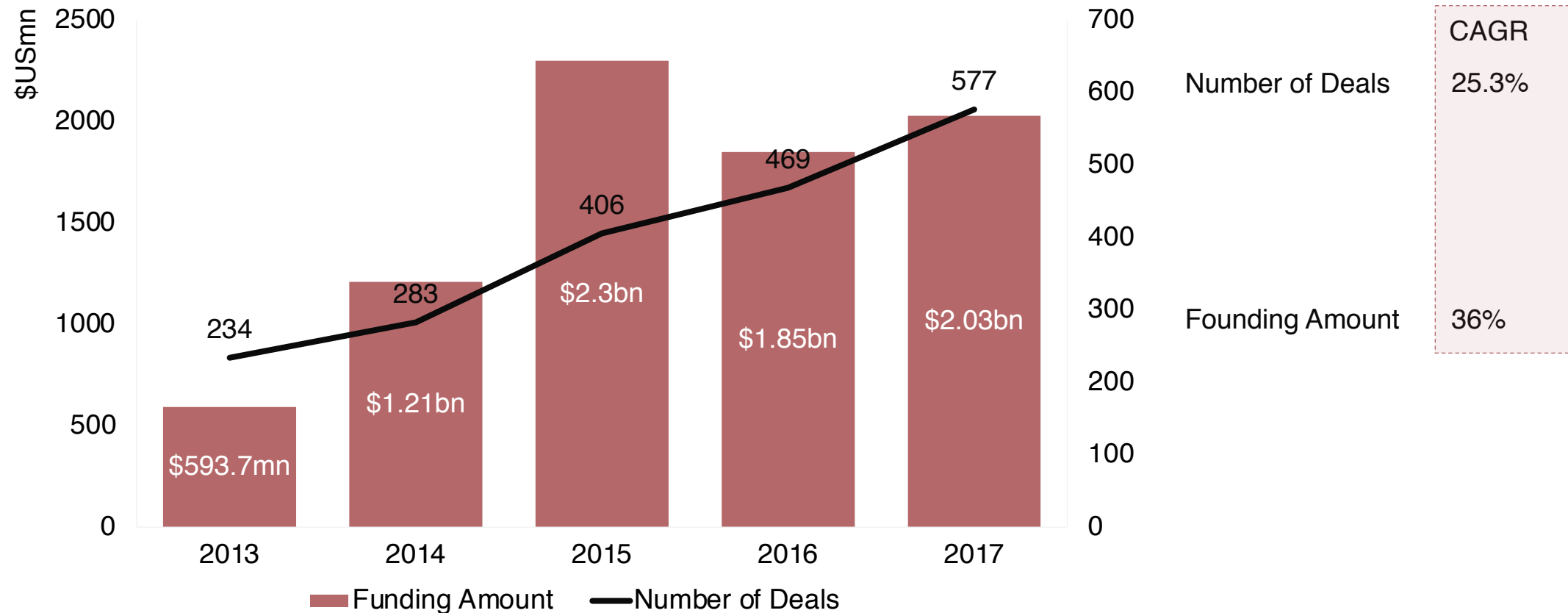
funding rounds since 2009

377

exits in total

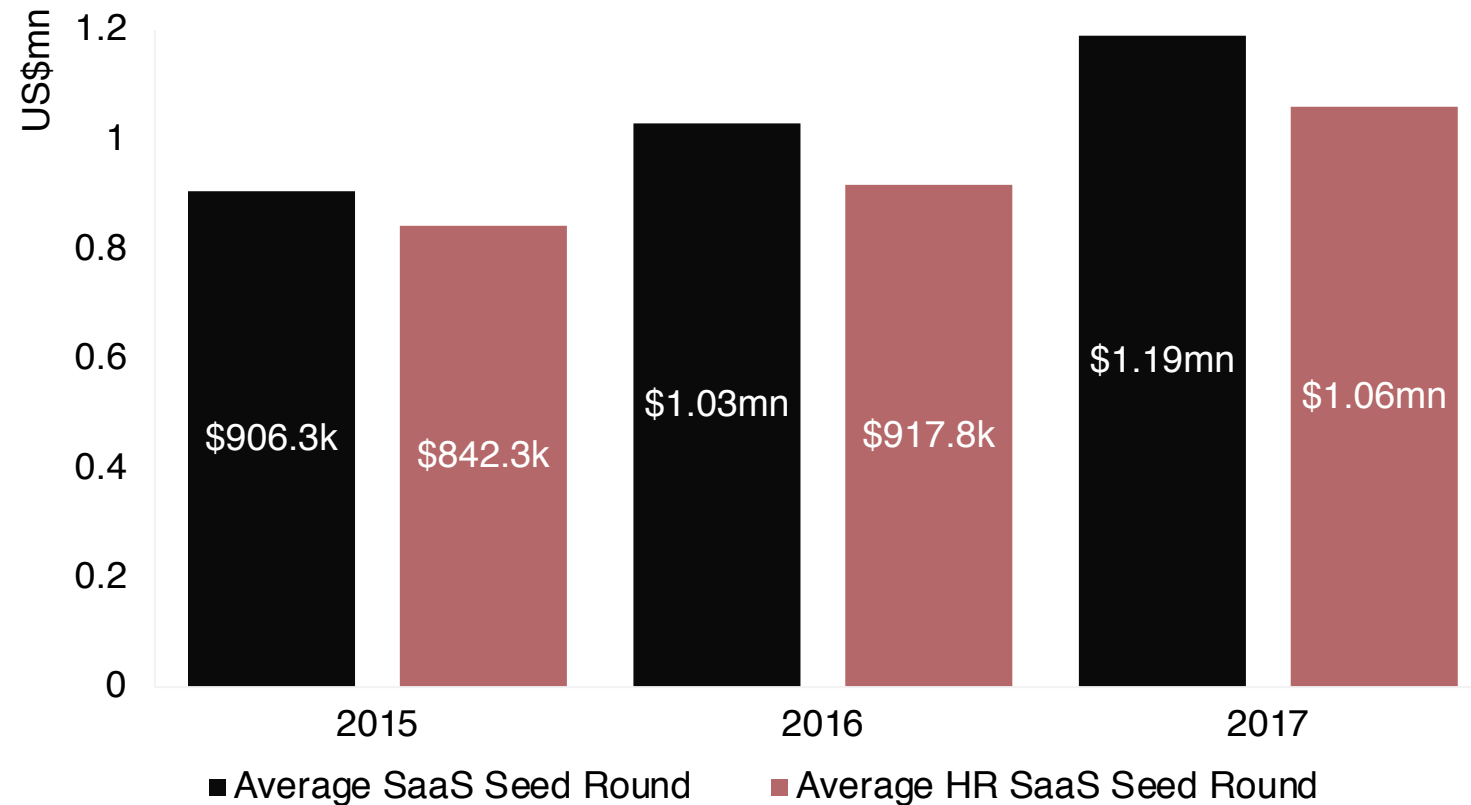
Funding rounds and amounts have increased at a fast pace in the past five years, with the number of deals growing by c. 25% p.a. and funding growing by over 35% p.a. on average

Investments in HR SaaS startups (US\$m, number of deals, 2013-2017)



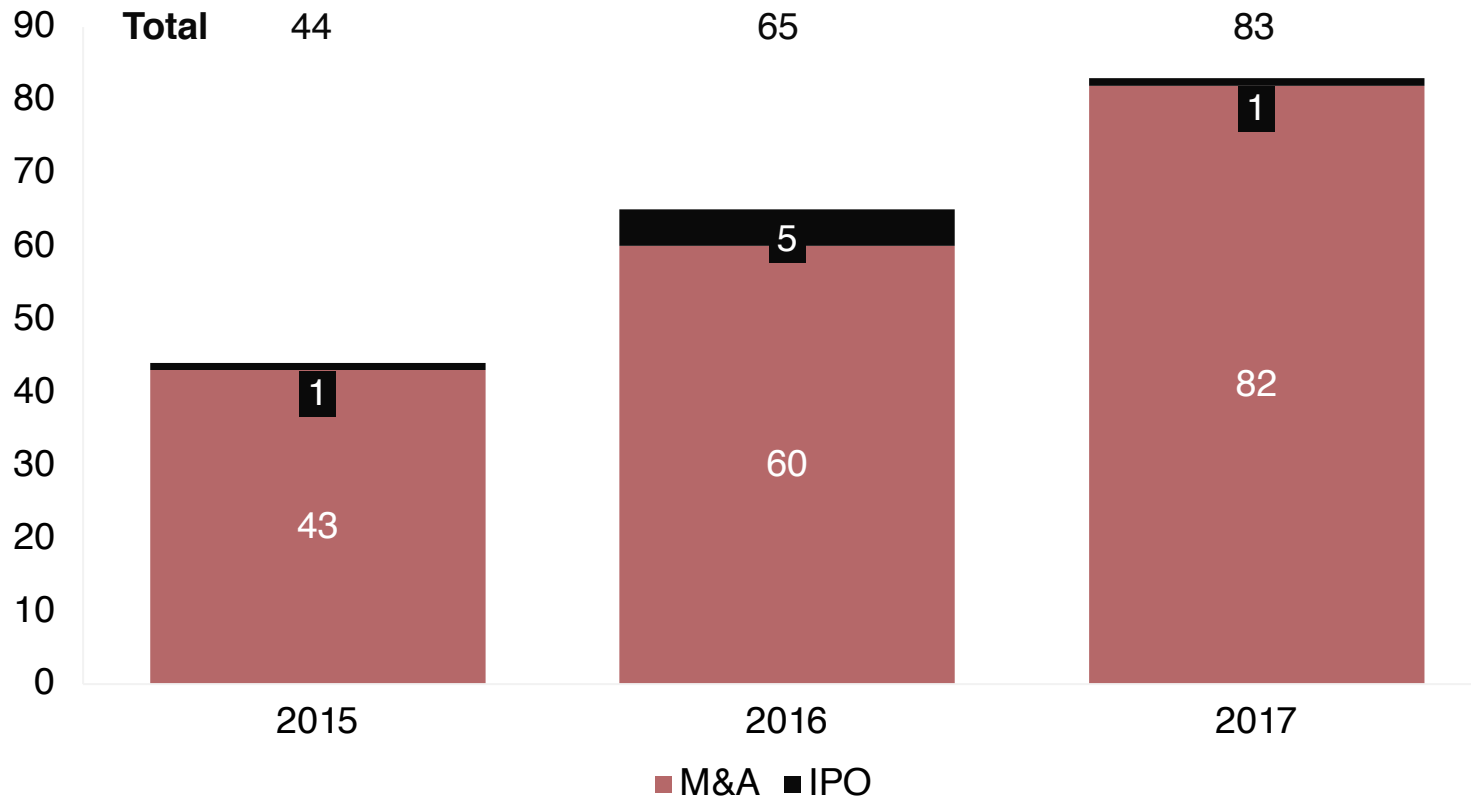
On average, HR SaaS seed rounds remain slightly below overall SaaS seed rounds, but have increased steadily in the past three years, exceeding US\$1mn on average in 2017

Average seed round in SaaS and HR SaaS (US\$m, 2015-2017)



HR SaaS exits have almost doubled in the past three years, but IPOs remain rare

HR SaaS exits by type (2015-2017)

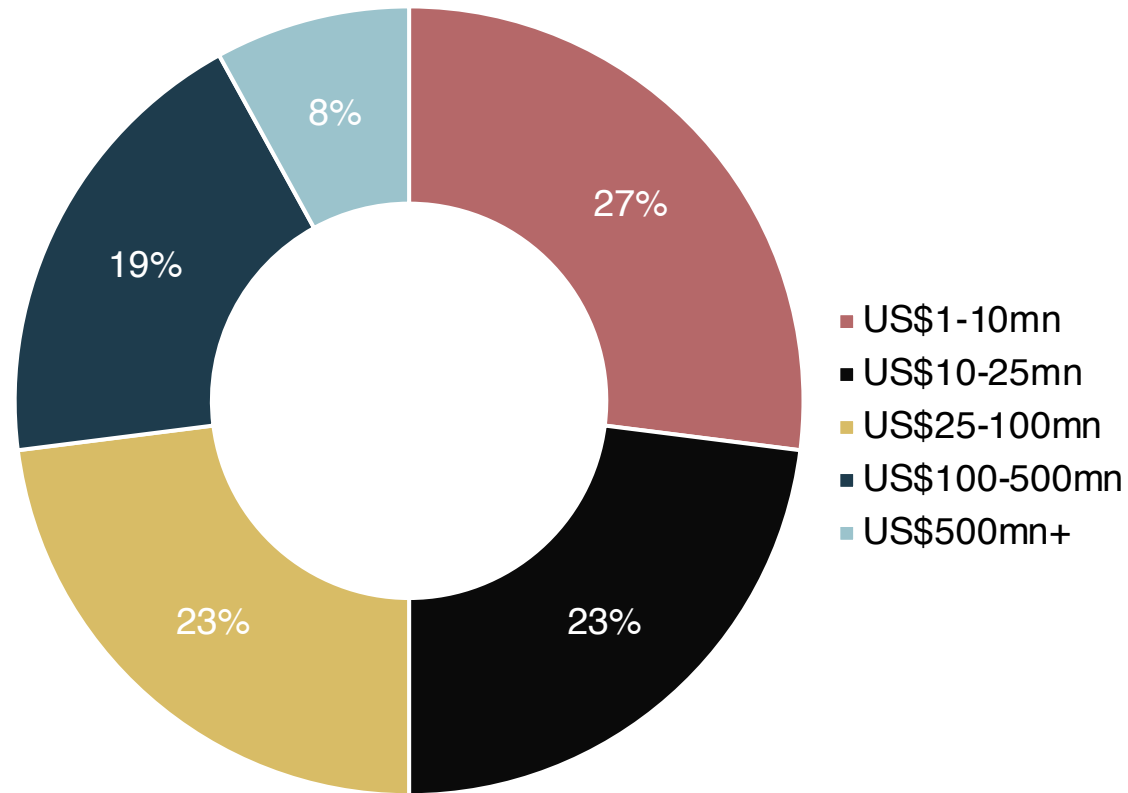




The majority of HR SaaS M&A deals in 2016-2018Q1 were <US\$100mn transactions



HR SaaS M&A deals by size (2016-2018Q1)



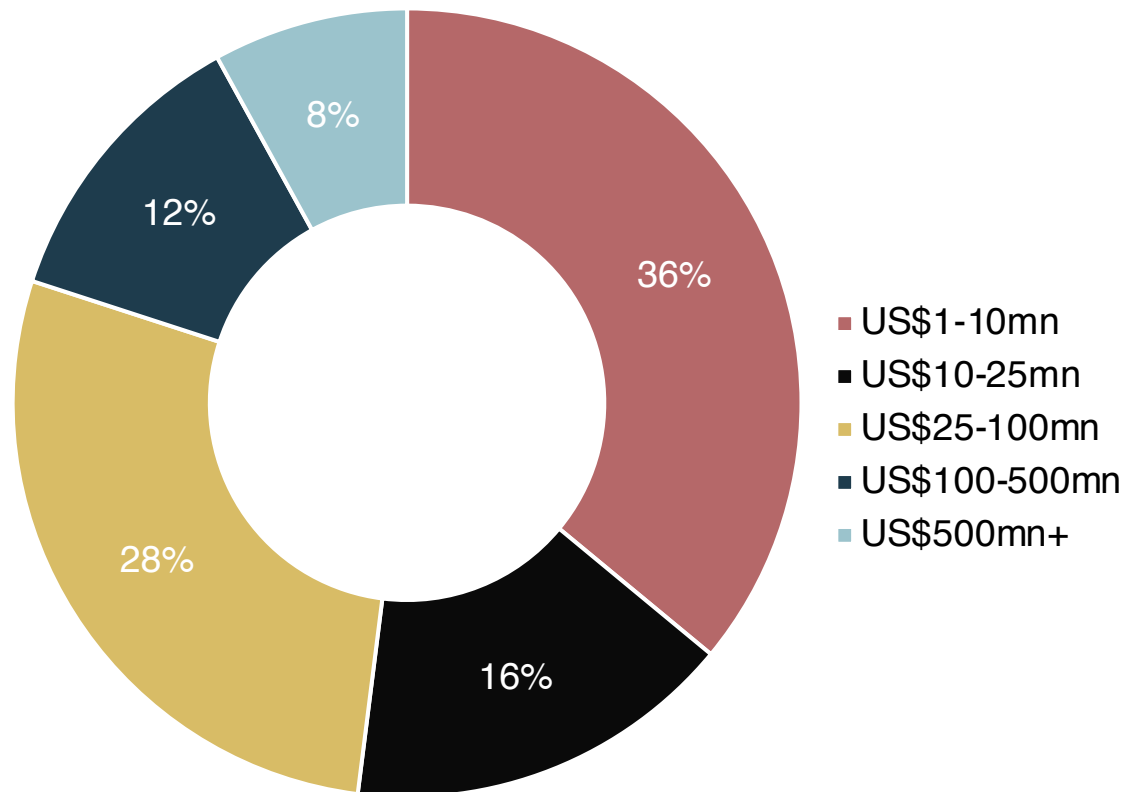
- 73% of HR Tech M&A deals were sub-\$100M transactions
- As companies grow to valuations beyond c.\$200M, M&A appears to become an increasingly unlikely exit option



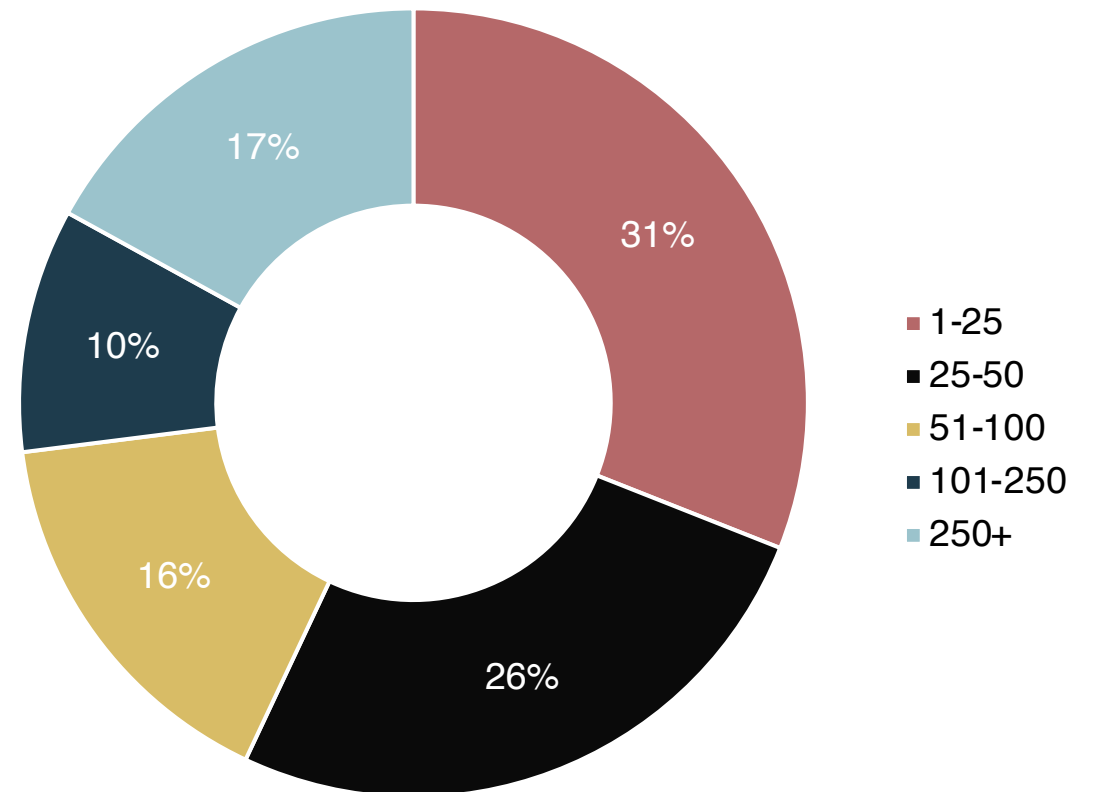
Over half of the HR tech companies acquired in this period had revenues under US\$25mn and less than 50 employees



HR SaaS M&A deals by revenue (2016-2018Q1)



HR SaaS M&A deals by no. of employees (2016-2018Q1)



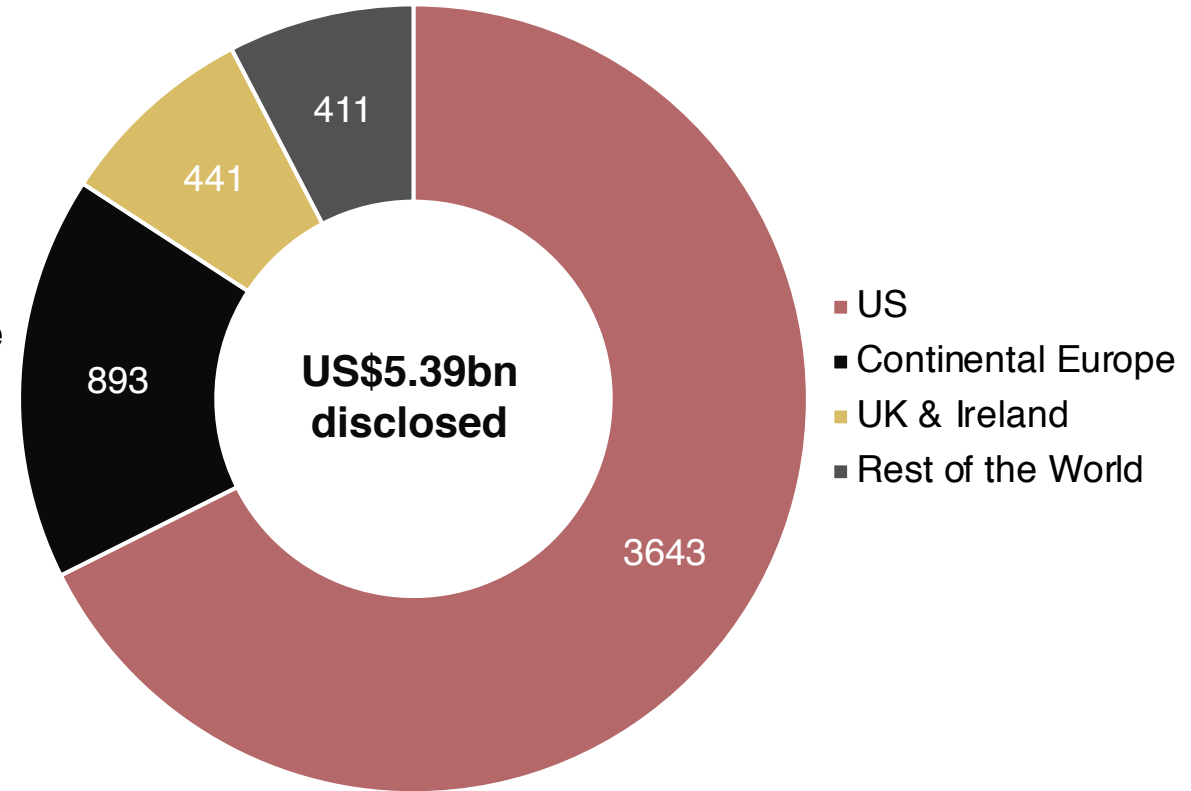
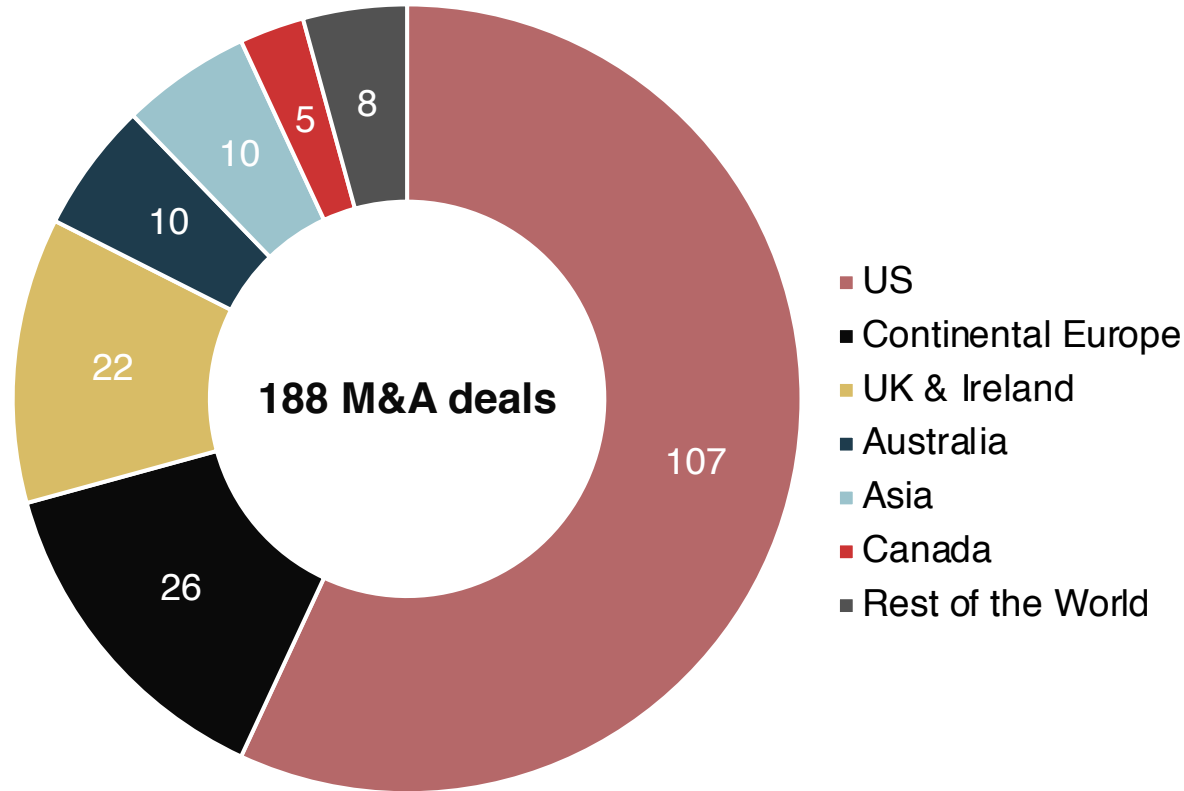


HR tech M&A deal volume and value were driven primarily by acquisitions in the US



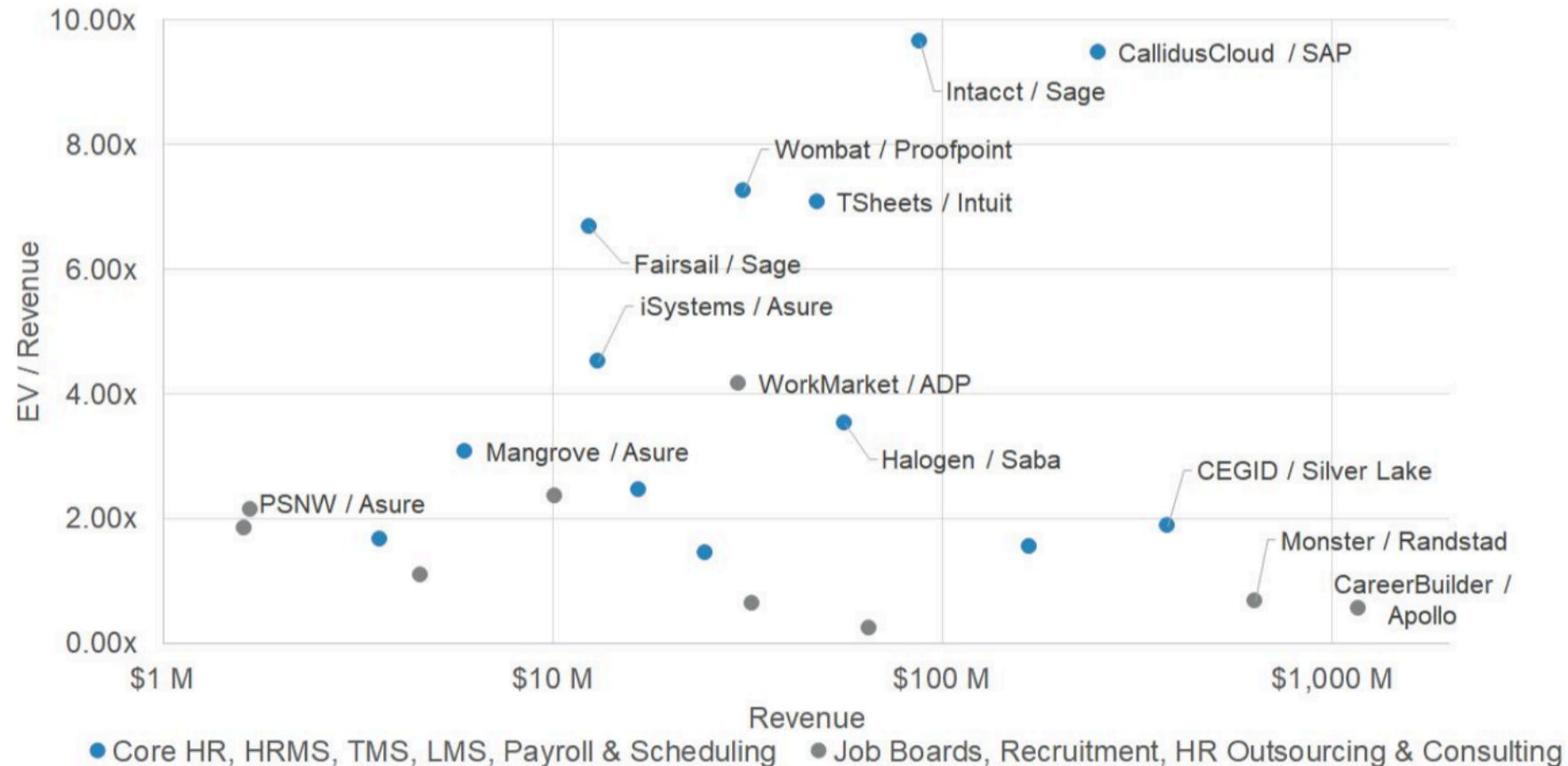
HR SaaS M&A deal volume (2016-2018Q1)

HR SaaS M&A deal value (US\$m, 2016-2018Q1)



Most acquired companies were valued between 2-8x EV/Sales

HR SaaS acquisition multiples vs. LTM revenue (2016-2018Q1)





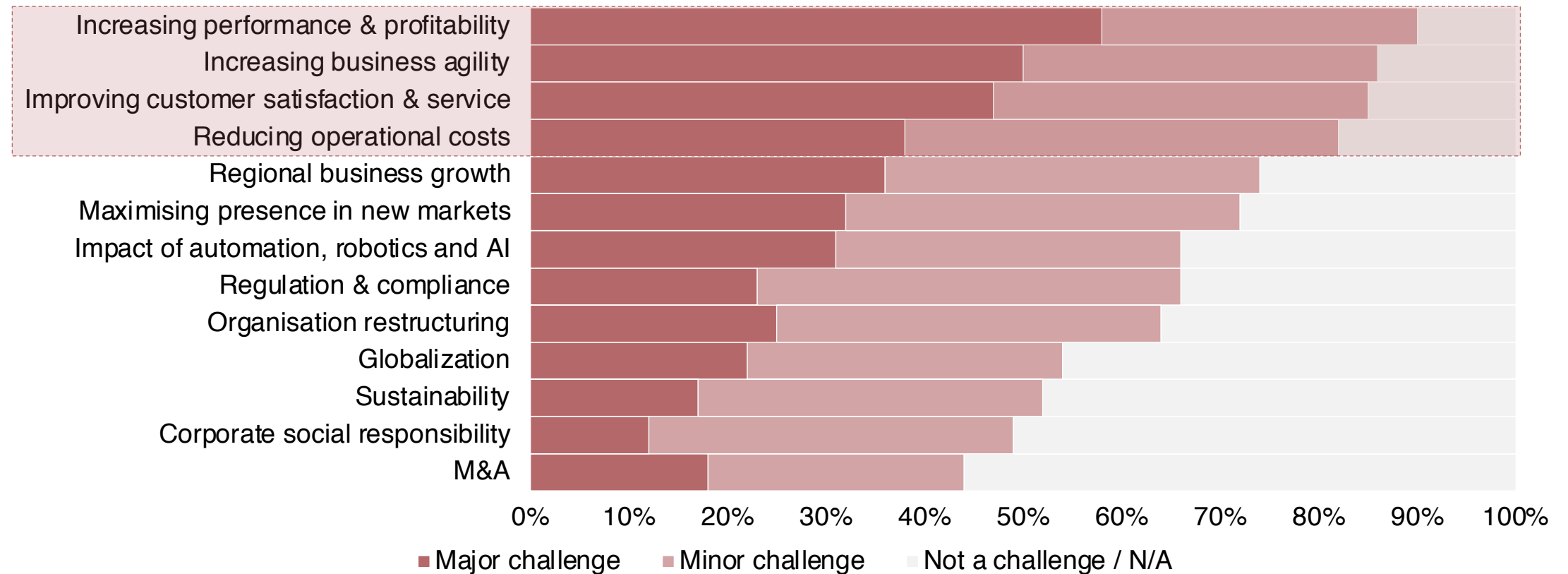
Part 3



Customer Needs

In Europe, over 80% of organizations are facing challenges in increasing performance and profitability, increasing organizational agility, improving customer satisfaction, and reducing operational costs

Most important business challenges (Europe, 2018, n = 500+)



Most European HR organizations are focused on leadership development, employee engagement, being a strategic business partner, and facilitating digital transformation

Most important HR priorities (Top 15 priorities, Europe, 2018, n = 500+)





Thank you

