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Capital Partners

## Ceridian HCM Holding Inc.

April 2018

### Summary of Initial Public Offering



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# Ceridian HCM IPO – Executive Summary

## Initial Public Offering Overview



NYSE:CDAY



### Description

Ceridian HCM Holding Inc. provides a suite of human capital management software to businesses worldwide. The company's cloud-based applications enable businesses to manage employee lifecycle, improve employee engagement, optimize their workforce, and increase revenue.



### Use of Proceeds

The company intends to use the proceeds to repay a portion of its outstanding debt and for general corporate purposes.

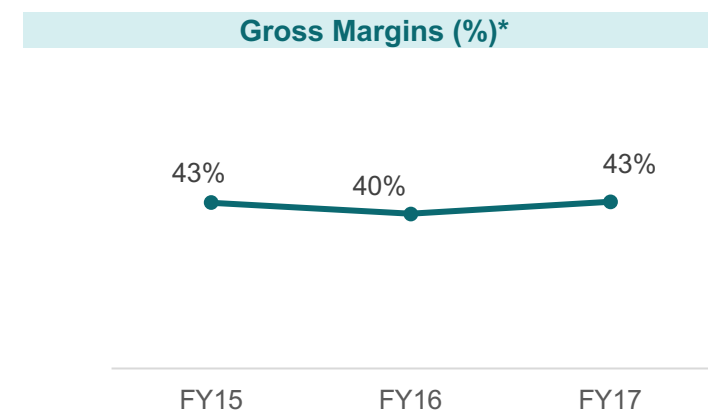
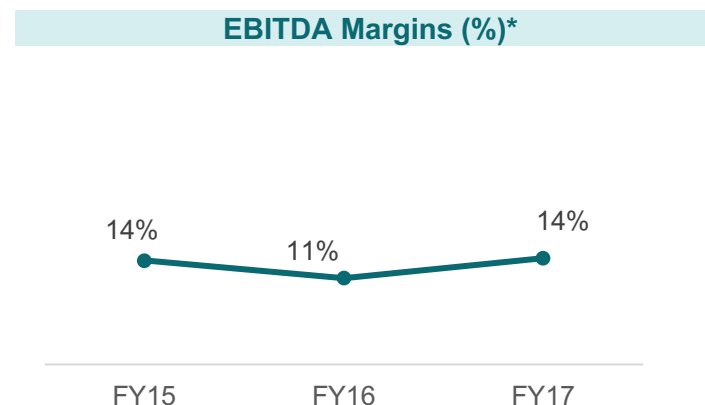
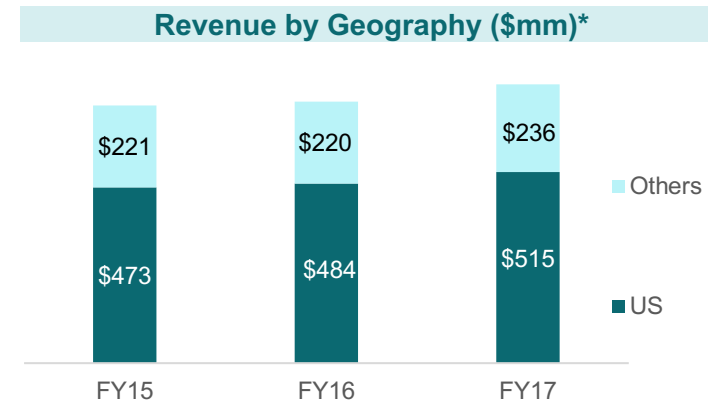
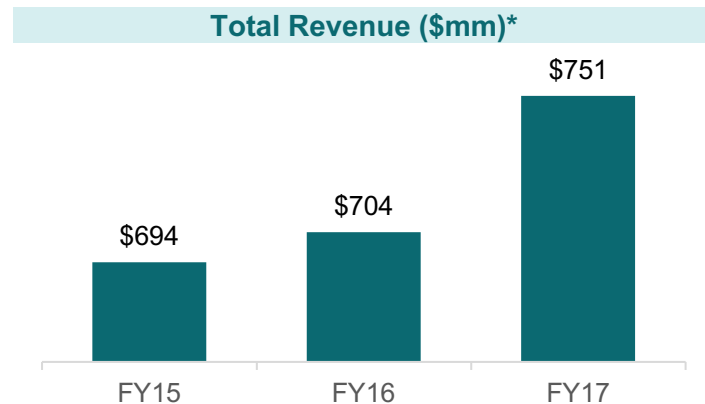
Source(s): Ceridian website, Ceridian S-1 filing, Capital IQ

<b>Headquarters</b>	Minneapolis, MN
<b>Founded</b>	2013
<b>Employees</b>	4,212
<b>Trading Date</b>	04/26/2018
<b>Underwriters</b>	
<b>Offering Price</b>	\$22.00
<b>Shares Offered</b>	21 million
<b>Gross Proceeds</b>	\$462 million

# Ceridian HCM IPO – Executive Summary

## Key Metrics – IPO

Shares Offered through the IPO	21 million
Issue Price	\$22.00
Total Shares Outstanding after the IPO	133 million
Market Value	\$2.9 billion
Enterprise Value <sup>(2)</sup>	\$4.2 billion
EV / Revenue	5.6X
Trading Date	04/26/2018
Listing Price	\$31.20



Source(s): Ceridian website, Ceridian S-1 filing, Capital IQ, Pitchbook

1. Enterprise Value is based on the calculated Market Value at issue Price and preferred equity, debt and cash as of December 31, 2017 taken from SEC filing.

\* Revenue, EBITDA and other values are taken as of December 31 for each fiscal year.

# Ceridian HCM IPO – Executive Summary

## Company Overview

### OVERVIEW

- Ceridian is a global HCM software company that provides solutions designed to manage the entire employee lifecycle, improve HCM decision-making processes, streamline workflows, expose strategic organizational insights, and simplify legislative compliance.
- Ceridian offers the following products:
  - **Dayforce** cloud HCM platform for employee lifecycle management
  - **Powerpay** cloud platform for payroll and HR solutions
  - **Bureau solutions** for payroll and payroll-related services
  - **LifeWorks solutions** for employee engagement services
- Dayforce, Ceridian's flagship cloud HCM platform, provides human resources, payroll, benefits, workforce management, and talent management functionality. It is a comprehensive, next-generation platform that can solve complex human capital management problems.
- The company operates a partner program with software integrators, consulting firms, brokers and small business sales channel partners.
- Ceridian provides solutions for organizations of all sizes, from small businesses to global organizations.

### Key Statistics



Ceridian's customer composition is as follows:

- **56%** - Enterprise-sized businesses
- **31%** - Mid-sized businesses
- **13%** - Small-sized businesses



As of January 31, 2017, the company has more than **3,000 live Dayforce customers** and more than **38,000 Powerpay accounts**.



The company's cloud revenue grew at a CAGR of more than **60%** between 2012 and 2017, with cloud revenue in 2017 of \$336 million.



In 2017, the company had a cloud revenue retention rate of over **95%**.



The company moved over **\$274 billion** sized funds annually until 2017.

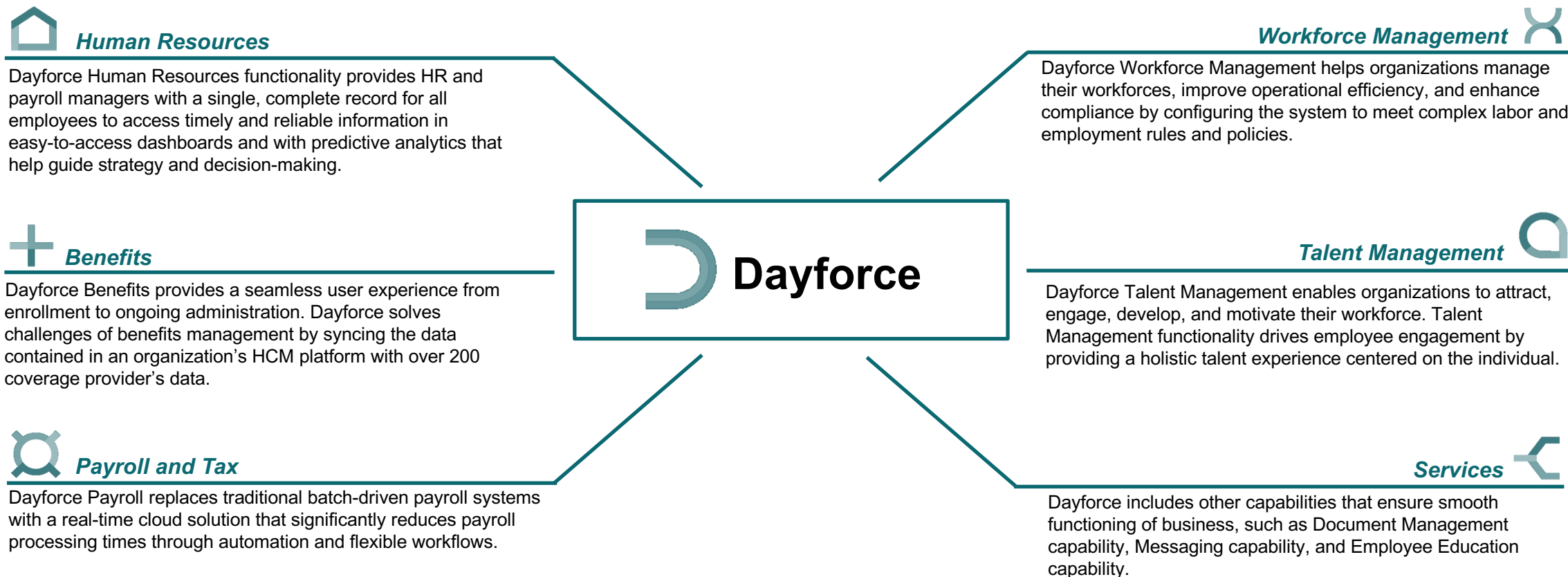
Source(s): Ceridian website, Ceridian S-1 filing



# Ceridian HCM IPO – Executive Summary

## Dayforce Platform

Ceridian's flagship offering, Dayforce, is a comprehensive, modern, cloud HCM platform that helps businesses manage their complete employee lifecycle. It is built as a single application that combines a modern, consumer-grade user experience with proprietary application architecture, including a single employee record and a rules engine spanning all areas of HCM. The platform provides the following functionalities:



Source(s): Ceridian website, Ceridian S-1 filing

# Ceridian HCM IPO – Executive Summary

## Company Offerings Overview (Cont'd)

### Other Offerings

#### ■ Powerpay

- Powerpay is a cloud platform that provides scalable and straightforward payroll and HR solutions.
- Ceridian offers Powerpay to Canadian organizations with fewer than 100 employees.
- Specifically designed for small businesses, Powerpay enables clients to pay their employees accurately and on-time.

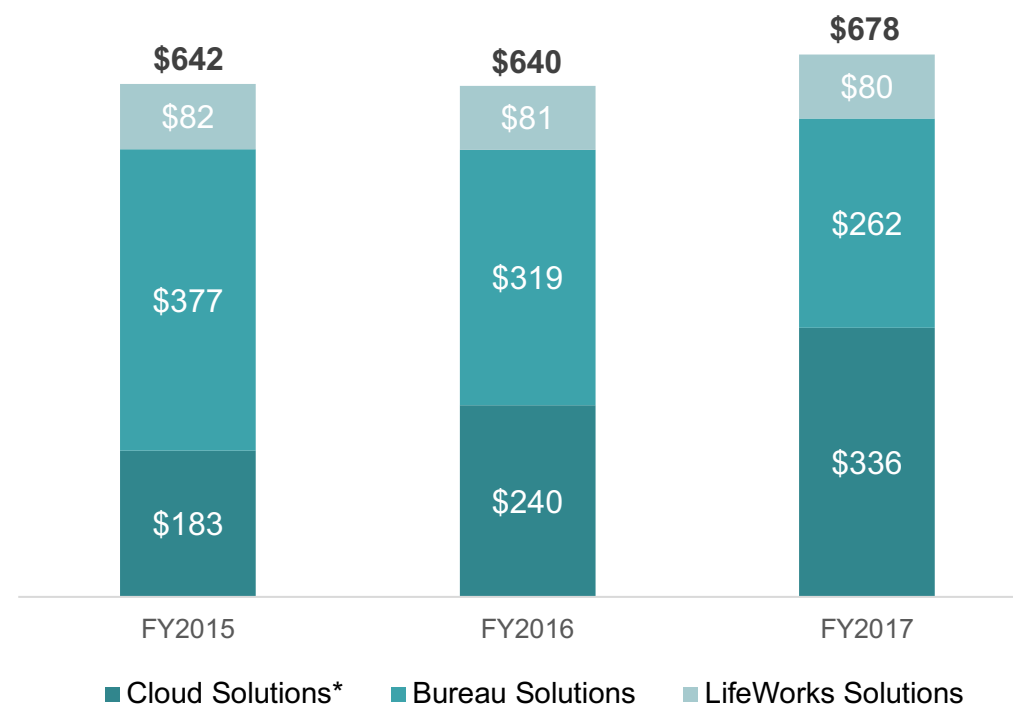
#### ■ Bureau Solutions

- Bureau Solutions offers payroll, payroll-related tax filing services, and outsourced human resource-related services using legacy technology.
- The company generates Bureau revenue from HCM solutions delivered via a service-bureau model.

#### ■ LifeWorks Solutions

- LifeWorks offers employee engagement services, such as employee assistance programs, exclusive perks and discounts, social recognition, a private social network, employee and corporate wellness, and employee engagement analytics.
- Ceridian offers LifeWorks in the US, Canada, and the UK directly by the LifeWorks joint venture, and in many other countries around the world through LifeWorks' network of providers.

### Revenue Breakdown (in \$ million)



\* Cloud Solutions = Dayforce + Powerpay

Source(s): Ceridian website, Ceridian S-1 filing

# Ceridian HCM IPO – Executive Summary

## Customer Case Studies

### Blue Man Group



- Blue Man Group, a multinational media and entertainment company, engages in theatrical and digital media operations worldwide.
- The company was using an outdated legacy HCM system for their HR and payroll processes that placed a heavy burden on management.
- In 2016, the company began using Dayforce for staff scheduling, timesheets, and payroll. The following benefits were generated:
  - **Improved scheduling:** Dayforce built a schedule for the company that addressed the dynamic nature of the entertainment industry and the company's staffing needs.
  - **Improved user experience:** The Dayforce mobile app provided a hands-on user experience to staff members to access schedule details.
  - **Reduced payroll processing time:** Many redundant processes were eliminated and there was an improvement in the payroll processing time.

### E&H Family Group (E&H)



- E&H Family Group owns and operates a chain of grocery and hardware stores.
- E&H was notified by Oracle that its on-premise platform would no longer be supported and required an expensive hardware and software upgrade to achieve functionality. The company elected to find a more efficient cloud-based solution for HCM that would automate the HR.
- The E&H Family Group deployed Ceridian's Dayforce that provided the company an end-to-end cloud solution that eliminated costs associated with the legacy program, improved strategic decision making, and increased efficiencies. Key benefits included:
  - **Cost savings:** Elimination of upgrade costs of nearly \$500,000 to bring legacy system up-to-date.
  - **Improved strategic decision making:** Data analytics and enhanced reporting capabilities allowed senior managers to make decisions based on accurate data, in real time.
  - **Return on investment:** The company saw an ROI of 216%, with an average annual benefit of nearly \$2 million.

Source(s): Ceridian website, Ceridian S-1 filing

# Ceridian HCM IPO – Executive Summary

## Market Opportunity

### Several market dynamics represent global opportunity for Ceridian.

#### Large and underserved HCM technology market

According to International Data Corporation, **the size of the global market for HCM Payroll and Applications is predicted to reach close to \$20 billion by the end of 2018** and is expected to grow to approximately \$26 billion by 2021, representing a 9% CAGR. Out of this, approximately \$5 billion is for Payroll Applications.

#### Predictive technologies are transforming HCM functions in the organizations

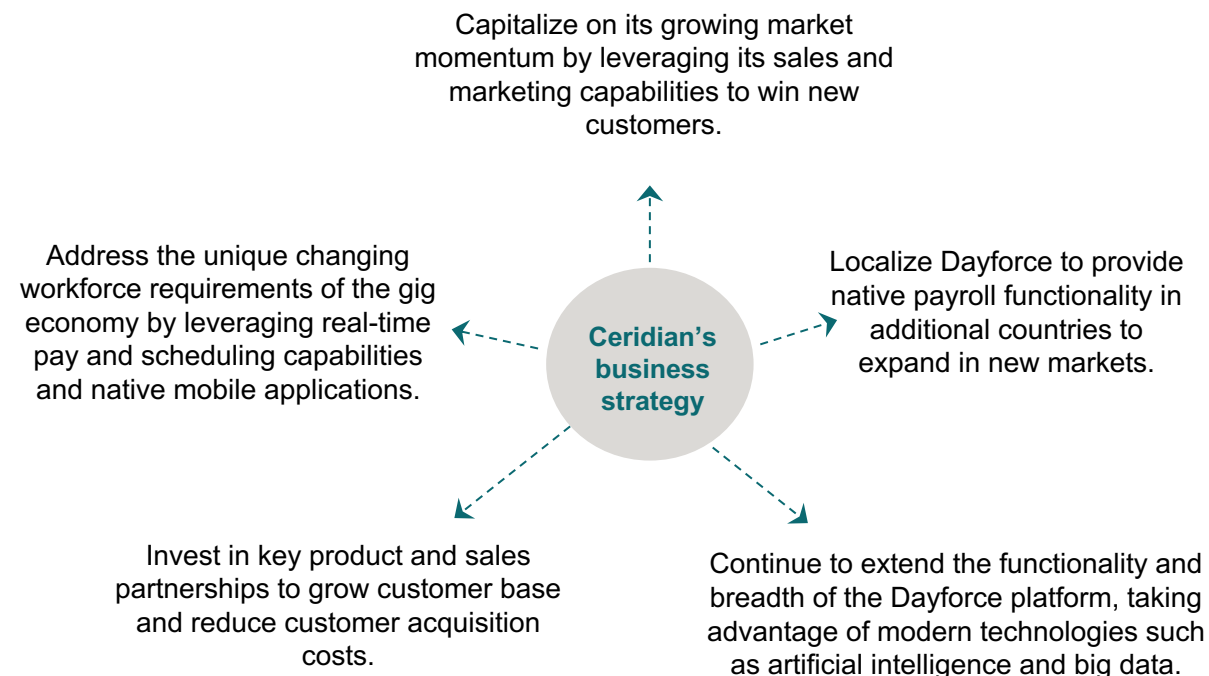
Artificial intelligence and other predictive technologies are playing a larger role in organizations and customers are now demanding these predictive technologies in human capital management, particularly in employee scheduling, hiring, retention, and compensation management.

#### Changing employer-employee relationship

Employees expect modern and intuitive solutions that provide self-service access to pay, schedules, benefits, performance reviews, learning opportunities, and other key employee data in real-time and on the device of their choice. Organizations are acknowledging the importance of automation of administrative tasks, flexible workflows, and greater employee self-service as a means of engaging their employees to increase productivity.

With demand for HCM technology solutions rising, Ceridian is building solutions to leverage market opportunities.

The company's key growth strategies include:





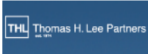










Source(s): Ceridian S-1 filing, International Data Corporation



# Ceridian HCM IPO – Executive Summary

## Financing and M&A History

The company has raised a total of \$168 million prior to the IPO, with the latest valuation at \$4 billion.\*  
Ceridian HCM's valuation for this IPO at \$2.9 billion represents a 28% decrease from a year ago.












Date	Transaction Type	Amount (\$mm)	Role	Target	Buyer / Key Investors / Lenders	Transaction Notes
3/30/16	Financing (Equity)	\$150	Target		 	The company received \$150 million of development capital from Fidelity National Financial, Thomas H. Lee Partners and its management on March 30, 2016.
6/30/15	Financing (Debt)	\$3	Target			The company raised \$3 million in the form of subordinated debt from FS Investment Corporation II in the second quarter of 2015.
2/25/15	Acquisition	NA	Buyer			Ceridian acquired the majority of the assets of RelatedMatters, Inc. on February 25, 2015. As per the terms of the deal, two co-founders of RelatedMatters have joined the Ceridian senior executive team.
1/6/14	Acquisition	NA	Buyer			Ceridian acquired eFueling Technologies LLC through its subsidiary Comdata Network, Inc. on January 6, 2014. The terms of the transaction were not disclosed.
11/9/12	Financing (Debt)	\$10	Target			The company received \$10 million of debt financing in the form of secured debt from Main Street Capital on November 9, 2012.
4/2/12	Acquisition	NA	Buyer			Ceridian Corporation acquired Dayforce, Inc. from Bridgescale Partners and others on February 7, 2012. The terms of the transaction were not disclosed.

Source(s): Pitchbook

\*The Company was to be acquired by Automatic Data Processing for \$4 billion on October 20, 2017. However, the deal was subsequently cancelled.

# Ceridian HCM IPO – Executive Summary



## Financing and M&A History (Cont'd)

Date	Transaction Type	Amount (\$mm)	Role	Target	Buyer / Key Investors / Lenders	Transaction Notes
9/30/11	Financing (Debt)	\$0.3	Target		CORPORATE CAPITAL TRUST	The company received \$0.3 million of debt financing in the form of senior debt from Corporate Capital Trust on September 30, 2011.
6/1/11	Acquisition	NA	Buyer			Versult Group, Inc. provides workforce management and enterprise mobility solutions for retail organizations. Ceridian Corporation acquired Versult Group, Inc. on June 1, 2011. The terms of the transaction were not disclosed.
3/31/10	Financing (Debt)	\$5	Target			The company received \$5 million of debt financing in the form of senior secured debt from FS Investment on March 31, 2010.
3/23/10	Acquisition	NA	Buyer			Intellinet Group Limited offers workforce management solutions. Ceridian UK Limited acquired Intellinet Corporation on March 24, 2010. The terms of the transaction were not disclosed.
2/6/08	Acquisition	NA	Buyer	COLT Express Outsourcing		Ceridian Corporation acquired certain assets of COLT Express Outsourcing, Inc. on February 4, 2008. Under terms of the agreement Ceridian's Benefits Services division will provide services to COLT's clients.
11/9/07	LBO	\$5,300	Target		  And more	Ceridian was acquired by Fidelity National Financial, Ridgemont Equity Partners, Blum Capital Partners, Thomas H. Lee Partners, Kennigston Capital Partners and North Sea Capital through a \$5,300 million public to private LBO on November 9, 2007.

Source(s): Pitchbook

# Ceridian HCM IPO – Executive Summary

## Financing and M&A History (Cont'd)

Date	Transaction Type	Amount (\$mm)	Role	Target	Buyer / Key Investors / Lenders	Transaction Notes
11/27/06	Acquisition	NA	Buyer	Leade Health		Leade Health, Inc. develops and delivers health behavior change programs. Ceridian Corporation acquired Leade Health on November 27, 2006. The terms of the transaction were not disclosed.
11/9/07	Acquisition	NA	Buyer	Recruiting Solutions International		Recruiting Solutions International, Inc. provides web-native human capital management solutions. Ceridian Corporation acquired Recruiting Solutions International, Inc. on November 9, 2007. The terms of the agreement were not disclosed.

Source(s): Pitchbook

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