



RecBuzz

**RAISING CAPITAL FOR RECRUITMENT
BUSINESSES**

April 23rd, 2020

european internet ventures.

who I am

Malcolm Myers
12 years of classifieds

former head of m&a at Naspers
former m&a advisor to Scout24

CEO of eiv

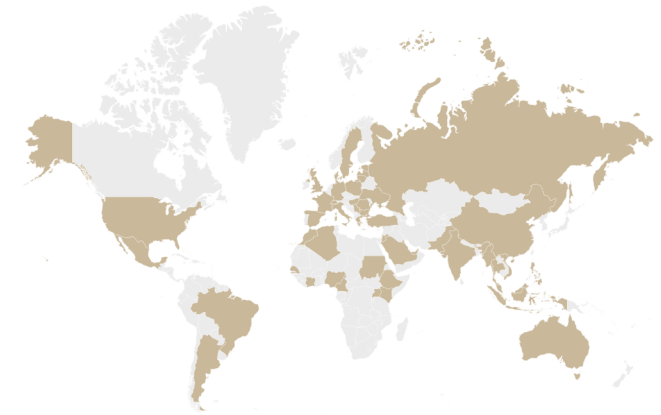
what we do

advisory firm dedicated to
online classifieds + marketplaces

m&a

capital raising

where we work



contents.

1. value creation to date
2. recent VC investments
3. attracting VC investment

1 value creation to date.

online recruitment ecosystem.

vertical marketplaces



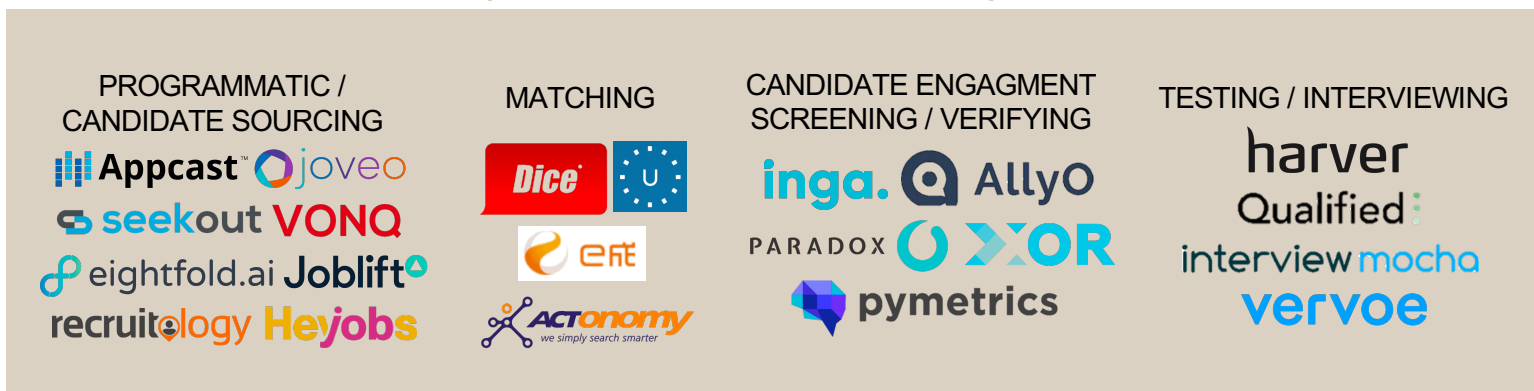
horizontal listings platforms



ATS / CRM

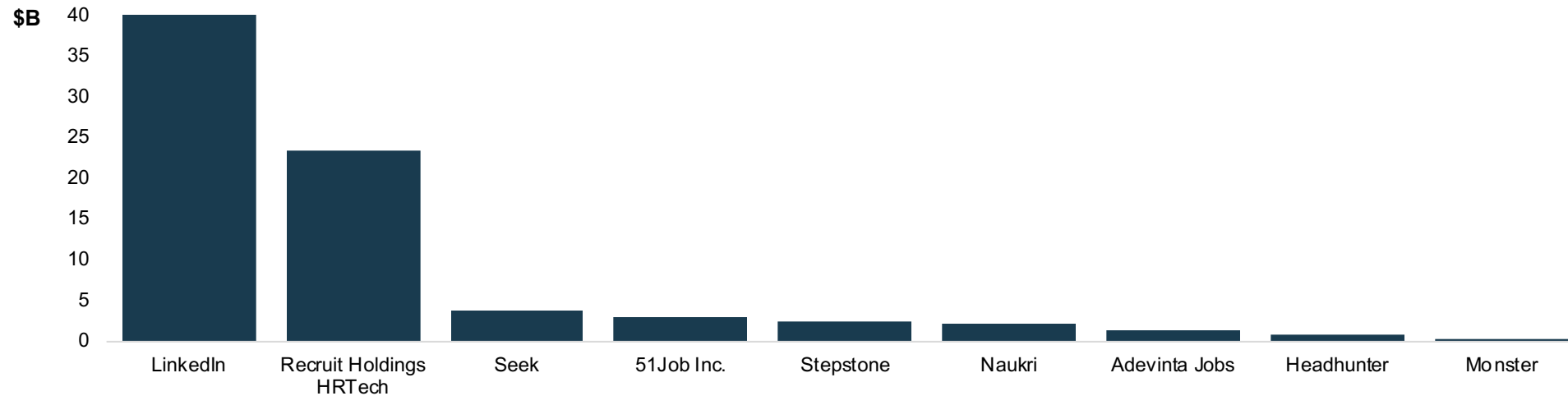


tech-powered recruitment capabilities



\$80 billion of value in online quoted recruitment platforms.

RECRUITMENT PLATFORMS / MARKETPLACES RANKED BY ACTUAL/IMPLIED ENTERPRISE VALUE



- online recruitment classifieds/marketplaces segment is dominated by LinkedIn and Indeed/Glassdoor
- the remaining quoted players account for \$14B in EV or just 18% of the segment combined

recruitment platform value in context.

	Low	Lower Mid	Upper Mid	High	Total
Global Workforce (M)	298	1,189	1,280	616	3,382
Job Changes per year (M)	119	392	320	123	955
TAM (\$B)	2.9	56.5	320.0	377.1	756.4

- the global workforce of 3.4 billion, represents an estimated recruitment services TAM of \$756B, based upon just under 1 billion job changes per year
- the quoted recruitment platforms have an approximate combined revenue of \$13.5B or about 1.8% of the TAM
- current average monetization levels are equivalent to just \$14 per position filled

note: TAM assumes only a percentage of each type of vacancy has a recruitment budget attached to it (20% for lowest paid jobs and 70% for the highest), and that each position is filled at a cost in proportion to one year's salary, ranging from 4% for the lowest paid positions to 12.5% for the highest paid.

source: International Labor Statistics report from July 2019, EIV estimates and analyses

why so little value in the quoted platforms?

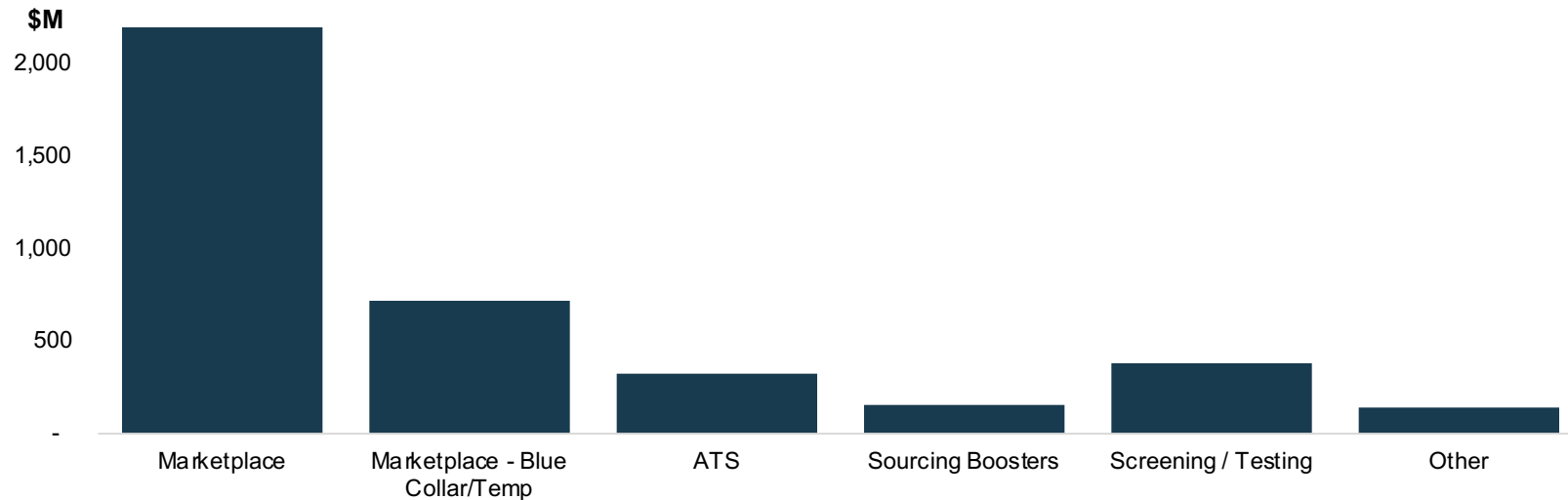
- many large platform players are in private hands e.g. ZipRecruiter, MaiMai (China's LinkedIn), or Job & Talent
- substantial value is being created at the periphery of classifieds and marketplaces, in ATS, Sourcing Boosters, Screening (for motivation, fit), Testing/Evaluating
- a large chunk of employer recruitment budget is still going to old fashioned recruitment or staffing agencies, who re-invest only about 10% of their fees into classifieds and marketplace platforms

these fundamentals should drive a healthy investor interest into the next generation of platforms and services addressing recruitment needs

2 recent VC investments.

\$4 billion in capital deployed.

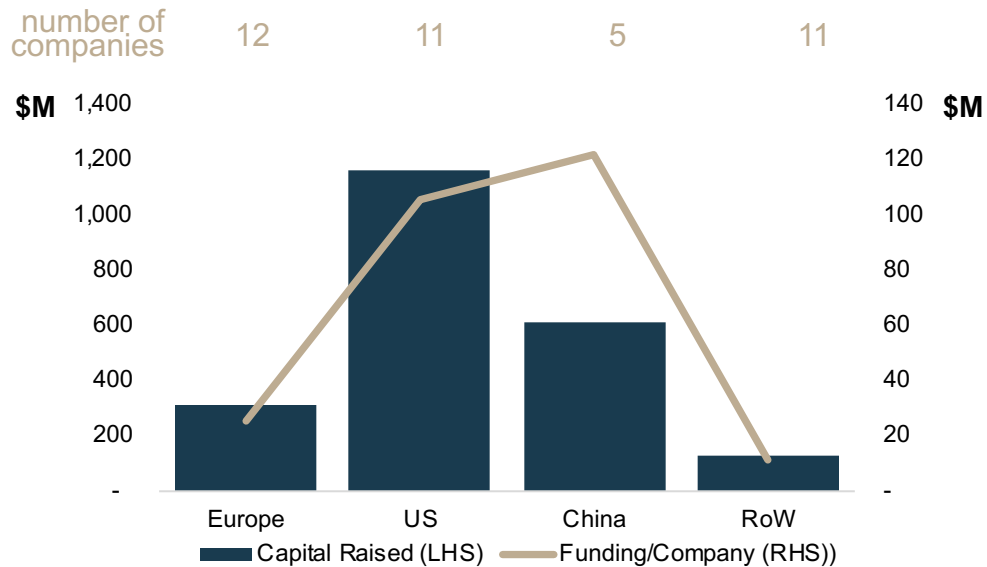
ONLINE RECRUITMENT VC INVESTMENT SINCE 2017



- \$4B has been invested in online recruitment start ups since 2017
- marketplaces account for 74% of the total, with \$720M going into the blue collar and temporary recruitment verticals alone
- the remaining \$1B has been invested in companies providing software and services to help discover, filter, match and engage candidates
- increasingly companies are developing services blending two or more of the above – e.g. software which both finds passive candidates (“sourcing boosters”), engages and tests them (“screening/testing”)

insights from capital deployed.

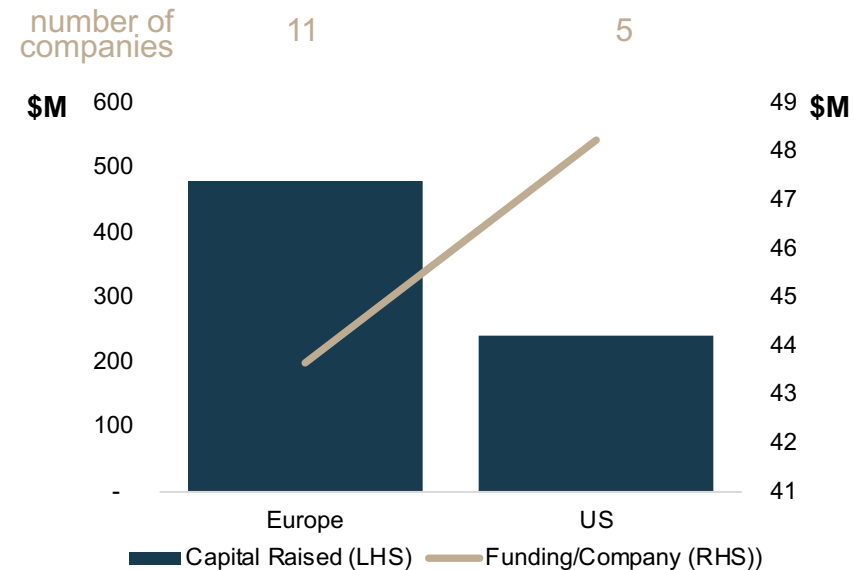
MARKETPLACES EXCL. BC/TEMP



examples

- malt
- ZipRecruiter
- BOSS直聘
- WUZZUF
- grupa pracuj
- RIGUP
- 脉脉
- REVELO

BC/TEMP MARKETPLACES



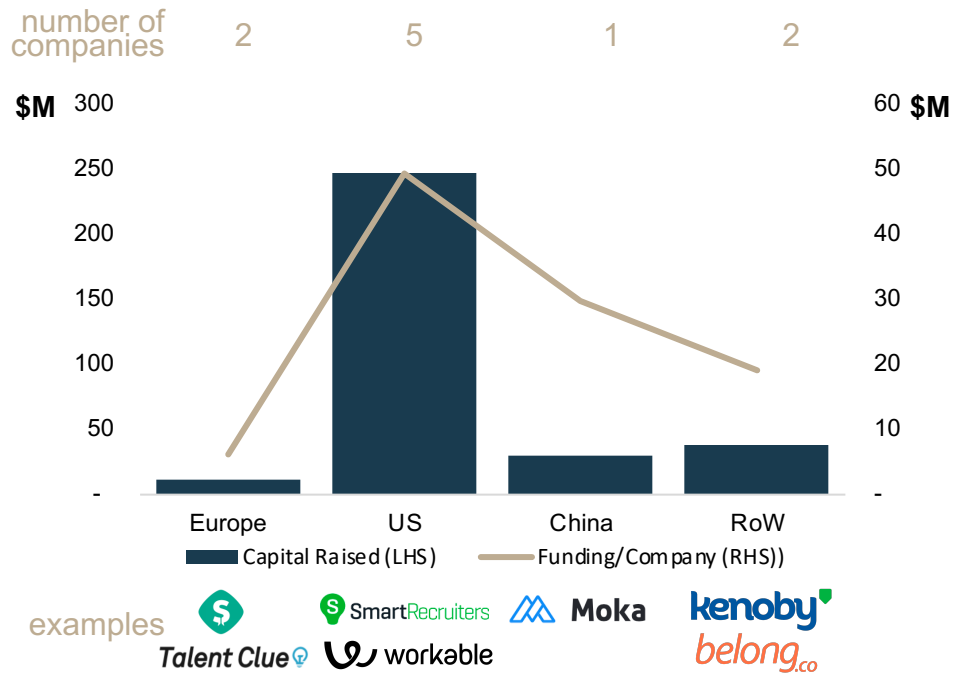
examples

- ZENJOB
- coople
- MERLIN
- Instawork

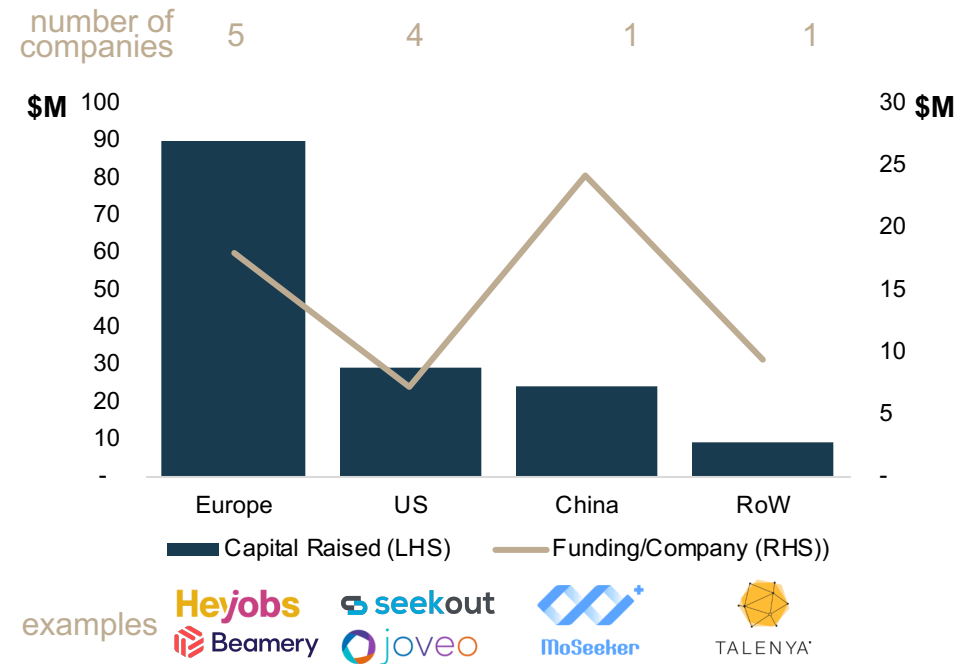
- average capital invested per Marketplace (excl. BC/temp) is \$26M in Europe compared to \$105M in the US and \$122M in China
- for blue collar / temporary jobs, Europe leads in overall deals (11) and with similar amounts raised per company – reflecting the growth of multi-country platforms in Europe

insights from capital deployed.

ATS



SOURCING BOOSTERS



- US dominates recent global funding for ATS with an average of \$50M per raise, reflecting both ambitions for both product scope and market share
- in contrast companies focused on tapping into increasingly sophisticated forms of candidate outreach have found favour particularly in Europe

insights from capital deployed.

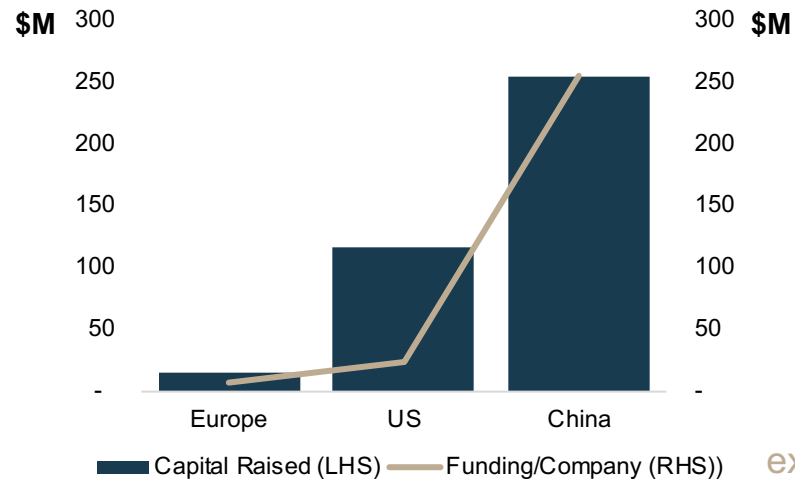
TESTING

number of
companies

2

5

1









examples



- the “Testing” bucket includes prequalification and assessment, psychometric and skills tests, and candidate interviewing platforms
- the average funding requirements are \$7M in Europe and \$23M in the US
- China provides an outlier due to the \$255M invested in video interviewing platform Mofang HR

who's investing?

Investor	Rank	Companies
500 Startups 	1	Alloy, Capabili, Comparably, Traction, Glints Intern, WUZZUF, Idealists, PayrollHero, HireArt, Emprego, Tioki, SHEROES, SmartHR, The Muse, GetLinks, Kalay IK, Bizimply, the muse, GETLINKS, KOLAY IK, BIZIMPLY
SV Angel 	2	Zenefits, Workpop, WayUp, Lever, Ambition Solutions, Interviewed, Simpler, AnyPerk, BetterUp, Checkr, Koan, TripleByte, Lattice, ZENEFITS, WORKPOP, WAYUP, LEVER, AMBITION SOLUTIONS, INTERVIEWED, SIMPLER, ANYPERK, BETTERUP, CHECKR, KOAN, TRIPLEBYTE, LATTICE
New Enterprise Associates 	3	Upwork Global, Elance, Hired, Lytmus, Landit, Spare5, GuideSpark, Paysa, LearnUp, MOVE Guides, TalentBin, Greytip Software, UPWORK, ELANCE, HIRED, TALENTBIN, LANDIT, SPARE5, GUIDESPARK, PAYSA, LEARNUP, MOVE GUIDES, TALENTBIN, GREYTHR
Andreessen Horowitz ANDREESSEN HOROWITZ	3	Zenefits, Jopwell, Percolata, Lytmus, Konu Careers, Toptal, Reflektive, YeeGraph, Simpler, Tomfoolery, LearnUp, AnyPerk, ZENEFITS, JOPWELL, PERCOLATA, LYTMUS, KONU CAREERS, TOPTAL, REFLECTIVE, YEEGRAPH, SIMPLER, TOMFOOLERY, LEARNUP, ANYPERK
Khosla Ventures khosla ventures	5	Zenefits, Teleborder, Pymetrics, Thatro, Simpler, Homebase, tenler, HackerRank, Evolv, Checkr, Lattice, ZENEFITS, TELEBORDER, PYMETRICS, THATRO, SIMPLER, HOMEBASE, TENLER, HACKERRANK, EVOLV, CHECKR, LATTICE
East Ventures 	6	SmartHR, Medley, Talenta, Teleborder, LIB, Glints Intern, Techouse, Leading Mark, Rekruta, Bizreach, SMARTHR, MEDLEY, TALENTA, TELEBORDER, LIB, GLINTS INTERN, TECHOUSE, LEADING MARK, REKRUTA, BIZREACH
FundersClub 	7	Greenhouse, Parklet, AnyPerk, TalentBin, Rallyware, OnboardIQ, Meldium, GO1, Interviewed, GREENHOUSE, PARKLET, ANYPERK, TALENTBIN, RALLYWARE, ONBOARDIQ, MELDIUM, GO1, INTERVIEWED
Salesforce Ventures 	8	Gusto, BizGround, BizReach, Hoopla Software, Jazz HR, Onfido, Simpler, SmartRecruiters, GUSTO, BIZGROUND, BIZREACH, HOOPLA SOFTWARE, JAZZ HR, ONFIDO, SIMPLR, SMARTRECRUITERS
Kapor Capital Kapor CAPITAL	8	Jopwell, Unifive, Shift Messenger, WorkAmerica, WePow, BeneStream, Tioki, Atipica, JOPWELL, UNIFIVE, SHIFT MESSENGER, WORKAMERICA, WEPow, BENESTREAM, TIOKI.COM, ATIPICA
Crosslink Capital CROSSLINK CAPITAL	8	PowerToFly, BetterUp, Comparably, Espresa, Hired, Koan, OnboardIQ, SilkRoad, POWERTOFLY, BETTERUP, COMPARABLY, ESPRESA, HIRED, KOAN, ONBOARDIQ, SILKROAD

MOST ACTIVE HR TECH INVESTORS FIRMS RANKED BY UNIQUE HR TECH INVESTMENTS, 2012 - 2016 YTD (12/12/16)

- rankings of the world's most active HR Tech investors (i.e. broader scope than Recruitment), show the most active early stage investors - across any category - in the top 2 slots
- VCs such as NEA or Andreessen Horowitz are similarly prolific, having raised \$8B and \$4B respectively since 2017

who's investing_ europe?

HQ	Investor	Companies		
EUR	Acton Capital Partners	Comatch	ZenJob	
EUR	Atlantic Labs	Comatch	ZenJob	
EUR	Axa Venture Partners	hackajob	ZenJob	
EUR	Balderton Capital	Jobbio	Workable	
EUR	btoV Partners	Comatch	Joblift	
EUR	DN Capital	Joblift	Merlin	Joband Talent
EUR	EBRD	WUZZUF	FORASNA	
EUR	EQT Partners	Handshake	Beamery	
EUR	Idinvest (co)	Malt	Jobteaser	
EUR	Index Ventures	Qapa	Beamery	
EUR	Northzone	Sqore	CornerJob	
EUR	Serena Capital	Brigad	Malt	
EUR	Vostok New Ventures	WUZZUF	FORASNA	
EUR	Xavier Niel	Side	Triplebyte	

 DENOTES LEAD OR CO-LEAD

focusing on the recruitment companies raising more than \$5M
(and having raised at least 1 round since 2017), a few investors stand out
as having invested in 2 or even 3 investments in the space

who's investing_ RoW?

HQ	Investor	Companies		
US	General Catalyst	WayUP	Merlin	
US	GV	Andela	Instawork	
US	Insight Partners	Harver	SmartRecruiters	
US	Institutional Venture Partners	Eightfold	ZipRecruiter	
US	Jazz Venture Partners	Wade and Wendy	Pymetrics	
US	Madrona Venture Group	SeekOut	Jobalign	
US	Mayfield Fund	SmartRecruiters	SeekOut	
US	Spark Capital	Andela	Instawork	Handshake
China	GGV Capital	Moka	Bosszhipin	
INDIA	Sequoia Capital India	Wonolo	Belong	
INDIA/CHINA	Lightspeed Venture Partners	eCheng	Handshake	Eightfold
Strategic	SEEK	Joband Talent	Revelo	

 DENOTES LEAD OR CO-LEAD

similarly, outside Europe, a few investors stand out as having funded at least 2 successful startups in the recruitment space

Jazz Venture Partners is an HRTech specialist fund

3 attracting VC investment.

quotes from VCs.

attractiveness of the recruitment vertical

“we remain somewhat underwhelmed by the overall market“

“(our “no“) is primarily due to the job market and how it is likely to react in less favourable economic times”

competition

“main reasons (for saying “no”) are our concerns over the market being extremely competitive and difficulty differentiating vs. other players”

“(we are concerned about) the forthcoming launch of Google for Jobs and its impact on your business model“

“in evaluating the space I think we found it just a bit too crowded. Not only with the direct competitors such as Indeed, but also more indirect/orthogonal competitors”

quotes from VCs.

differentiation

“we struggle to see a long-lasting differentiation in this market”

“we look for obvious competitive advantage in respect of other incumbents in the market. We compared (you) to some competitors in the market and we didn’t see a clear competitive advantage either technical or otherwise”

size of likely exit value

“our worry is that your relationship with jobseekers is not deep enough to reach the \$B+ valuation we would look for.”

“I am concerned that things will go quite well, and you will emerge a mid-sized, profitable player, held back (from becoming big) by the intensity of competition. We’ll end up at an exit value somewhere between €50M -€100M, which for a relatively large fund like ours, is (unfortunately) a no go.”

what can you do to maximize your business' chances of accessing future funding?

\$5M for 20% means for 20x returns VCs need you to build a business that sells for \$500M - less than 1% do

- explain in the cover note and early in your presentation why Google for Jobs/LinkedIn/Indeed won't crush you
- have a TAM measured in \$B and be regional/global; a new business, not a feature of someone else's
- have a DNA of sustainable differentiation / either by being unique or by delivering 3x-10x superior value than your closest competitor
- ensure your business model is scalable, ideally driven by network effects
- provide evidence of attractive and improving unit economics



it would also help to see
some more great exits—
like Microsoft buying
LinkedIn for \$26.2B ...
(announced during Rec Plus 2016)



thank you

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