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# HR & Workforce SaaS Valuations: Q2 2026

JUNE 2026

Windsor Drake · Market Intelligence

## A Recurring-Revenue Premium

Windsor Drake's working benchmark for the broad HR and workforce SaaS market has settled near a **6.0x EV/Revenue** core, modestly above the broader software public software traded near **5.1x EV/Revenue** at the end of 2025 (Bain).

- The HR premium rests on regulatory-driven demand, low churn and mission-critical payroll.
- Quarter-to-quarter multiple volatility has compressed sharply versus 2022 to 2024.
- Buyer and seller expectations have re-aligned, unlocking landmark take-private activity.

## Sector Fundamentals

HR software fundamentals are durable: regulatory complexity and switching costs underwrite retention.

- Payroll, HRIS and benefits carry low churn and regulatory-driven, non-discretionary demand.
- Best-in-class platforms sustain **net revenue retention above 115% to 120%**.
- AI agents are re-rating talent acquisition, learning and scheduling workflows.
- Per-employee-per-month pricing faces structural pressure as AI compresses seat counts.

## The AI-Native Divergence

Headline averages mask a profound and widening split between AI-native platforms and per-seat point tools.

- **AI-native global payroll and EOR** platforms clear **15x to 25x** revenue in private rounds.
- **Scaled HCM suites** sit at **5x to 8x** revenue as consolidation absorbs the mid-market.
- **Legacy per-seat recruiting and time-and-attendance** stay tethered to **3x to 6x**.
- Capital concentrates at the top of the quality curve as the middle of the market hollows.

## Macroeconomic Backdrop

Monetary policy is a cautious but constructive tailwind for high-growth software.

- The Fed funds range holds at **3.50% to 3.75%** after the March 2026 FOMC (Federal Reserve).
- The March 2026 dot plot signals one further 2026 cut, easing the cost of capital.
- Lower discount rates disproportionately lift long-duration, high-growth valuations.
- PCE inflation is projected at **2.7%** and real GDP growth at **2.4%** for 2026 (Federal Reserve).

## The Take-Private Cycle

Scale and platform consolidation defined the past four quarters and set the Q2 2026 backdrop.

- **Thoma Bravo / Dayforce** (\$12.3B) closed in **February 2026**, the largest HCM take-private on record.
- **Paychex / Paycor** (\$4.1B) closed in April 2025, consolidating mid-market HCM.
- **Francisco Partners / bswift** carved benefits administration out of CVS Health.
- Cash-generative, regulated software has become a prime private-equity target.

## The AI-Native Premium

AI integration has become a measurable, primary driver of HR-tech valuation.

- **Rippling** reached a **\$16.8B** valuation (May 2025) on roughly **\$570M** revenue.
- **Deel** reached a **\$17.3B** valuation (October 2025) on more than **\$1B** ARR.
- Per-seat models are penalised as AI agents decouple value from headcount.
- Compliance-as-a-moat across 150+ countries underwrites the global-payroll premium.

## Suites Buy the AI Front Door

Incumbent suites are acquiring AI capability rather than building it.

- **Workday** deployed roughly **\$3B** across HiredScore, Evisort, Paradox and **Sana (\$1.1B)**.
- **SAP** acquired **SmartRecruiters** to modernise SuccessFactors talent acquisition.
- **ADP** acquired **Pequity** to strengthen compensation and pay-equity tooling.
- Agentic hiring, learning and analytics are now core acquisition priorities.

## Private Capital Pressure

Record, ageing private capital is intensifying competition for quality assets.

- About **\$3.7T** of global private-capital dry powder is seeking deployment (McKinsey; PitchBook).
- More than **52%** of buyout-backed companies have been held over four years, a record (McKinsey).
- Venture funding into HR and work technology rose roughly **20%** across 2025 (CB Insights).
- Ageing vintages are forcing a parallel wave of sponsor exits and take-privates.

## 1. Rule of 40 Achievement

Revenue Growth % plus EBITDA Margin % at or above 40% is the non-negotiable baseline for a premium multiple, and the market is pricing it harder each quarter (Bain; McKinsey).

- Each ten-point gain in the score is worth roughly **+1.1x EV/Revenue** (Bain).
- The median SaaS score is just **28%**; only about **20%** clear the bar (Bain).

## 2. Net Revenue Retention

Land-and-expand economics are scrutinised more heavily than topline growth; durable retention beats raw logo acquisition.

- Top-tier HR platforms sustain **NRR above 115% to 120%**.
- Document the multi-module attach motion across HCM, payroll and talent.

## 3. AI-Native Strategy

AI is no longer optional; it is a primary driver of deal size, buyer interest and multiple expansion across HR workflows.

- Agentic recruiting, learning and scheduling command the premium tier.
- Show measurable productivity gains, not pilots, before engaging buyers.

## 4. Escape the Per-Seat Trap

AI agents decouple value from headcount, so per-employee-per-month pricing is now a structural headwind rather than a growth engine.

- AI-native platforms trade **15x to 25x**; per-seat point tools sit at **3x to 6x**.
- Shift toward platform, outcome or money-movement monetisation ahead of a process.

## 5. Public Market Discipline

Private marks are converging with public benchmarks, so pricing discipline is required even for private rounds.

- The broad HR and workforce SaaS benchmark anchors near **6.0x** revenue.
- Justify any premium with growth, retention and a credible AI-native posture.

## 6. Buyer-Readiness Discipline

With about **\$3.7T** of dry powder chasing quality and suites buying AI outright, the prepared asset captures the competitive tension.

- Clean financials, audited compliance posture and a defensible data room.
- Map specific capability gaps for each of your top five strategic acquirers.

# Founder FAQs: Valuations, Timing & Strategy

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The questions HR and workforce SaaS founders ask most, answered against the Q2 2026 market.

## Q1 Which valuation metric applies to my business?

Use **EV/Revenue** for high-growth, AI-native platforms in global payroll, talent intelligence and learning, **EV/EBITDA** for mature payroll, benefits administration and services-inflected operators, and a recurring-revenue lens (NRR, gross retention, ARR growth) for any SaaS-delivered HR asset. Always reference the correct subsector cohort, never the broad HR average.

## Q3 Why is the Rule of 40 so critical?

It is the single best predictor of a premium multiple in software. Bain finds each ten-point gain in the score is worth roughly **+1.1x EV/Revenue**, yet the median SaaS score is only **28%** and just about **20%** of companies clear the threshold. Clearing it consistently is what separates the premium tier from consolidation candidates.

## Q5 When is the optimal time to run a process?

After demonstrating **4 to 6 quarters** of predictable performance, while still holding 12 to 18 months of runway. Negotiating from a position of strength, rather than necessity, is what captures the scarcity premium in a market where suites and sponsors are both actively buying.

## Q7 Is the IPO window a viable alternative to M&A?

It is reopening but remains selective, and HR tech has been a net-privatisation story. Dayforce and Paycor left the public markets, while **Deel** and **Rippling** have signalled eventual listings without committing. For most scaled HR assets, a strategic sale or sponsor take-private currently offers a superior risk-adjusted outcome via control premiums.

## Q2 What are the key subsector ranges right now?

AI-native global payroll and EOR lead at **15x to 25x** revenue; AI talent acquisition at **8x to 13x**; performance and engagement at **6x to 10x**; HCM and payroll suites at **5x to 8x**; workforce management at **5x to 9x**; benefits administration at **4x to 7x**; legacy per-seat recruiting at **3x to 6x**.

## Q4 How do public and private valuations compare?

The historical private premium has compressed from roughly 6x in 2023 to about 3x in 2026. Public comparables now anchor most late-stage private rounds, but AI-native global payroll names still print far above the mean: **Rippling** near 29x revenue and **Deel** near 17x ARR. Generic per-seat private assets are seeing flat marks.

## Q6 Who are the most active buyers today?

**HCM suite incumbents** (Workday, SAP, ADP, Paychex) acquiring AI and global-payroll capability, **private-equity platforms** with about \$3.7T of dry powder executing take-privates and roll-ups, and **adjacent payments and fintech platforms** pursuing payroll money-movement and global rails.

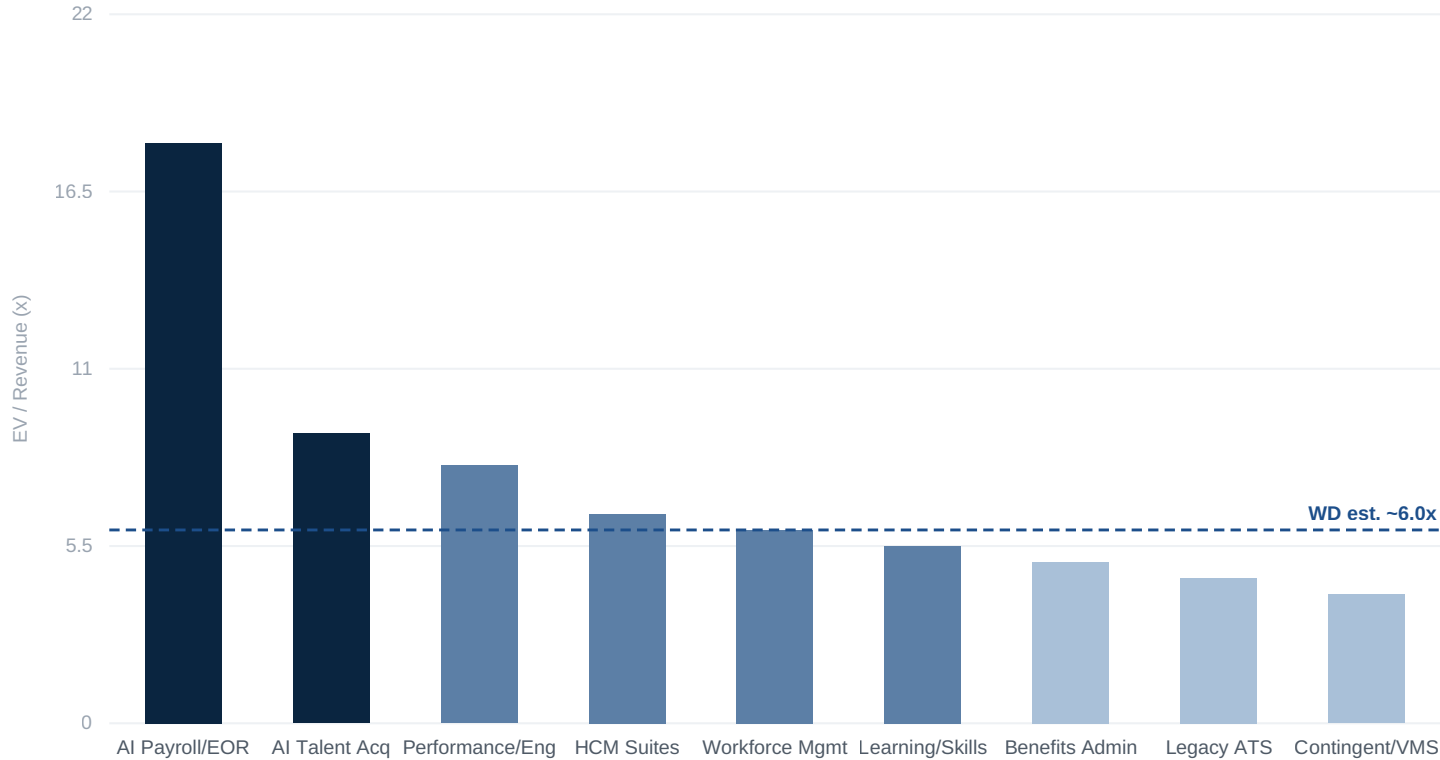
## Q8 How do we maximise our multiple, and expect earn-outs?

Clear the **Rule of 40**, sustain **NRR above 115%**, harden compliance evidence, and codify the AI-native case with hard productivity numbers. Expect **earn-outs** to bridge AI-capability or scale gaps; structures typically pay over 12 to 24 months on revenue and integration milestones.

# Q2 2026 Valuation Landscape Overview

Premium multiples cluster in AI-native global payroll and talent intelligence; per-seat and services models stay compressed.

Median EV / Revenue Multiple by Subsector (x)



## BROAD-MARKET BENCHMARK

**~6.0x**

Windsor Drake's working EV/Revenue benchmark, modestly above the broad software median (Bain).

## AI-NATIVE PREMIUM

**~15x to 25x**

Private AI-native global payroll and EOR platforms command the cycle's highest revenue multiples.

## PUBLIC SOFTWARE MEDIAN

**~5.1x**

Public software traded near 5.1x EV/Revenue at the end of 2025 (Bain).

## Key Driver

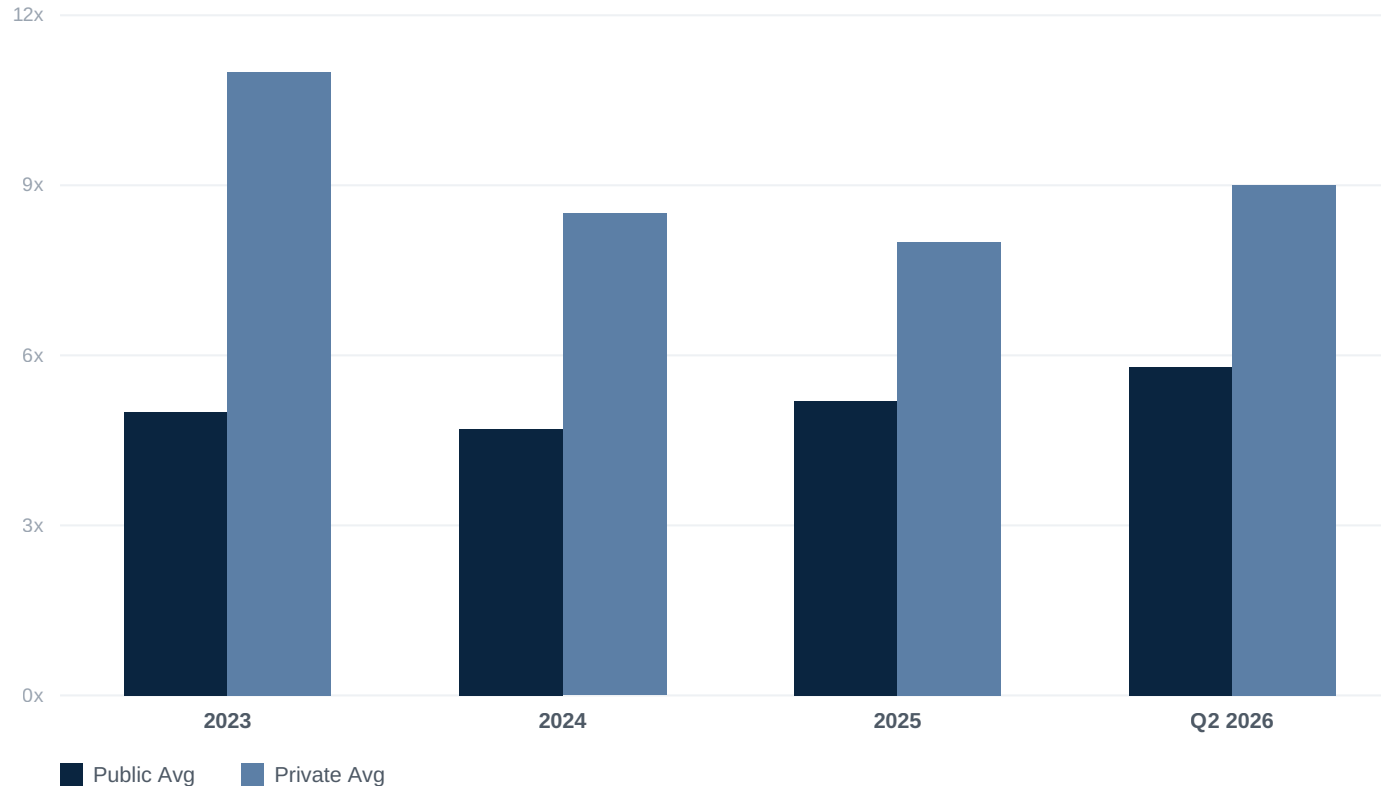
Disciplined exuberance has replaced 2021 enthusiasm: acquirers reward AI-native architecture, compliance moats and recurring revenue quality, not headcount-linked seat growth alone.

**AI-native bifurcation:** the gap between AI-native global payroll (15x to 25x) and legacy per-seat and services models (3x to 6x) is the defining feature of the market, driven by agentic workflows, compliance moats and recurring-revenue quality.

# Public vs Private Market Convergence

The private premium compressed sharply through 2023 to 2025, and recovered selectively for AI-native global-payroll assets.

Average EV / Revenue Multiple, Public vs Private (x)



## PUBLIC / PRIVATE SPREAD

**~3.2x**

Down from about 6x in 2023, with most of the gap closed by 2025 (PitchBook; CB Insights).

## QUALITY PRIVATE TAIL

**15x to 25x**

Rippling (~29x revenue) and Deel (~17x ARR) clear public marks decisively.

## PUBLIC BENCHMARK ANCHOR

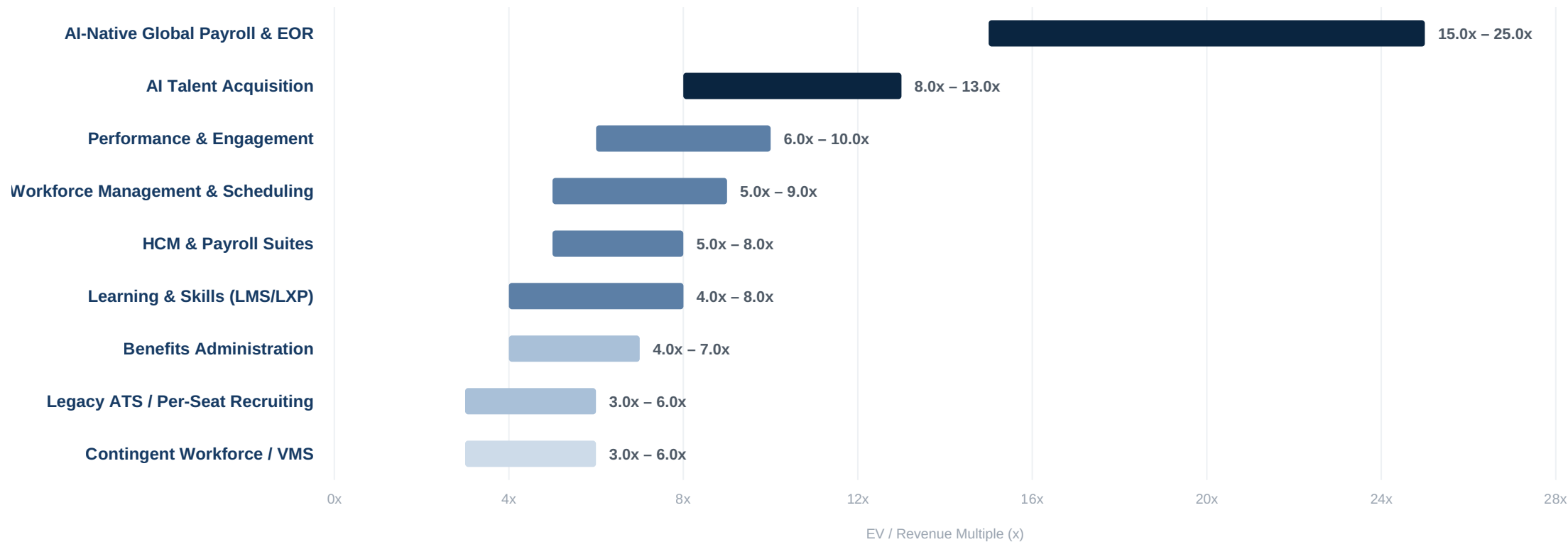
**~5.8x**

Public comparables now cap late-stage private round pricing for per-seat HR assets.

**Selective convergence:** the public-to-private spread narrowed from about 6x in 2023 to about 3x in 2026, but AI-native global-payroll rounds still print far above the mean, repricing the very top of the private cohort.

# Exit Valuation Multiples by Subsector

A sharp bifurcation persists between AI-native platforms (15x to 25x) and per-seat and services-inflected models (3x to 7x).

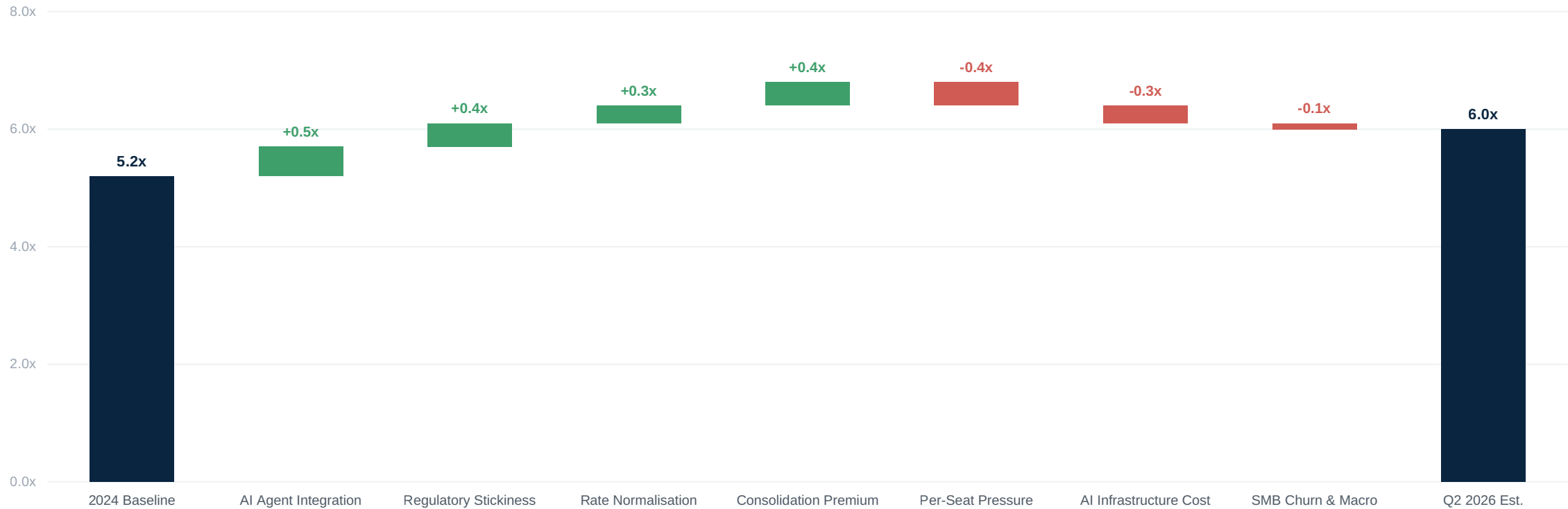


## KEY OBSERVATION

The market is paying for AI-native architecture and compliance moats, not for category labels. The wide gap between AI-native global payroll and legacy per-seat recruiting reflects the structural shift from headcount-linked seat pricing to workflow and money-movement ownership.

# Valuation Multiple Drivers: Expansion vs. Compression

Net expansion to roughly 6.0x is driven by AI agents, regulatory stickiness and rate normalisation, partly offset by per-seat pricing pressure and AI cost.



## NET EXPANSION OF +0.8X

AI agent integration, regulatory-driven stickiness and easing rates outweigh a combined 0.8x drag from per-seat pricing pressure, AI infrastructure cost and SMB churn. The bridge reflects Windsor Drake analysis of the cited institutional data.

# Capital Markets: Listings, Take-Privates & Private Marks

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HR tech has been a net-privatisation story: the strongest assets are setting marks through M&A and private rounds, not listings.

## Dayforce (Take-Private)

Thoma Bravo took Dayforce private for **\$12.3B** enterprise value, closed **February 2026**.

- Priced at **\$70.00 per share**, a **32%** premium to the unaffected price (SEC filings).
- Included a significant minority investment from the Abu Dhabi Investment Authority.
- Removed a scaled HCM suite from the public market at roughly 6.4x revenue.
- Confirmed sponsor appetite for cash-generative, regulated HCM platforms.

## Paycor (Strategic Exit)

Paychex acquired Paycor for **\$4.1B**, closed **April 2025** (SEC filings).

- Priced at **\$22.50 per share** in an all-cash transaction.
- Targeted run-rate cost synergies in excess of **\$80M**.
- Consolidated mid-market HCM and payroll under a scaled incumbent.
- A second public HCM name absorbed into private or strategic hands.

## Rippling & Deel (Private)

The strongest private assets are setting fresh marks without listing.

- **Rippling** raised \$450M at a **\$16.8B** valuation (May 2025), up from \$13.5B.
- **Deel** raised \$300M at a **\$17.3B** valuation (October 2025) on \$1B-plus ARR.
- Both have signalled eventual listings without committing to a date.
- Secondary and tender markets now provide liquidity without a public debut.

## The Selective Window

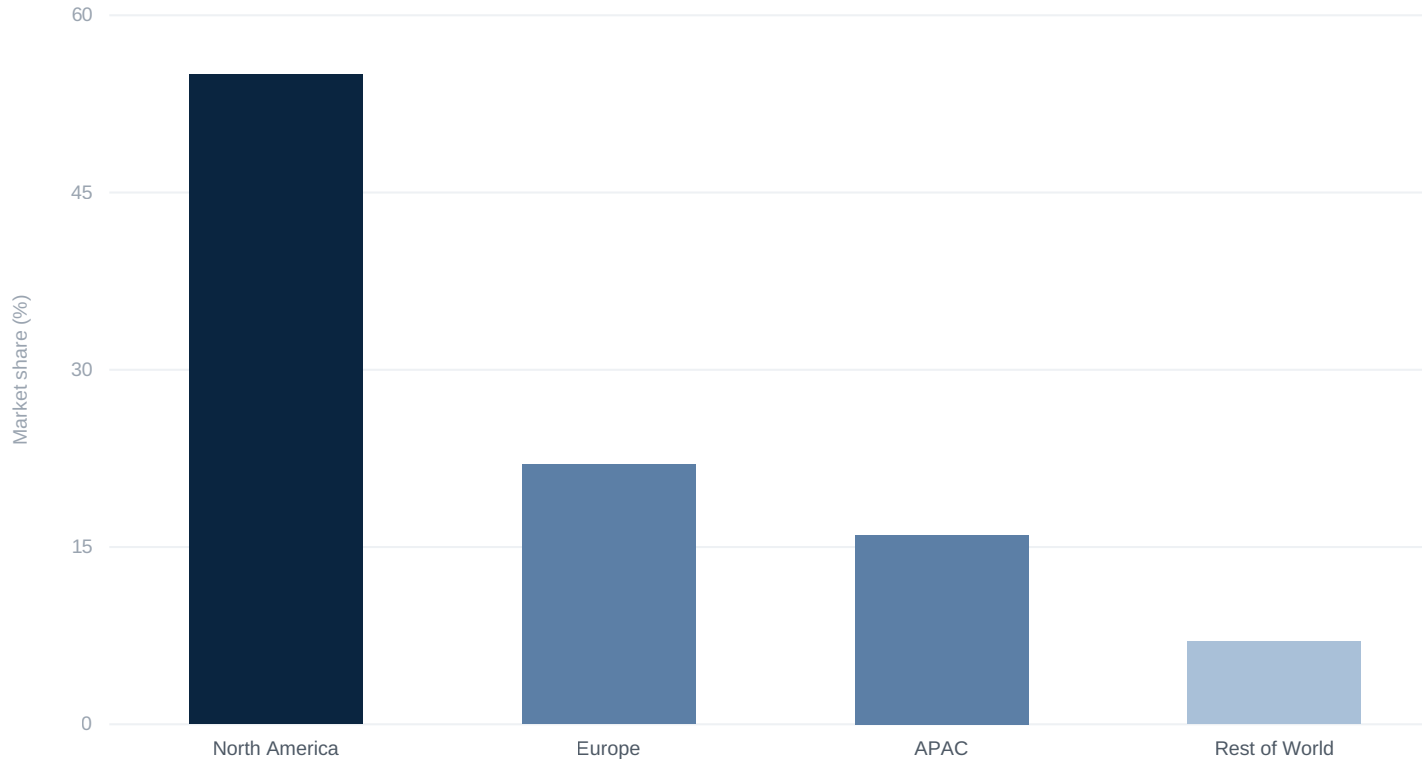
The listing window is reopening but remains selective for scaled, profitable issuers.

- Easing rates and stronger equity markets are lifting board confidence (PwC).
- HR-tech issuers must show scale, AI posture and a clear path to profit.
- Control premiums in a strategic sale often beat a volatile public tape.
- A dual-track process preserves optionality and competitive tension.

# Geographic Valuation Variations

North America commands the HR-tech premium; global payroll is the category collapsing geographic fragmentation.

Share of Global HR-Tech Market by Region (%)



## NORTH AMERICA

### Premium

The majority of the global HR-tech market and the deepest exit liquidity and public comparables.

## EUROPE

### Fragmented

Country-by-country payroll and labour-law complexity creates moats and a fragmentation discount.

## GLOBAL PAYROLL / EOR

### Borderless

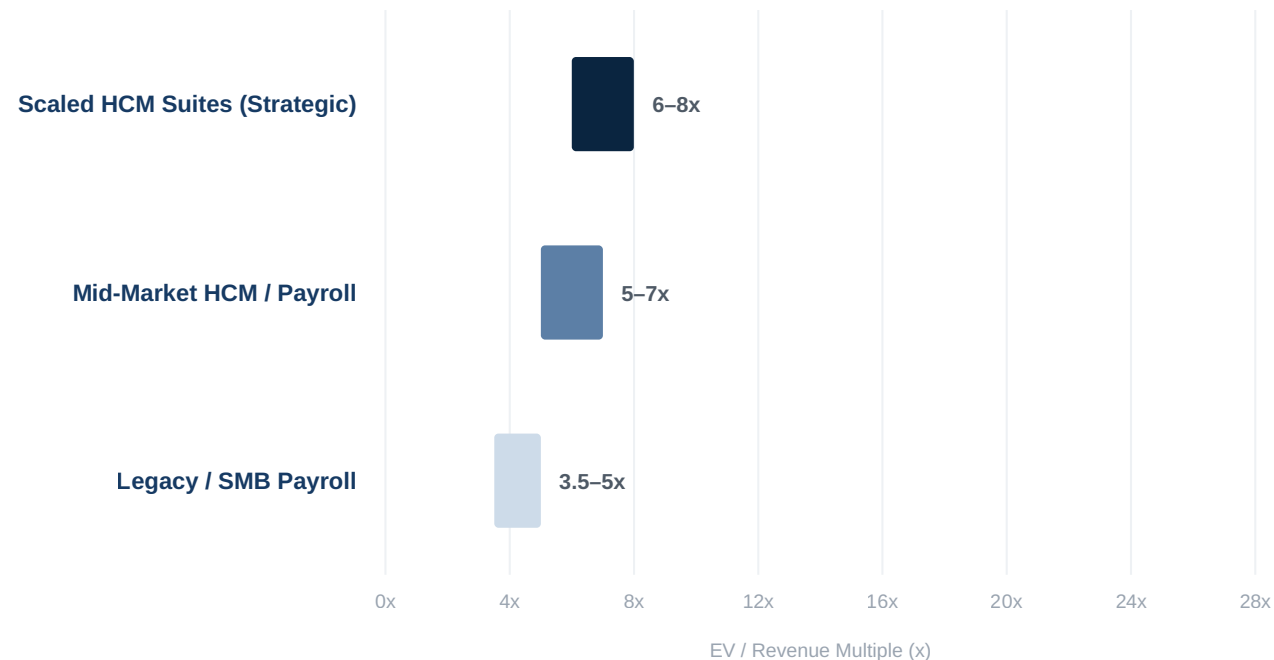
Deel and Remote are consolidating cross-border payroll into single, compliance-heavy platforms.

**Valuation gap:** North America commands a premium on the deepest HCM market and the listed public comparables (ADP, Workday, Paychex, Paycom, Paylocity). Europe and APAC are fragmented by country-specific payroll and labour law, a moat that the AI-native global-payroll cohort is monetising through cross-border consolidation.

# HCM & Payroll Suites: The Core Consolidates

Regulatory moats and low churn underwrite the core, while take-privates reset the strategic floor for scaled suites.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Regulatory Moat & Low Churn

Payroll and HRIS carry non-discretionary, regulation-driven demand and high switching costs. That stickiness underwrites durable recurring revenue and supports a premium to the broad software median.

### Take-Private Consolidation

Thoma Bravo's \$12.3B Dayforce deal and Paychex's \$4.1B Paycor acquisition show scaled, cash-generative suites moving into private and strategic hands at controlled premiums.

### AI Agent Roadmap

Suites are racing to embed agentic copilots across the employee lifecycle; the credibility of that roadmap increasingly separates premium suites from legacy payroll bureaus.

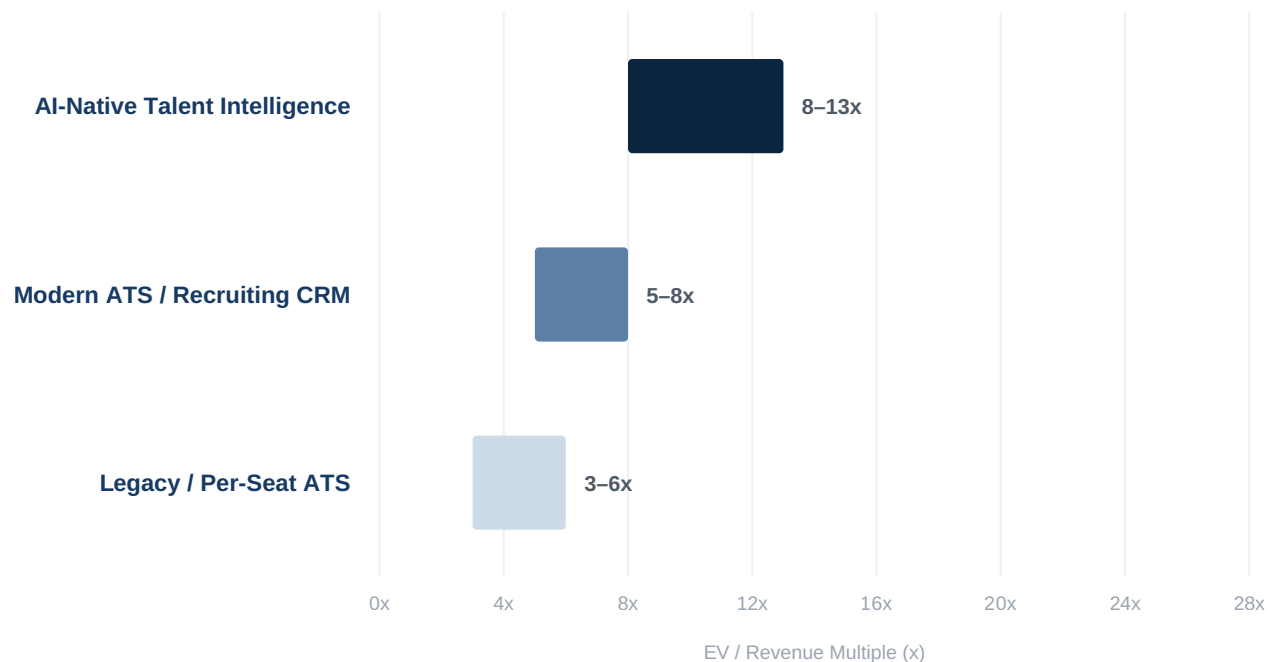
#### KEY OBSERVATION

Thoma Bravo's **\$12.3B** Dayforce take-private at roughly **6.4x revenue** reset the strategic floor for scaled HCM suites and confirmed sponsor appetite for regulated software.

# Talent Acquisition & Recruiting: The AI Re-Rating

Agentic recruiting commands a premium while legacy per-seat applicant tracking compresses under pricing and AI pressure.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Agentic Recruiting

Conversational and agentic hiring tools automate sourcing, screening and scheduling, expanding the buying centre beyond recruiters and justifying software-plus multiples for AI-native leaders.

### Per-Seat Model Pressure

Recruiting tools priced per recruiter or per employee face acute headwinds as AI compresses seat counts, forcing many point vendors toward consolidation.

### Suite Absorption

SAP's SmartRecruiters and Workday's Paradox acquisitions confirm that suites are buying AI-native front doors for hiring rather than building them internally.

## KEY OBSERVATION

SAP / SmartRecruiters and Workday / Paradox repriced AI-native talent acquisition upward, even as legacy per-seat applicant tracking compressed toward 3x to 6x.

# Workforce Management & Scheduling: The Frontline Premium

AI-driven scheduling for the deskless workforce commands a premium over legacy time-and-attendance.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Deskless Workforce TAM

The majority of the global workforce is deskless and historically under-served by software, a large and underpenetrated TAM that anchors premium multiples for modern frontline platforms.

### Compliance & Labour Law

Scheduling, predictive-pay and labour-law compliance are complex and jurisdiction-specific, creating switching costs and a regulatory moat for enterprise workforce-management suites.

### AI Demand Forecasting

AI-driven demand forecasting and auto-scheduling measurably reduce labour cost and overtime, shifting buyer willingness-to-pay toward outcome-linked rather than per-seat pricing.

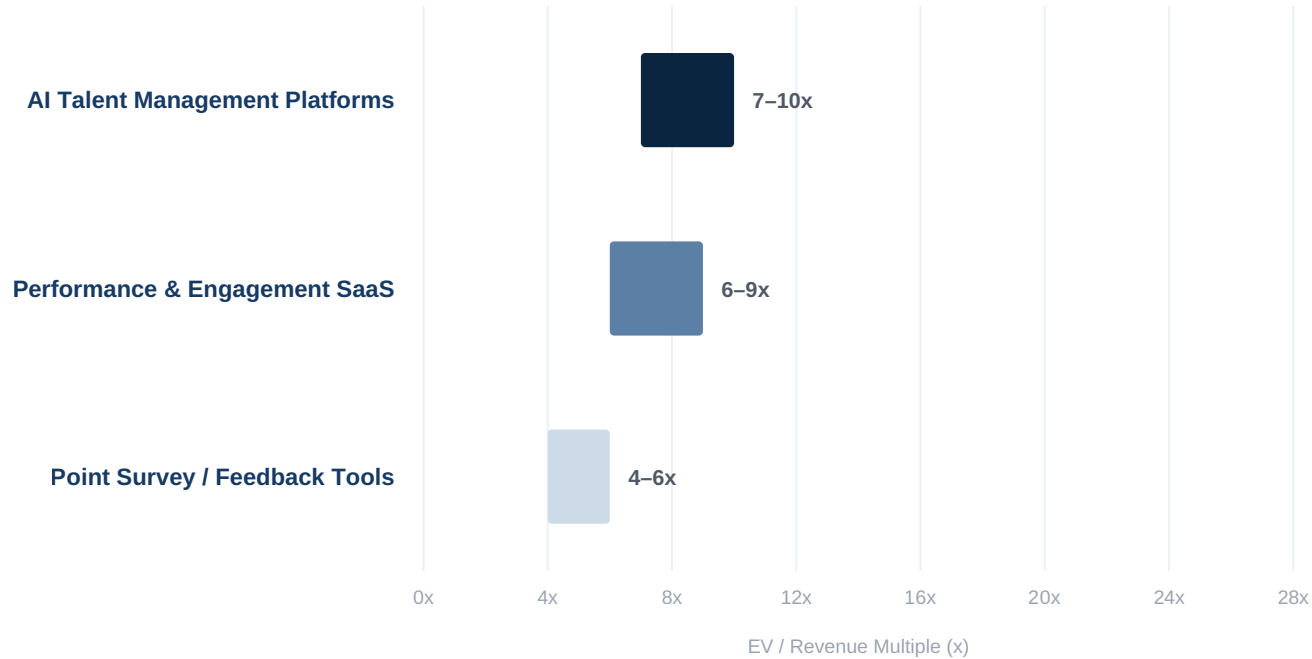
#### KEY OBSERVATION

**UKG** (private, Hellman & Friedman and Blackstone) anchors the enterprise tier at roughly **\$4.7B** revenue, while AI-native frontline scheduling captures the multiple premium.

# Performance, Engagement & Talent Management

Capital-light SaaS economics and skills-data moats support software-plus multiples for category leaders.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Capital-Light Recurring Revenue

Performance, engagement and talent-management platforms carry no balance-sheet risk and high gross margins, the profile the market rewards with enterprise-software multiples.

### Skills Intelligence & Mobility

Skills graphs and internal-mobility data are becoming a strategic moat, repricing talent-management platforms as the connective tissue of an AI-first workforce.

### High NRR & Attach

Multi-module attach across performance, engagement and learning lifts net revenue retention above 115%, validating durable expansion rather than one-time logo acquisition.

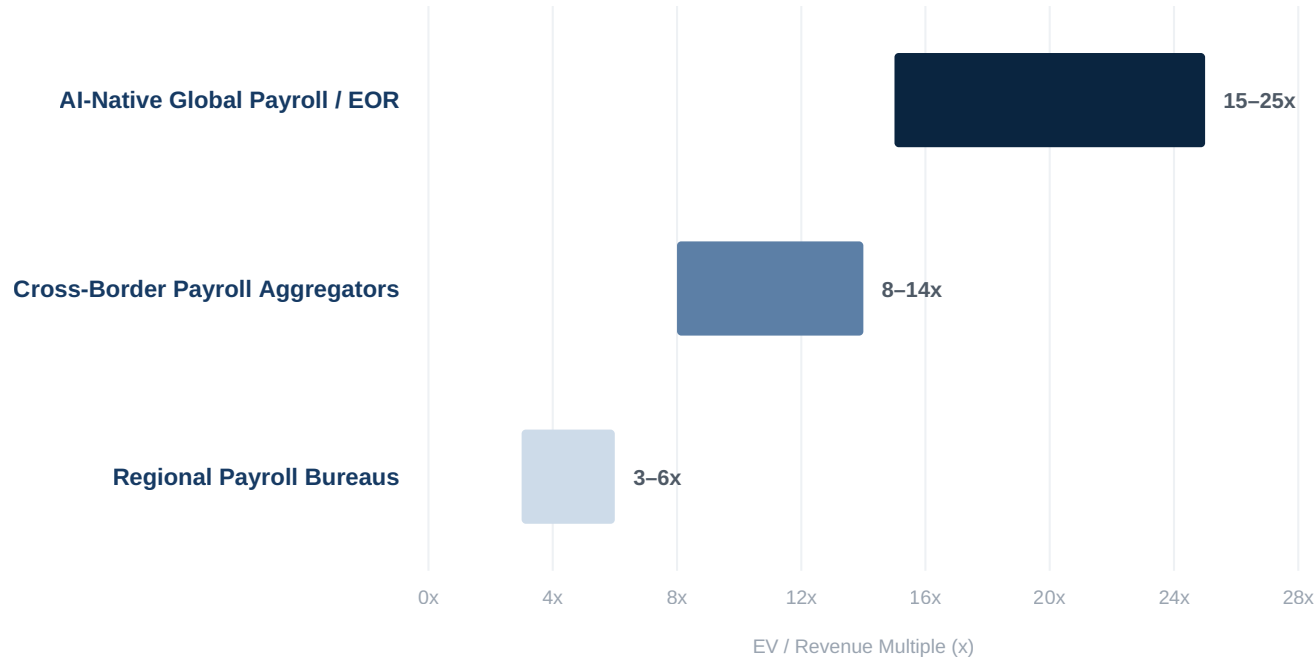
## KEY OBSERVATION

Capital-light economics and skills-data moats support software-plus multiples for category leaders such as Lattice and Culture Amp, well above point survey tools.

# Global Payroll & Employer of Record: The AI-Native Premium

Workflow and money-movement ownership plus compliance across 150+ countries underwrite the cycle's highest HR-tech multiples.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Workflow & Money Movement

Owning payroll money movement and the global system of record gives these platforms exceptional stickiness and an expanding monetisation surface across HR, IT and finance.

### Compliance-as-a-Moat

Native payroll and employment compliance across 150-plus countries is slow and expensive to replicate, a structural barrier that anchors the premium for category leaders.

### AI Agent Layer

Agentic automation of onboarding, classification and compliance compounds operating leverage, supporting the Rule of 40 and the highest multiples in HR tech.

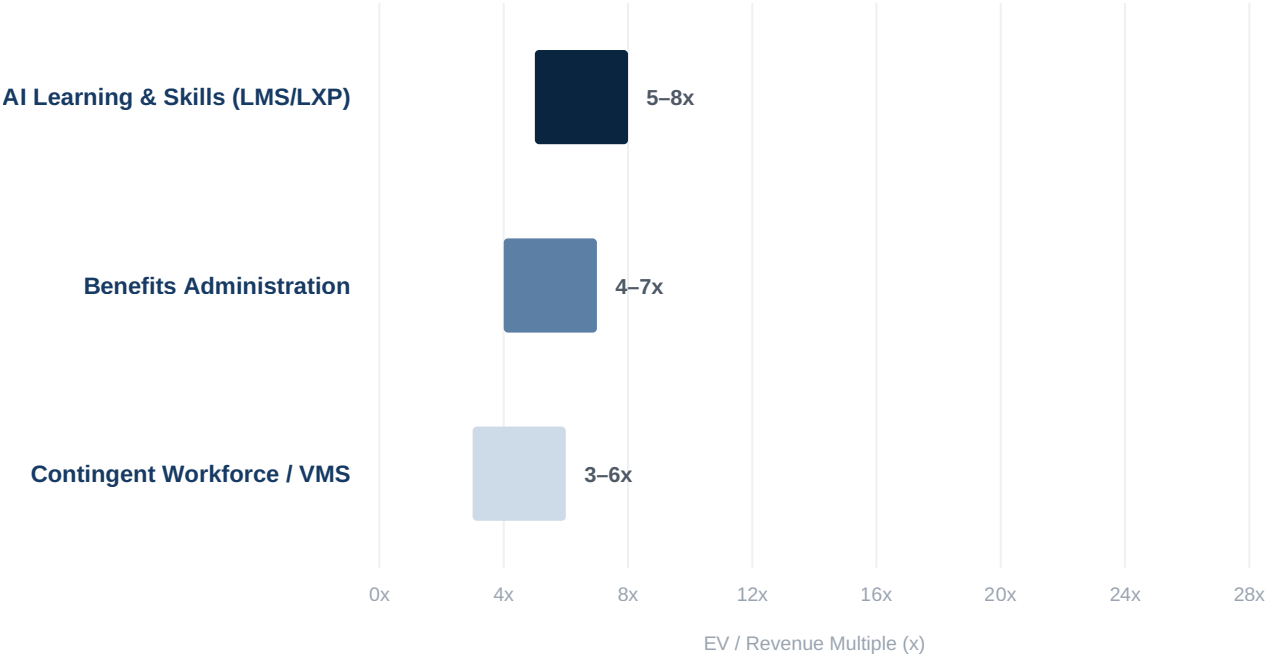
## KEY OBSERVATION

**Rippling** (\$16.8B, roughly 29x revenue) and **Deel** (\$17.3B, more than \$1B ARR) reprice the very top of the private HR-tech cohort.

# Benefits Admin, Learning & Contingent Workforce

AI learning is re-rating upward while services-inflected benefits administration and staffing platforms trade at a discount.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### AI Learning Re-Rating

Agentic learning and skills platforms are re-rating as suites pay up for personalised, AI-driven reskilling; Workday's \$1.1B Sana acquisition sets the reference point.

### Benefits Take-Privates

Services-inflected benefits administration is a private-equity favourite; Francisco Partners' carve-out of bswift from CVS Health illustrates the buy-and-build thesis.

### Services-Inflected Discount

Staffing-adjacent and vendor-management platforms carry a services component that trades against the software premium, compressing multiples toward EBITDA-based pricing.

#### VALUATION DRIVER

Workday's \$1.1B Sana deal shows suites paying a premium for agentic learning, while services-heavy benefits administration and VMS trade on EBITDA at a discount to pure software.

Sources: PitchBook; CB Insights; S&P Global Market Intelligence; Windsor Drake analysis. See appendix.

# Comparable Transaction Analysis Framework

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A rigorous quality-of-revenue filter rather than broad HR sector labels.

## 1. Select Peer Set

Identify genuinely comparable assets by delivery model (AI-native platform vs per-seat tool), buyer (CHRO, talent, payroll, finance), revenue model (subscription vs PEPM vs money-movement) and AI posture, not by broad HR labels.

## 2. Normalise Metrics

Adjust KPIs to a pro-forma basis: normalise ARR for M&A, standardise NRR and gross-retention definitions, separate platform from services revenue, and reconcile reported and verified deal metrics.

## 3. Adjust for Structure

Account for deal-specific terms (earn-outs, stock-versus-cash mix, control premiums, and cross-border data and employment-law overhang) that pull headline valuation away from underlying economic value.

## Proprietary Transaction Index

Calibration draws on Windsor Drake's proprietary index of **220 verified and reported transactions (2020 to 2026)**, refreshed each quarter and supplemented by current-quarter HR and workforce research for sector-specific comps.

## Quality-of-Revenue Filter

Peer selection prioritises recurring vs. re-occurring revenue, gross-margin profile (above 75% for software vs below 60% for services), and concentration risk across enterprise and SMB cohorts.

## Rule of 40 Premium Adjustment

A specific premium layer is applied for top-decile efficiency performers; offsetting discounts are applied where per-seat exposure or AI infrastructure cost is depressing margin.

## Control Premium Calibration

Indications include a control-premium layer, typically **25% to 30%** in strategic HR-tech processes, where suite and capability synergies can be concretely underwritten.

**220**

WD INDEX TRANSACTIONS

**2020–26**

INDEX COVERAGE

# Strategic Acquirer Mapping by Subsector

HCM suites buy AI and global reach; private equity targets cash flow and roll-ups; adjacent platforms pursue payroll money movement.

Subsector	HCM Suite Incumbents	Private Equity	Adjacent / Fintech Platforms
<b>HCM &amp; Payroll Suites</b>	<b>MODERATE</b> Tuck-ins extend the suite, but core overlap limits large deals.	<b>HIGH</b> Scaled, cash-generative suites are prime take-privates (Dayforce, Paycor).	<b>MODERATE</b> Payroll money movement attracts payments and fintech platforms.
<b>Talent Acquisition</b>	<b>HIGH</b> Suites buy AI-native hiring front doors (SAP / SmartRecruiters, Workday / Paradox).	<b>MODERATE</b> Roll-ups of fragmented ATS and recruiting point tools.	<b>LOW</b> Limited interest outside hiring workflows.
<b>Workforce Management</b>	<b>HIGH</b> WFM rounds out the suite for frontline and deskless workers.	<b>HIGH</b> Buy-and-build of scheduling and time-and-attendance assets.	<b>MODERATE</b> Earned-wage-access and payments tie-ins.
<b>Performance &amp; Engagement</b>	<b>MODERATE</b> Skills and talent-management tuck-ins deepen the suite.	<b>HIGH</b> Capital-light SaaS with high NRR; consolidation plays.	<b>LOW</b> Outside core financial workflows.
<b>Global Payroll / EOR</b>	<b>HIGH</b> Suites need global payroll reach; build-versus-buy favours acquisition.	<b>MODERATE</b> Scale still maturing; growth and minority stakes dominate.	<b>HIGH</b> Payments and fintech covet money movement and global rails (Payoneer / Boundless).
<b>Benefits &amp; Learning</b>	<b>MODERATE</b> Learning and benefits tuck-ins (Workday / Sana, Docebo / 365Talents).	<b>HIGH</b> Services-inflected benefits admin and LMS roll-ups (Francisco Partners / bswift).	<b>LOW</b> Selective; insurtech interest in benefits data.

High Activity / Priority Target
  Moderate / Opportunistic
  Low Activity / Niche Only

# HCM Suite Incumbents as Buyers

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Suites are using M&A to convert AI capability and global reach into a defensive moat for the core HR system of record.

## Strategic Motives: Buy vs. Build

The internal build cycle for agentic HR and native global payroll is too slow to counter AI-native challengers. That gap is compelling suites to acquire modern stacks outright, treating M&A as defensive modernisation rather than expansion.

## Acquisition Patterns

Workday's roughly \$3B spree (HiredScore, Evisort, Paradox, Sana) sits alongside SAP's SmartRecruiters and ADP's Pequity; capability bolt-ons dominate by volume, often preceded by partnership de-risking.

~\$3B

WORKDAY AI ACQUISITIONS

Buy

OVER BUILD, ON AI

## Semi-Autonomous Integration

A federated model preserves the target's product cadence and retains technical talent, while suite-grade compliance and data governance are overlaid at the backend.

## Priority: Agentic HR

The top focus is agentic copilots for hiring, learning and analytics that deploy across an entire installed base of HCM customers.

## Priority: Global Payroll Reach

Native payroll and employment compliance in new countries is a primary acquisition driver as enterprises consolidate fragmented regional providers.

## Priority: Skills & Mobility Data

Skills graphs and internal-mobility data are valued as the connective tissue of an AI-first workforce, increasingly central to suite acquisition theses.

# Private Equity Acquisition Patterns

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Record, ageing dry powder is creating intense deployment pressure on efficient, cash-generative HR assets.

## Deployment Pressure

With roughly **\$3.7T** of global private-capital dry powder to deploy and more than **52%** of buyout-backed companies held over four years, sponsors face acute pressure to transact (McKinsey; PitchBook). HR software's recurring, regulated revenue is a natural fit.

## Public-to-Private Thesis

Scaled public HCM names trading below intrinsic value remain prime targets; Thoma Bravo's \$12.3B Dayforce take-private and Francisco Partners' bswift carve-out illustrate the playbook at scale.

~\$3.7T

GLOBAL DRY POWDER

52%

HELD OVER FOUR YEARS

## Ideal Target Profile

Sponsors prioritise **Rule of 40** adherence, a recurring-revenue mix above 85%, and gross retention above 90%, the profile that supports leverage capacity.

## Value-Creation Playbook

Pricing optimisation away from per-seat models, a mix-shift toward software and money-movement revenue, and buy-and-build consolidation of WFM, benefits and LMS verticals.

## Ageing-Portfolio Catalyst

Record hold periods are forcing a parallel wave of sponsor exits and secondary buyouts, adding HR-tech assets to an already deep pipeline of processes.

## Deal Structure Trends

A resurgence of all-cash transactions for deal certainty, with earn-outs bridging gaps on unproven AI capability and cross-border scale.

# Competitive Moats Driving Premium Valuations

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HR-tech valuations above 10x revenue are reserved for companies that can demonstrate structural defensibility.

## Regulatory & Compliance Moats

BARRIER VALUE: HIGH

### Multi-jurisdiction payroll and labour law

- Native payroll and employment compliance is slow and expensive to replicate.
- Functions as compliance-by-design, a structural barrier to new entrants.
- Is increasingly central to cross-border and global-payroll theses.
- **Action:** invest early in the jurisdictions that gate the most defensible accounts.

## AI-Native Architecture

SCALE VALUE: HIGHEST

### Value decoupled from seat counts

- Agentic workflows cut the marginal cost to serve and reduce per-seat dependence.
- Demonstrates non-linear margin expansion as the customer base scales.
- Directly lifts the Rule of 40 score that gates premium multiples.
- **Action:** rebuild core HR workflows around agents, not seats.

## Data & Skills Moats

ASSET VALUE: HIGH

### Proprietary workforce and skills data

- Skills graphs and people data train models rivals cannot easily replicate.
- Power unique mobility, planning and analytics capability.
- Compound in value as the install base and data history grow.
- **Action:** deepen first-party workforce-data capture across every module.

## Platform Attach & Money Movement

GROWTH VALUE: HIGH

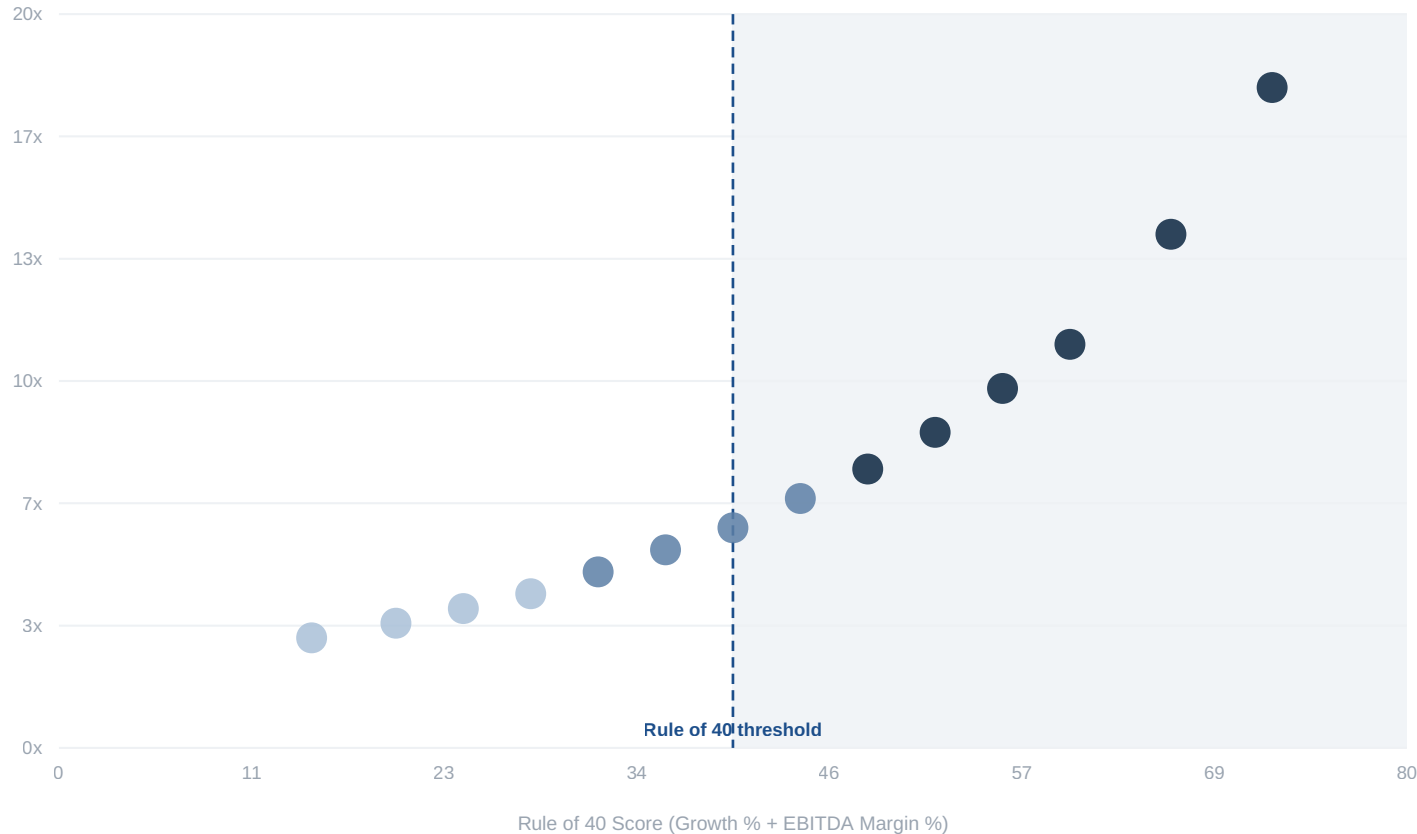
### Multi-module attach and payroll flows

- Each incremental module raises NRR and the cost of customer churn.
- Owning payroll money movement expands the monetisation surface.
- Raises switching costs as HR, IT and finance converge in one stack.
- **Action:** prioritise attach motion across the highest-value modules.

# Rule of 40 Performance Distribution

Clearing the Rule of 40 unlocks a 50% to 100% valuation premium; AI infrastructure cost is pressuring the rule across the cohort.

EV / Revenue Multiple vs Rule of 40 Score



TOP QUARTILE ( SCORE >50 )

## 8x to 18x+

AI-native winners in global payroll and talent intelligence; the primary premium M&A targets.

RULE OF 40 MET ( 40 TO 50 )

## 6x to 8x

A healthy growth and profit balance; credible IPO-ready and strategic candidates.

BELOW THRESHOLD ( <40 )

## 3x to 6x

Transition and value-trap zones; per-seat point tools vulnerable to consolidation.

**The median SaaS Rule of 40 score is just 28%, and only about 20% of companies clear it** (Bain), yet it remains the single best predictor of a premium multiple. Bain finds each ten-point improvement is worth roughly an additional turn (about **+1.1x**) of EV/Revenue.

# Cross-Border M&A Considerations

Jurisdictional divergence is the primary deal risk, and the primary arbitrage, in HR tech in 2026.

## Data & Employment Regimes

Heightened scrutiny of data infrastructure (CFIUS and FDI review), GDPR and country-specific employment law, and divergence between EU AI Act compliance and US frameworks materially complicate integration of payroll and people-data stacks and lengthen approval timelines.

## Currency & WACC Impact

US acquirers are leveraging a strong dollar and premium domestic multiples to buy discounted European and APAC assets; managing divergent regional rate environments is central to any debt-financed deal.

**12–18mo**

CROSS-BORDER CYCLE

**+30–50%**

LONGER CLEARANCE

## Extended Timelines

Regulatory clearance for cross-border HR-tech deals now runs 30% to 50% longer than domestic transactions; ensure runway to withstand delay without losing leverage.

## Milestone-Tied Earn-Outs

Regulatory earn-outs unlock tranches of consideration on specific country payroll authorisations or data-sovereignty approvals, rather than on revenue alone.

## Tax & Structure Efficiency

Establish efficient holding structures early; optimise repatriation and IP transfer pricing well before LOI discussions begin, particularly for distributed engineering teams.

## Dual-Track & Local Partners

Run IPO readiness alongside the M&A process for competitive tension, and retain local management to navigate post-close payroll and labour-law nuance.

# Exit Valuation Optimisation Strategies

WINDSOR DRAKE

Four levers that systematically de-risk the asset while amplifying its scarcity value.

## 1. Pricing Power & Margins

6 TO 12 MONTHS PRE-EXIT

### Move beyond per-seat pricing

- Shift from per-employee-per-month to **platform and outcome pricing**.
- Introduce money-movement and usage-based tiers to capture upside.
- Target a 15%-plus ARPU lift across the top customer cohorts.
- Evidence pricing elasticity with clean, auditable cohort data.

## 2. Revenue Quality

PREDICTABILITY

### Engineer resilience into the model

- Increase the recurring revenue mix to **85%+** of total.
- Improve Net Revenue Retention to **>120%** via multi-module attach.
- Reduce concentration so the top 10 accounts are under 25%.
- Lengthen contract duration to extend revenue visibility.

## 3. Rule of 40 Efficiency

PREMIUM TIER

### Prove scalable profitability

- Reallocate operating expense from low-ROI channels into R&D.
- Deploy AI agents to decouple headcount from revenue growth.
- Achieve **above 40%** on growth plus EBITDA margin.
- Track the score monthly with board-level visibility.

## 4. Strategic Narrative

COMPETITIVE TENSION

### Frame the asset as a suite enabler

- Position as suite-completing infrastructure, not a point tool.
- Present quantified synergy cases covering revenue and cost.
- Map specific capability gaps for the top five strategic acquirers.
- Run a structured process to manufacture competitive tension.

# Positioning for Strategic Acquisition

WINDSOR DRAKE

Strategic value is driven by capability fit, integration ease and synergy density.

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## Capability Fit

Demonstrate unique IP and proprietary workforce data, skills graphs or AI assets that fill a specific, declared buyer gap, making the buy-versus-build decision self-evident for the acquirer.

## Integration Ease

Acquirers pay clear premiums for plug-and-play assets. Minimise critical dependencies, document APIs and data schemas thoroughly, and present clean, audited financials and compliance evidence.

## Synergy Density

Quantify the revenue lift from cross-selling into the acquirer's installed base, and model the cost synergies from shared infrastructure, to support a higher multiple.

## Strategic Buyer Mapping

Run a structured gap analysis of potential acquirers and map your capabilities directly to each buyer's declared strategic deficits in AI, global payroll or skills data.

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## Proof-of-Integration

Develop technical materials that demonstrate speed-to-value within the acquirer's suite, pre-empting the technical diligence phase.

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## Synergy Quantification

Explicitly model top-line and bottom-line impact in the management presentation to anchor the valuation conversation on hard numbers.

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## Comprehensive VDR Readiness

Build a defensive data room addressing data-privacy, IP, customer-concentration and compliance risk before the first buyer engagement.

# Timing the Exit: 12-18 Month Roadmap

WINDSOR DRAKE

A full process runs 12 to 18 months end to end. Founders who prepare in the current cycle meet the market while today's alignment of suite demand, AI capability premia and stable pricing still holds.



## Readiness & Hygiene

Q3 2026

- Audit completion to PCAOB standard
- Data-privacy and AI governance review
- Migrate pricing off pure per-seat models
- Clean up the cap table and option pool

KEY MILESTONE

**Clean IP and data-privacy audit**



## Strategic Positioning

Q4 2026

- Launch dual-track process preparation
- Build the strategic buyer-targeting list
- Draft the CIM and management presentation
- Lock key-employee retention packages

KEY MILESTONE

**Retention packages locked**



## Market Engagement

Q1 2027

- Fireside chats with priority suites and sponsors
- Solicit initial indications of interest
- Deliver management presentations
- Open the virtual data room

KEY MILESTONE

**Competitive bid tension**



## Execution & Closing

Q2 2027

- Definitive agreement negotiation
- Regulatory filings (HSR, FDI, data)
- Confirmatory diligence support
- Closing and integration kickoff

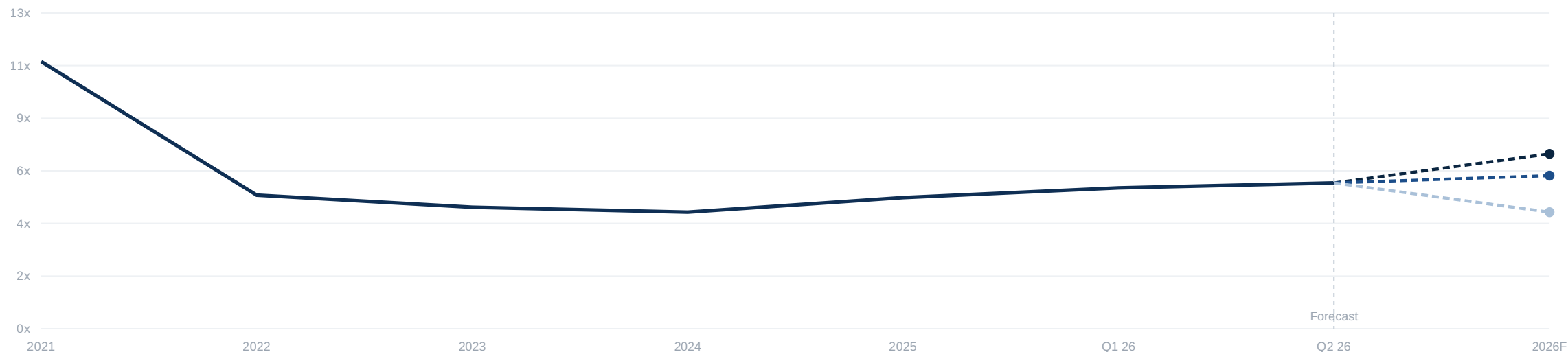
KEY MILESTONE

**No-MAC event verification**

# 2026 Valuation Forecast Scenarios

WINDSOR DRAKE

With the broad-market benchmark near 6.0x, forward trajectories diverge sharply on rates, the pace of AI adoption and the durability of consolidation.



## BULL CASE

7.2x

### Key Drivers

- Aggressive Fed cuts beyond 100bps
- An AI agent supercycle lifts multiples
- The HR-tech IPO window reopens fully

STRATEGY: ACCELERATE GROWTH

## BASE CASE

6.3x

### Key Drivers

- Steady rate normalisation, one cut
- Suite and sponsor consolidation continues
- Selective listings from scaled assets

STRATEGY: BALANCE GROWTH & PROFIT

## BEAR CASE

4.8x

### Key Drivers

- Inflation resurgence or rate holds
- AI cost compression pressures Rule of 40
- A macro shock freezes M&A and hiring

STRATEGY: CASH PRESERVATION

# Emerging Opportunities & Buyer Trends

WINDSOR DRAKE

Capital is flowing into the connective infrastructure of an AI-first, borderless workforce.

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## Agentic HR

AI agents and copilots for recruiting, learning, scheduling and HR service delivery are the fastest-emerging category, with suites and sponsors both actively building category leaders for an AI-first enterprise.

## Global Payroll & EOR

Cross-border payroll and employer-of-record platforms are consolidating fragmented regional providers; native payroll across 150-plus countries is the defining moat and a primary acquisition target.

## Skills Intelligence & Mobility

Skills graphs and internal-mobility data are being treated as the connective tissue of workforce planning, repricing talent-management assets as strategic adjacencies.

## Suite Capability Acquisitions

Suites prioritise AI, global-payroll and skills capability over distribution, buying technology to make their HCM platforms AI-ready for enterprise buyers.

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## PE Platform Roll-Ups

Sponsors are consolidating fragmented workforce-management, benefits-administration and learning software to build scale and drive multiple expansion.

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## EOR Consolidation

Remote's acquisition of Atlas and Payoneer's purchase of Boundless show payments and fintech platforms competing for global employment rails.

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## Market Intelligence

Top-tier forecasts point to continued elevated software M&A in 2026. Record dry powder and capability-driven demand are chasing a supply of AI-native HR assets that has not kept pace.

# M&A Case Study: Thoma Bravo & Dayforce

WINDSOR DRAKE

The defining HR-tech consolidation event of the cycle, and the playbook it sets for founders.

## The Take-Private Playbook

Thoma Bravo's acquisition of **Dayforce**, valued at **\$12.3B** and closed in **February 2026**, is the defining HR-tech consolidation event of the cycle. It confirms that sponsors will pay control premiums for scaled, cash-generative HCM suites with a credible AI roadmap, removing them from the public market to execute that roadmap privately.

## Strategic Rationale

- **Scale and cash flow:** a scaled HCM suite at roughly 6.4x revenue, the profile that supports leverage.
- **Sovereign co-investment:** a significant minority investment from the Abu Dhabi Investment Authority.
- **AI under private ownership:** room to invest through the agentic transition away from public-market scrutiny.

## Implications for Founders

### Scale Plus Profit Attracts Sponsors

In HCM, **scaled, profitable suites** are now prime take-private targets; Dayforce cleared a 32% premium on the strength of recurring, regulated revenue. The window for sponsor-led consolidation of quality assets is open, but narrowing as the best assets are absorbed.

### Quantify Synergies Pre-LOI

Headline multiples on mature HR assets rest on **identifiable, underwritable synergies and a clear AI roadmap**. Vague strategic fit no longer moves valuation; rigorous synergy and operating-leverage math, presented before the LOI, does.

### Platform vs. Point Solution

Assets framed as broad **platforms** capable of absorbing bolt-ons trade at clear premiums to narrow point solutions. Integration readiness, clean APIs and a credible AI-native design is itself a valuation lever.

# Valuation Methodology: Choosing the Right Metric

WINDSOR DRAKE

The right metric depends on business model, profitability profile and revenue mix.

## EV / Revenue

8–25X

### High-growth & AI-native

- Applied where profitability is suppressed by deliberate growth reinvestment.
- Software revenue (above 80% margin) is valued far above services revenue.
- The Rule of 40 score dictates where in the range an asset sits.
- Best suited to global payroll, AI talent acquisition and learning.

## EV / EBITDA

12–20X

### Mature & cash-generative

- Essential for mature payroll, benefits administration and PE-owned HR software.
- Many firms valued on revenue in 2024 are now assessed on EBITDA.
- Margin expansion and operating leverage are the key value drivers.
- Captures the cash-flow reality of consolidating segments.

## ARR & NRR Lens

RECURRING FOCUS

### SaaS-delivered HR assets

- Focus on ARR growth, NRR and gross retention as primary value drivers.
- Premium for NRR above 120% and gross retention above 90%.
- Discount for per-seat exposure, concentration and short contracts.
- Most relevant for SaaS-delivered HCM, talent and engagement platforms.

## Strategic Premium

+25–30%

### Suite & capability fit

- Applied on top of underlying revenue or EBITDA multiples.
- Premiums accrue to AI-native architecture and unique workforce data.
- Suite-completing integration potential can lift the premium materially.
- Synergy math should be modelled explicitly before LOI.

# Appendix: Sources & Methodology (Part 1)

WINDSOR DRAKE

Institution	Report / Source	Date
Bain & Company	<i>AI Brings Headwinds and Tailwinds to the Rule of 40</i>	2026
Bain & Company	<i>Global Private Equity Report 2026</i>	Feb 2026
McKinsey & Company	<i>Global Private Markets Report 2026</i>	Feb 2026
McKinsey & Company	<i>Software value-creation research on the Rule of 40</i>	2025
Gartner	<i>Forecast: Worldwide IT Spending, Enterprise Software Segment (2026)</i>	2026
PwC	<i>US Deals 2026 Outlook: Technology (M&amp;A Trends)</i>	2026
EY	<i>M&amp;A Activity Insights and M&amp;A Outlook 2026</i>	Apr 2026
S&P Global Market Intelligence	<i>Global M&amp;A by the Numbers: Q1 2026</i>	Apr 2026
PitchBook	<i>Q1 2026 Global M&amp;A Report; Global Private Market Funds Dry Powder Dashboard</i>	2026
CB Insights	<i>State of Venture; HR &amp; Work Tech Funding</i>	2026

# Appendix: Sources & Methodology (Part 2)

WINDSOR DRAKE

Institution	Report / Source	Date
Federal Reserve	FOMC Statement (Mar 2026); Summary of Economic Projections (Mar 2026)	2026
Dayforce, Inc.	SEC Form 8-K and DEFA14A; Thoma Bravo acquisition close	Feb 2026
Paychex, Inc.	SEC Form 8-K; Paycor acquisition	2025
Automatic Data Processing	SEC Form 8-K; Q2 FY2026 results	2026
Workday, Inc.	SEC Form 8-K; Sana acquisition agreement	Sep 2025
KPMG	Venture Pulse Q4 2025	Jan 2026

## VALUATION METHODOLOGY NOTES

### Source Standard

Inputs are restricted to top-tier institutions: bulge-bracket banks, the major consultancies, elite data houses, and primary regulatory and filing sources. Boutique and market-report vendors are excluded.

### Structural Adjustments

Private-market valuations are adjusted for earn-outs, liquidation-preference overhang and lack-of-marketability discounts, typically in the 25% to 30% range.

### Peer Set & Normalisation

Peers are filtered on delivery model (AI-native platform vs per-seat tool), buyer, revenue quality (above 85% recurring) and Rule of 40 profile. Financials are adjusted to a pro-forma basis excluding one-time items and stock-based compensation.

### Synthesis & Attribution

Figures labelled as firm analysis or house estimate, including the roughly 6.0x broad-market benchmark, are the firm's own synthesis of the cited institutional data, presented as a house view rather than third-party consensus. The proprietary transaction index held 220 records at the time of writing.