

## Small Business Corporate Compliance Industry Snapshot



Company	Regulatory	F&I	HR & WFM
<p>Corporate Compliance Tax Compliance Tax credits and incentives Community BDC and R&amp;D tax credits and incentives</p>	<p>Governance, GRC, Monitoring RegTech, SOX, ERM, EHS, Blockchain, bitcoin, Data reporting, Data management Professional Licenses Business Continuity Vendor Management Contract Management Audit , Hotline, <u>ISO</u>, Global</p>	<p>Insurance Credit Financing <u>PCI</u>, Payments Fraud, Privacy</p>	<p>Employee Compliance, Employer Compliance, Contractor, Gig, Freelancer Compliance Employment Screening Background Checks, Employment Verifications, Reference Checks, ACA, i9, everify, EEOC, Tax credits and incentives, FCRA reporting , esafety, LMS, Training, CPE, <u>HIPPA</u></p>

*This snapshot is merely illustrative based on publicly available information, excludes Globals and holding companies, and is not exhaustive. Overlap exists. More than 500 companies funded since 2012. For a complete list contact ERGO.*

## Small Business Compliance Requirements Example

Corporate Services	Backoffice Services	Legal & Advisory	Industry
+ Corporate Compliance	+ Contractor, Gig, Freelancer, 1099	+ Financing	+ GDPR, Digital
+ Corporate Reporting & Filing	Management & Compliance	+ Insurance	+ Privacy, Identity
+ Corporate Representation: Registered Agent, Board, Secretary	+ Accounting	+ Legal Resources	+ GovTech, GovCon
+ Incorporation & Formation	+ Tax	+ Licenses	+ Healthcare, Medical, HIPPA
		+ Trademarks, IP	

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# CorpDev Deal Opportunities Landscape

## Deal Strategy Summary

The rise of “**HCM as a Service**” creates opportunities.

- Gap opportunities especially prevalent by industry.
- “Solving the Needs of the HR Department” underserved with more than 100,000 SHRM professionals searching for solutions beyond software or DIY and more than 200,000 midmarket companies annually switching vendors
- Lack of industry pre-configured solutions for the midmarket
- High gross profit margins coupled by a long-tail of services (>4X).

### Private Company Snapshot By Type

#### Compliance

Opportunities include deliver end-to-end Compliance and transform services into solutions:

- Compliance-as-a-Service
- Gig, Contractor Compliance
- Freelancer Compliance
- Startup Compliance
- Subscription Compliance
- WFM Compliance

#### Administration

AaS – As-a-Service replacing traditional backoffice outsourcing with

- Certified Technical Services
- Compliance-as-Service
- Payrolling compliance of nontraditional workforce

#### Solutions

Deliver preconfigured industry solutions vs tech point solutions or DIY vendors:

- eRecruiting
- Governance
- Risk and safety
- Screening
- Testing
- Regulatory T&D

- 
- More than **200** private company star performers between \$1m and \$10m

M&A  
Landscape

# HCM M&A Deals Snapshot

## EV Revenues Multiples by Industry Category Sector for Private Companies

Human Capital Management			Administrative			
HR Vendors & Services	Talent Dev. & Management	Talent Acquisition	Staffing	Payroll	Benefits	Compliance
0.2 to 2.5x	0.5 to 4x	0.5 to 4x	0.2 to 1.0x	1.5 to 2.5x	1 to 8x	0.5 to 2x

*EV Revenue Multiples based on private small businesses.*

## Human Capital Management Industry Deal Landscape

The industry in North America that provides Human Capital Management services (HCM) is segmented into the following primary categories.

Category Segment	Primary Market	Description	Vendor Count
<b>PEO</b>	9 to 99 employees (EE) (avg client is 19 EE)	Employer of Record Bundled HR services	900+ NAPEO.org resellers across less than 10 platforms.
<b>Payroll</b>	All	Local and configurable services	800 resellers across 10 platforms + hundreds of niche providers
<b>HRTech</b>	50 to 500 EE	Local and/or industry centric	200 proprietary platforms >\$1m
<b>Benefits &amp; Insurance</b>	All	Service and cost focused	8,000 brokers
<b>ASOs</b>	100 to 10,000 EE	Unbundled a la carte services Fractional services	800 resellers + ASOs
<b>Recruiting &amp; Staffing</b>	All	Executive Search Recruiting Staffing Contractor Management	40 HR staffing centric firms plus national and global leaders
<b>HR Consultants</b>	All	<ul style="list-style-type: none"> <li>Technology implementation</li> <li>HR Strategy Consultants</li> <li>Fractional Interim Consultants</li> <li>Functional &amp; Competency</li> </ul>	200 technology agnostic strategy consultants plus 40 platform or industry centric implementation firms >\$1m
<b>Outsourcing</b>	Enterprise, Global, Multinational	Multi functional service providers including BPOs, HROs, RPOs, MSPs	50 global leaders plus hundreds of offshore/nearshore providers
<b>Professional Services</b>	All	Accounting & Services	More than 50,000 firms with 5,000 >\$1m
<b>Holding Company</b>	All	Combination of some/all of the above	Public, PEG funded, Globals
<b>HR Vendors</b>	All	Providers of specialty content and services	Hundreds by category
<b>HR Tech</b>	All	Platforms, Apps pre and post cloud	Thousands by type

### Strategy Options Overview



### ERGO Delivers the 411 on What You Need to Know to Acquire

- + Market & Industry Options
- + Deal Multiples & Terms
- + Deal Strategy & Documentation Prep
- + Deal Sourcing
- + Deal Enablement Post-Close

### Map Your Ecosystem: Portfolio Summary Example

Compliance Solutions	Backoffice Services	Marketplace Partners	Advisory Solution
+ Corporate Compliance & Reporting	+ Administration	+ By Industry	+ Financing & Financial
+ Tax Compliance	+ Cloud Solutions	+ Workforce and HR	+ Insurance
+ Workforce, 1099, & Compliance	+ Virtual Support	+ FinTech, AaS, Cloud Apps	+ Legal

### The Big Idea.

Acquire books and capabilities to complement expansion and boost profitability.

<b>CorpDev Trending Priorities</b> include:	Analytics & Reporting (AaaS)	Stack & Vendor Management (BPaaS)	Intelligent Automation (AI, bots, Big Data, etc.)
	<ul style="list-style-type: none"> <li>• The value-chain components and benefits of the impact go beyond moving services to a subscription solution:                     <ul style="list-style-type: none"> <li>• <b>150%</b> higher FY revenues per customer</li> <li>• <b>2X</b> more profitable</li> <li>• <b>4X</b> more solutions delivered per customer</li> </ul> </li> </ul>		

# CorpDev Deal Briefing



Deal Sourcing Origination topics and supporting materials for review include

- ❖ Deal Multiples
- ❖ Industry Comps
- ❖ Private Company Star Performers
- ❖ Deal Briefing Strategy & Options
- ❖ Review industry deal trends, options and opportunities

## Deal Investment Profiles

- Average Private Company Revenues <\$10m
- Profitability Margins >65% post-close
- CAGR > 22%
- EV Multiples (purchase pre to post scalability) greater than 2x

**HCM Compliance**

HCM Compliance Platforms

The "HCM Compliance as a Service" Market

There are hundreds of private HCM compliance with greater than \$1m in annual revenues that provide HRD, ASO, HCM or HR Services that combine HR compliance and shared services help desk tech with tools and content.

Model Type	Business Model	Contract Length	Revenue	Client Profit Margin
Contract	Project based	1 to 3 years	<\$100k	<10%
Managed Services	Outsourced functional services based on cost savings via "L3" and "back-office" model	3 to 5 years	\$100k - \$1,000k	20% to 40%
BPaaS	Managed solutions delivered via the cloud for transaction processing and recurring services	3+ years	>\$1,000k	>55%

**HCM Solutions**

HCM Midmarket Private Star Performers

Star Performer Comparables

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The BPaaS Industry Solution Model Impact versus traditional Services

55% Net Income of 15% versus 2% industry average

4X ROI versus best for work 0.5x client value

\$171,270 average annual bill per L3+ HR support client for the top 20 HCM300 award winners

**Corporate Compliance**

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Company	Regulatory	F&I	HR & WFM
lowtides	canopy	Shook	Shook
LegalIntelligence	AMERISANT	AMERISANT	AMERISANT
LegalIntelligence	AMERISANT	AMERISANT	AMERISANT

Small Business Compliance Requirements Example

Corporate Services	Regulatory Services	Legal & Advisory	Industry
Corporate Compliance	Contractor, Sig, Forensic, IPR	Financing	SPAC, Digital
Corporate Reporting & Filing	Management & Compliance	Insurance	Private, Health
Corporate Representation	Accounting	Legal Resources	Software, Service
Registered Agent, Board, Secretary	Tax	Licenses	Healthcare, Medical, SPAC
Incorporation & Formation		Trademarks, IP	

## Industry Deal News

- \$57m funded to 13 platform leaders with more than 354 point solution deals funded since 2010.
- 171 acquisitions since 2010 by the top 20 Insurance and Consulting



→ For a complete list of opportunities, & a detailed review of your deal options, contact ERGO to schedule your complimentary deal briefing.

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# ERGO Expertise



CorpDev services from M&A deal sourcing to expansion support.

## HR Tech

The market for HR technology has evolved beyond modules, point solutions and platforms to include marketplaces, ecosystem of partnerships, and industry configured solutions.

- eRecruiting & Talent Acquisition
- WFM
- Talent Development & Management
- HRTech platforms by industry

→ HR technology that wins creates market and industry leadership position.

## Backoffice Administration Solutions

Backoffice administrative services have grown beyond startup/small business software supported by a local service provider to robust midmarket industry solutions. Backoffice Industry segments include:

- *Unbundled PEOs and ASOs*
- *Payrolling, Contractor and Gig Economy providers*
- *AaS- "As-a-Service"*
- *BPO outsourced backoffice administrative services*
- *Outsourced technical services and solutions*

→ Consolidation opportunity to create solutions with both recurring managed services as well as advisory consulting capabilities.

## Human Capital Management

The market for Human Capital Management extends across the employee lifecycle and is underserved across the middle market as well as for industry preconfigured solutions.

Opportunities include:

- The rise of "HCM as a Service"
- "Solving the Needs of the HR Department"
- More than 100,000 SHRM professionals searching for support
- More than 200,000 middle market companies annually switch vendors
- Lack of industry pre-configured solutions for the middle-market

*Supporting materials available upon request*

### HCM Communities & Industry Sources<sup>1</sup>



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<sup>1</sup> [CrunchBase : HRTech Financing Trends Report](#) | [HRTech Exits by Sponsor](#) | [HRTech news](#)  
[Workology history of HR tech acquisitions 2004 to present](#) , [HRMarketer Blog: M&A Friday](#) : @Hrmarketer M&A Friday : [HRVendorNews.com](#)  
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