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TD COWEN 2023 HUMAN CAPITAL MANAGEMENT SURVEY

DECEMBER 4, 2023

Our HCM global survey of 2,310 respondents in SMB, mid-market, and enterprise organizations suggests stability in HR tech spend in 2H23-1H24.

41% of all respondents cited increasing HR tech spend y/y, versus just 7% decreasing spend. Outlooks are most favorable among enterprise and mid-market organizations.

A notable mix of respondents indicated switching payroll solutions over the next 12-24 months. Adoption rates across payroll and HRMS are expected to increase as well.

Among our HCM coverage, PCTY and CDAY were viewed most favorably. Within ERP coverage, WDAY had the strongest results.

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EQUITY RESEARCH

December 4, 2023

- **Human Capital Management**
- **Software**

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MULTI-SECTOR

TD COWEN 2023 HUMAN CAPITAL MANAGEMENT SURVEY - AHEAD OF THE CURVE SERIES

THE TD COWEN INSIGHT

TD Cowen's 2023 HCM Survey (n=2,310) relays spending trends, adoption rates, switching intentions, vendor positioning, etc. Resilient HCM solution spending indications counter more dire views of slowing macro having outsized impact on demand. We view PCTY & CDAY survey implications most favorably & PAYC least favorably, with added insights for ADP, PAYX, PYCR, TNET, WDAY, SAP, ORCL, MSFT & more.

Our Thesis

We anticipate relative resiliency in HCM growth, adjusted for the impact of moderating labor growth through 1H24, based on our survey. HCM stocks have generally underperformed other tech sectors due to market views of imminent recession, near peak interest rates, and an expectation of HCM demand being materially impacted by macro uncertainty. Our survey's more stable spending data counters the consensus view of slowing macro having an outsized impact on HCM sector growth.

What Is Proprietary?

Our HCM survey provides an updated view on HCM solution spending trends, adoption rates, vendor switching intentions, vendor positioning, and buyer behaviors. The data is primarily focused on payroll and HRMS offerings. We partnered with leading industry advisor/consultant, Sapient Insights Group, to survey 2,310 organizations globally. The survey covers the full spectrum of HR buyers as it includes participants across industries and employer size segments. The report provides takeaways for both pure-play HCM software & services vendors and ERP vendors.

Financial & Industry Model Implications

Our 2023 survey reflects stability in HR tech spend (over 2H23-1H24), led by enterprise and mid-market organizations. 41% of all organizations cited increasing HR tech spend y/y for 2H23-1H24, versus just 7% decreasing spend; the net increasing spend mix (% increasing less % decreasing) of 34% is relatively consistent with the net 35% relayed from the same respondents for the prior year period. Despite a slight decrease in the mix of net increasing spend indications, the average HR tech spend increase is projected to uptick to 4.0% y/y from 3.3% for the prior year period.

Spending indications are most favorable for organizations with 5,000+ employees at 44% net increasing followed by 500-4,999 organizations at 41%, and weakest for 1-499 organizations at 26%. The average HR tech spending increase for 2H23-1H24 y/y mirrors this ranking with enterprise projected at 5.7% y/y, mid-market at 4.8% y/y, and SMB 3.0% y/y.

Overall, resilient survey data of HCM spend intentions increases our confidence in modeled near-term growth projections across coverage in spite of a moderating macro environment. The HCM software & services market is conservatively estimated as a $150Bn+ global TAM. 4% growth in HCM tech spend implied in our survey for 2H23-1H24 y/y is modestly below the global market growth rate estimates that have been previously cited in the mid-single digits by leading vendors like ADP. However, several of the HCM vendors under our coverage are growing well in excess of that growth rate demonstrating ongoing share gains and relative exposures, and we do not see that dynamic changing over the medium term.

What to Watch

The upcoming 4Q earnings period is the next milestone that may confirm our thesis. Updates across coverage will detail how the key fall selling season went to gauge how

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demand levels for payroll vendor/offerings compare versus indications relayed by participants.

Stock Conclusions

Among HCM coverage, PCTY and CDAY had the most favorable vendor scoring and indications, while PAYC registered the least favorable. PCTY remains our top idea within HCM coverage based on its solid vendor-specific scoring & indications. We anticipate investors to remain cautious on PAYC based on its weak scoring & indications.

Among Enterprise Software coverage, WDAY showed the strongest results (out of MSFT, ORCL, SAP, and WDAY) across the board for HRMS & Payroll with medium and large customers, ranking #1 in 3 of 8 categories, #2 in 4 of 8, and #3 in the last. In terms of retention rates for HRMS, WDAY was 99%, ORCL HCM was 97%, SAP SuccessFactors was 97%, MSFT Dynamics was 92%, ORCL Peoplesoft was 88% and SAP HCM (legacy) was 82%.

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Key HCM Industry Takeaways

- **HR Tech Spending Intentions:**
  - Resilient HR tech spending for 2H23-1H24 is reflected in our survey, with 41% of organizations increasing spend y/y versus just 7% decreasing spend (a net of 34% increasing). A net 34% increasing spend y/y aligns closely with the net 35% that increased spend y/y for the prior year period. Average HR tech spend is projected to increase 4.0% y/y for 2H23-1H24, which represents a modest uptick versus 3.3% y/y relayed for the prior year period.
  - HR tech spending outlook is most favorable for enterprise organizations (5,000+ employees) followed by mid-market organizations (500-4,999), with SMBs (1-499) the weakest. Net 44% of enterprise organizations pointed to increasing spend for 2H23-1H24 versus 41% for mid-market, and just 26% for SMB. Average HR tech spend is projected to increase 5.7% y/y for enterprise, 4.8% for mid-market, and 3.0% for SMBs. Average HR tech spend increases across employer size segments reflect a modest uptick relative to prior year period, with the largest acceleration for enterprise (170 bps) and smallest for SMBs (40 bps).
  - Among SMBs, the HR tech spending outlook is most favorable for organizations with 100-499 employees. Net 31% of the 100-499 employee cohort are increasing spend y/y relative to just net 20% of 1-99 employee organizations. Average HR tech spend for 100-499 segment is projected to increase 3.6% y/y relative to 2.2% y/y for the 1-99 employee cohort.
  - Improving HR efficiency was the top factor cited behind increasing HR tech spend across employer size segments. This supports recent vendor commentary of demand being driven in part by the efficiencies and cost savings that can be achieved with HCM solutions, and the resilient HR tech spend relayed by participants. On the other hand, cost considerations was the top factor behind decreasing HR tech spend; this was consistent across employer size segments and is representative of cost reductions sought by businesses amid elevated inflation and the current uncertain macro environment.
- **Vendor/Offering Change Plans:**
  - Organizations across employer size segments pointed to some level of planned vendor/offering switching for payroll and HRMS solutions. Payroll has higher anticipated switching relative to HRMS. Payroll vendor/offering switching is expected to be highest within enterprise (36%) followed by mid-market (33%), and SMB (22%). Solution not meeting needs was the top factor across employer size segments. The fact that cost was not cited as the top factor for payroll switching is a positive as it counters potential pricing compression concerns.
  - For payroll change plans at the vendor/offering level across employer size segments, Workday (91%), Rippling (91%), isolved (89%), and Paylocity (88%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, Justworks (63%), Insperity (62%), Oracle E-Business Suite (60%), and Sage HRMS (60%) had the highest portion of payroll clients pointing to potentially changing vendor/offering.

HCM Vendor Takeaways (Levine & Bergin)

- **ADP:** Overall mixed indications for ADP across its various payroll offerings based on the combination of retention metric, projected client count growth metric, and UX and vendor satisfaction scores. ADP's Run offering stood out as its weakest relative offering finishing 8 of 9 within HCM coverage for payroll retention and 7 of 9 for projected client growth. However, Run was the top SMB payroll offering within our HCM coverage for UX and vendor satisfaction scores. Workforce Now ranked 4 of 9 for retention and 5 of 9 for projected client change within our HCM coverage, while it was also in the middle of the pack for UX and vendor satisfaction scores in the SMB and mid-market segments. ADP's payroll offerings outside of Run and Workforce Now (categorized as "Other") ranked 3 of 9 for retention and projected client growth within our HCM coverage. ADP Other reported a mixed bag on retention and projected client growth based on employer size segment.

- **PAYX:** Overall mixed indications for PAYX based on the combination of payroll retention metric, projected client count growth metric, and UX and vendor satisfaction scores. It ranked near the middle of the pack in SMB payroll UX and vendor satisfaction scores, which placed it ahead of most of our HCM coverage (3 of 8 for UX and 2 of 8 for vendor satisfaction) in this segment. Its retention metric was near middle of pack overall and relative to our HCM coverage within the SMB segment. Retention was weighed by clients with 1-99 employees, which aligns with PAYX's focus on retaining larger clients. Its projected payroll client growth was in the bottom half in aggregate, but near the middle of pack within the SMB segment.

- **CDAY:** Primarily positive indications (aside from SMB) across the various payroll vendor/offering specific metrics. CDAY showed strongest in retention metric placing 2 of 9 versus HCM coverage, with 1 of 5 in mid-market (4 of 14 versus overall mid-market group) and 1 of 3 in enterprise (1 of 8 versus overall enterprise group). Its projected client count growth was highest within our HCM coverage in the mid-market (8 of 12 versus overall mid-market group), while it was in the middle of the pack within enterprise (5 of 9 versus overall enterprise group). CDAY's UX and vendor satisfaction scores were top 2 within our HCM coverage in mid-market and 1 of 3 in enterprise. Relative to overall group in mid-market and enterprise, it was in the top half for UX, but near the middle of pack for vendor satisfaction.

- **PAYC:** Registered the weakest within our HCM coverage with mostly negative indications across the various payroll vendor/offering specific metrics. PAYC finished last within our HCM coverage for its retention metric, within both SMB and mid-market. Retention metrics were weak relative to the overall group, ranking 12 of 14 in SMB and last in mid-market (out of 14). Projected client growth was 8 of 9 versus HCM coverage, with it tied at 6 of 9 versus overall SMB group and tied for last (12 of 12) versus overall mid-market group. PAYC's UX and vendor satisfaction scores were at the bottom half relative to our HCM coverage and the overall group. In the mid-market, it ranked last across the broader group for UX and vendor satisfaction scores even though it registered double-digit improvements in scores compared to prior year survey.

- **PCTY:** Primarily positive indications across various payroll vendor/offering specific metrics. PCTY showed strongest with retention metrics, at the top spot in our HCM coverage, at 1 of 8 in SMB and 2 of 5 in mid-market. Its retention metrics versus the broader group was solid, including 3 of 24 in aggregate supported by 2 of 14 in SMB, while tied at 7 of 14 in mid-market. Projected

client growth was also solid, ranking 2 of 9 in HCM coverage, with 2 of 6 in SMB and 2 of 5 in mid-market. Its projected client growth relative to the overall group was led by SMB (3 of 9), while in mid-market finished near bottom half (9 of 12). PCTY's UX and vendor satisfaction scores relative to coverage were within top 3 (of 8) in SMB and top 2 within mid-market. UX and vendor satisfaction scores versus broader group were in the middle of pack in SMB, but in the top half in mid-market.

- **PYCR:** Overall mixed indications for PYCR across the various payroll vendor/offering specific metrics. Its projected client growth metric was its best relative metric, ranking top within our HCM coverage, with it at 1 of 6 in SMB but also tied for last in mid-market (5 of 5). Projected client growth metric versus the broader group was tied at 2 of 9 in SMB but was tied for last in mid-market (of 12). Its retention metric was in bottom half relative to HCM coverage, tied 5 of 8 in SMB and 4 of 5 in mid-market. PYCR's retention metric versus broader group was tied 10 of 14 in SMB and 12 of 14 in mid-market. UX and vendor satisfaction scores were soft, landing 2nd to last in SMB and was also near bottom in mid-market. PYCR's UX and vendor satisfaction scores declined notably relative to prior year survey, with -10% decline in UX scores and over 20%+ declines in vendor satisfaction scores within SMB and mid-market.

- **TNET:** Overall mixed indications for TNET across the various payroll vendor/offering specific metrics, with mostly positive indications within its SMB offset by soft indications in the other segments. PEO vendors tend to have higher relative levels of client churn and its acquired Zenefits client base has been experiencing ongoing elevated churn. Further, TNET had the smallest sample size within our HCM coverage. Its retention metric ranked 7 of 9 within HCM coverage, but was 2 of 8 in SMB. Versus the broader group, its retention metric was solid in SMB (5 of 14), but in aggregate near the bottom (19 of 24). Projected client growth was last within HCM coverage, but was tied for best (of 6) within SMB. Relative to the broader group, its projected client growth was tied 2 of 9 in SMB, but in aggregate near the bottom (21 of 23). TNET's UX and vendor satisfaction scores were soft, landing 14 of 16 in UX within SMB and last for vendor satisfaction.

ERP Vendor Takeaways (Wood)

- **Key Coverage Takeaways:** For companies under our coverage (MSFT, ORCL, SAP, and WDAY), WDAY continues to have the strongest positioning with both medium and large sized customers in Payroll and HRMS software. ORCL was mixed, ranking middle of the pack. Positively, ORCL HCM for large customers improved Y/Y, but both ORCL HCM and Peoplesoft largely lagged behind peers in other categories. SAP HCM also lagged, ranking near the bottom in most categories except for Payroll User Experience (UX) and Payroll Vendor Satisfaction (VS) with medium sized customers, where it ranked #6 of 15 and #7 of 14 respectively. Positively, SAP SuccessFactors performed well, highlighted by the #2 rank in HRMS customer retention. Microsoft Dynamics 365, new to this survey and still a young solution, ranked just below the middle of the pack.

- **WDAY:** WDAY showed the strongest results out of WDAY/ORCL/SAP across the board for HRMS and Payroll. With medium sized customers (500-4.9k employees), WDAY ranked #2 of 15 in Payroll UX, #2 of 14 in Payroll VS, and #2 of 16 for both HRMS VS and HRMS UX. Across all its medium sized

categories, its average rating increased Y/Y by 0.10 to 4.03. With large customers (5k+ employees), WDAY ranked #1 of 10 in Payroll UX, #1 of 9 in Payroll VS, #3 of 12 in HRMS UX, and #1 of 12 in HRMS VS. Across all its large customer categories, its average rating decreased Y/Y by -0.12 to 3.81. Given WDAY is primarily focused on enterprise and mid-market customers, it did not have enough survey respondents with small customers (<500 employees). Of note, WDAY ranked #1 out of all vendors in HRMS Change Plans (the intent to change either vendors or offerings) out of 21 vendors, with 99% of respondents not planning on changing vendors, ahead of SAP SuccessFactors and ORCL HCM both at 97%. For Payroll, WDAY tied for the #1 spot with Rippling out of 26 vendors, both with 91% of respondents not planning on changing vendors.

- **ORCL:** Of ORCL's portfolio, it ranked best with Oracle HCM. With large customers, ORCL HCM was ranked #4 of 10 in Payroll UX, #2 of 9 in Payroll VS, #4 of 12 in HRMS UX, and #3 of 12 in HRMS VS. Across ORCL HCM's large customer categories, its average rating increased Y/Y by 0.09 to 3.65. As expected, given it is a legacy on-prem solution, ORCL Peoplesoft ranked lower with large customers. It ranked #8 of 10 in Payroll UX, #7 of 9 in Payroll VS, and #8 of 12 in both HRMS UX and HRMS VS. Across ORCL Peoplesoft's large customer categories, its average rating decreased Y/Y by -0.15 to 3.28. ORCL E-Business Suite ranked #7 of 10 in Payroll UX, #3 of 10 in Payroll VS, #11 of 12 in HRMS UX, and #12 of 12 in HRMS VS. ORCL E-Business Suite had an average rating of 3.49 for Payroll UX and VS but a 2.68 average rating for HRMS UX and VS. With medium sized customers, ORCL HCM ranked #11 of 15 in Payroll UX, #11 of 14 in Payroll VS, and #13 of 16 in both HRMS UX and HRMS VS. Across all its medium sized categories, ORCL HCM's average rating decreased Y/Y by -0.44 to 3.16. ORCL Peoplesoft fared slightly better in HRMS UX and VS, where it ranked #10 of 16 in HRMS UX and #8 of 16 in HRMS VS. Surprisingly, ORCL Peoplesoft's average rating across HRMS UX and VS increased Y/Y by 0.51 to 3.40. In terms of HRMS vendor retention, ORCL HCM appears sticky as it ranked #3 out of 21 vendors with 97% of respondents indicating they do not intend on changing plans, well ahead of Peoplesoft at 88%. For Payroll, ORCL PeopleSoft ranked #7 out of 24 vendors with 75% of respondents citing no change, ahead of ORCL HCM at #8 with 74%.

- **SAP:** While SAP HCM largely lagged its peer group, SAP SuccessFactors had strong performance in certain areas. Most notably, with medium sized customers, SAP SuccessFactors ranked #3 of 16 in HRMS UX and #5 of 16 in HRMS VS with an average rating of 3.69 between the categories. With large customers, SAP SuccessFactors ranked #3 of 10 in Payroll UX, #5 of 9 in Payroll VS, #10 of 12 in HRMS UX, and #10 of 12 in HRMS VS with an average rating of 3.42 across these categories. SAP HCM largely lagged SAP SuccessFactors. With medium sized customers, SAP HCM ranked #6 of 15 in Payroll UX, #7 of 14 in Payroll VS, #14 of 16 in HRMS UX, and #12 of 16 in HRMS VS with an average rating of 3.24 across these categories. With large customers, SAP HCM ranked #10 of 10 in Payroll UX, #6 of 9 in Payroll VS, #12 of 12 in HRMS UX, and #9 of 12 in HRMS VS. Across its medium sized categories, SAP HCM's average rating decreased Y/Y by -0.15 to 3.12. While SAP HCM ranked #17 of 21 in HRMS retention at 82%, SAP SuccessFactors ranked strongly at #2 of 21 with 97% retention, only slightly behind WDAY. Similarly, in Payroll retention, SAP HCM ranked lower at #19 out of 24 with 58% retention, while SAP SF Employee Central performed better and ranked #11 out of 24 with 70% retention.

- **MSFT:** MSFT Dynamics, new to this survey, has shown initial traction. While still young with too small of a base to be included in large or small rankings, MSFT Dynamics ranked in the lower half with medium customers. For Payroll it ranked #8 of 15 UX and #8 of 14 for VS with an average score of 3.43 between the two. For HRMS it ranked #15 of 16 for both UX and VS with an average score of 2.75. MSFT Dynamics 365 ranked #9 out of 21 vendors in HRMS customer retention with 92%. In Payroll customer retention, it ranked slightly lower at #17 out of 24 vendors with 62% retention.

HR Tech Spending Indications

Our 2023 survey reflects stability in HR tech spend over 2H23-1H24. 41% of all organizations cited increasing HR tech spend y/y for 2H23-1H24 y/y, which compares to 49% that cited increased spend for the prior year period within the same base of respondents. There was an 8-point reduction in mix of respondents citing increasing spend y/y, but also a 6-point reduction in mix citing decreasing spend (to 7%), as 52% conveyed flat spend (versus 38% for prior year period).

Overall, a net 34% (Increase % less Decrease %) of all organizations pointed to increasing spend over 2H23-1H24 relative to the net 35% for the prior year period. Despite this 1 point drop in mix, average HR tech spend for the 2H23-1H24 period is implied to rise 70 bps to 4.0% relative to the 3.3% increase in spend for the prior year period, supporting a view of HR tech spend stability.

Figure 1 HR Tech Spending Intentions – Prior Year Versus Next Year
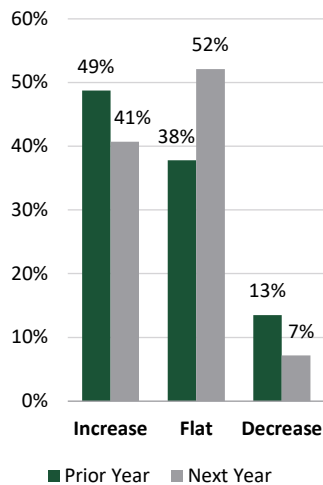
Figure 2 Net HR Tech Spending Intentions – Prior Year Versus Next Year (Increase % - Decrease %)
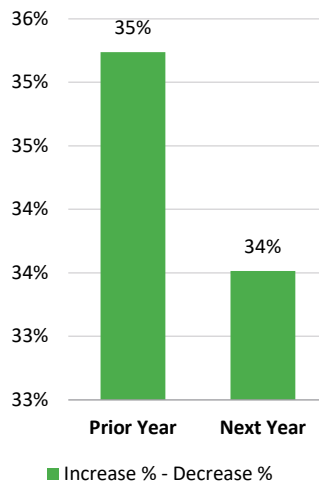
Figure 3 Average % Change in HR Tech Spending Y/Y
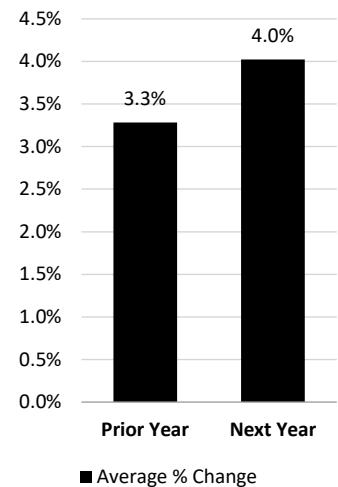
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HR tech spend for 2H23-1H24 is most favorable for enterprise organizations followed by mid-market organizations, while SMB is the relative laggard. Organizations with 5,000+ employees had the highest mix of respondents citing increasing HR tech spend at 52%, followed by 500-4,999 employee organizations at 49%, and 1-499 employee organizations at just 33%. This relative ranking was mirrored on a net spending indication basis, with net 44% of enterprises pointing towards increasing spend, 41% for mid-market, and 26% for SMBs.

Spending on HR tech over 2H23-1H24 is indicated to increase 5.7% y/y for the enterprise segment, 4.8% for the mid-market, and 3.0% for the SMB cohort. The higher relative projected HR tech spend for enterprises is driven by the highest mix of respondents pointing to net increasing HR tech spend, higher average spending increases within its base that are increasing spend y/y, and lower average spending decreases within its mix of respondents decreasing spend y/y.

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Figure 4 Average % Change in HR Tech Spending Y/Y (Next Year) by Employer Size
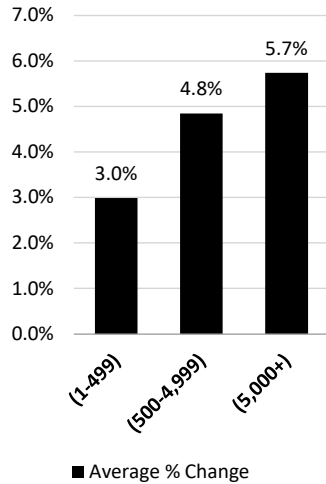
Figure 5 HR Tech Spending Intentions (Next Year) by Employer Size
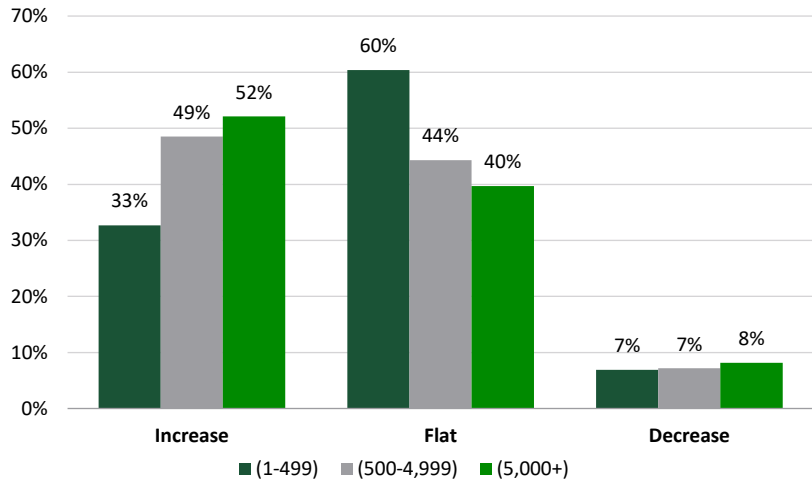
For respondents that cited increasing HR tech spend, the average level of increase across employer size segments averaged 12%. Enterprise and SMB cohorts were tied with an average increase of 12.2%, followed by mid-market at 11.7%. Each cohort of increasing spend next year had around half of respondents citing a single digit % increase, and mid-teens mix pointing to 20%+ increases in spend. An increase of 10-15% was the most cited increase amount across enterprise and SMB cohorts (mid-market 2nd highest), ranging from 26-35% mix of respondents followed by an increase of increase of 4-6% (17-28% mix of increase respondents). An increase of 21-29% was the least cited increase amount (2-3% mix of increase respondents).

For respondents that cited decreasing HR tech spend, the average level of decrease across employer size segments averaged -11%. Enterprise had the most favorable average decrease at -7.5% followed by mid-market at -11.3%, and SMB at -14.6%. SMB has 57% of respondents decreasing spend next year at a double-digit rate, followed by mid-market at 50%, and enterprise at just a 31% mix. Of note, 26% of SMB organizations plan to decrease spend 20%+ next year, versus only 10% for mid-market, and 0% for enterprise. Declines of 4-6%, 7-9%, and 10-15% had the most clustering across employer size segments in terms of frequency cited, accounting for 57% mix of SMB, 90% of mid-market, and 63% of enterprise.

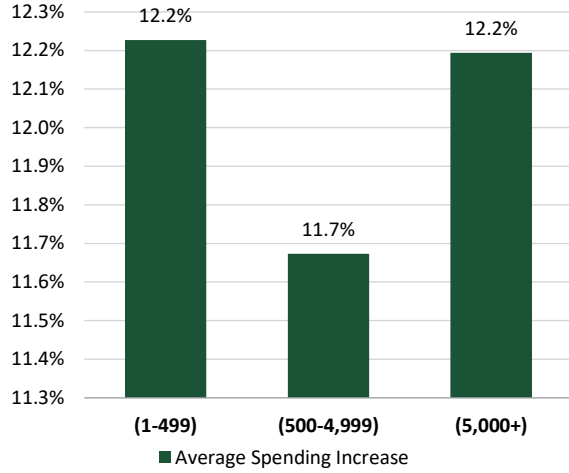**Figure 6 Average Spend Increase for Next Year Y/Y by Employer Size – Increasing Only**
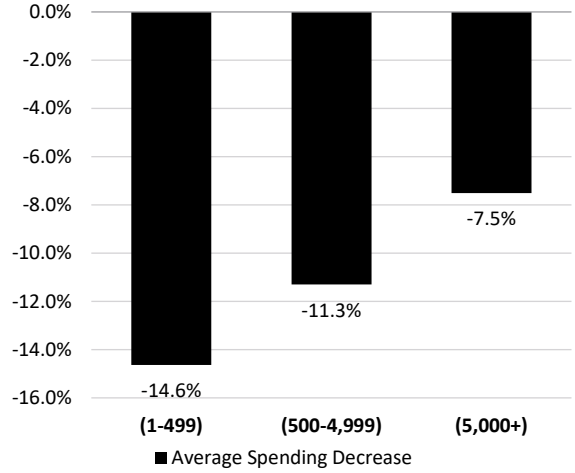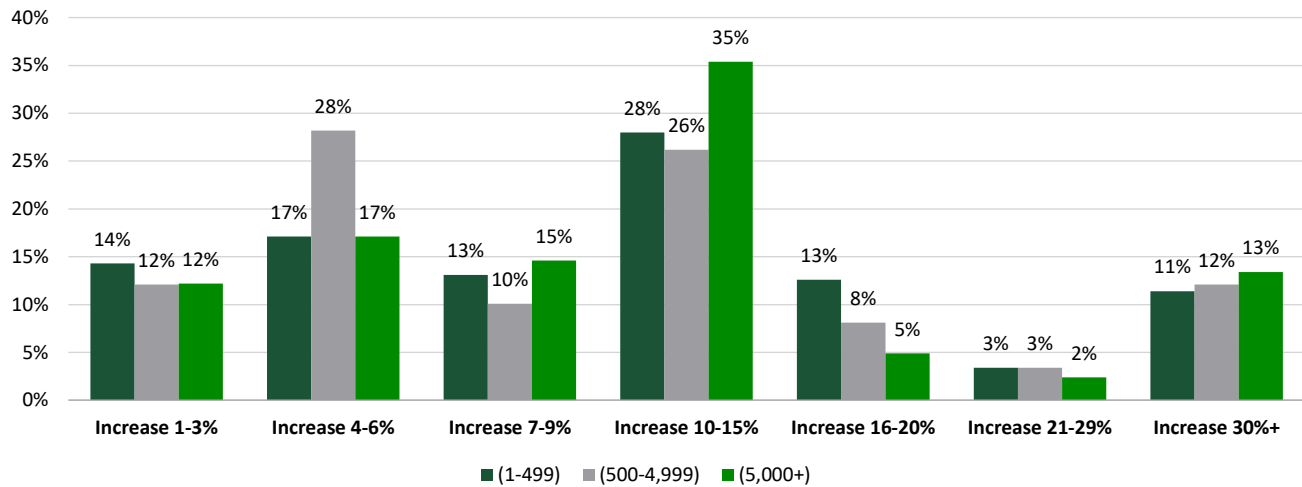
Figure 7 Average Spend Decrease for Next Year Y/Y by Employer Size – Decreasing Only
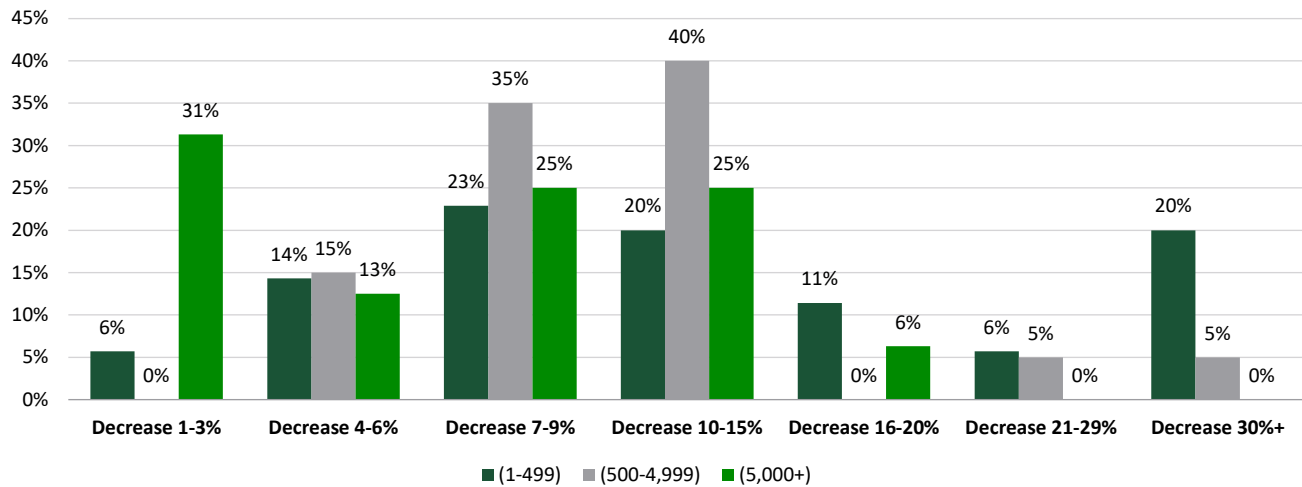

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 8 How Much Will HR Tech Spend Increase Y/Y (Next Year) by Employer Size – Mix of Increasing Only
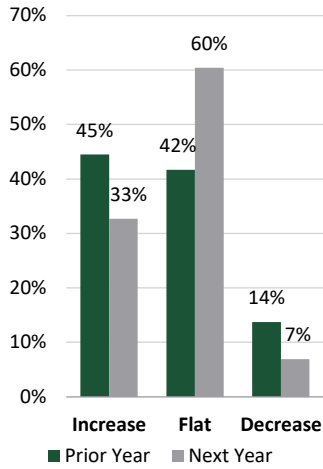

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 9 How Much Will HR Tech Spend Decrease Y/Y (Next Year) by Employer Size – Mix of Decreasing Only

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Survey participants relayed fairly consistent HR tech spending trends for the prior year period (2H22-1H23 y/y) relative to projected HR tech spending for the next year period (2H23-1H24). This includes the weakest relative HR tech spending change within the SMB cohort. Each employer size segment had a decrease in the mix of respondents citing increasing y/y HR tech spend for next year, led by SMB with a 12-point decrease, mid-market with 6-point decrease, and enterprise with just a 1-point decrease.

On a net spending basis, SMB cohort was the only segment to witness a lower mix (5-point decrease), while mid-market was flat, and enterprise had a 4-point increase in mix. It is notable that each cohort also had a decrease in mix pointing towards decreasing spend y/y, led by SMB with a 7-point decrease, mid-market 6-point decrease, and

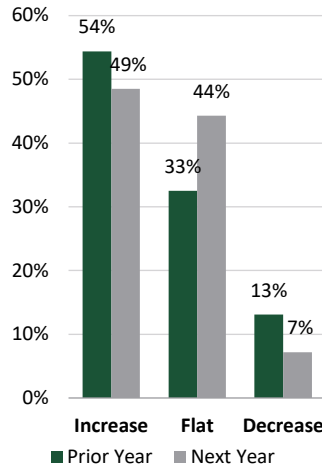enterprise 5-point decrease as all segments post a higher mix of flat HR tech spending intentions.

Figure 10 HR Tech Spending Intentions – Prior Year Versus Next Year (1-499)

Figure 11 HR Tech Spending Intentions – Prior Year Versus Next Year (500-4,999)

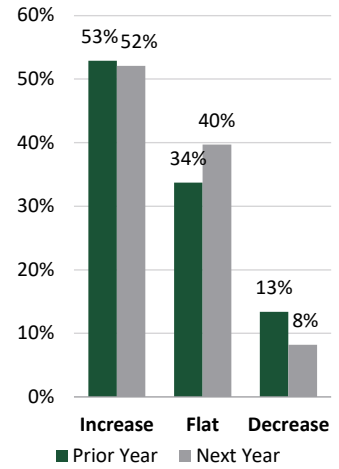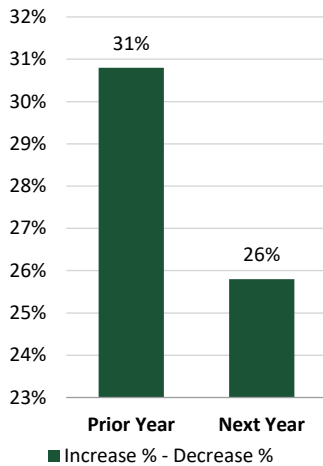**Figure 12 HR Tech Spending Intentions – Prior Year Versus Next Year (5,000+)**

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 13 Net HR Tech Spending Intentions – Prior Year Versus Next Year (1-499)
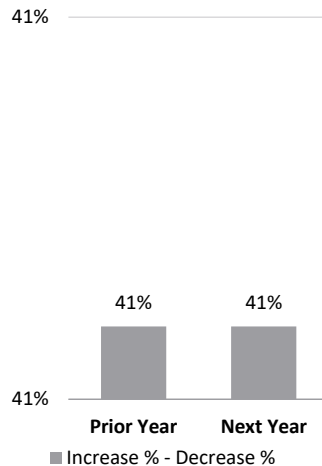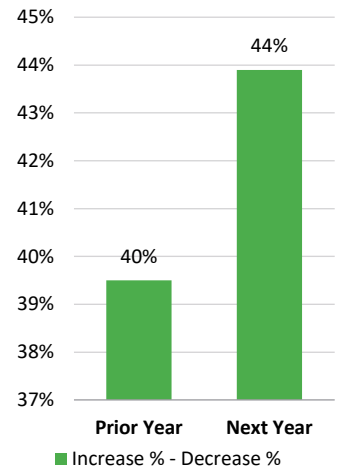

Figure 14 Net HR Tech Spending Intentions – Prior Year Versus Next Year (500-4,999)

Figure 15 Net HR Tech Spending Intentions – Prior Year Versus Next Year (5,000+)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Our survey reflects a modest uptick in HR tech spending growth for the 2H23-1H24 period relative to the prior year period across employer sizes. Consistent with next year projected HR tech spending growth, prior year HR tech spend growth was weakest for SMB with average growth of 2.6% y/y. Enterprise was in the middle for the prior period with average growth of 4.0% y/y, while mid-market led at 4.2% y/y, reflecting relative improvement in ranking for enterprise HR tech spending for the next year period.

Enterprise moving into the top spot for highest average HR tech spending change for the next year period stemmed from a 170 bps acceleration in growth rates relative to 60 bps for mid-market, and 40 bps for SMB.

Figure 16 Average % Change in HR Tech Spending Y/Y (1-499)
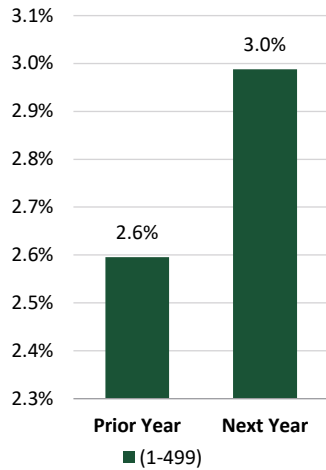
Prior Year	Next Year
2.6%	3.0%

Legend: (1-499)

Figure 17 Average % Change in HR Tech Spending Y/Y (500-4,999)

Prior Year	Next Year
4.2%	4.8%

Legend: (500-4,999)
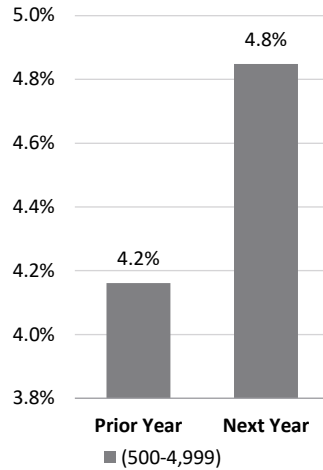
Figure 18 Average % Change in HR Tech Spending Y/Y (5,000+)

Prior Year	Next Year
4.0%	5.7%

Legend: (5,000+)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen
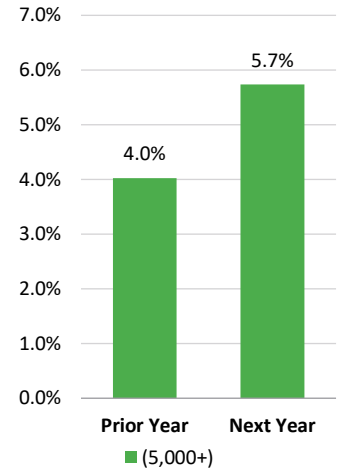
The 40 bps uptick in 2H23-1H24 y/y spend growth for the SMB segment is surprising given a 5 point decline in mix of respondents citing a net increase in spend y/y, but is driven by a higher average % increase in spend from the base of respondents increasing spend. For the prior year period, SMB respondents that increased spend averaged 10.3% y/y, which compares to an average increase of 12.2% for the next year. The higher average % increase for the next year period stems from a 12-point higher mix of respondents pointing towards double-digit increases.

Figure 19 Average HR Tech Spend Increase Y/Y – Increasing Only (1-499)
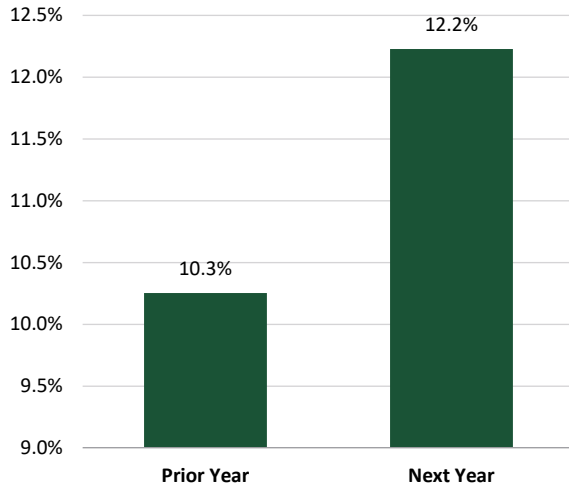
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 20 How Much Will HR Tech Spend Increase Y/Y – Mix of Increasing Only (1-499)

Figure 21 Average HR Tech Spend Decrease Y/Y – Decreasing Only (1-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

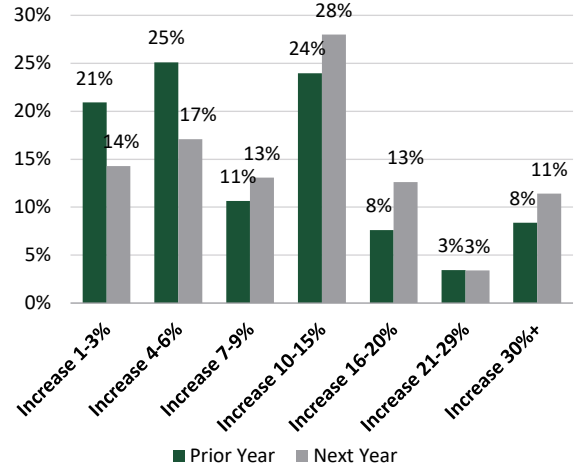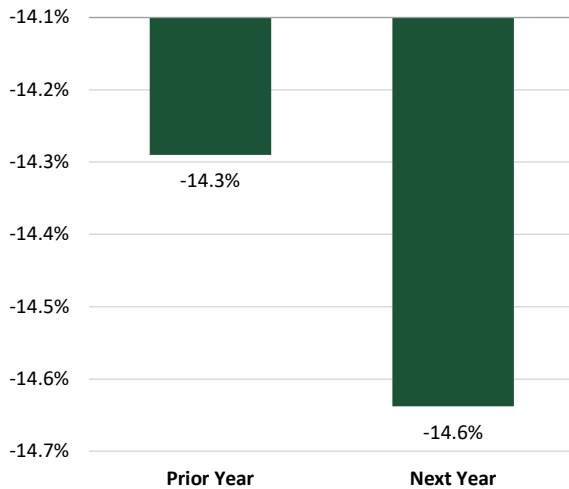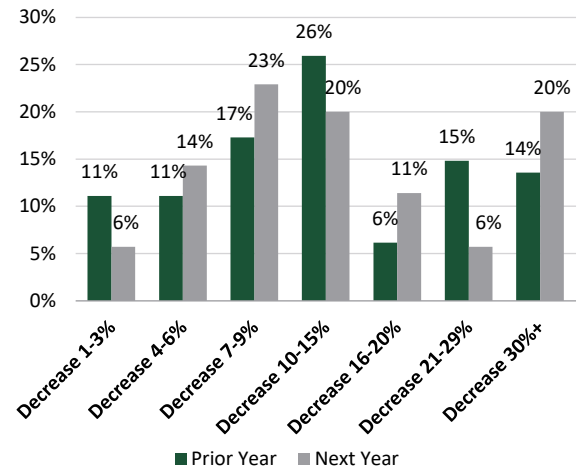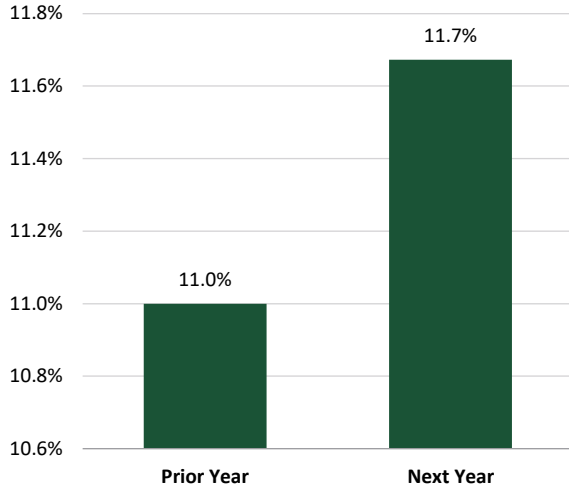**Figure 22 How Much Will HR Tech Spend Decrease Y/Y – Mix of Decreasing Only (1-499)**

The 60 bps uptick in 2H23-1H24 y/y spend growth for the mid-market is driven by higher average increases and lower average decreases. The average mid-market increase for next year of 11.7% compares to 11.0% for the prior year period, stemming from a 5-point increase in mix of respondents increasing spend double-digits. The average decrease of next year of -11.3% compares to -13.8% for the prior year period due to a 13-point reduction in mix of respondents decreasing spend double-digits.

Figure 23 Average HR Tech Spend Increase Y/Y – Increasing Only (500-4,999)

Figure 24 How Much Will HR Tech Spend Increase Y/Y – Mix of Increasing Only (500-4,999)

Figure 25 Average HR Tech Spend Decrease Y/Y – Decreasing Only (500-4,999)

Figure 26 How Much Will HR Tech Spend Decrease Y/Y – Mix of Decreasing Only (500-4,999)

The 170 bps uptick in 2H23-1H24 y/y spend growth for enterprise is driven by a higher mix of net increasing spend, higher average increases, and lower average decreases. There was a 4-point increase in the mix of respondents net increasing spend y/y. The average increase for next year of 12.2% compares to 11.1% for the prior year period, stemming from a 10-point increase in mix of respondents increasing spend double-digits. The average decrease next year of -7.5% compares to -13.8% for the prior year period due to a 34-point reduction in mix decreasing spend double-digits.

Figure 27 Average HR Tech Spend Increase Y/Y – Increasing Only (5,000+)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

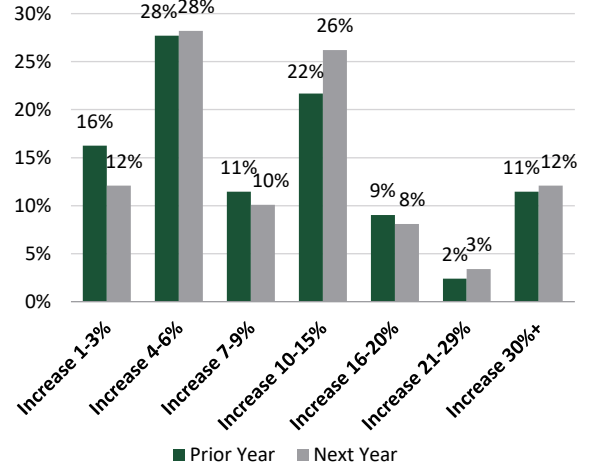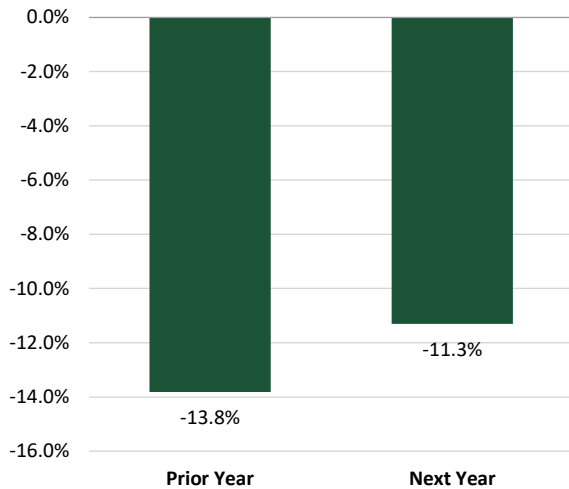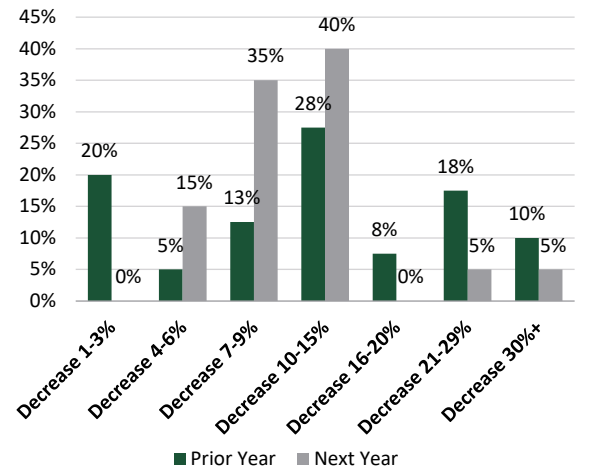**Figure 28 How Much Will HR Tech Spend Increase Y/Y – Mix of Increasing Only (5,000+)**

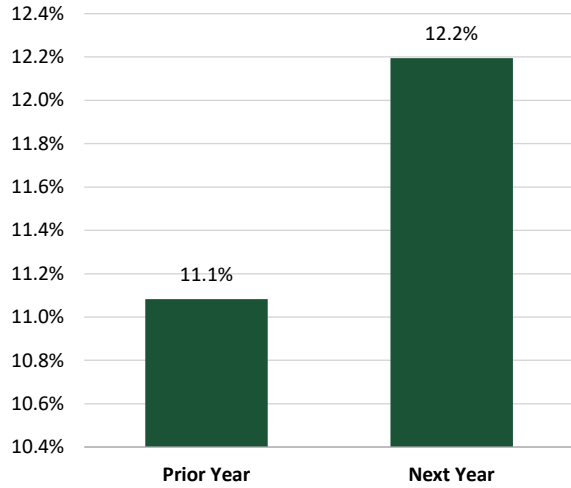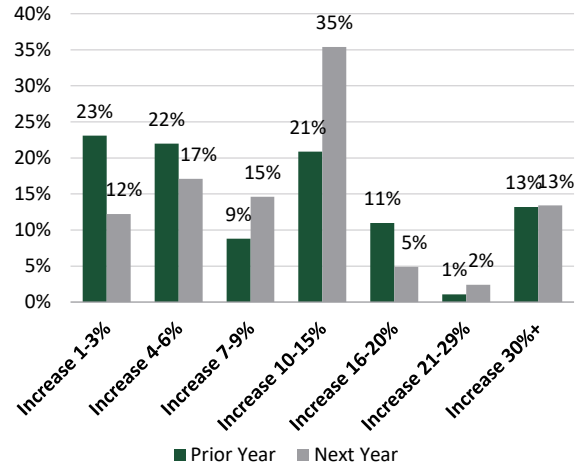**Figure 29 Average HR Tech Spend Decrease Y/Y – Decreasing Only (5,000+)**
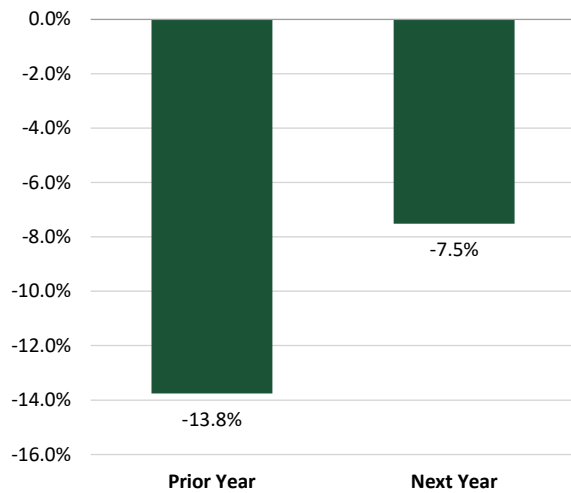
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 30 How Much Will HR Tech Spend Decrease Y/Y – Mix of Decreasing Only (5,000+)
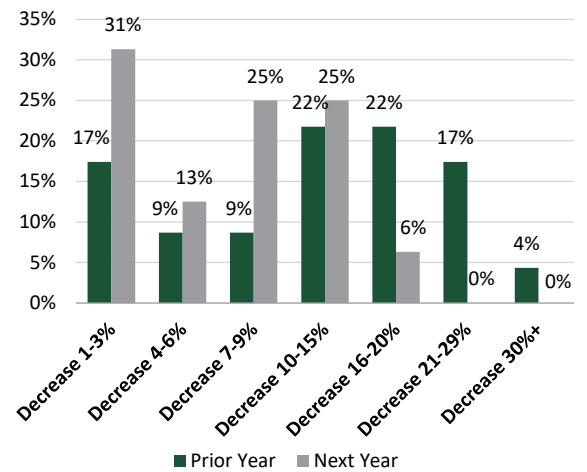
The 1-99 employee cohort detailed weaker HR tech spending intentions for 2H23-1H24 y/y relative to 100-499 employee organizations within the SMB respondent base. Only 28% of 1-99 employee organizations pointed to increasing HR tech spend versus 37% of 100-499 organizations. On a net spending basis, 31% of 100-499 employee respondents detailed increasing HR tech spend plans versus net 20% for 1-99 employee participants.

Figure 31 Net HR Tech Spending Intentions (Next Year) by Employer Size (within SMB) – Increase % - Decrease %
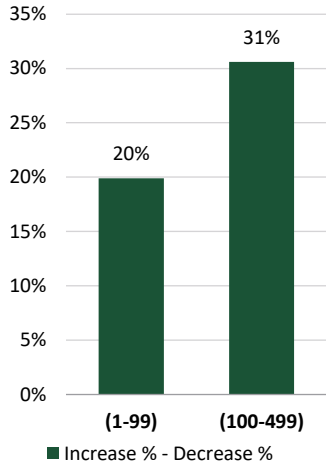
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 32 HR Tech Spending Intentions (Next Year) by Employer Size (within SMB)
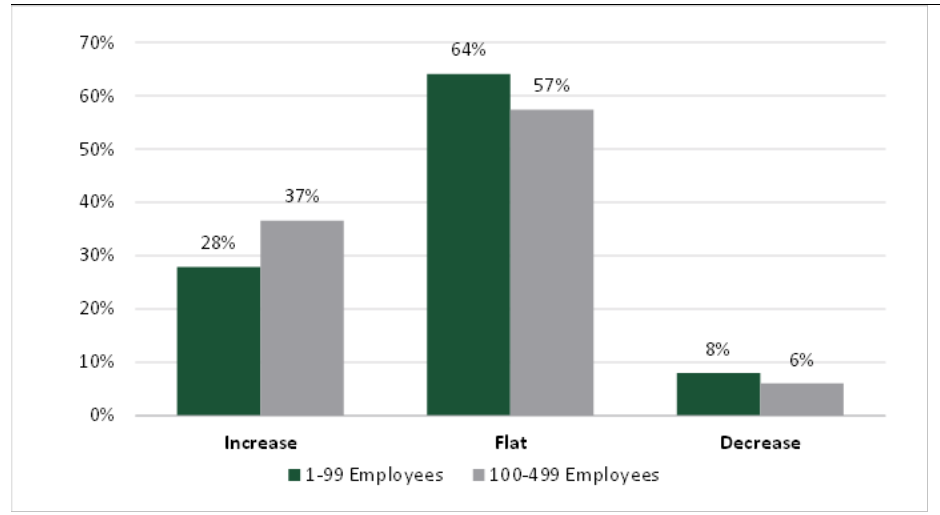
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Both the 1-99 and 100-499 cohorts reported a drop in the mix of respondents net increasing spend, with a 6-point decrease for 1-99 and a 5-point decrease for 100-499. Despite this, both cohorts are implied to have an uptick in growth rates. Average HR tech spending for the 1-99 cohort is projected to increase 2.2% y/y for the next year period relative to 1.8% for the prior year period, while projected average HR tech spending for the 100-499 cohort stands at 3.6% y/y relative to 3.3% for the prior year period.

Figure 33 HR Tech Spending Intentions – Prior Year Versus Next Year (1-99)
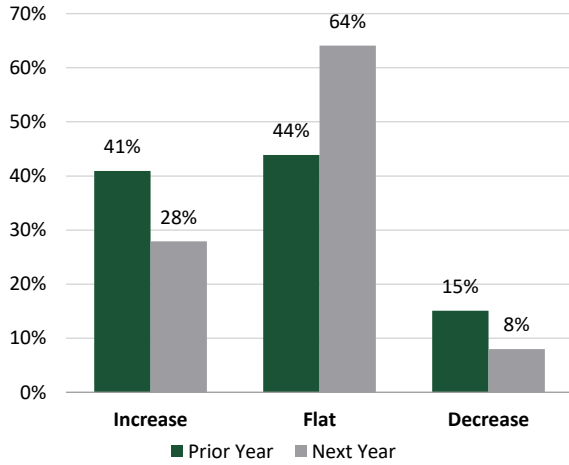
Figure 34 HR Tech Spending Intentions – Prior Year Versus Next Year (100-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen
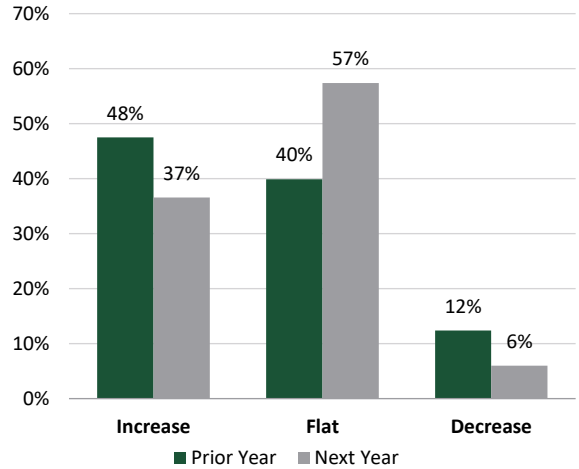
Figure 35 Average % Change in HR Tech Spending Y/Y (1-99)

Figure 36 Average % Change in HR Tech Spending Y/Y (100-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Key Drivers to Changing HR Tech Spend

Improving HR efficiency was the top cited factor for increasing HR tech spend. This is consistent with our 2022 survey and vendor commentary of demand being supported in part by efficiencies that can be achieved via HCM solutions. The next 3 most cited factors were improving HR data/analytics capabilities, improve employee engagement, and acquiring & retaining top talent, and were also consistent in relative order across employer size segments. Compliance/regulatory environment was a top 5 factor with 1-499 organizations, which aligns with SMB vendor commentary of demand being supported in part by increasing regulatory complexity.

Figure 37 Key Drivers to Increasing HR Tech Spend by Employer Size

<500

Driver	Percentage
Improve HR Efficiency	64%
Improve HR Data/Analytics Capabilities	53%
Improve Employee Engagement	53%
Acquiring & Retaining Top Talent	37%
Compliance/Regulatory Environment	36%

(500-4,999)

Driver	Percentage
Improve HR Efficiency	66%
Improve HR Data/Analytics Capabilities	65%
Improve Employee Engagement	45%
Acquiring & Retaining Top Talent	35%
Cost	35%

(5,000+)

Driver	Percentage
Improve HR Efficiency	72%
Improve HR Data/Analytics Capabilities	61%
Improve Employee Engagement	41%
Acquiring & Retaining Top Talent	34%
New Business Products/Services	30%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Across employer size segments, cost considerations was the most cited factor for decreasing HR tech spend. This was followed by external economic pressure, suggesting the increasing scrutiny on spend broadly by businesses is having some impact on HR tech spend levels. A decrease in workforce population only appearing as a top 5 factor for one cohort (#3 for SMB) is interesting as it suggests most companies are not planning material headcount reductions or that planned HR tech spend increases are large enough to offset planned headcount reductions. Of note, system consolidation was the 3rd most frequently cited driver to decreasing HR tech spend for the mid-market and enterprise cohorts. We attribute this primarily to the potential cost savings a consolidation of systems can yield, supported by the top 2 factors pointed to for decreasing HR tech spend (Cost Considerations & External Economic Pressure).

Figure 38 Key Drivers to Decreasing HR Tech Spend by Employer Size
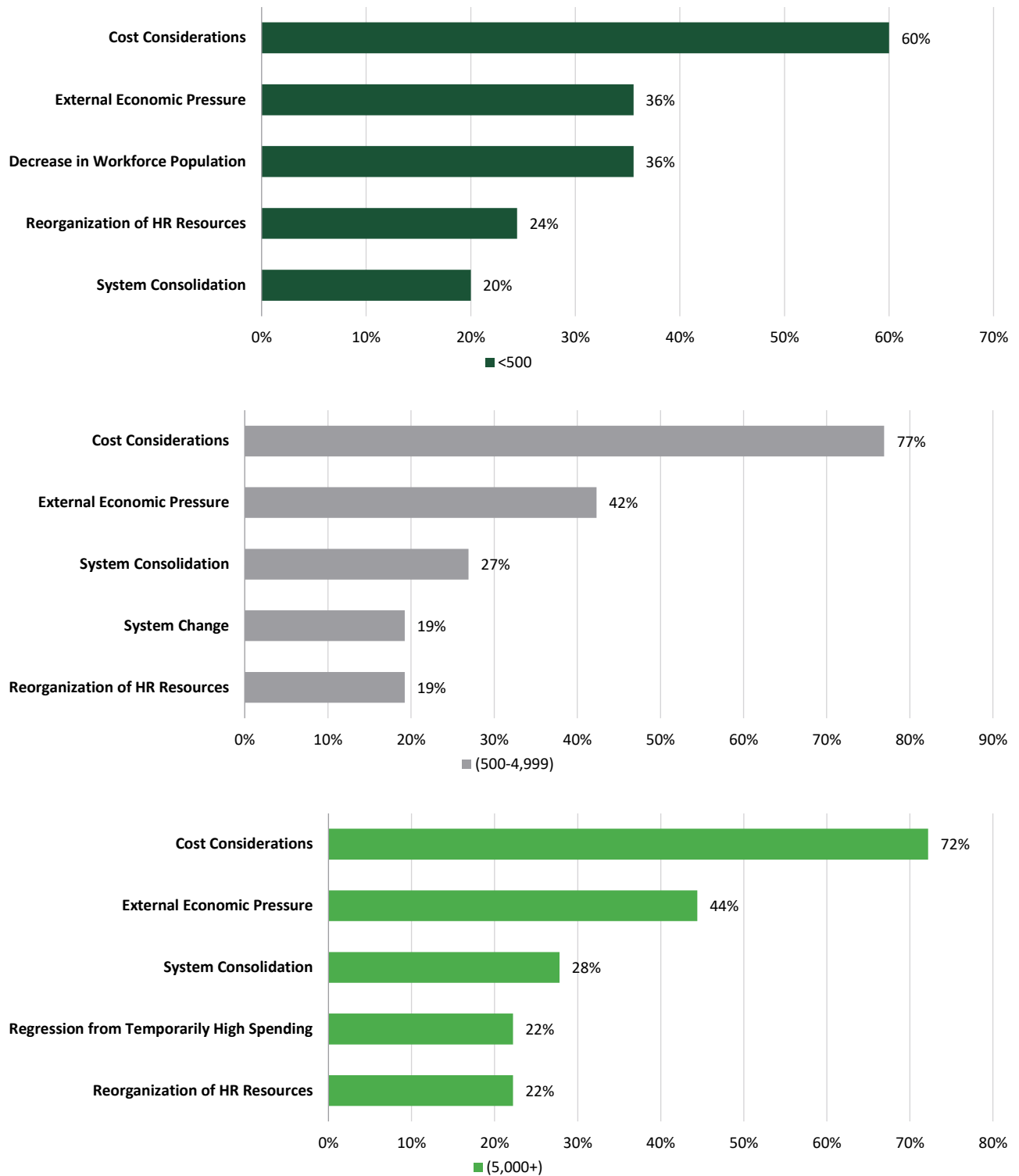
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HR Tech Spending Prioritization

Learning/Training was the top category cited for increasing HR tech spend, outside of the enterprise segment (3rd highest). We attribute this to still tight labor markets, particularly in high demand skills areas, and the need to upskill existing employees to address skills shortages. In addition to Learning/Training, Recruiting & Onboarding and Benefits/Wellness were the other areas all within the top 5 receiving HR tech spend across employer size segments. Recruiting & Onboarding as a top area (top 2 across cohorts) for increasing spend is a bit surprising given moderating employment growth but could be related to increasing utilizing technology to drive cost savings via increasing efficiencies. Of note, HRMS and HR analytics were top 5 areas outside of the SMB cohort.

Figure 39 Top HR Tech Spending Increase Categories by Employer Size
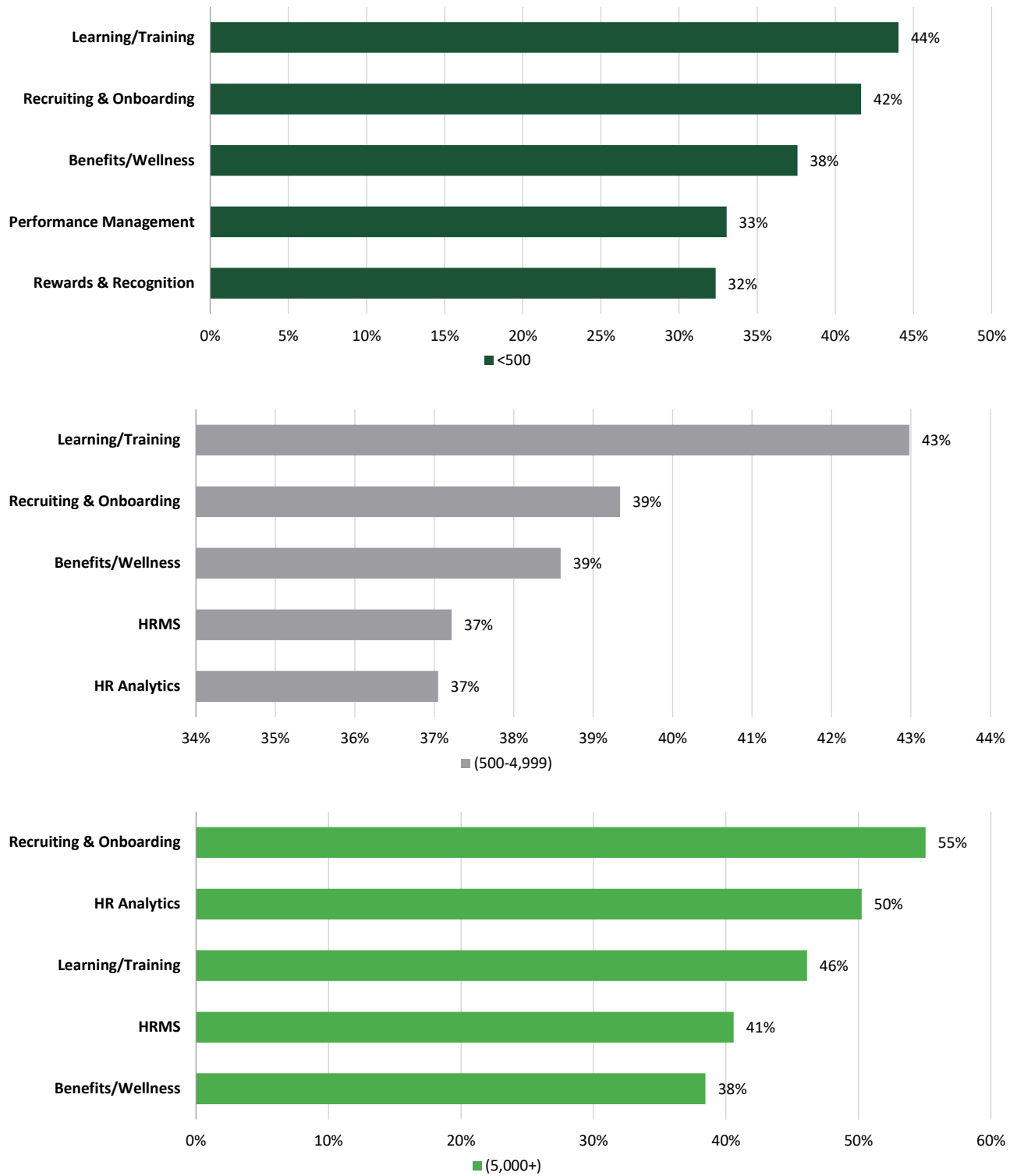
The top 5 HR tech spending decrease categories were not uniform across employer size segments, with varying categories appearing across all 3 cohorts. The relative clustering of categories cited for decreasing HR tech spend across the employer size segments is notable as it suggests no category is broadly viewed as discretionary or as losing value. Payroll as top 5 decreasing category in enterprise and mid-market cohorts could be due to a consolidation of systems since system consolidation was a top 5 factor pointed to in those cohorts for drivers of decreasing HR tech spend.

Figure 40 Top HR Tech Spending Decrease Categories by Employer Size
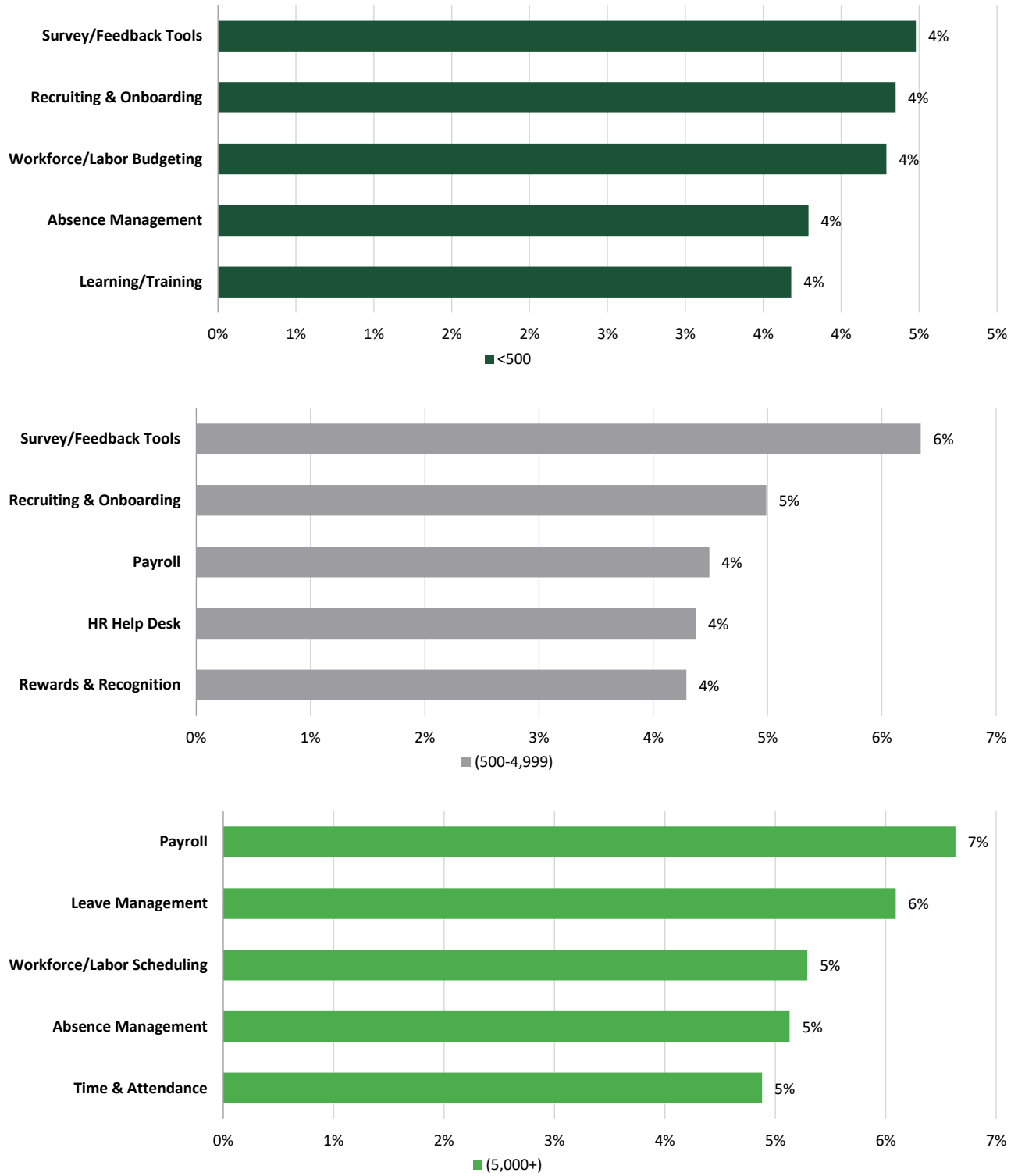
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Annual HR Tech Spend Per Employee

When participants were asked about annual HR tech spend by employee, the SMB segment had the highest spending range with $357-$555 relative to the $283-$315 for mid-market and $218-$267 for enterprise. We attribute the relationship of employer size with annual HR tech spend per employee due to the benefits of scale (in terms of number of employees) for negotiating lower fees paid per employee.

Figure 41 Annual HR Tech Spend Per Employee by Employer Size

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Payroll & HRMS Adoption Rates

Payroll Adoption

Our 2023 survey found current adoption of a 3rd party vendor payroll offering is high across employer size segments at 92%+. We note current adoption rates are likely to be skewed higher due to the numerous vendors that distribute the survey within their client bases or promote participation in the survey. Adoption rates across employer size segments are anticipated to increase over the near-term and the medium-term, with 94%+ within the next year and 96%+ within the next 3 years. Payroll adoption within the next 3 years is projected to be highest for the mid-market and enterprise at 98% each followed by SMB at 96%. Lower relative projected adoption of payroll within the SMB segment aligns with our expectations.

Figure 42 Payroll Adoption by Employer Size

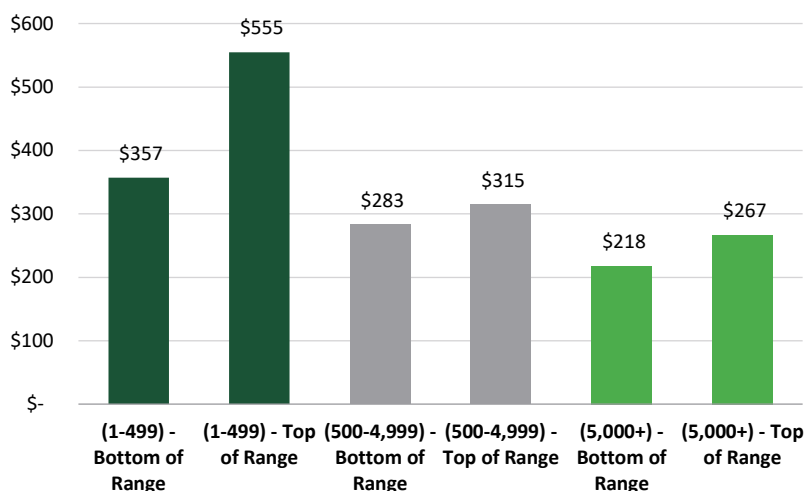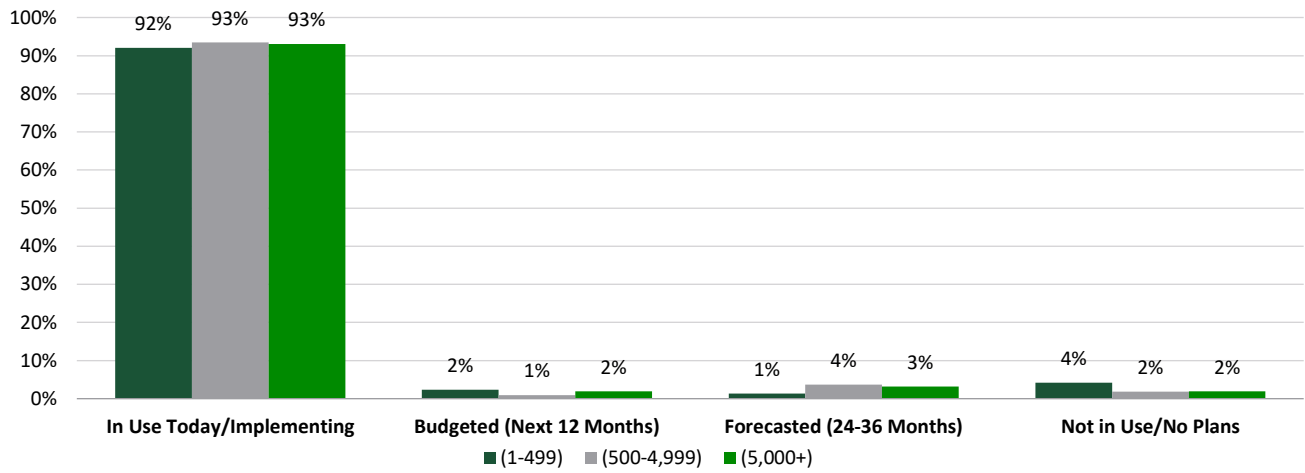Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

When participants were asked about the number of payroll solutions in use today by their respective organization, the number of solutions in use correlated with employer size. SMB organizations on average pointed to 1.6 solutions followed by mid-market with 3.4 solutions, and enterprise with 5.8 solutions. We attribute this dynamic to larger organizations more likely to have multi-country payroll requirements, have multiple solutions due to M&A, and more likely to have multiple segments/divisions that could be utilizing different solutions.

Figure 43 Total Number of Payroll Solutions in Use by Employer Size

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HRMS (Human Resources Management System) Adoption

Our 2023 survey highlighted current adoption of a 3rd party vendor HRMS offerings is fairly high across employer size segments at 84%+. We note current adoption rates are likely to be skewed higher due to numerous vendors that distribute the survey within their client bases or promote participation in the survey. Adoption rates across employer size segments are anticipated to increase in the near-term and over the medium-term, with 89%+ within the next year and 92%+ within the next 3 years. HRMS adoption with the next 3 years is projected to be highest for the mid-market at 97% and enterprise at 96% followed by SMB at 92%. Lower relative projected adoption of HRMS within the SMB segment aligns with our expectations.
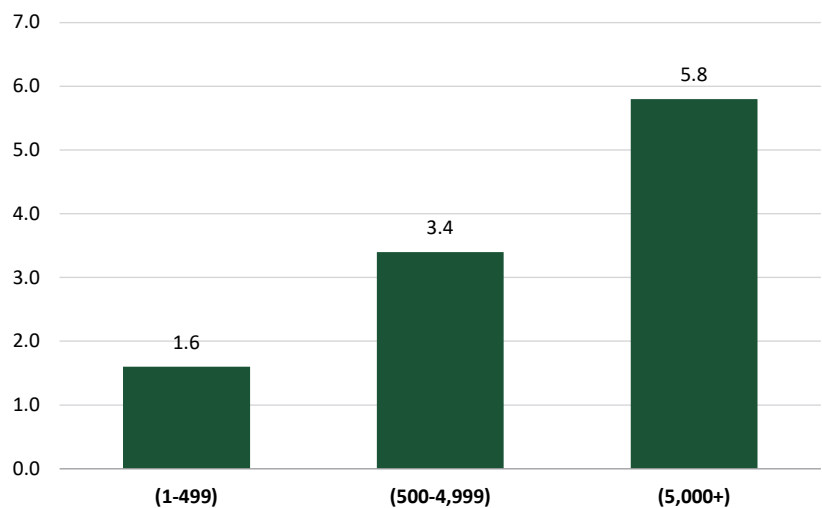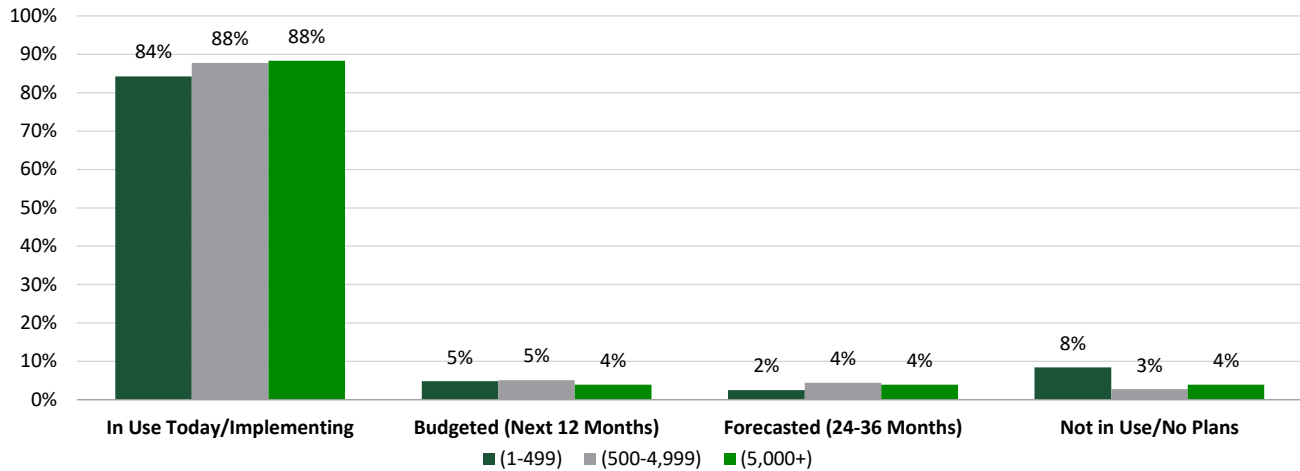
Figure 44 HRMS Adoption by Employer Size

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Payroll & HRMS Vendor/Offering Change Plans

Payroll Change Plans

Participants were asked about payroll vendor/offering change plans for the next 12-24 months (this also captures use of inhouse developed software and Excel). The results reflect employer size correlated with the level of anticipated change for payroll vendor/offering. The SMB cohort pointed to the least amount of anticipated potential change in payroll vendor/offering with 78% of SMB participants citing 'No Change' followed by mid-market at 67%, and 64% for enterprise. We attribute the higher relative level of anticipated switching relayed by enterprise cohort due to the greater prevalence of legacy systems, end of life'ing of existing solutions by vendors, and the consolidation of various solutions within the enterprise market given vendor/offering switching costs typically increase with the size of the employer.

Figure 45 Payroll Vendor/Offering Change Plans Over the Next 12-24 Months by Employer Size
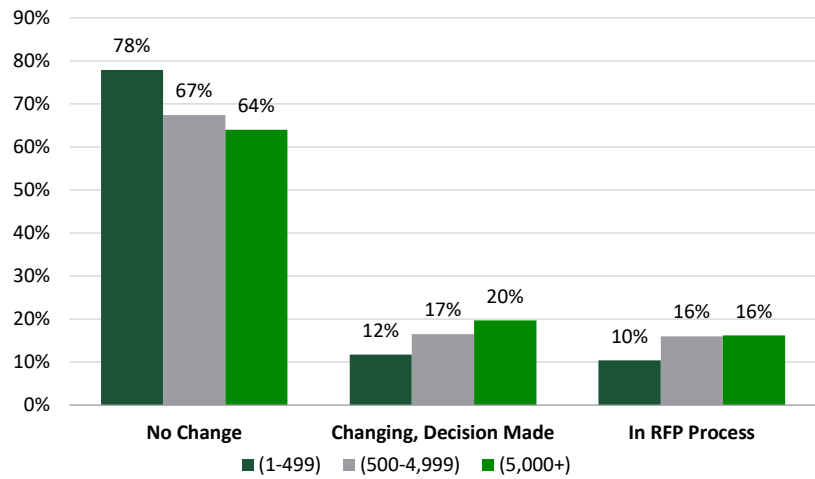
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

When participants that indicated changing payroll solution were asked to select the top 3 factors that led to deciding to change current payroll solution, across employer size segments 'Solution Not Meeting Needs' was the top factor (SMB 75%, mid-market 73%, and enterprise 60%). 'Poor Customer Service' was the 2nd highest factor detailed for the SMB and mid-market segments and was 5th highest in enterprise. 'Cost' was the 2nd highest factor cited in the enterprise segment, while it was 3rd highest for SMB and mid-market, which does not come as a surprise in the current macro environment as companies focus on cost savings. It is notable that the range between the highest and least cited factor was largest for the SMB segment and smallest for the enterprise suggesting more factors impact enterprise payroll solution switching relative to SMBs.

December 4, 2023

Figure 46 Top 3 Factors for Changing Current Payroll Solution by Employer Size
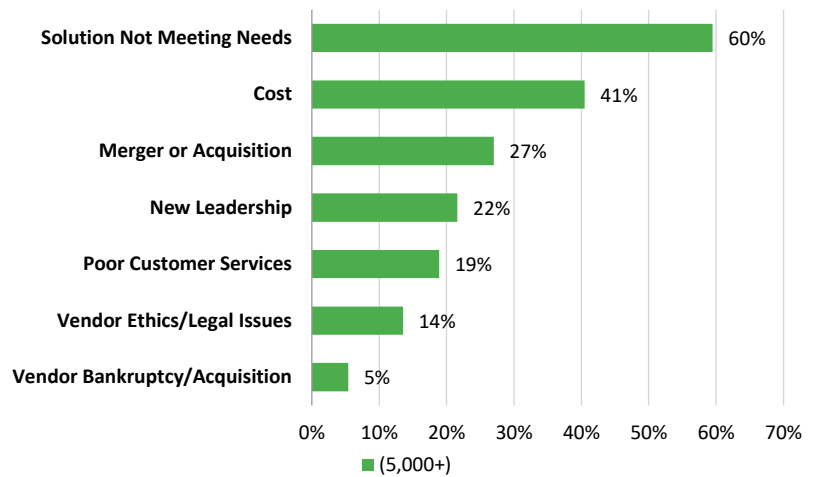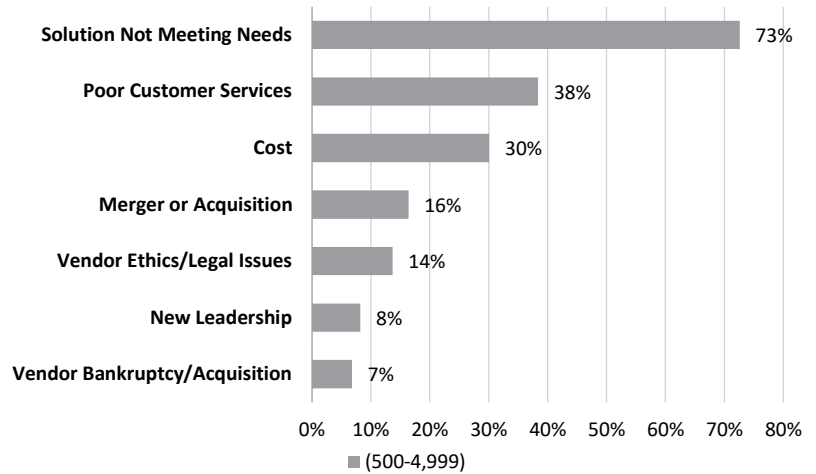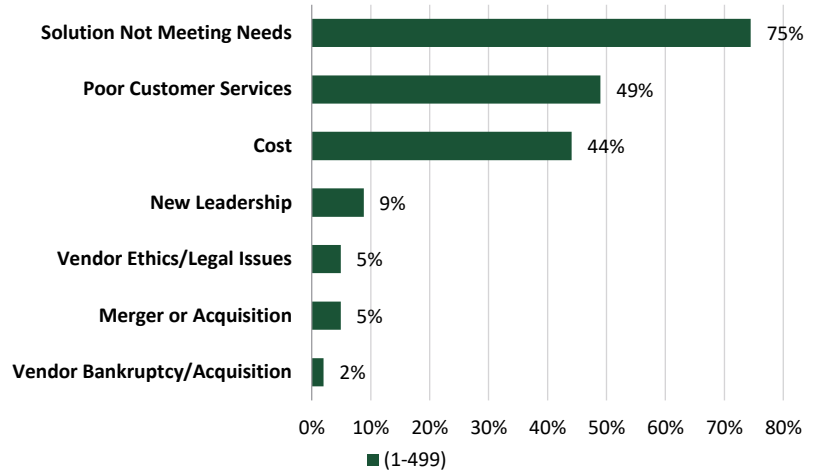
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Within the SMB cohort, organizations with 1-99 and 100-499 employees both detailed 'Solution Not Meeting Needs' as top factor for changing current payroll solution. 'Cost' was the 2nd highest factor for the 1-99 employee cohort, while it was the 3rd highest for the 100-499 employee cohort, suggesting greater cost sensitivity for smaller organizations.

Figure 47 Top 3 Factors to Changing Current Payroll Solution (1-99)

Factor	Value
Solution Not Meeting Needs	67%
Cost	49%
Poor Customer Services	37%
Vendor Ethics/Legal Issues	9%
Merger or Acquisition	7%
New Leadership	5%
Vendor Bankruptcy/Acquisition	2%

■ (1-99)
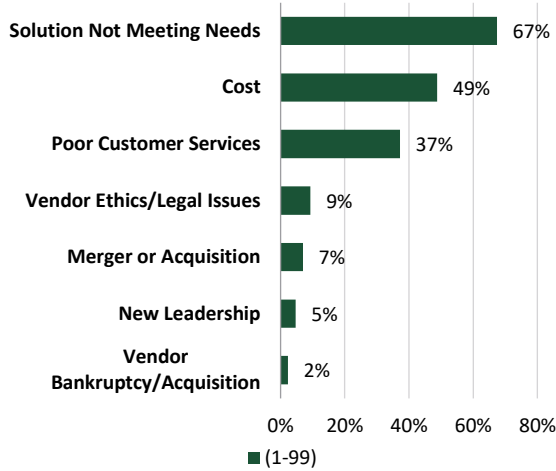
Figure 48 Top 3 Factors to Changing Current Payroll Solution (100-499)
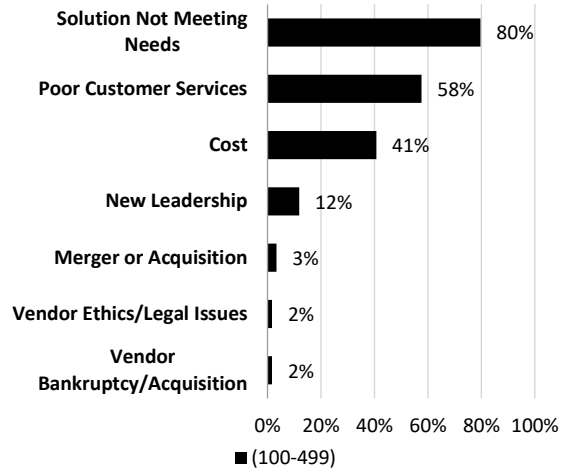
Factor	Value
Solution Not Meeting Needs	80%
Poor Customer Services	58%
Cost	41%
New Leadership	12%
Merger or Acquisition	3%
Vendor Ethics/Legal Issues	2%
Vendor Bankruptcy/Acquisition	2%

■ (100-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

For 12-24 month payroll change plans at the vendor/offering level across employer size segments, Workday (91%), Rippling (91%), isolved (89%), and Paylocity (88%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, Justworks (63%), Insperity (62%), Oracle E-Business Suite (60%), and Sage HRMS (60%) had the highest portion of payroll clients pointing to potentially changing vendor/offering over the next 12-24 months (includes 'Changing, Decision Made' and 'In RFP' responses). We note the 2 vendors with the highest mix of clients projected to churn within the next 2 years are also primarily PEO vendors, which tend to have higher relative levels of churn relative to non-PEO vendors.

Within our HCM coverage, Paylocity (88%), Ceridian Dayforce (83%), and ADP (Other) (77%) had the highest implied potential client retention metrics. On the other hand, Paycom (48%), ADP Run (50%), and TriNet Zenefits (58%) had the lowest implied retention metrics over the next 2 years.

Small sample sizes for vendors/offerings were not separately included in this analysis. Further, respondents that cited 'unsure' for vendor/offering change plans were excluded from the calculation of implied retention/churn.

**Figure 49 Payroll Vendor/Offering Change Plans Over the Next 12-24 Months**
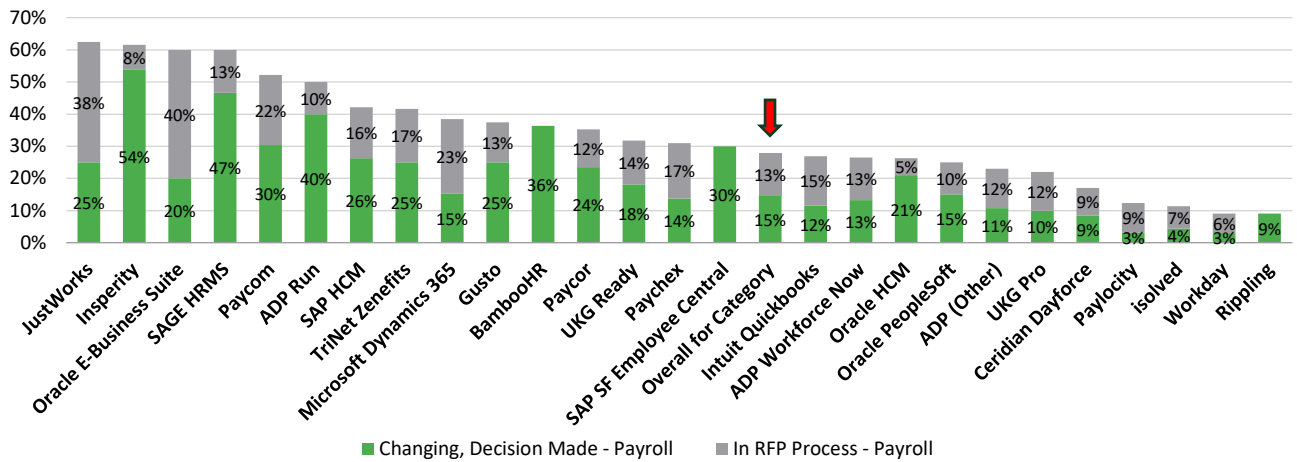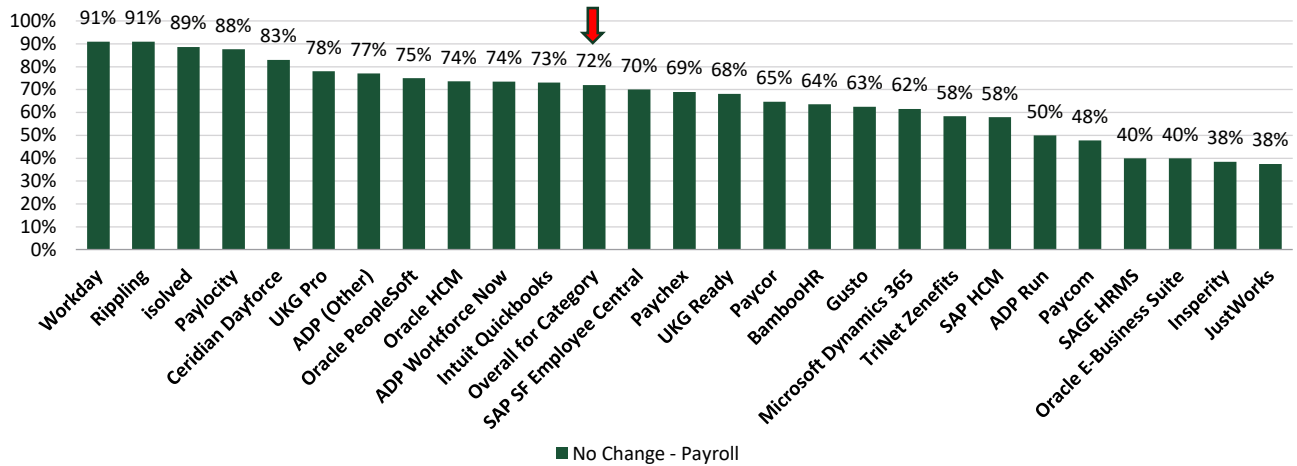
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Isolved, UKG Pro, Workday, ADP Workforce Now, SAP HCM, and Microsoft Dynamics 365 were the top vendors/offerings that participants' organizations plan to move to (captures both first time adoption and vendor/offering change) for payroll over the next 2 years.

Figure 50 Top Vendors/Offerings Cited for Leaving From & Moving To - Payroll

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Rippling (64%), Microsoft Dynamics 365 (38%), and SAP HCM (11%) have the highest projected net client growth over the next 24 months (captures first time adoption vendor pointed to, vendor/offering respondents cited switching to, 'Changing, Decision Made', and 'In RFP' respondents), while Oracle E-Business Suite (-40%), Gusto (-38%), and TriNet Zenefits (-33%) had the weakest projected net client growth over the next 24 months.

When projecting net client growth over the next 24 months, but excluding 'In RFP' as part of analysis since the existing vendor could be a part of RFP process, Rippling (64%), Microsoft Dynamics 365 (62%), and SAP HCM (26%) had the best projected net client growth over the next 24 months while Gusto (-25%), ADP Run (-20%), and TriNet Zenefits (-17%) had the weakest projected net client growth.

Within our HCM coverage, Paycor (-6%) and Paylocity (-7%) had the best projected client growth, while TriNet Zenefits (-33%) and Paycom (-30%) had the weakest projected client growth. When we exclude 'In RFP', Paycor and Paylocity still had the best projected client growth, but ADP Run would be included in weakest projected growth with TriNet Zenefits.

Small sample sizes for current vendor/offering were not separately included in this analysis.

Figure 51 Projected Net 24 Month Payroll Client Count Change % - Including & Excluding In RFP
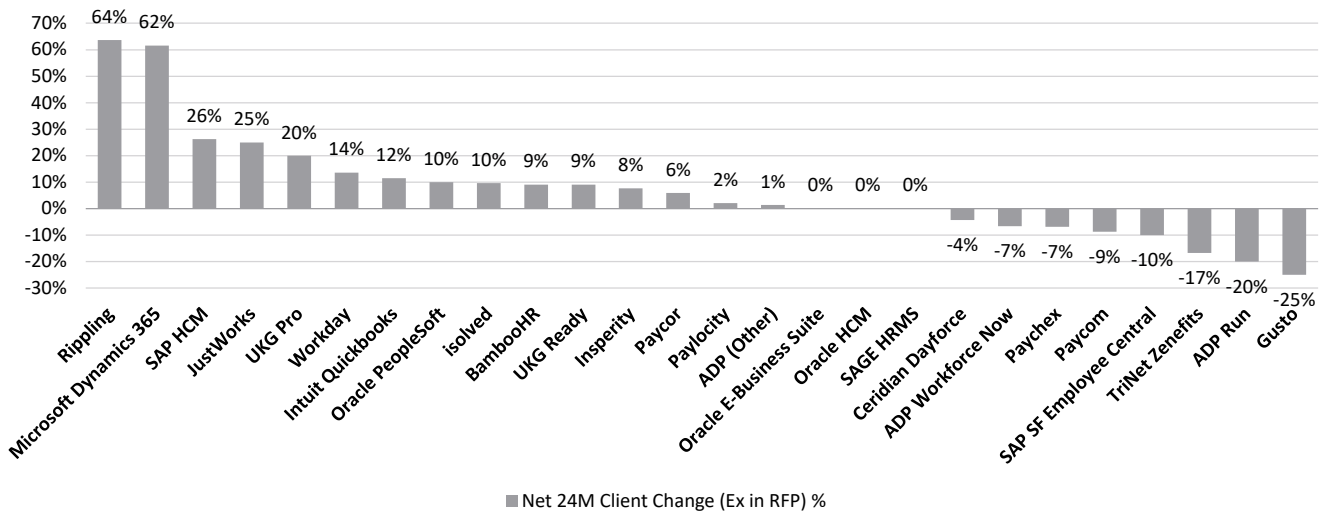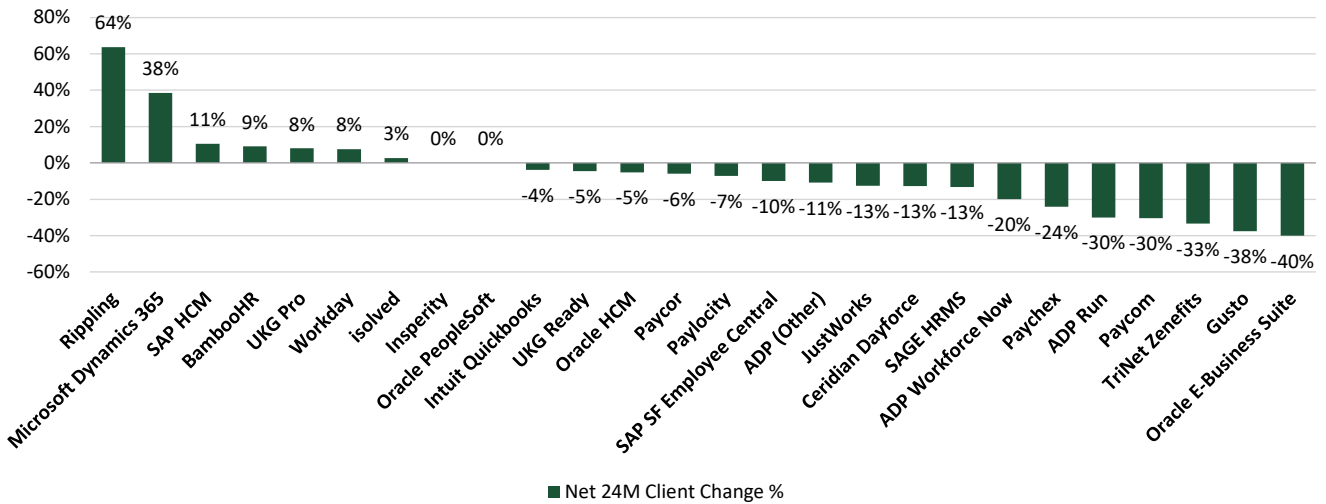
Net 24M Client Change %

Net 24M Client Change (Ex in RFP) %

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Payroll (1-499)

When viewing payroll change plans at the vendor/offering level for the SMB cohort, Intuit Quickbooks (94%), Paylocity (91%), isolved (90%), and Rippling (90%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, Insperity (71%), ADP Run (55%), and Paycom (38%) had the highest portion of payroll clients pointing to potentially changing vendor/offering over the next 12-24 months.

Within our HCM coverage, Paylocity (91%) and TriNet Zenefits (86%) had the highest client retention metrics, while ADP Run (45%), Paycom (71%), and ADP (Other) (71%) had the lowest implied retention metrics over the next 2 years.

Figure 52 Payroll Vendor/Offering Change Plans Over the Next 12-24 Months (1-499)

Chart 1: No Change - Payroll (1-499)

Vendor	%
Intuit Quickbooks	94%
Paylocity	91%
isolved	90%
Rippling	90%
TriNet Zenefits	86%
UKG Ready	83%
UKG Pro	80%
ADP Workforce Now	79%
Overall for Category	78%
Paychex	77%
Ceridian Dayforce	75%
Paycor	75%
ADP (Other)	71%
BambooHR	71%
Gusto	71%
Paycom	63%
ADP Run	45%
Insperity	29%

■ No Change - Payroll (1-499)

Chart 2: Changing, Decision Made / In RFP Process - Payroll (1-499)

Vendor	Changing, Decision Made	In RFP Process
Insperity	57%	14%
ADP Run	36%	18%
Paycom	19%	19%
ADP (Other)	14%	14%
BambooHR	29%	
Gusto	29%	
Ceridian Dayforce	13%	13%
Paycor	17%	8%
Paychex	5%	18%
Overall for Category	12%	10%
ADP Workforce Now	12%	9%
UKG Pro	13%	7%
UKG Ready	8%	8%
TriNet Zenefits	14%	
Rippling	10%	
isolved	3%	7%
Paylocity	1%	8%
Intuit Quickbooks		6%

■ Changing, Decision Made - Payroll (1-499)   ■ In RFP Process - Payroll (1-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Isolved, ADP Workforce Now, UKG Pro, and Paylocity were the top vendors cited for vendor/offering participants are moving to for this size segment.

Figure 53 Top Vendors/Offerings Cited for Leaving From & Moving To – Payroll (1-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Rippling (20%) and UKG Pro (20%) have the highest projected net client growth over the next 24 months, while ADP Run (-45%) and Insperity (-29%) had the lowest within the SMB respondents. Excluding 'In RFP', UKG Pro and Rippling still have the best projected net client growth, but Gusto joins ADP Run with the lowest projected client growth.

Within our HCM coverage, ADP (Other) (0%), Paycor (0%), and TriNet Zenefits (0%) have the best projected net client growth, while ADP Run (-45%), Paycom (-25%), and Ceridian Dayforce (-25%) have the lowest projected net client growth. Excluding 'In RFP', Paylocity joins ADP (Other) and Paycor for strongest net client growth projected while there is no change in composition of weakest of projected net client growth.

Figure 54 Projected Net 24 Month Payroll Client Count Change % - Including & Excluding In RFP (1-499)
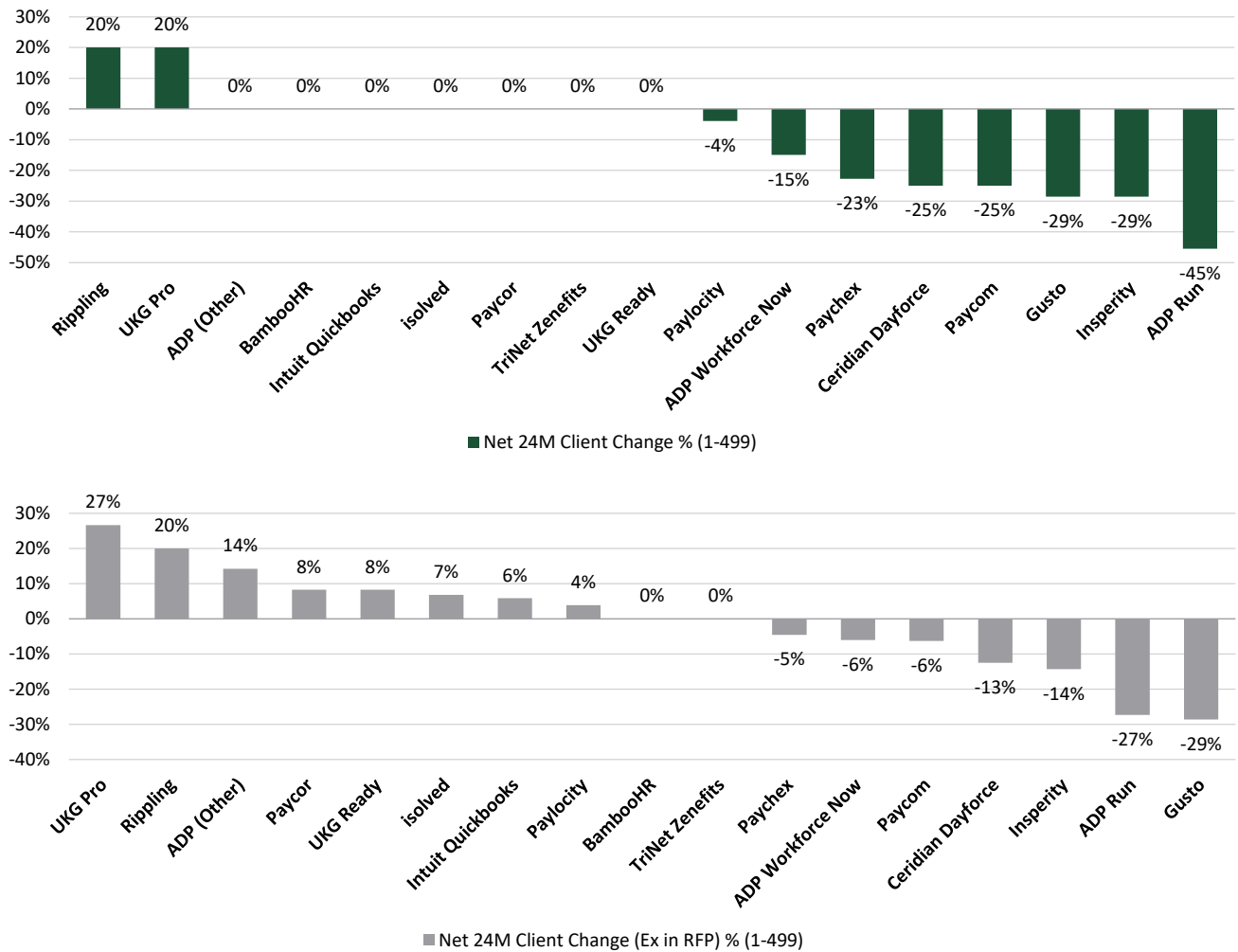
Net 24M Client Change % (1-499)

Net 24M Client Change (Ex in RFP) % (1-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Payroll (500-4,999)

When viewing payroll change plans at the vendor/offering level for the mid-market cohort, Oracle HCM (100%), Workday (97%), and isolved (90%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, Paycom (80%), Sage HRMS (71%), and Paycor (60%) had the highest portion of payroll clients pointing to potentially changing vendor/offering over the next 12-24 months.

Within our HCM coverage, Ceridian Dayforce (83%), ADP Other (79%) and Paylocity (79%) had the highest client retention metrics, while Paycom (20%), and Paycor (40%) had the lowest implied retention metrics over the next 2 years.

Figure 55 Payroll Vendor/Offering Change Plans Over the Next 12-24 Months (500-4,999)
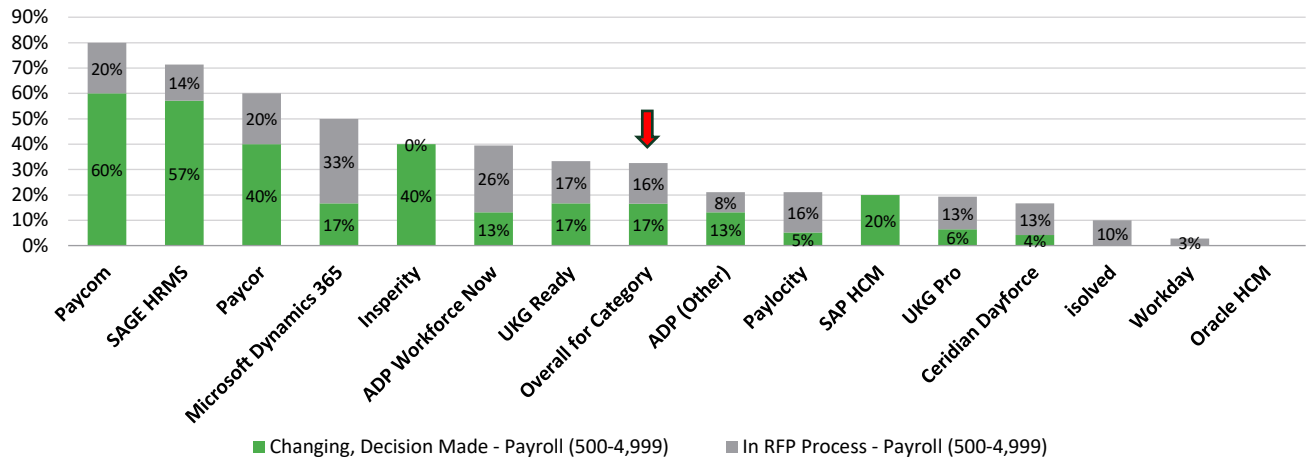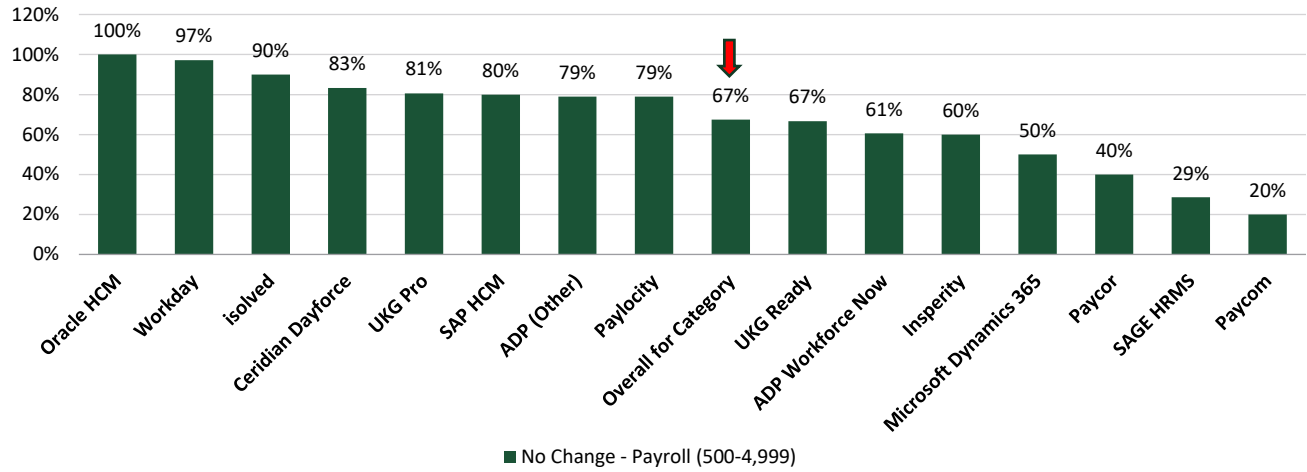
No Change - Payroll (500-4,999)

Changing, Decision Made - Payroll (500-4,999)   In RFP Process - Payroll (500-4,999)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Isolved, Microsoft Dynamics 365, UKG Pro, Sage HRMS, and Insperity were the top vendors cited for vendor/offering participants are moving to for this size segment.

Figure 56 Top Vendors/Offerings Cited for Leaving From & Moving To – Payroll (500-4,999)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Insperity (60%), isolved (50%), and Microsoft Dynamics 365 (50%) have the highest projected net client growth over the next 24 months, while Paycor (-40%) and Paycom (-40%) had the lowest within the mid-market respondents. Excluding 'In RFP', there is no change in composition of vendors/offerings with highest and lowest projected client growth.

Within our HCM coverage, Ceridian Dayforce (-8%) and Paylocity (-16%) have the best projected net client growth, while Paycor (-40%) and Paycom (-40%) have the lowest projected net client growth. Excluding 'In RFP', no change in composition of which vendors/offerings that would be included.

Figure 57 Projected Net 24 Month Payroll Client Count Change % - Including & Excluding In RFP (500-4,999)
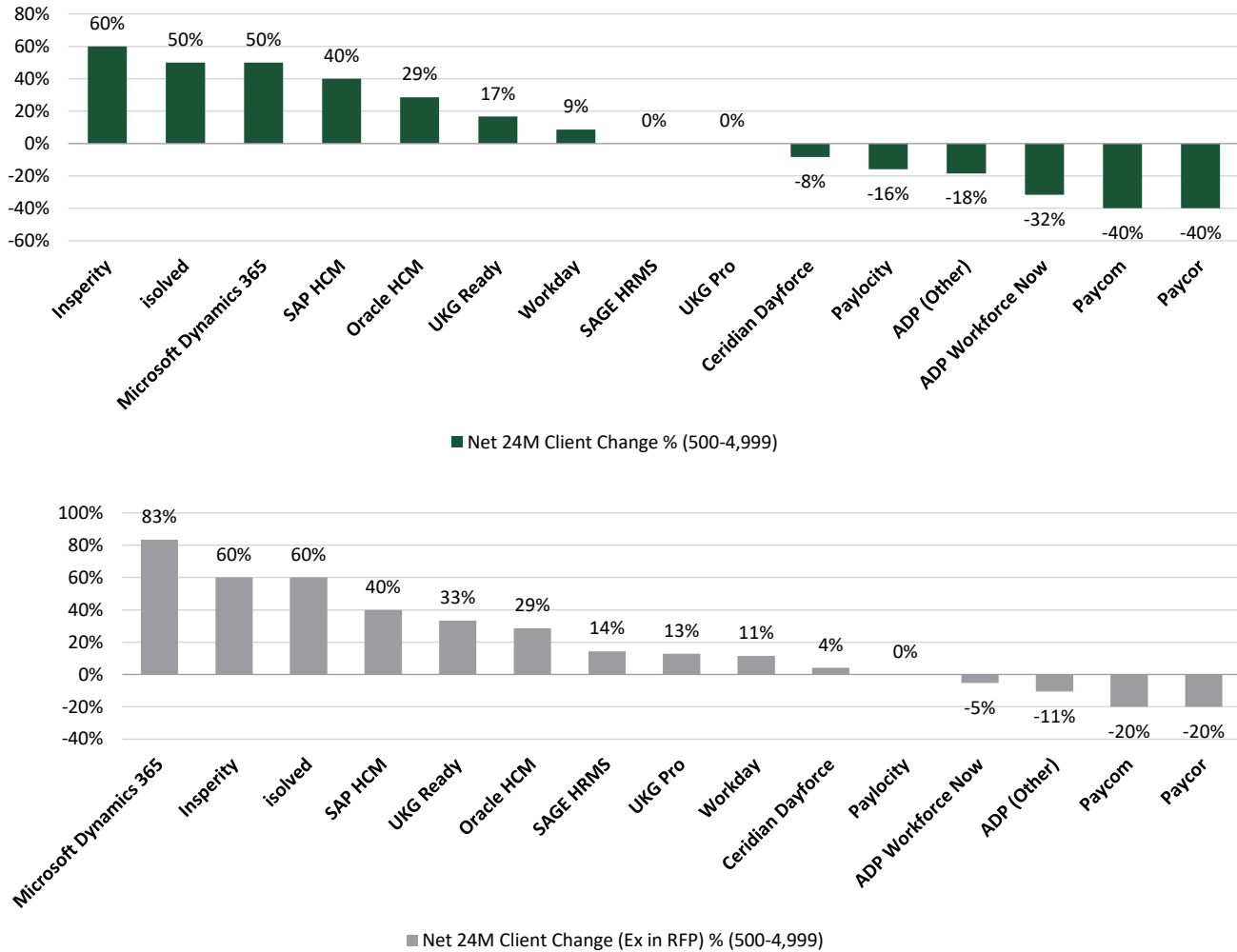
Net 24M Client Change % (500-4,999)

Vendor	%
Insperity	60%
isolved	50%
Microsoft Dynamics 365	50%
SAP HCM	40%
Oracle HCM	29%
UKG Ready	17%
Workday	9%
SAGE HRMS	0%
UKG Pro	0%
Ceridian Dayforce	-8%
Paylocity	-16%
ADP (Other)	-18%
ADP Workforce Now	-32%
Paycom	-40%
Paycor	-40%

Net 24M Client Change (Ex in RFP) % (500-4,999)

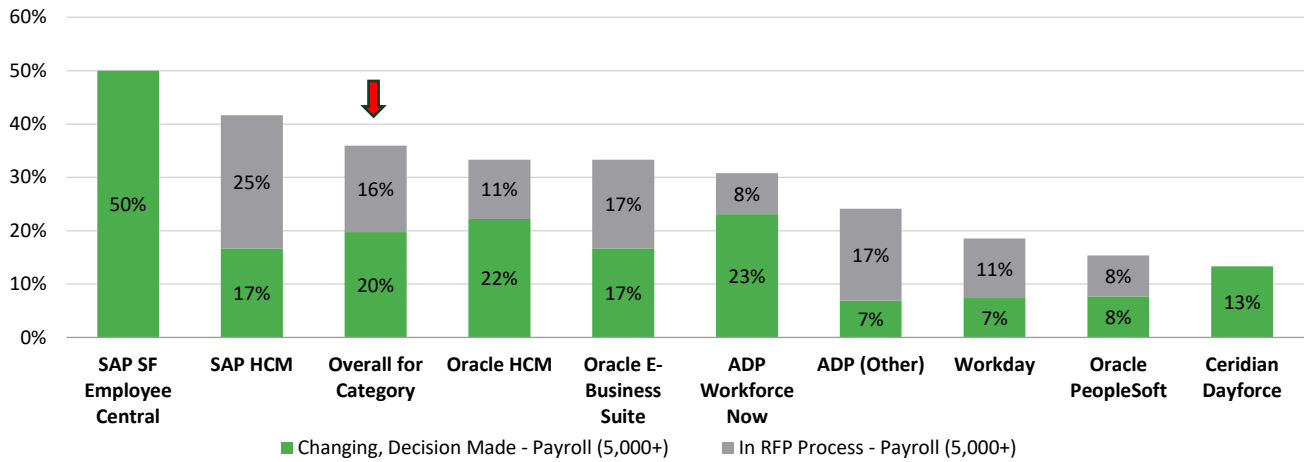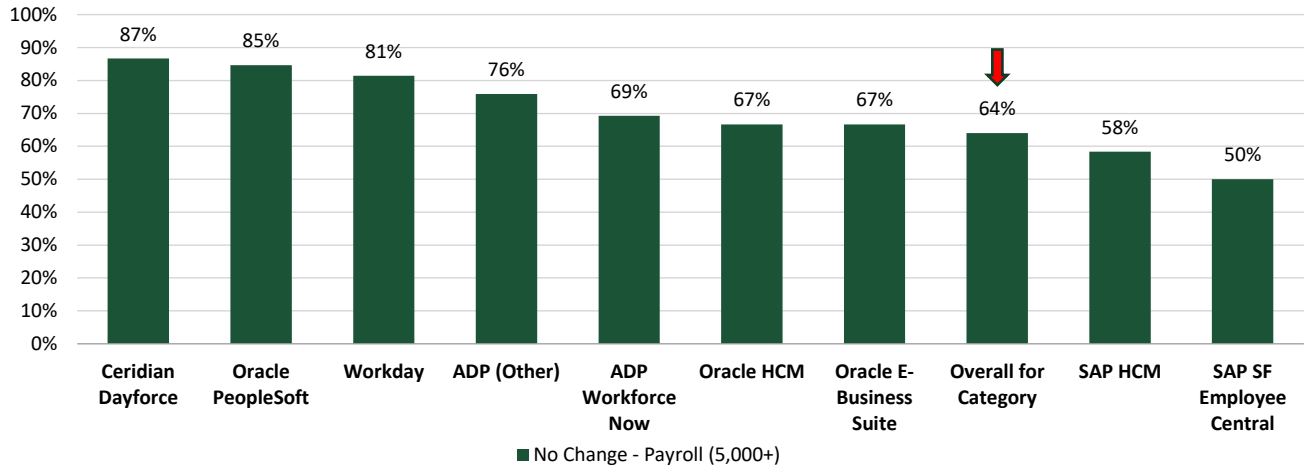| Vendor	%
Microsoft Dynamics 365	83%
Insperity	60%
isolved	60%
SAP HCM	40%
UKG Ready	33%
Oracle HCM	29%
SAGE HRMS	14%
UKG Pro	13%
Workday	11%
Ceridian Dayforce	4%
Paylocity	0%
ADP Workforce Now	-5%
ADP (Other)	-11%
Paycom	-20%
Paycor	-20%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Payroll (5,000+)

When viewing payroll change plans at the vendor/offering level for the enterprise cohort, Ceridian Dayforce (87%) and Oracle PeopleSoft (85%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, SAP SuccessFactors Employee Central (50%) and SAP HCM (42%) had the highest portion of payroll clients pointing to potentially changing vendor/offering over the next 12-24 months.

Within our HCM coverage, Ceridian Dayforce (87%) had the highest client retention metrics, while ADP Workforce Now (69%) had the lowest implied retention metrics over the next 2 years.

Figure 58 Payroll Vendor/Offering Change Plans Over the Next 12-24 Months (5,000+)

No Change - Payroll (5,000+):
- Ceridian Dayforce: 87%
- Oracle PeopleSoft: 85%
- Workday: 81%
- ADP (Other): 76%
- ADP Workforce Now: 69%
- Oracle HCM: 67%
- Oracle E-Business Suite: 67%
- Overall for Category: 64%
- SAP HCM: 58%
- SAP SF Employee Central: 50%

Changing, Decision Made / In RFP Process - Payroll (5,000+):
- SAP SF Employee Central: 50% changing
- SAP HCM: 17% changing, 25% RFP
- Overall for Category: 20% changing, 16% RFP
- Oracle HCM: 22% changing, 11% RFP
- Oracle E-Business Suite: 17% changing, 17% RFP
- ADP Workforce Now: 23% changing, 8% RFP
- ADP (Other): 7% changing, 17% RFP
- Workday: 7% changing, 11% RFP
- Oracle PeopleSoft: 8% changing, 8% RFP
- Ceridian Dayforce: 13% changing

ADP (Other), Workday, SAP HCM, Infor HCM, UKG Pro, and Alight were the top vendors cited for vendor/offering participants are moving to for this size segment.

Figure 59 Top Vendors/Offerings Cited for Leaving From & Moving To – Payroll (5,000+)
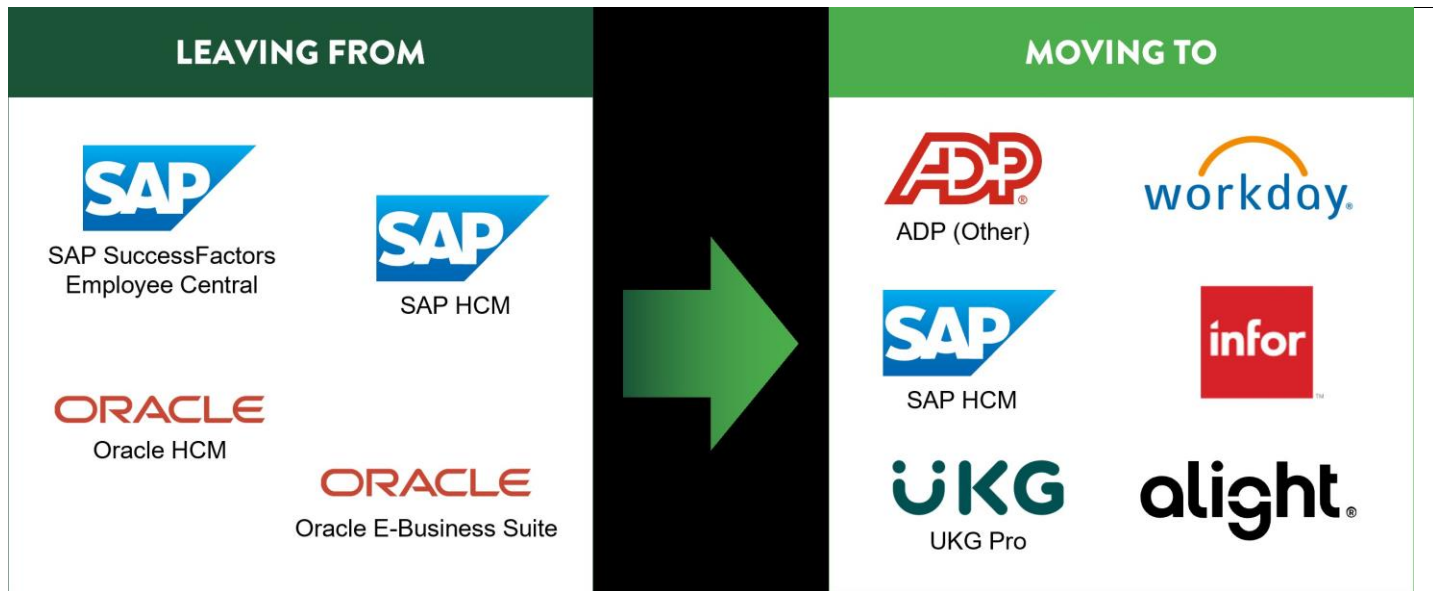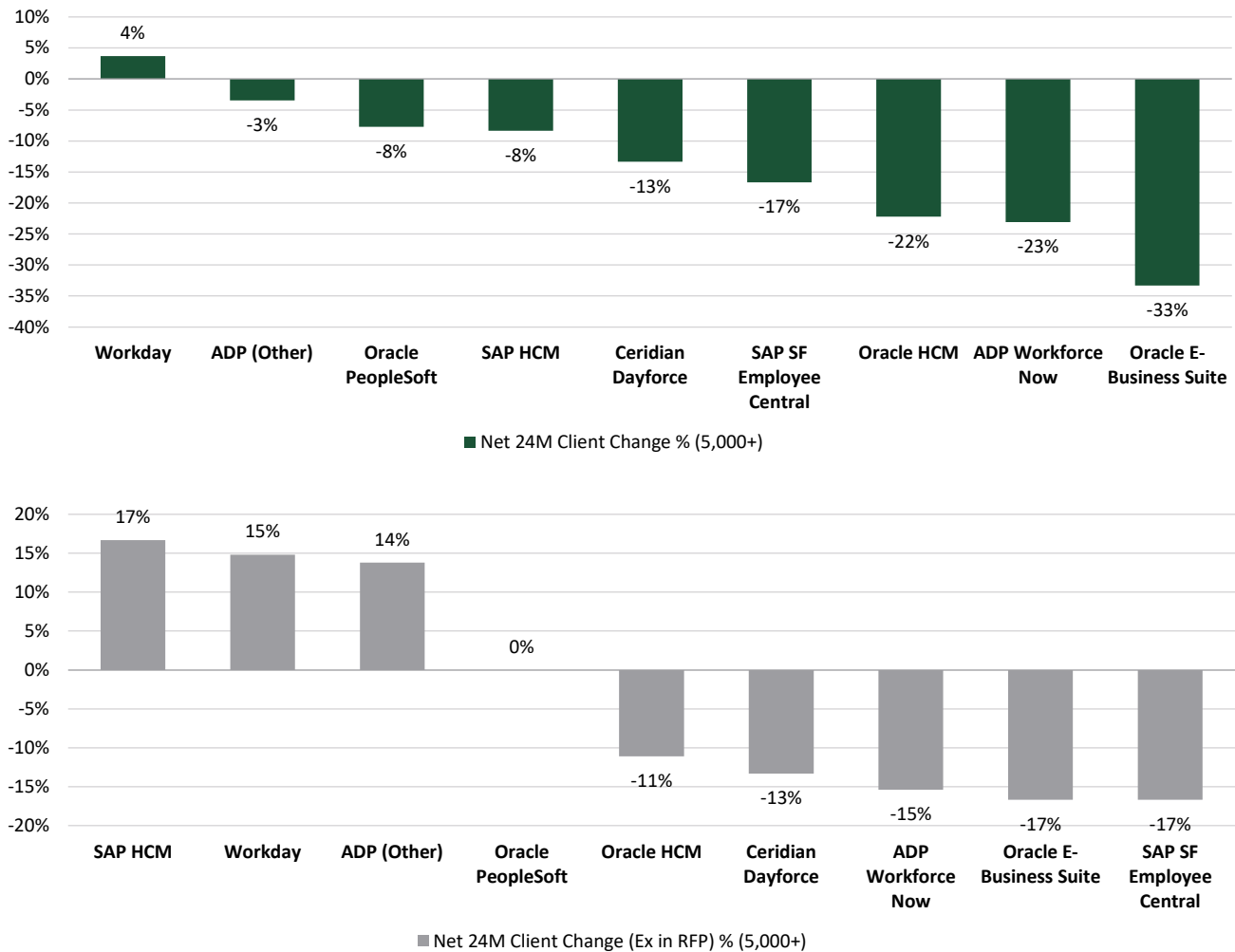

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Workday (4%) and ADP (Other) (-3%) have the highest projected net client growth over the next 24 months, while Oracle E-Business Suite (-33%) and ADP Workforce Now (-23%) had the lowest within the enterprise respondents. Excluding 'In RFP', SAP HCM joins Workday for the best projected net client growth, while SAP SuccessFactors Employee Central joins Oracle E-Business Suite with the lowest projected client growth.

Within our HCM coverage, ADP (Other) (-3%) has the best projected net client growth, while ADP Workforce Now (-23%) has the lowest projected net client growth. Excluding 'In RFP', there is no change in highest/weakest projected net client growth.

Figure 60 Projected Net 24 Month Payroll Client Count Change % - Including & Excluding In RFP (5,000+)

■ Net 24M Client Change % (5,000+)

■ Net 24M Client Change (Ex in RFP) % (5,000+)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Payroll Analysis & Takeaways for HCM Coverage

ADP: ADP's payroll client retention and projected client growth over the next 24 months was weakest for its Run offering, which had below category aggregate retention metrics (and ranked near bottom for individual vendors/offering analyzed individually) and its projected client growth metric ranked near bottom of individual vendors/offerings analyzed. ADP's offerings outside of Run and Workforce Now (captured as "Other") performed best on a relative basis. ADP Workforce Now retention metrics performed better than category aggregate levels outside of in the mid-market, with its strongest relative retention metric within the SMB segment, while mid-market was its weakest for retention metrics.

Ceridian Dayforce: Ceridian Dayforce had a strong showing with its client retention metrics (outside of in the SMB cohort), ranking 4th out of 24 evaluated, with particular strength in the enterprise segment (1st out of 8), while it landed 4th out of 14 for mid-market. Its projected client growth metrics came in below average despite solid

retention metrics (outside of SMB) due to a relative limited number of participants citing moving to its offering. In aggregate it ranked 17th out of 25 for projected net client growth.

Paychex: Its retention metrics ranked near the middle of pack, ranking 13th out of 24 (9th out of 14 in SMB). Its retention rate was notably higher with clients with 100-499 employees. 92% of clients with 100-499 employees pointed to no change in vendor/offering anticipated relative to just 60% of clients with 1-99 employees. We view this as evidence of PAYX's increasing emphasis on retaining its larger sized clients. Paychex's projected client growth metrics were modestly below median (20 of 25) in aggregate, but fairly close to median within SMB (5 of 9).

**Figure 61 Paychex Payroll Vendor/Offering Change Plans Over the Next 12-24 Months (1-99 vs. 100-499)**
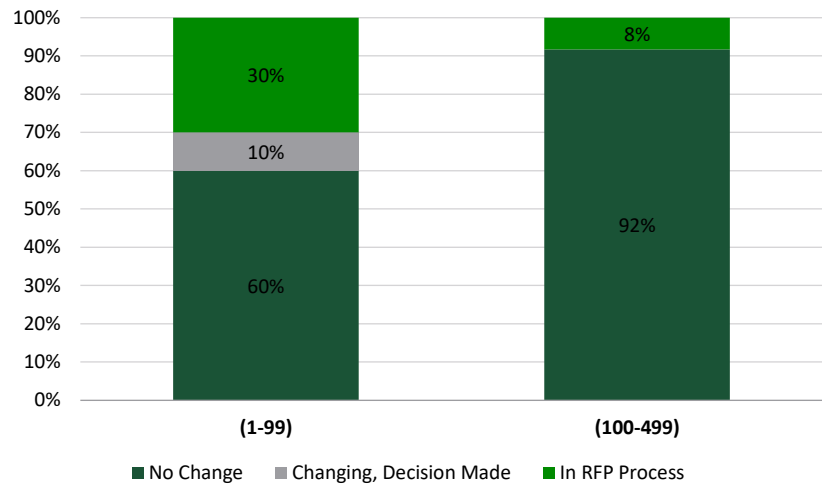
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Paycom: Paycom had the weakest overall retention metrics within our HCM coverage and amongst one of the weakest within the individual vendors/offering evaluated (22nd out of 24). Its overall retention metrics was weighed by notable weakness within the mid-market segment, with just 20% of its mid-market clients citing no potential change in vendor/offering (14th out of 14). It placed 12th out of 14 in SMB retention. Paycom's projected client growth metrics were also amongst the softest in aggregate (22nd out of 25 individual) and was near bottom within our HCM coverage. Projected net client growth was better within SMB (tied 6 of 9) relative to mid-market (tied 12th of 12).

Paylocity: Registered the highest overall retention metric within our HCM coverage and was amongst the highest within the individual vendors/offerings evaluated (3rd out of 24). Its retention metric had particular strength within the SMB (2nd out of 14). Its projected retention rate correlated with client size, with highest retention amongst its smallest sized clients. 100% of clients with 1-99 employees pointed to no change in vendor/offering anticipated relative to 86% of clients with 100-499 employees, and 79% of clients with 500-4,999 employees. Client churn rates increasing with employer size aligns with aggregate vendor/offering data. Its projected client growth metric was 2nd best within our HCM coverage, but near middle of pack in aggregate (13th out of 25). Projected client growth was strongest in the SMB segment, ranking 3rd out of 9.

Figure 62 Paylocity Payroll Vendor/Offering Change Plans Over the Next 12-24 Months (1-99 vs. 100-499 vs. 500-4,999)
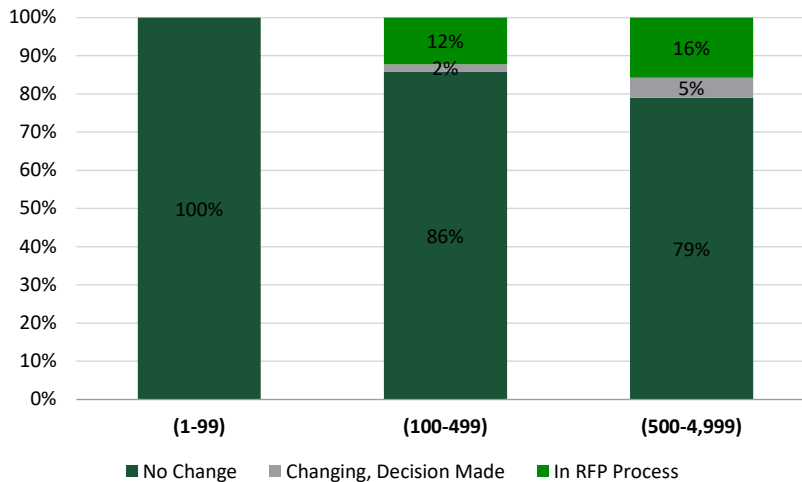
Paycor: Paycor's overall retention metric was modestly below median within our HCM coverage, but near the middle of the pack within all of the individual vendors/offerings evaluated (15th out of 24). Its retention metric was weighed by its performance within the mid-market (12th out of 14), while it tied for 10th out of 14 within SMB. Paycor did rank highest within our HCM coverage for projected client growth metric, but was still near the middle out of all of the individual vendors/offerings evaluated (12th out of 25) primarily due to its performance in mid-market (tied 12th of 12).

TriNet Zenefits: Registered the 3rd lowest overall retention metric within our HCM coverage (out of 9 offerings) and ranked 19th out of the 24 individual vendors/offering evaluated. We attribute its lower relative retention metric standings due to the ongoing churn for its Zenefits offering it has reported since acquiring and the naturally higher relative churn for PEO vendors. Its overall retention ranked comfortably ahead of other PEO vendors Insperity and Justworks. Importantly, its retention within its primary target market of SMBs was solid though (5th out of 14) and ahead of Insperity by a healthy margin. Its client count growth metric followed similar trends rankings 23rd out of 25 in aggregate, but was tied for 2nd out of 9 in the SMB.

Figure 63 HCM Coverage Payroll Change Plans Scorecard

|		ADP Run	ADP Workforce Now	ADP (Other)	Ceridian Dayforce	PAYCHEX	paycom	paylocity	Paycor	trinet/zenefits	CATEGORY OVERALL / MEDIAN
OVERALL	No Change – Payroll	50% (21 of 24)	74% (9 of 24)	77% (6 of 24)	83% (4 of 24)	69% (13 of 24)	48% (22 of 24)	88% (3 of 24)	65% (15 of 24)	58% (19 of 24)	72% / 24
	Changing, Decision Made – Payroll	40%	13%	11%	9%	14%	30%	3%	24%	25%	15%
	In RFP Process – Payroll	10%	13%	12%	9%	17%	22%	9%	12%	17%	13%
	Net Client Change – Payroll	-30% (21 of 25)	-20% (19 of 25)	-11% (15 of 25)	-13% (17 of 25)	-24% (20 of 25)	-30% (22 of 25)	-7% (13 of 25)	-6% (12 of 25)	-33% (23 of 25)	-7% / 25
	Net Client Change (Ex In RFP) – Payroll	-20% (22 of 23)	-7% (17 of 23)	1% (14 of 23)	-4% (16 of 23)	-7% (18 of 23)	-9% (19 of 23)	2% (13 of 23)	6% (12 of 23)	-17% (21 of 23)	4% / 23
(1–499)	No Change – Payroll	45% (13 of 14)	79% (8 of 14)	71% (11* of 14)	75% (10* of 14)	77% (9 of 14)	63% (12 of 14)	91% (2 of 14)	75% (10* of 14)	86% (5 of 14)	78% / 14
	Changing, Decision Made – Payroll	36%	12%	14%	13%	5%	19%	1%	17%	14%	12%
	In RFP Process – Payroll	18%	9%	14%	13%	18%	19%	8%	8%	0%	10%
	Net Client Change – Payroll	-45% (9 of 9)	-15% (4 of 9)	0% (2* of 9)	-25% (6* of 9)	-23% (5 of 9)	-25% (6* of 9)	-4% (3 of 9)	0% (2* of 9)	0% (2* of 9)	0% / 9
	Net Client Change (Ex In RFP) – Payroll	-27% (14 of 15)	-6% (10 of 15)	14% (3 of 15)	-13% (12 of 15)	-5% (9 of 15)	-6% (11 of 15)	4% (7 of 15)	8% (4* of 15)	0% (8* of 15)	0% / 15
(500–4,999)	No Change – Payroll		61% (9 of 14)	79% (7* of 14)	83% (4 of 14)		20% (14 of 14)	79% (7* of 14)	40% (12 of 14)		67% / 14
	Changing, Decision Made – Payroll		13%	13%	4%		60%	5%	40%		17%
	In RFP Process – Payroll		26%	8%	13%		20%	16%	20%		16%
	Net Client Change – Payroll		-32% (11 of 12)	-18% (10 of 12)	-8% (8 of 12)		-40% (12* of 12)	-16% (9 of 12)	-40% (12* of 12)		0% / 12
	Net Client Change (Ex In RFP) – Payroll		-5% (11 of 13)	-11% (12 of 13)	4% (9 of 13)		-20% (13* of 13)	0% (10 of 13)	-20% (13* of 13)		13% / 13
(5,000+)	No Change – Payroll		69% (5 of 8)	76% (4 of 8)	87% (1 of 8)						64% / 8
	Changing, Decision Made – Payroll		23%	7%	13%						20%
	In RFP Process – Payroll		8%	17%	0%						16%
	Net Client Change – Payroll		-23% (8 of 9)	-3% (2 of 9)	-13% (5 of 9)						-13% / 9
	Net Client Change (Ex In RFP) – Payroll		-15% (7 of 8)	14% (3 of 8)	-13% (6 of 8)						-11% / 8

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen
Note: * means tied with other vendor(s)/offering(s)

HRMS Change Plans

Participants across employer size segments overwhelmingly detailed limited intentions to change HRMS vendor/offerings over the next 12-24 months. The enterprise cohort detailed the lowest amount of anticipated change of HRMS vendor/offering with 91% pointing to 'No Change' followed by SMB (90%) and mid-market (87%). The lower level of projected switching relayed for HRMS relative to payroll could be due to higher estimated relative cloud adoption for HRMS.

Figure 64 HRMS Vendor/Offering Change Plans Over the Next 12-24 Months by Employer Size
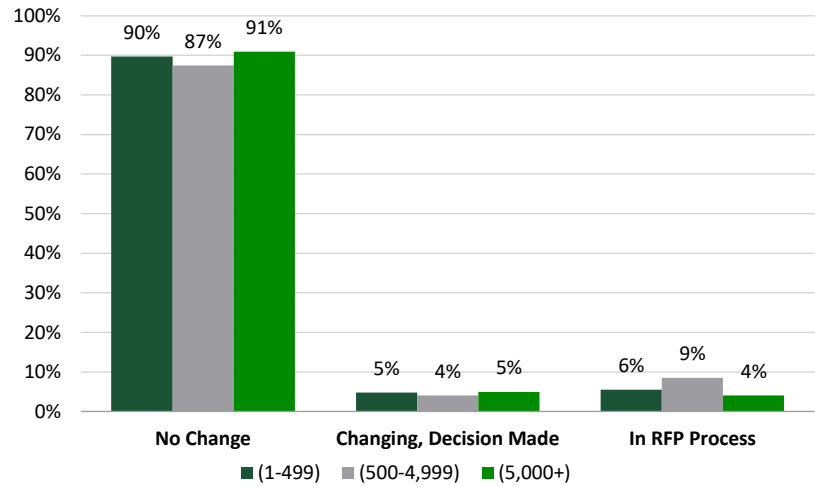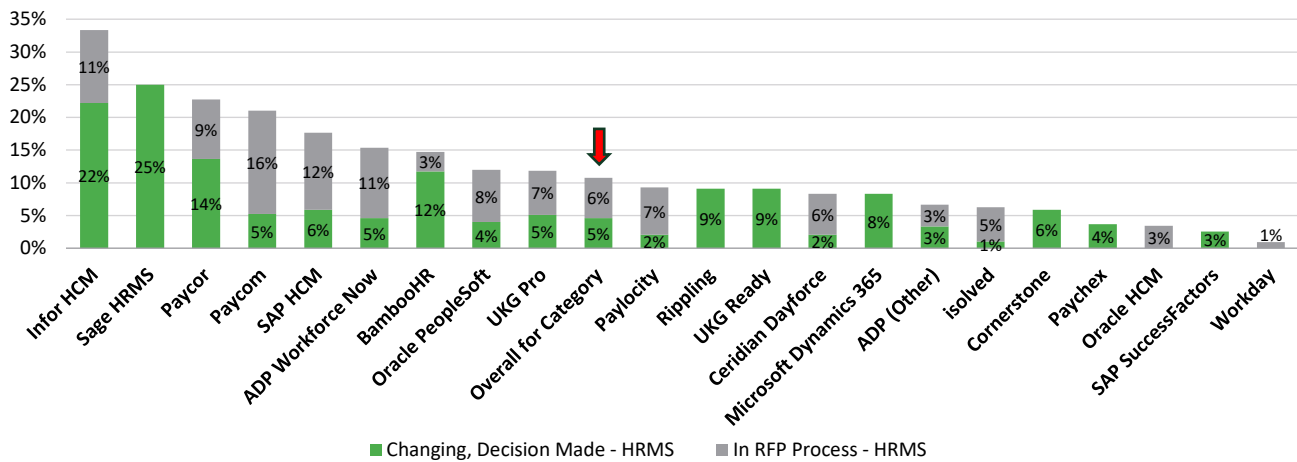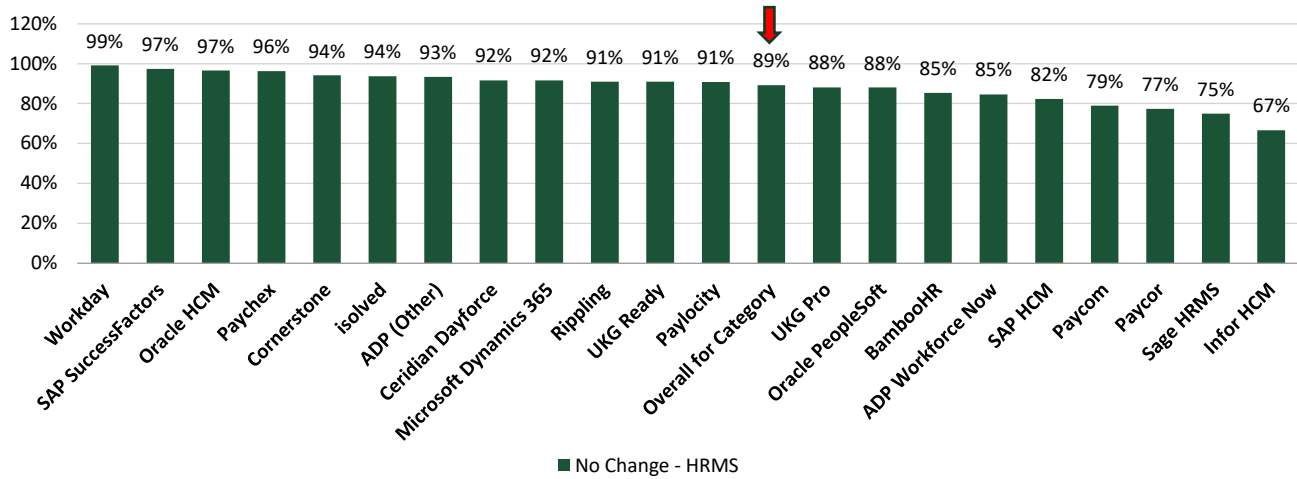

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

When viewing HRMS change plans at the vendor/offering level across employer size segments, Workday (99%), SAP SuccessFactors (97%), and Oracle HCM (97%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, Infor HCM (33%), Sage HRMS (25%), and Paycor (23%) had the highest portion of HRMS clients pointing to potentially changing vendor/offering over the next 12-24 months (includes 'Changing, Decision Made' and 'In RFP' responses).

Within our HCM coverage, Paychex (96%) and ADP (Other) (93%) had the highest implied potential client retention metrics. On the other hand, Paycor (77%) and Paycom (79%) had the lowest implied retention metrics over the next 2 years.

Small sample sizes for vendors/offerings were not separately included in this analysis. Further, respondents that cited 'unsure' for vendor/offering change plans were excluded from the calculation of implied retention/churn.

Figure 65 HRMS Vendor/Offering Change Plans Over the Next 12-24 Months

Bar chart (top): No Change - HRMS

Vendor	%
Workday	99%
SAP SuccessFactors	97%
Oracle HCM	97%
Paychex	96%
Cornerstone	94%
isolved	94%
ADP (Other)	93%
Ceridian Dayforce	92%
Microsoft Dynamics 365	92%
Rippling	91%
UKG Ready	91%
Paylocity	91%
Overall for Category	89%
UKG Pro	88%
Oracle PeopleSoft	88%
BambooHR	85%
ADP Workforce Now	85%
SAP HCM	82%
Paycom	79%
Paycor	77%
Sage HRMS	75%
Infor HCM	67%

Bar chart (bottom): Changing, Decision Made - HRMS / In RFP Process - HRMS

Vendor	Changing, Decision Made	In RFP Process
Infor HCM	22%	11%
Sage HRMS	25%	
Paycor	14%	9%
Paycom	5%	16%
SAP HCM	6%	12%
ADP Workforce Now	5%	11%
BambooHR	12%	3%
Oracle PeopleSoft	4%	8%
UKG Pro	5%	7%
Overall for Category	5%	6%
Paylocity	2%	7%
Rippling	9%	
UKG Ready	9%	
Ceridian Dayforce	2%	6%
Microsoft Dynamics 365	8%	
ADP (Other)	3%	3%
isolved	1%	5%
Cornerstone	6%	
Paychex	4%	
Oracle HCM		3%
SAP SuccessFactors	3%	
Workday		1%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

UKG Pro, Paylocity, Workday, ADP Workforce Now, and isolved were the top vendor/offering that participants' organizations plan to move to (captures both first time adoption and vendor/offering change) for HRMS over the next 2 years.

**Figure 66 Top Vendors/Offerings Cited for Leaving From & Moving To – HRMS**

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Sage HRMS (38%), Microsoft Dynamics 365 (33%), and Workday (7%) have the highest projected net client growth over the next 24 months (captures first time adoption vendor pointed to, vendor/offering respondents cited switching to, 'Changing, Decision Made', and 'In RFP' respondents), while Infor HCM (-11%), ADP Workforce Now (-10%), and Oracle PeopleSoft (-8%) had the weakest projected net client growth over the next 24 months. When projecting net client growth over the next 24 months, but excluding 'In RFP' as part of analysis since the existing vendor could be a part of the RFP process, Sage HRMS (38%), Microsoft Dynamics 365 (33%), and SAP HCM (18%) had the best projected net client growth over the next 24 months while Cornerstone (-6%) and BambooHR (-3%) had the weakest projected net client growth.

Within our HCM coverage, Paychex (4%) and ADP (Other) (3%) had the best projected client growth, while ADP Workforce Now (-10%) and Ceridian Dayforce (-4%) had the weakest projected client growth. When we exclude 'In RFP', Paycom and Paycor have the best projected client growth, but ADP Workforce Now and Ceridian Dayforce still have the lowest projected net client growth.

Small sample sizes for current vendor/offering were not separately included in this analysis.

**Figure 67 Projected Net 24 Month HRMS Client Count Change % - Including & Excluding In RFP**
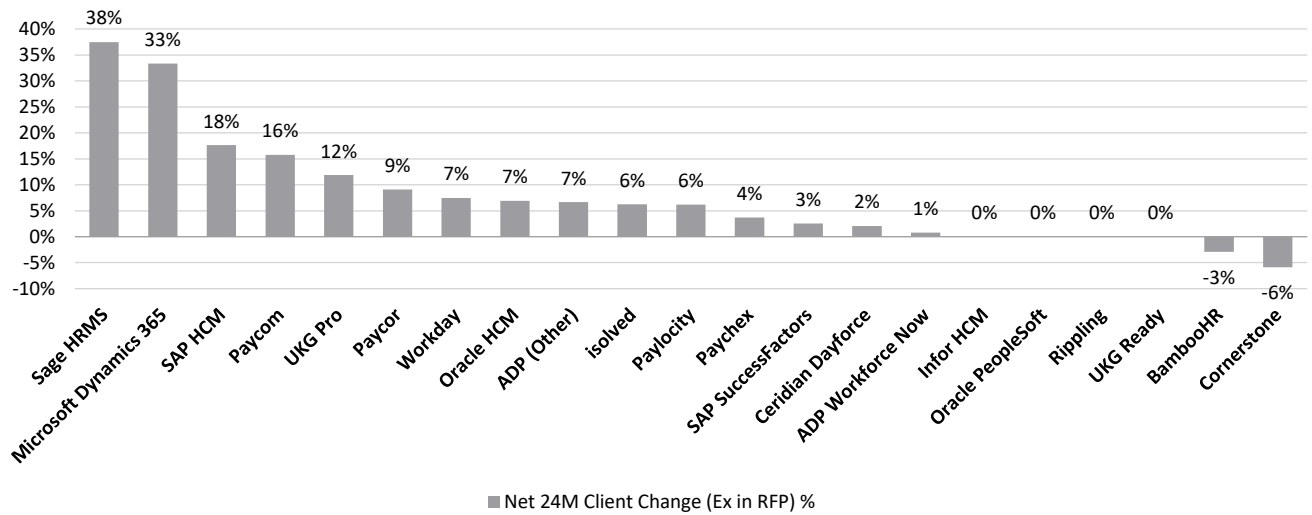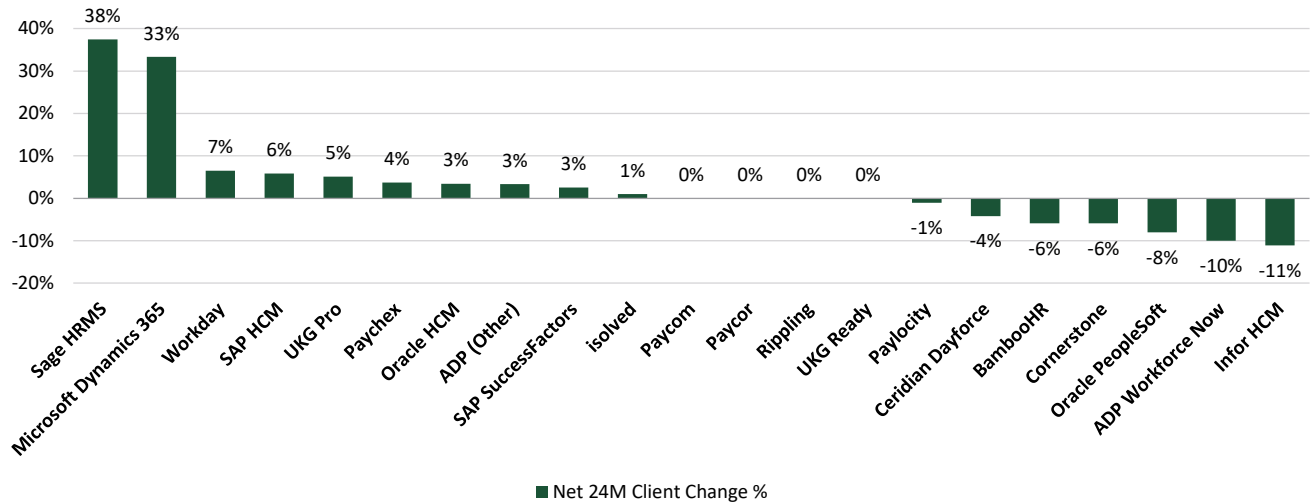
Net 24M Client Change %

Net 24M Client Change (Ex in RFP) %

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HRMS (1-499)

When viewing HRMS change plans at the vendor/offering level for the SMB cohort, UKG Ready (100%), Paychex (96%), and Paylocity (94%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, TriNet Zenefits (29%), Paycom (23%), and Paycor (16%) had the highest portion of HRMS clients pointing to potentially changing vendor/offering over the next 12-24 months.

Within our HCM coverage, Paychex (96%) and Paylocity (94%) had the highest client retention metrics, while TriNet Zenefits (71%) and Paycom (77%) had the lowest implied retention metrics over the next 2 years.

Figure 68 HRMS Vendor/Offering Change Plans Over the Next 12-24 Months (1-499)
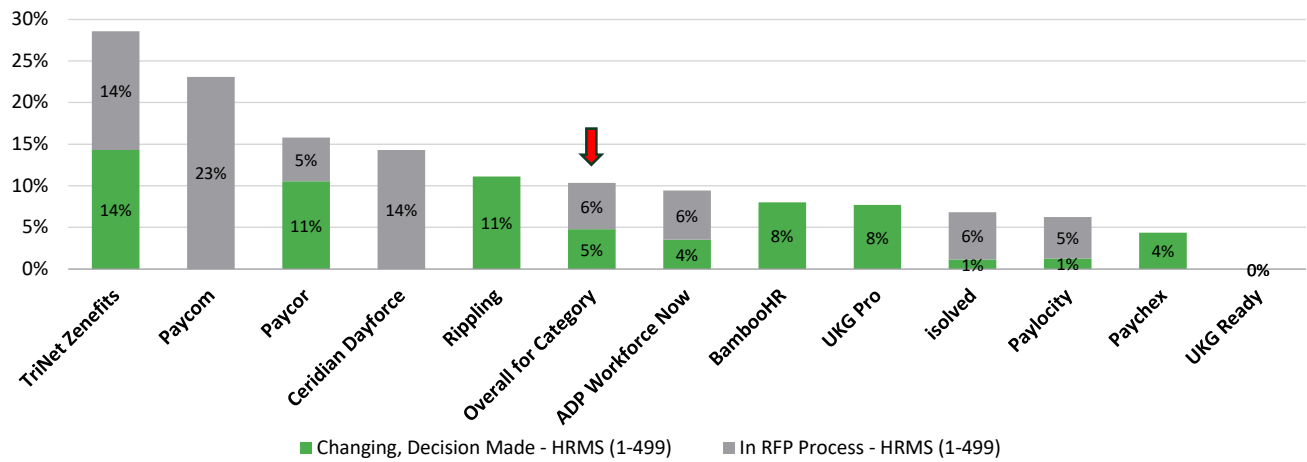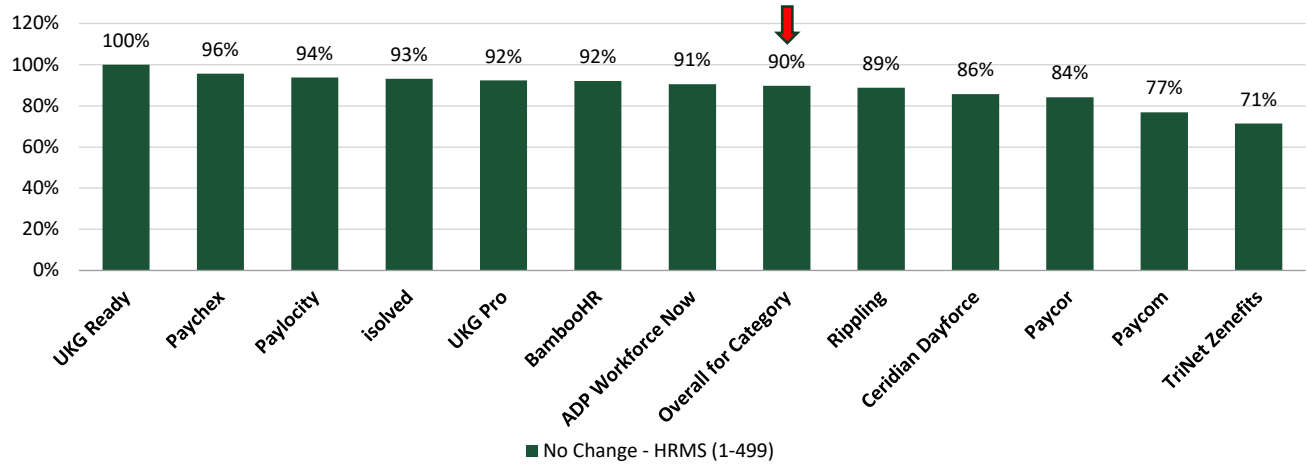
No Change - HRMS (1-499)

Changing, Decision Made - HRMS (1-499)   In RFP Process - HRMS (1-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Isolved, Paylocity, ADP Workforce Now, and UKG Pro were the top vendors cited for vendor/offering participants are moving to for this size segment.

Figure 69 Top Vendors/Offerings Cited for Leaving From & Moving To – HRMS (1-499)
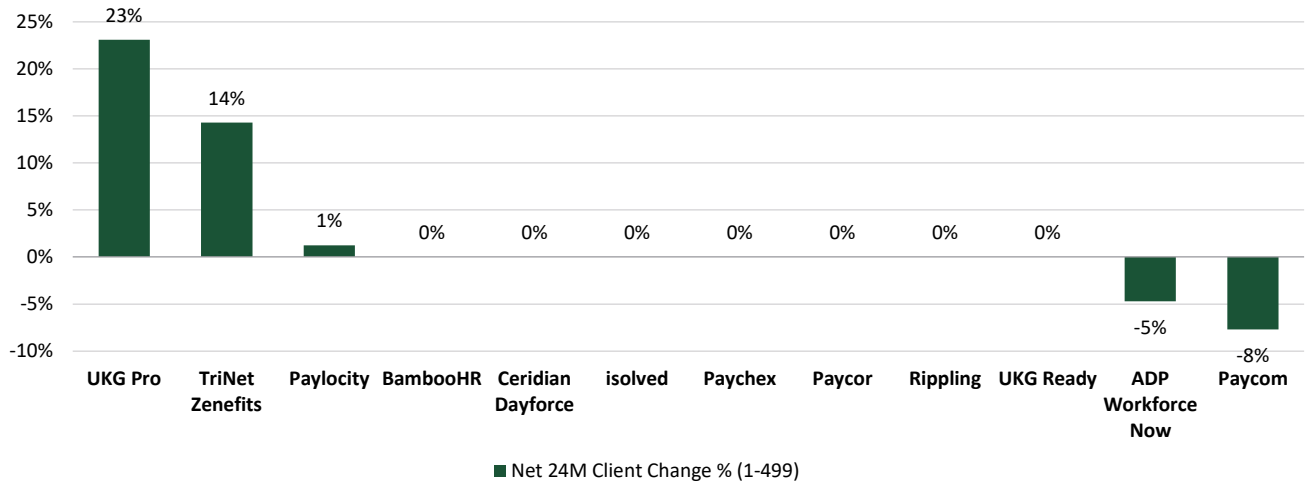

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

UKG Pro (23%) and TriNet Zenefits (14%) have the highest projected net client growth over the next 24 months, while Paycom (-8%) and ADP Workforce Now (-5%) had the lowest within the SMB respondents. Excluding 'In RFP', UKG Pro and TriNet Zenefits still have the best projected net client growth, but BambooHR, Paychex, Rippling, and UKG Ready have the lowest projected client growth.

Within our HCM coverage, TriNet Zenefits (14%) has the best projected net client growth, while Paycom (-8%) has the lowest projected net client growth. Excluding 'In RFP', TriNet Zenefits still has the strongest net client growth projected, but Paychex has the weakest of projected net client growth.

Figure 70 Projected Net 24 Month HRMS Client Count Change % - Including & Excluding In RFP (1-499)
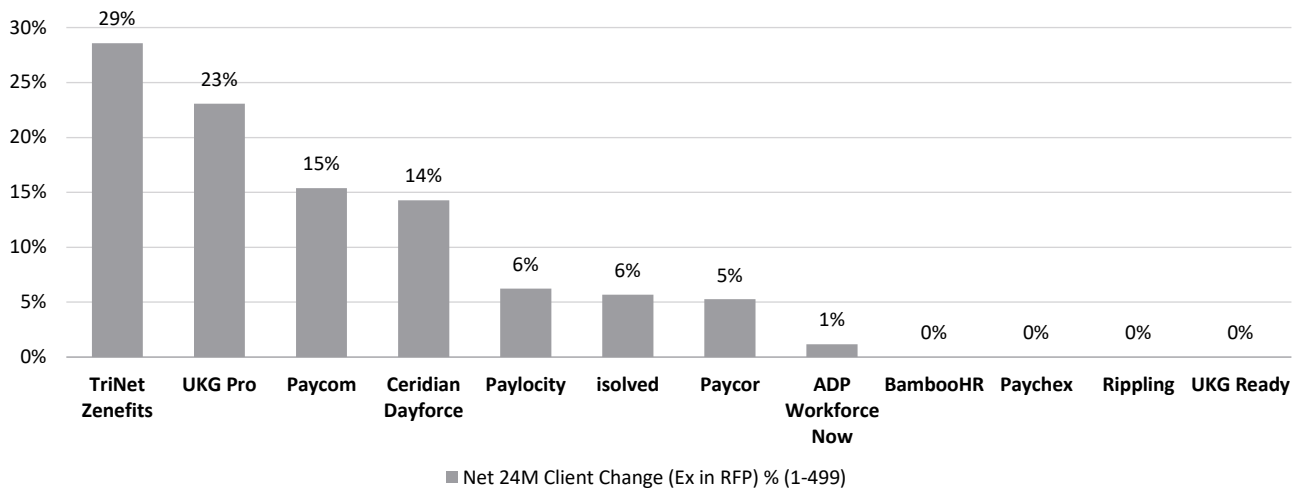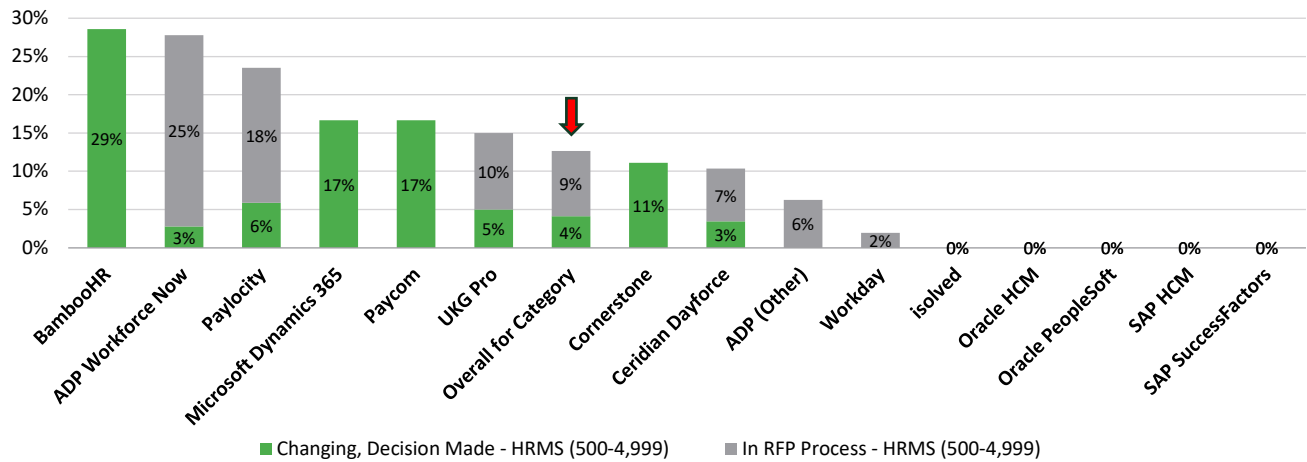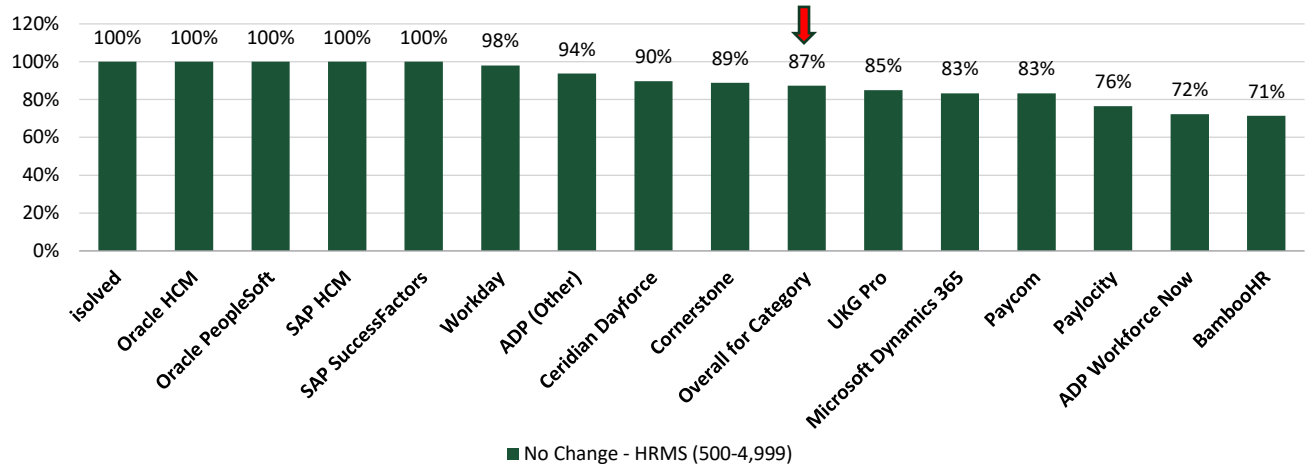

Net 24M Client Change % (1-499)

Net 24M Client Change (Ex in RFP) % (1-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HRMS (500-4,999)

When viewing HRMS change plans at the vendor/offering level for the mid-market cohort, isolved (100%), Oracle HCM (100%), Oracle PeopleSoft (100%), SAP HCM (100%), and SAP SuccessFactors (100%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, BambooHR (29%), ADP Workforce Now (28%), and Paylocity (24%) had the highest portion of HRMS clients pointing to potentially changing vendor/offering over the next 12-24 months.

Within our HCM coverage, ADP Other (94%) and Ceridian Dayforce (90%) had the highest client retention metrics, while ADP Workforce Now (72%), and Paylocity (76%) had the lowest implied retention metrics over the next 2 years.

Figure 71 HRMS Vendor/Offering Change Plans Over the Next 12-24 Months (500-4,999)

No Change - HRMS (500-4,999) chart showing:
isolved 100%, Oracle HCM 100%, Oracle PeopleSoft 100%, SAP HCM 100%, SAP SuccessFactors 100%, Workday 98%, ADP (Other) 94%, Ceridian Dayforce 90%, Cornerstone 89%, Overall for Category 87%, UKG Pro 85%, Microsoft Dynamics 365 83%, Paycom 83%, Paylocity 76%, ADP Workforce Now 72%, BambooHR 71%

Changing, Decision Made - HRMS (500-4,999) and **In RFP Process - HRMS (500-4,999)** chart showing:
BambooHR 29%, ADP Workforce Now 25%/3%, Paylocity 18%/6%, Microsoft Dynamics 365 17%, Paycom 17%, UKG Pro 10%/5%, Overall for Category 9%/4%, Cornerstone 11%, Ceridian Dayforce 7%/3%, ADP (Other) 6%, Workday 2%, isolved 0%, Oracle HCM 0%, Oracle PeopleSoft 0%, SAP HCM 0%, SAP SuccessFactors 0%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

UKG Pro, Insperity, Sage HRMS, and Workday were the top vendors cited for vendor/offering participants are moving to for this size segment.

Figure 72 Top Vendors/Offerings Cited for Leaving From & Moving To – HRMS (500-4,999)
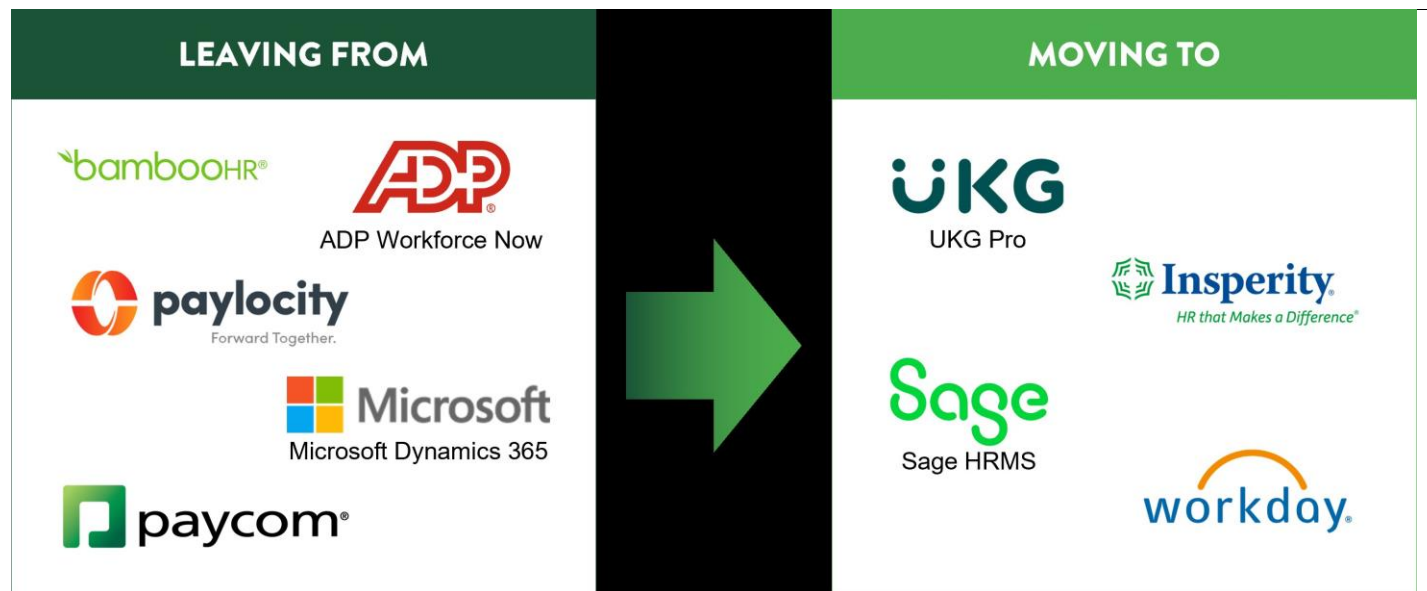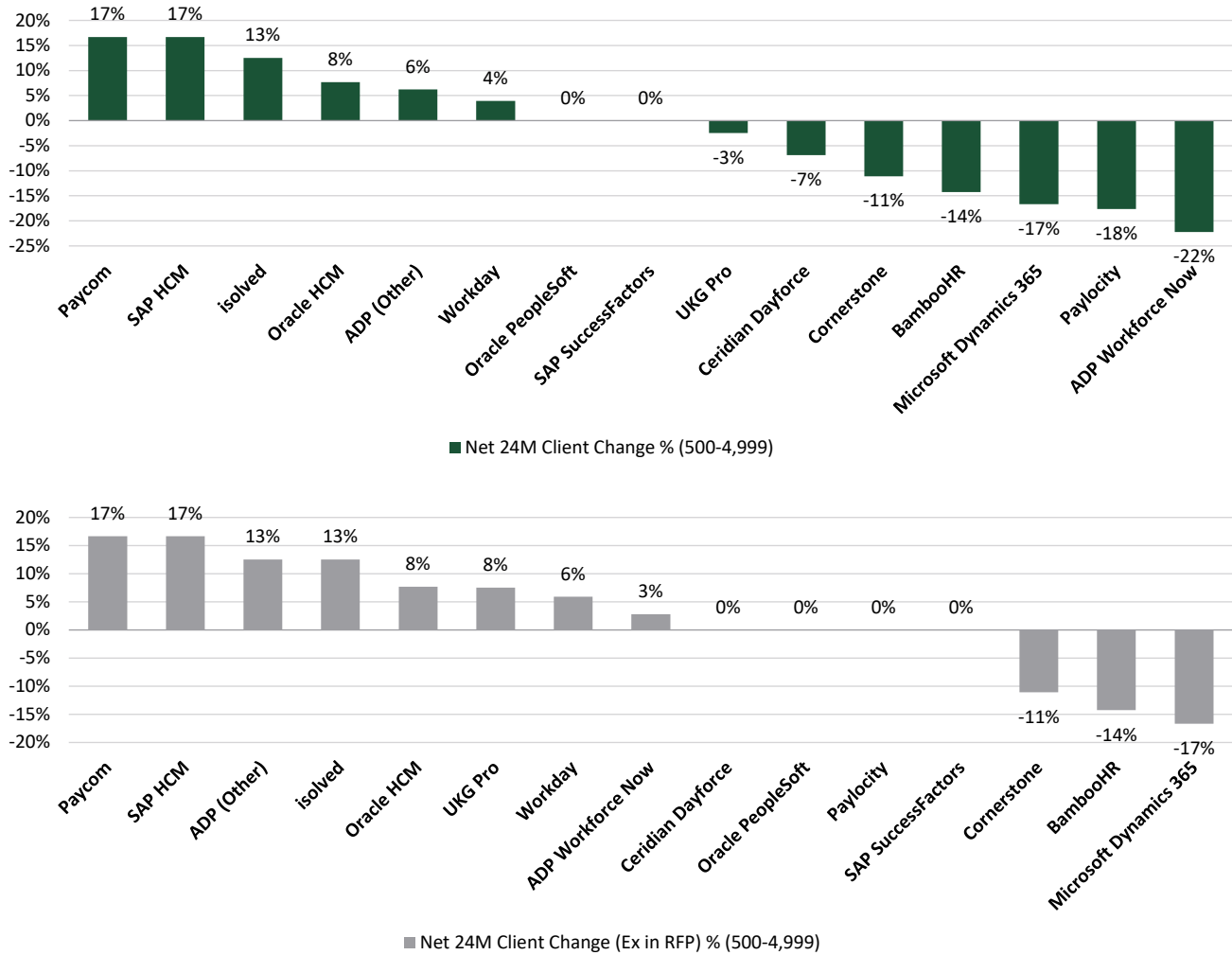

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Paycom (17%) and SAP HCM (17%) have the highest projected net client growth over the next 24 months, while ADP Workforce Now (-22%) and Paylocity (-18%) had the lowest within the mid-market respondents. Excluding 'In RFP', there is no change in composition of vendors/offerings with highest projected client growth, but Microsoft Dynamics 365 and BambooHR have the lowest projected growth.

Within our HCM coverage, Paycom (17%) has the best projected net client growth, while ADP Workforce Now (-22%) has the lowest projected net client growth. Excluding 'In RFP', no change in Paycom having the strongest net client growth, but Ceridian Dayforce and Paylocity have the lowest projected net client growth.

Figure 73 Projected Net 24 Month HRMS Client Count Change % - Including & Excluding In RFP (500-4,999)
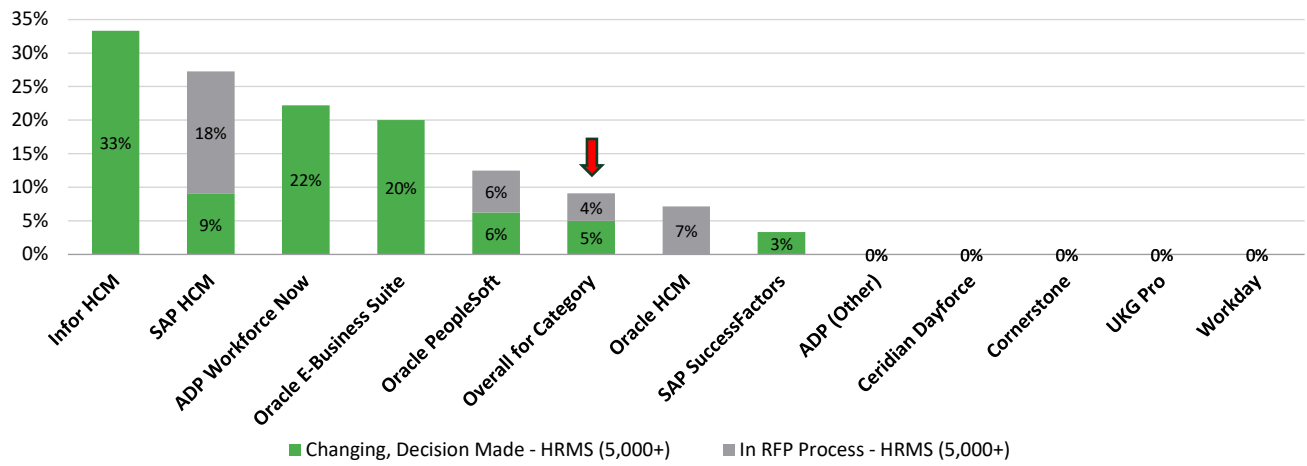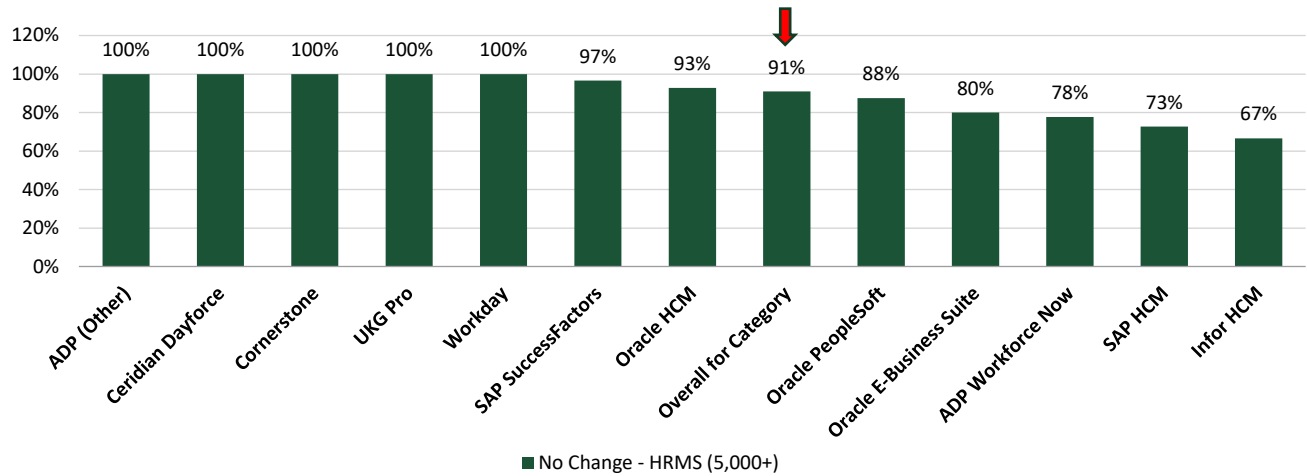

■ Net 24M Client Change % (500-4,999)

■ Net 24M Client Change (Ex in RFP) % (500-4,999)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HRMS (5,000+)

When viewing HRMS change plans at the vendor/offering level for the enterprise cohort, ADP (Other) (100%), Ceridian Dayforce (100%), Cornerstone (100%), UKG Pro (100%), and Workday (100%) had the highest mix of clients citing no intentions to change vendor/offering over the next 12-24 months. On the other hand, Infor HCM (33%), SAP HCM (27%), and ADP Workforce Now (22%) had the highest portion of HRMS clients pointing to potentially changing vendor/offering over the next 12-24 months.

Within our HCM coverage, Ceridian Dayforce (100%) had the highest client retention metrics, while ADP Workforce Now (78%) had the lowest implied retention metrics over the next 2 years.

Figure 74 HRMS Vendor/Offering Change Plans Over the Next 12-24 Months (5,000+)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Workday, SAP SuccessFactors, and Microsoft Dynamics 365 were the top vendors cited for vendor/offering participants are moving to for this size segment.

Figure 75 Top Vendors/Offerings Cited for Leaving From & Moving To – HRMS (5,000+)
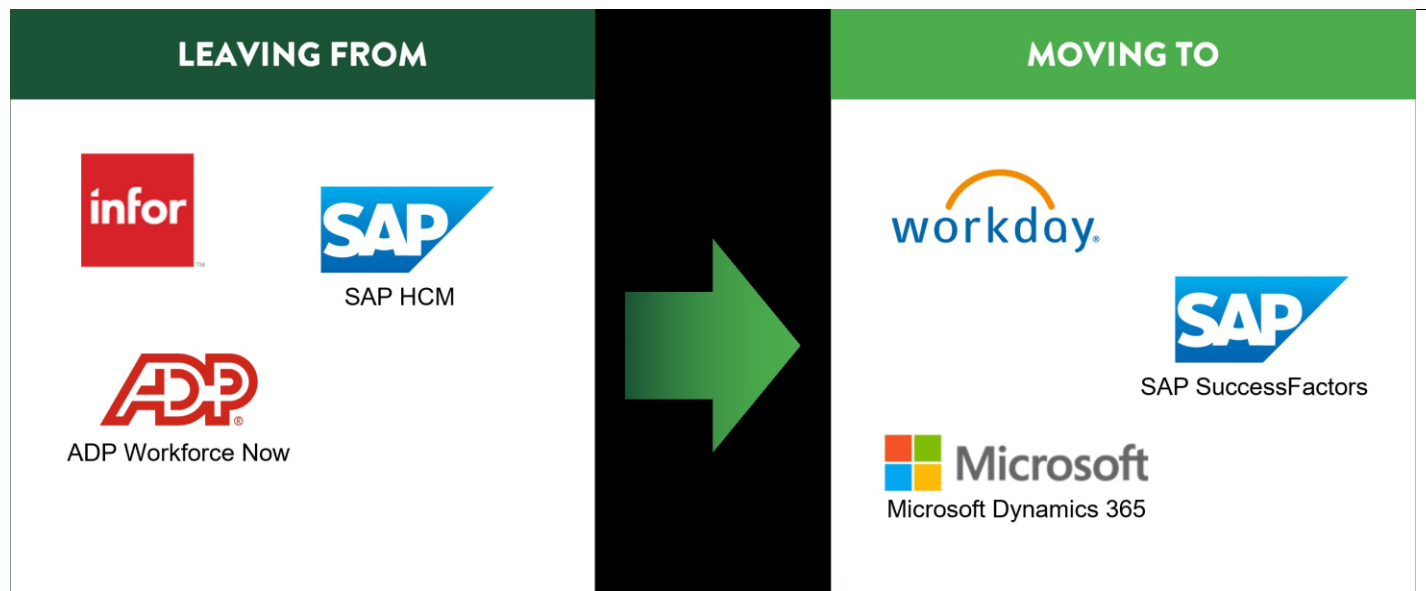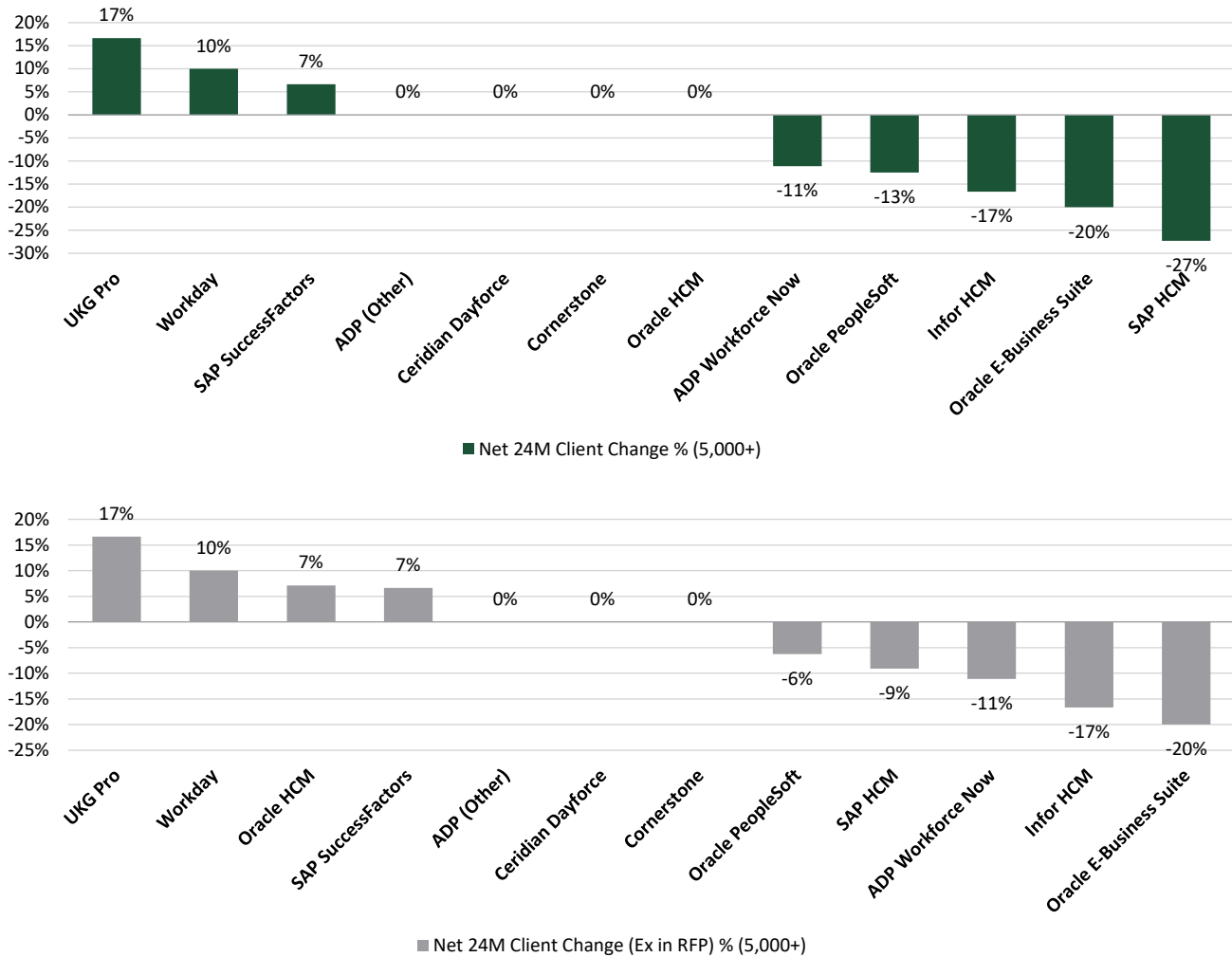

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

UKG Pro (17%) and Workday (10%) have the highest projected net client growth over the next 24 months, while SAP HCM (-27%) and Oracle E-Business Suite (-20%) had the lowest within the enterprise respondents. Excluding 'In RFP', there is no change in composition for the best projected net client growth, while Infor HCM joins Oracle E-Business Suite with the lowest projected client growth.

Within our HCM coverage, ADP (Other) (0%) and Ceridian Dayforce (0%) have the best projected net client growth, while ADP Workforce Now (-11%) has the lowest projected net client growth. Excluding 'In RFP', there is no change in highest/weakest projected net client growth composition.

Figure 76 Projected Net 24 Month HRMS Client Count Change % - Including & Excluding In RFP (5,000+)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

User Experience (UX) and Vendor Satisfaction

Survey respondents were polled on vendor satisfaction based on satisfaction with vendors' relationship, including the services and support provided. Both user experience (UX) and vendor satisfaction were asked on a 1–5 point scale, with 1 the worst and 5 the best possible ratings. Small sample sizes for vendors/offerings were not included in this analysis.

Participants that provided payroll UX and vendor satisfaction ratings were asked if customer service was the main reason for their ratings. Across employer size segments, customer service was pointed to by around 2/3rds of participants as the main reason for payroll UX and vendor satisfaction ratings provided. Customer service primary influence on payroll UX and vendor satisfaction ratings correlated with employer size, with 69% of SMB cohort versus 67% of mid-market and 65% of enterprise segment.

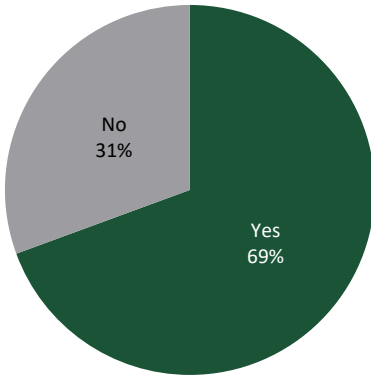**Figure 77 Customer Service Main Reason for Payroll Ratings (1-499)**

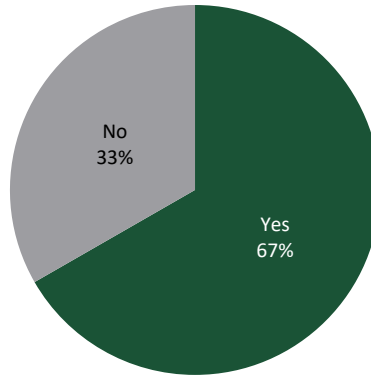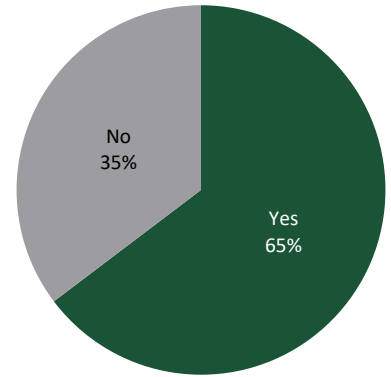**Figure 78 Customer Service Main Reason for Payroll Ratings (500-4,999)**

**Figure 79 Customer Service Main Reason for Payroll Ratings (5,000+)**

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Payroll (1-499)

For payroll, in the 1-499 employee size segment provided the highest average marks on UX for isolved (4.19), Rippling (4.16), and BambooHR (4.05), and highest vendor satisfaction scores for isolved (4.09), Rippling (4.06), and Intuit Quickbooks (4.00). On the other end of the spectrum, Insperity (3.21), Paycor (3.30), and TriNet Zenefits (3.34) ranked lowest for UX, while TriNet Zenefits (3.07), Paycor (3.17), and Insperity (3.17) were at the bottom for vendor satisfaction. It is notable that isolved and Rippling both scored top 2 highest for UX and vendor satisfaction while TriNet Zenefits, Paycor, and Insperity were all at the bottom for UX and vendor satisfaction. Within our HCM coverage, ADP Run, Paylocity, and Paychex registered the highest scores for UX and vendor satisfaction.

Figure 80 Payroll – UX & Vendor Satisfaction (1-499)
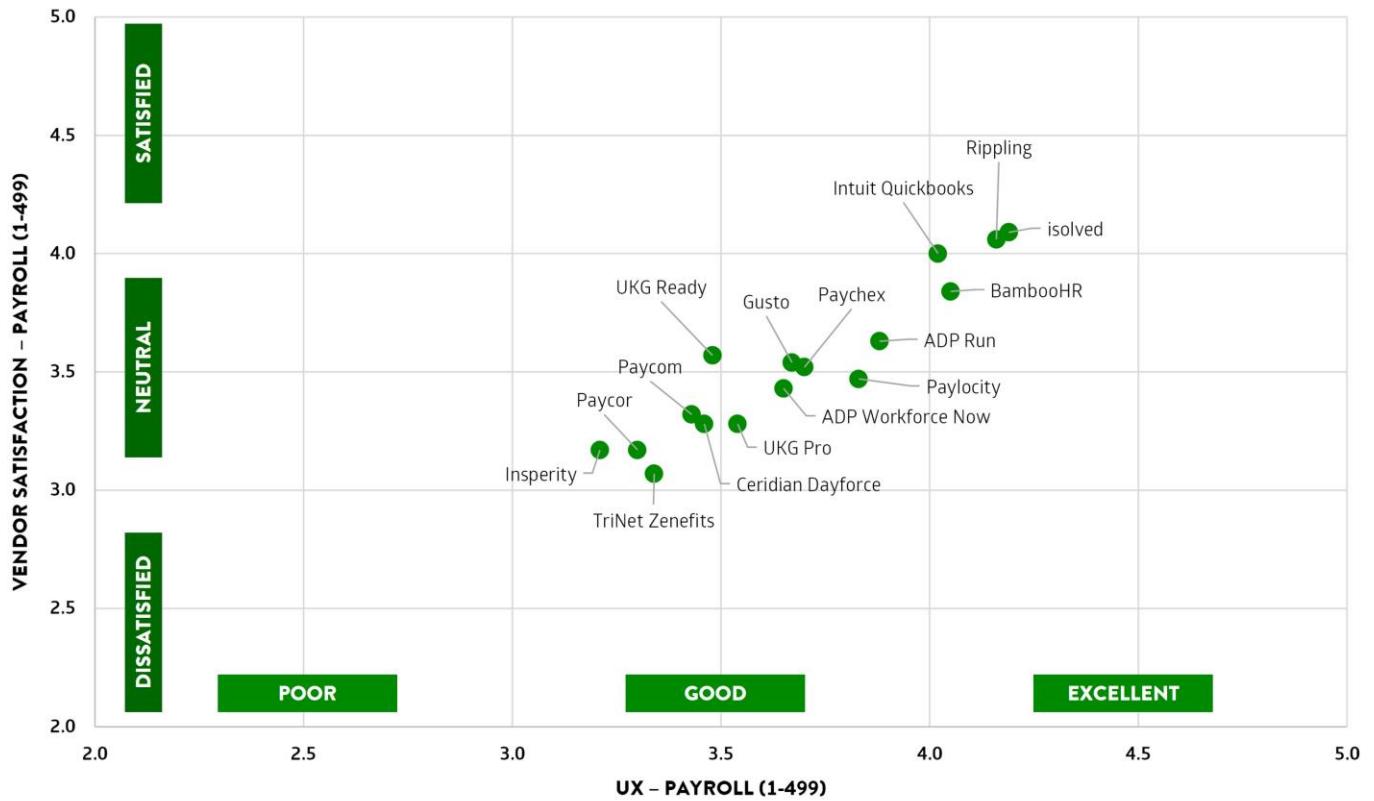
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 81 Payroll – UX & Vendor Satisfaction (1-499)
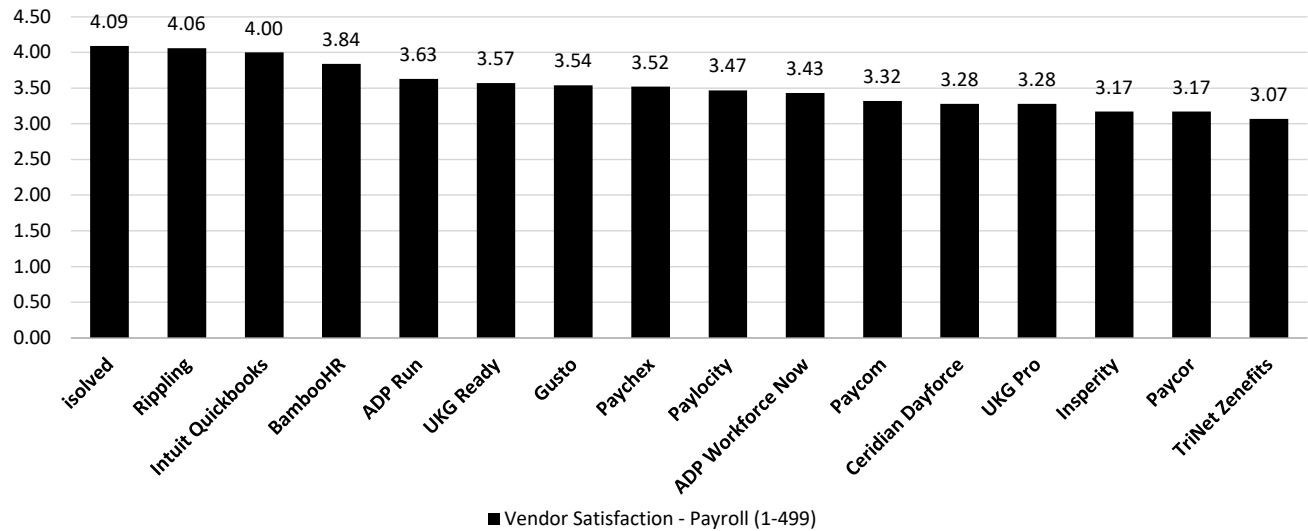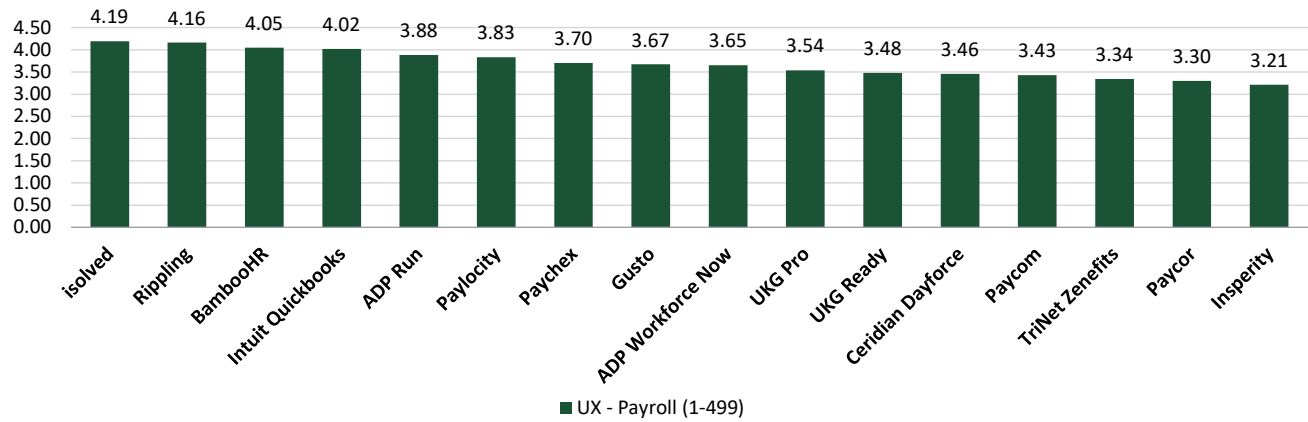
UX - Payroll (1-499)

Vendor Satisfaction - Payroll (1-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Consistent with last year's survey, isolved ranked highest for UX and vendor satisfaction, although its average score across each metric did decrease modestly compared to prior year survey. Intuit QuickBooks had the largest relative improvement in its UX score, while Paylocity had the greatest relative improvement in its vendor satisfaction score. On the other hand, UKG Ready had the greatest relative decrease in its UX score, while Paycor had the largest relative decrease in its vendor satisfaction score. Within our HCM coverage, Ceridian Dayforce and Paycor had the largest relative declines in UX and vendor satisfaction scores, while Paylocity registered the greatest relative improvements in scores.

Figure 82 Payroll – UX (1-499) – Current Year Versus Prior Year Survey

UX - Payroll (1-499)	2023	2022	Y/Y #	Y/Y %
isolved	4.19	4.56	-0.37	-8%
BambooHR	4.05	3.95	0.10	3%
Intuit Quickbooks	4.02	3.38	0.64	19%
ADP Run	3.88	3.91	-0.03	-1%
Paylocity	3.83	3.66	0.17	5%
Paychex	3.70	3.56	0.14	4%
Gusto	3.67	4.00	-0.33	-8%
ADP Workforce Now	3.65	3.66	-0.01	0%
UKG Pro	3.54	3.88	-0.34	-9%
UKG Ready	3.48	4.15	-0.67	-16%
Ceridian Dayforce	3.46	3.93	-0.47	-12%
Paycom	3.43	3.38	0.05	1%
Paycor	3.30	3.65	-0.35	-10%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; Sapient Insights 2022-2023 Annual HR Systems Survey, 25th Annual Edition; TD Cowen
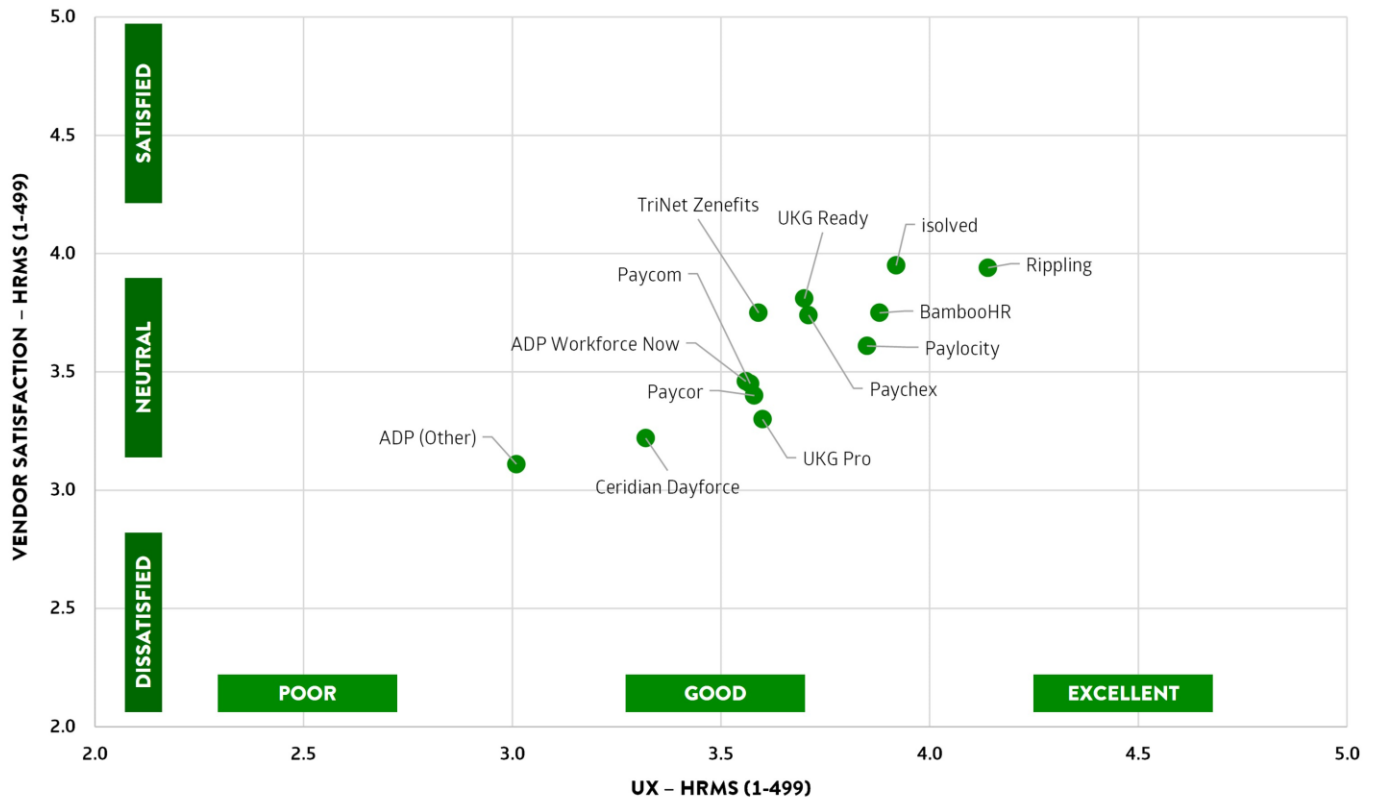
Figure 83 Payroll – Vendor Satisfaction (1-499) – Current Year Versus Prior Year Survey

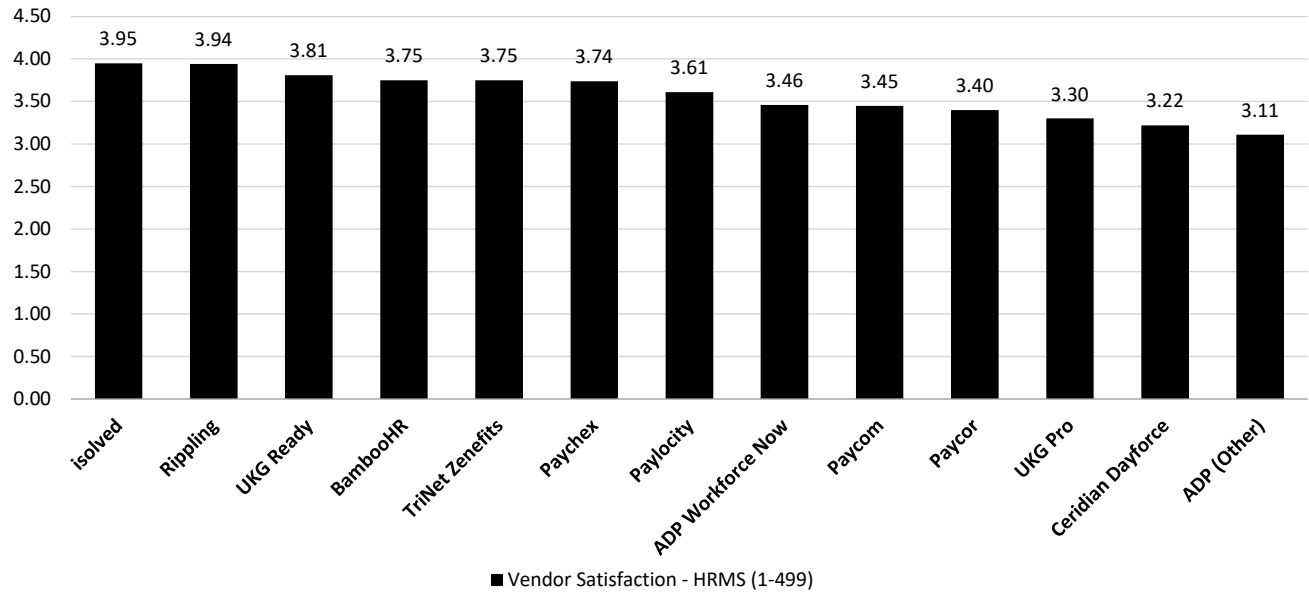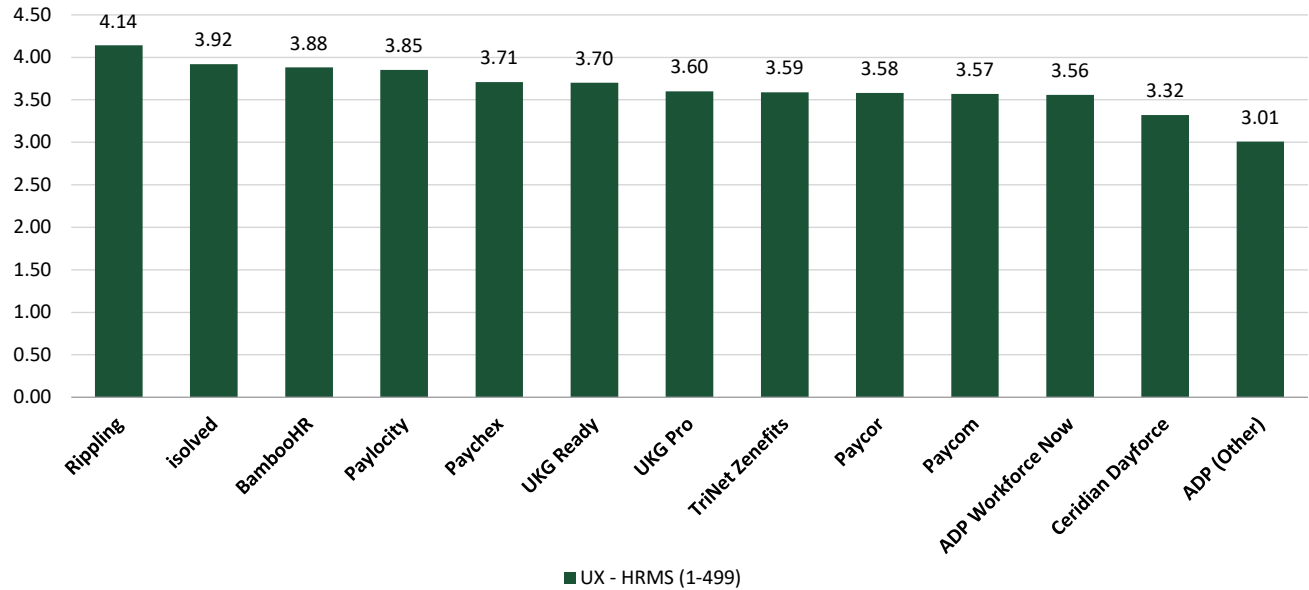| Vendor Satisfaction - Payroll (1-499)	2023	2022	Y/Y #	Y/Y %
isolved	4.09	4.26	-0.17	-4%
Intuit Quickbooks	4.00	3.79	0.21	6%
BambooHR	3.84	4.22	-0.38	-9%
ADP Run	3.63	4.10	-0.47	-11%
UKG Ready	3.57	3.90	-0.33	-8%
Gusto	3.54	3.89	-0.35	-9%
Paychex	3.52	3.46	0.06	2%
Paylocity	3.47	3.19	0.28	9%
ADP Workforce Now	3.43	3.36	0.07	2%
Paycom	3.32	3.19	0.13	4%
Ceridian Dayforce	3.28	3.92	-0.64	-16%
UKG Pro	3.28	3.80	-0.52	-14%
Paycor	3.17	4.07	-0.90	-22%

HRMS (1-499)

For HRMS, in the 1-499 employee size segment provided the highest average marks on UX for Rippling (4.14), isolved (3.92), and BambooHR (3.88), and highest vendor satisfaction for isolved (3.95), Rippling (3.94), and UKG Ready (3.81). On the other end of the spectrum, ADP (Other) (3.01), Ceridian Dayforce (3.32), and ADP Workforce Now (3.56) ranked lowest for UX, while ADP (Other) (3.11), Ceridian Dayforce (3.22), and UKG Pro (3.30) were at the bottom for vendor satisfaction. Isolved and Rippling were the only vendors to be in the top 3 for both UX and vendor satisfaction while ADP (Other) and Ceridian Dayforce were the only vendors in the bottom 3 for UX and vendor satisfaction. Within our HCM coverage, Paylocity and Paychex scored highest for UX while TriNet Zenefits and Paychex received the highest marks for vendor satisfaction.

Figure 84 HRMS – UX & Vendor Satisfaction (1-499)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 85 HRMS – UX & Vendor Satisfaction (1-499)

UX - HRMS (1-499)

	Rippling	isolved	BambooHR	Paylocity	Paychex	UKG Ready	UKG Pro	TriNet Zenefits	Paycor	Paycom	ADP Workforce Now	Ceridian Dayforce	ADP (Other)
UX	4.14	3.92	3.88	3.85	3.71	3.70	3.60	3.59	3.58	3.57	3.56	3.32	3.01

Vendor Satisfaction - HRMS (1-499)

	isolved	Rippling	UKG Ready	BambooHR	TriNet Zenefits	Paychex	Paylocity	ADP Workforce Now	Paycom	Paycor	UKG Pro	Ceridian Dayforce	ADP (Other)
Vendor Satisfaction	3.95	3.94	3.81	3.75	3.75	3.74	3.61	3.46	3.45	3.40	3.30	3.22	3.11

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Consistent with last year's survey, isolved ranked near the top for UX and vendor satisfaction, although its scores across each metric did decrease modestly compared to prior year survey. Paycom had the largest relative improvement in its UX and vendor satisfaction scores. On the other hand, Ceridian Dayforce had the greatest relative decrease in its UX and vendor satisfaction scores. Within our HCM coverage, Paychex also witnessed solid improvements across its metrics while Paycor registered modest declines across its metrics.

Figure 86 HRMS – UX (1-499) – Current Year Versus Prior Year Survey

UX - HRMS (1-499)	2023	2022	Y/Y #	Y/Y %
isolved	3.92	4.16	-0.24	-6%
BambooHR	3.88	3.78	0.10	3%
Paylocity	3.85	3.48	0.37	11%
Paychex	3.71	3.32	0.39	12%
UKG Ready	3.70	3.59	0.11	3%
UKG Pro	3.60	3.66	-0.06	-2%
Paycor	3.58	3.81	-0.23	-6%
Paycom	3.57	3.12	0.45	14%
ADP Workforce Now	3.56	3.73	-0.17	-5%
Ceridian Dayforce	3.32	3.70	-0.38	-10%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; Sapient Insights 2022-2023 Annual HR Systems Survey, 25th Annual Edition; TD Cowen

Figure 87 HRMS – Vendor Satisfaction (1-499) – Current Year Versus Prior Year Survey

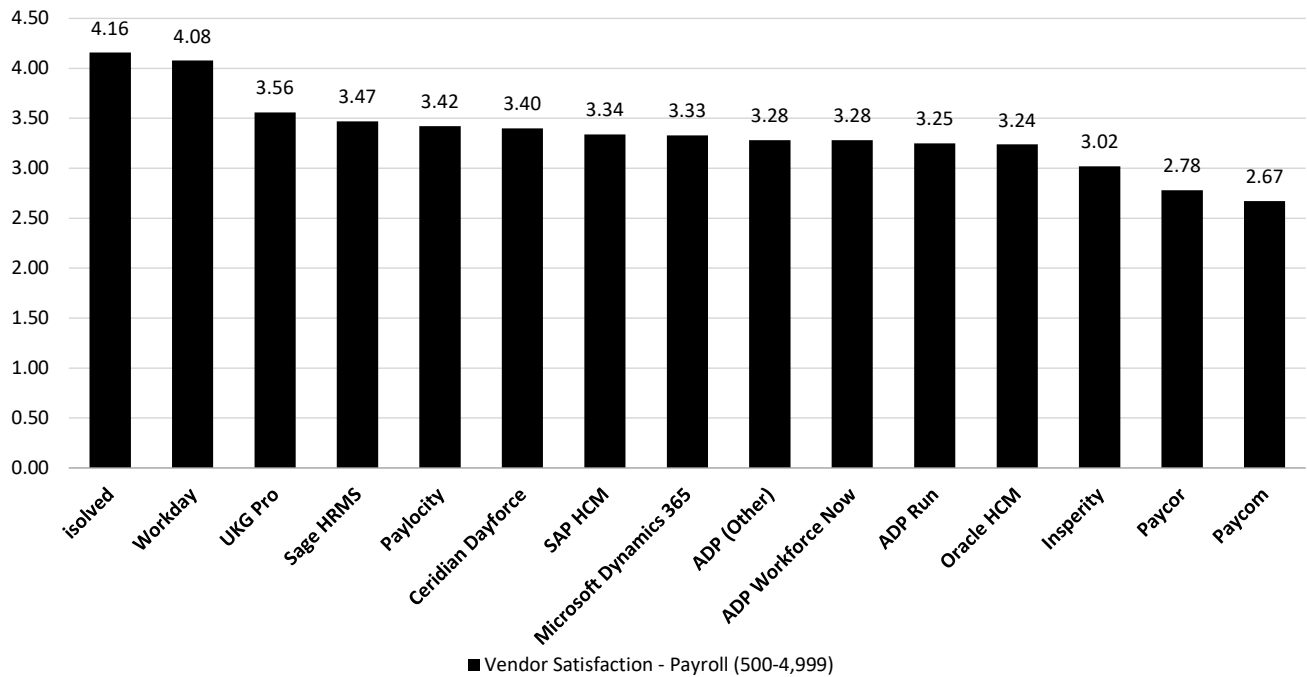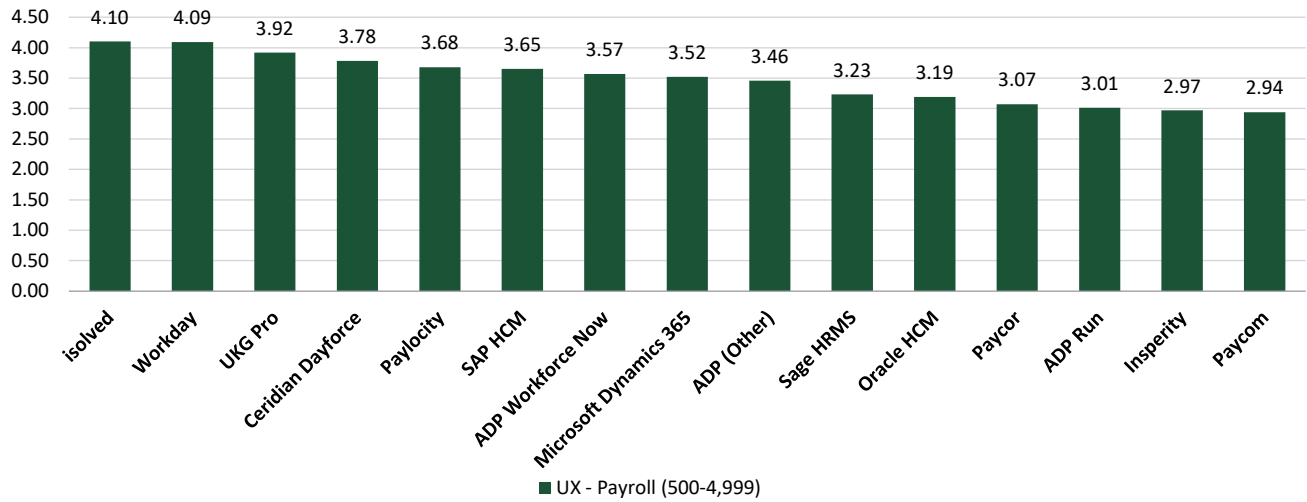| Vendor Satisfaction - HRMS (1-499)	2023	2022	Y/Y #	Y/Y %
isolved	3.95	4.14	-0.19	-5%
UKG Ready	3.81	3.55	0.26	7%
BambooHR	3.75	3.97	-0.22	-6%
Paychex	3.74	3.43	0.31	9%
Paylocity	3.61	3.75	-0.14	-4%
ADP Workforce Now	3.46	3.24	0.22	7%
Paycom	3.45	2.98	0.47	16%
Paycor	3.40	3.80	-0.40	-11%
UKG Pro	3.30	3.56	-0.26	-7%
Ceridian Dayforce	3.22	3.71	-0.49	-13%

Payroll (500-4,999)

For payroll, in the 500-4,9999 employee size segment provided the highest average marks on UX for isolved (4.10), Workday (4.09), and UKG Pro (3.92), and highest vendor satisfaction for isolved (4.16), Workday (4.08), and UKG Pro (3.56). On the other end of the spectrum, Paycom (2.94), Insperity (2.97), and ADP Run (3.01) ranked lowest for UX, while Paycom (2.67), Paycor (2.78), and Insperity (3.02) were at the bottom for vendor satisfaction. It is notable that isolved, Workday, and UKG Pro all scored top 3 highest for UX and vendor satisfaction while Paycom was lowest for both UX and vendor satisfaction. Within our HCM coverage, Paylocity, and Ceridian Dayforce registered the highest scores for UX and vendor satisfaction.

Figure 88 Payroll – UX & Vendor Satisfaction (500-4,999)
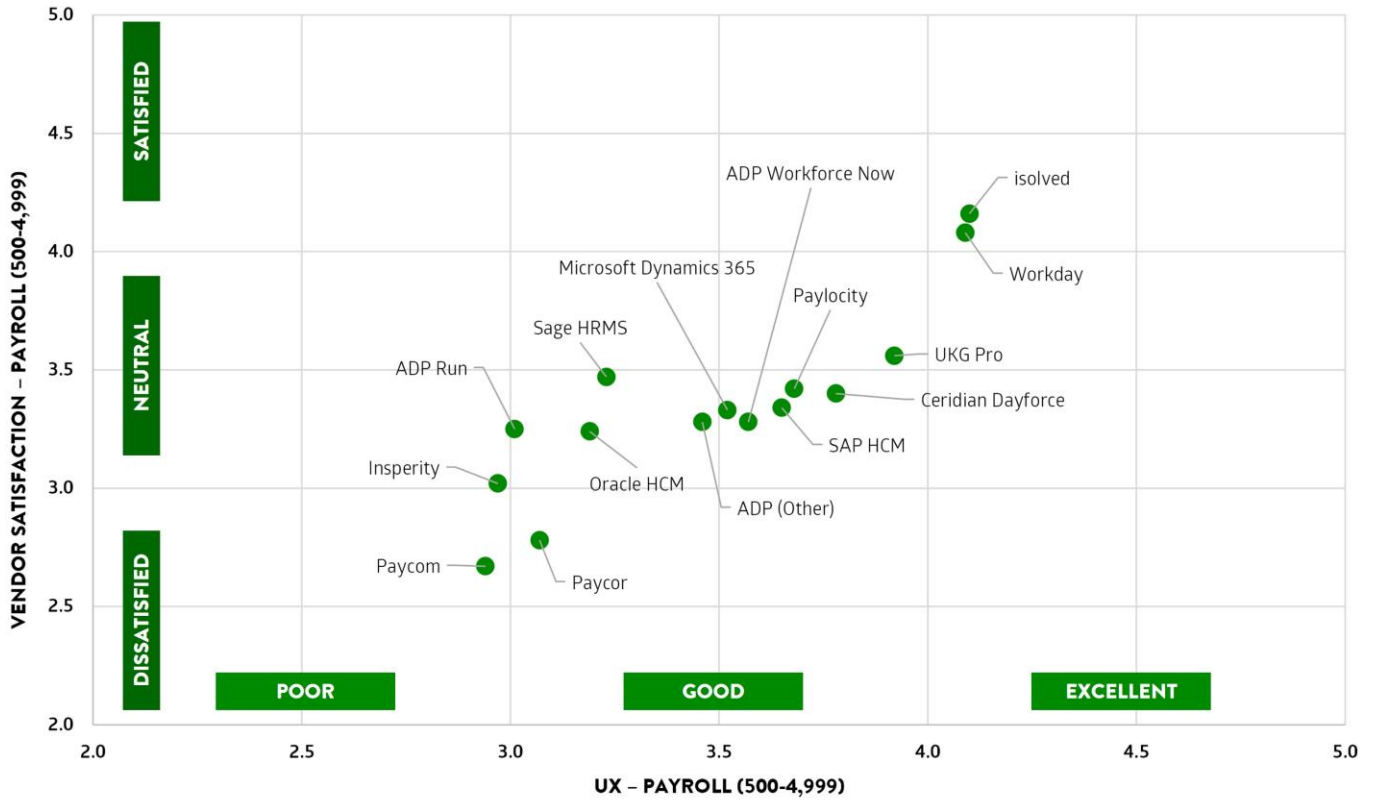
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 89 Payroll – UX & Vendor Satisfaction (500-4,999)

UX - Payroll (500-4,999)

Values (left to right): isolved 4.10, Workday 4.09, UKG Pro 3.92, Ceridian Dayforce 3.78, Paylocity 3.68, SAP HCM 3.65, ADP Workforce Now 3.57, Microsoft Dynamics 365 3.52, ADP (Other) 3.46, Sage HRMS 3.23, Oracle HCM 3.19, Paycor 3.07, ADP Run 3.01, Insperity 2.97, Paycom 2.94

Vendor Satisfaction - Payroll (500-4,999)

Values (left to right): isolved 4.16, Workday 4.08, UKG Pro 3.56, Sage HRMS 3.47, Paylocity 3.42, Ceridian Dayforce 3.40, SAP HCM 3.34, Microsoft Dynamics 365 3.33, ADP (Other) 3.28, ADP Workforce Now 3.28, ADP Run 3.25, Oracle HCM 3.24, Insperity 3.02, Paycor 2.78, Paycom 2.67

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Consistent with last year's survey, Paycom ranked near the bottom for UX and vendor satisfaction, although its average score across each metric did increase moderately compared to prior year survey. Paycom had the largest relative improvement in its UX score, while Sage HRMS had the greatest relative improvement in its vendor satisfaction score. On the other hand, Oracle HCM had the greatest relative decrease in its UX score, while Paycor had the largest relative decrease in its vendor satisfaction score. Within our HCM coverage, ADP Workforce Now and Paycor had the largest relative declines in UX and vendor satisfaction scores, while Paycom registered the greatest relative improvements in scores.

Figure 90 Payroll – UX (500-4,999) – Current Year Versus Prior Year Survey

UX - Payroll (500-4,999)	2023	2022	Y/Y #	Y/Y %
Workday	4.09	3.99	0.10	3%
UKG Pro	3.92	4.17	-0.25	-6%
Ceridian Dayforce	3.78	3.74	0.04	1%
ADP Workforce Now	3.57	4.05	-0.48	-12%
Sage HRMS	3.23	3.06	0.17	6%
Oracle HCM	3.19	3.98	-0.79	-20%
Paycor	3.07	3.40	-0.33	-10%
ADP Run	3.01	2.86	0.15	5%
Paycom	2.94	2.55	0.39	15%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; Sapient Insights 2022-2023 Annual HR Systems Survey, 25th Annual Edition; TD Cowen

Figure 91 Payroll – Vendor Satisfaction (500-4,999) – Current Year Versus Prior Year Survey

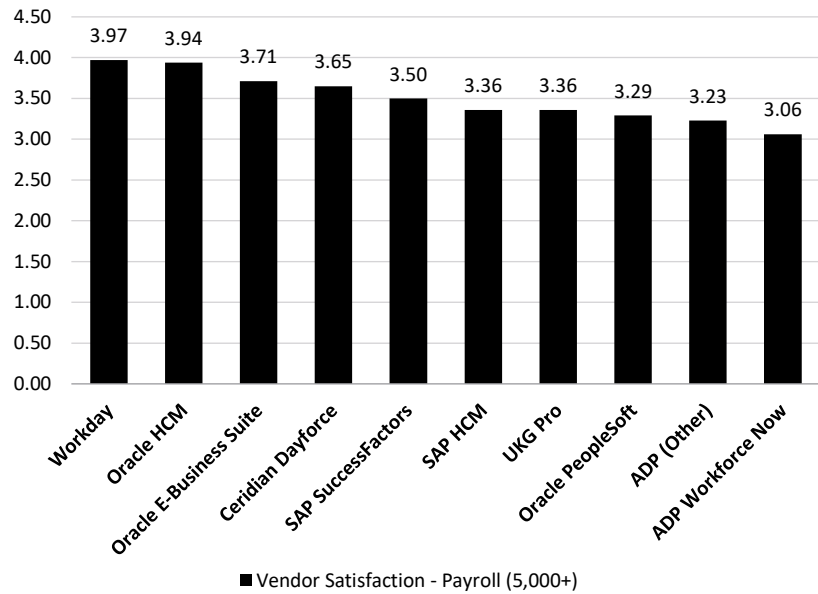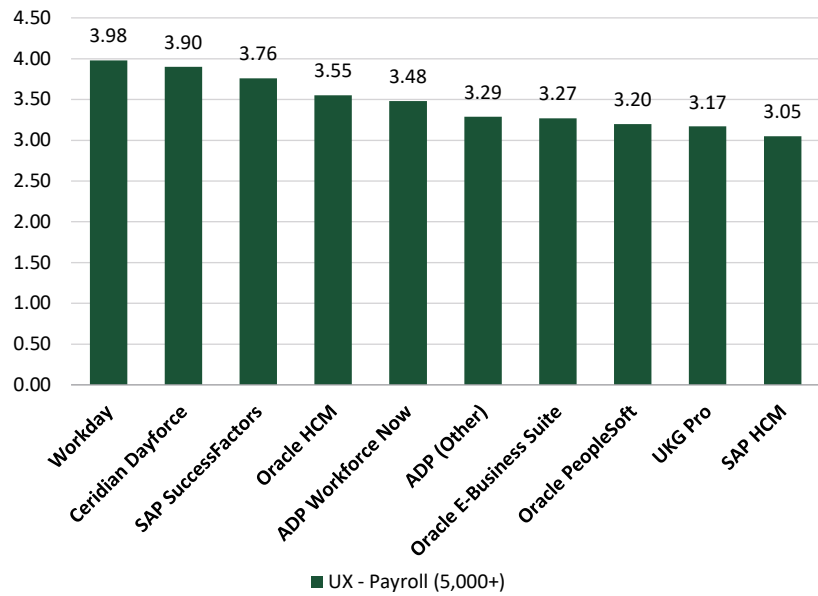| Vendor Satisfaction - Payroll (500-4,999)	2023	2022	Y/Y #	Y/Y %
Workday	4.08	3.90	0.18	5%
UKG Pro	3.56	4.09	-0.53	-13%
Sage HRMS	3.47	2.30	1.17	51%
Ceridian Dayforce	3.40	3.51	-0.11	-3%
ADP Workforce Now	3.28	3.57	-0.29	-8%
ADP Run	3.25	3.39	-0.14	-4%
Oracle HCM	3.24	3.66	-0.42	-11%
Paycor	2.78	3.75	-0.97	-26%
Paycom	2.67	2.41	0.26	11%

HRMS (500-4,999)

For HRMS, in the 500-4,999 employee size segment provided the highest average marks on UX for isolved (4.07), Workday (3.90), and SAP SuccessFactors (3.77), and highest vendor satisfaction for isolved (4.12), Workday (4.03), and UKG Pro (3.64). On the other end of the spectrum, Paycom (2.44), Microsoft Dynamics 365 (2.78), and SAP HCM (2.83) ranked lowest for UX, while Paycom (2.16), Microsoft Dynamics 365 (2.72), and Paycor (2.82) were at the bottom for vendor satisfaction. Isolved and Workday were the only vendors to be in the top 3 for both UX and vendor satisfaction while Paycom and Microsoft Dynamics 365 were the only vendors in the bottom 3 for UX and vendor satisfaction. Within our HCM coverage, Ceridian Dayforce and ADP Workforce Now scored highest for UX and for vendor satisfaction.

Figure 92 HRMS – UX & Vendor Satisfaction (500-4,999)
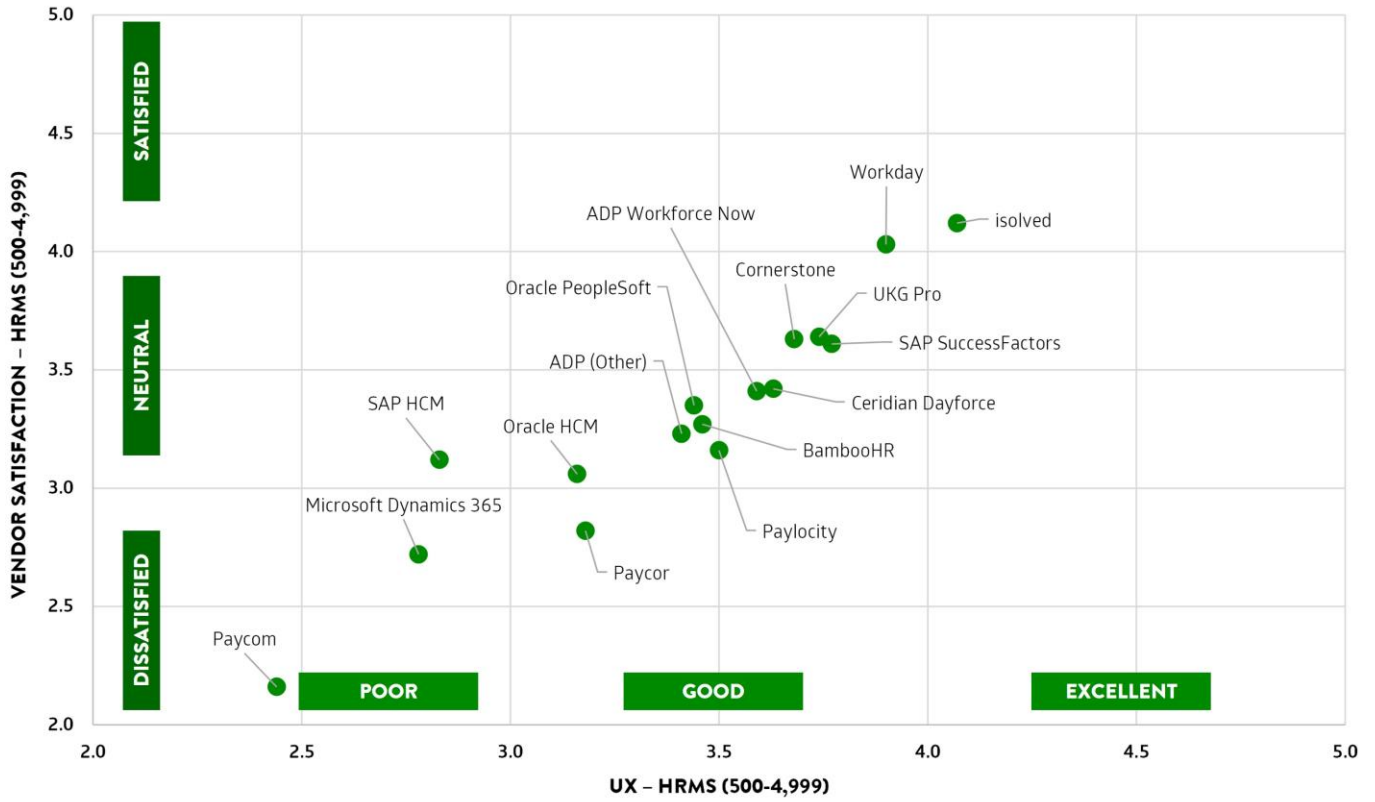
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 93 HRMS – UX & Vendor Satisfaction (500-4,999)

UX - HRMS (500-4,999)

isolved 4.07, Workday 3.90, SAP SuccessFactors 3.77, UKG Pro 3.74, Cornerstone 3.68, Ceridian Dayforce 3.63, ADP Workforce Now 3.59, Paylocity 3.50, BambooHR 3.46, Oracle PeopleSoft 3.44, ADP (Other) 3.41, Paycor 3.18, Oracle HCM 3.16, SAP HCM 2.83, Microsoft Dynamics 365 2.78, Paycom 2.44

Vendor Satisfaction - HRMS (500-4,999)

isolved 4.12, Workday 4.03, UKG Pro 3.64, Cornerstone 3.63, SAP SuccessFactors 3.61, Ceridian Dayforce 3.42, ADP Workforce Now 3.41, Oracle PeopleSoft 3.35, BambooHR 3.27, ADP (Other) 3.23, Paylocity 3.16, SAP HCM 3.12, Oracle HCM 3.06, Paycor 2.82, Microsoft Dynamics 365 2.72, Paycom 2.16

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Consistent with last year's survey, Workday ranked near the top for UX and vendor satisfaction. Oracle PeopleSoft had the largest relative improvement in its UX and vendor satisfaction scores. On the other hand, Paycom had the greatest relative decrease across both its UX and vendor satisfaction scores. Within our HCM coverage, ADP Workforce Now and Paylocity stood out in terms relative improvements in UX and vendor satisfaction scores.

Figure 94 HRMS – UX (500-4,999) – Current Year Versus Prior Year Survey

UX - HRMS (500-4,999)	2023	2022	Y/Y #	Y/Y %
Workday	3.90	3.93	-0.03	-1%
UKG Pro	3.74	3.99	-0.25	-6%
Ceridian Dayforce	3.63	3.79	-0.16	-4%
ADP Workforce Now	3.59	3.24	0.35	11%
Paylocity	3.50	3.28	0.22	7%
Oracle PeopleSoft	3.44	2.80	0.64	23%
Oracle HCM	3.16	3.10	0.06	2%
Paycom	2.44	3.10	-0.66	-21%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; Sapient Insights 2022-2023 Annual HR Systems Survey, 25th Annual Edition; TD Cowen

Figure 95 HRMS – Vendor Satisfaction (500-4,999) – Current Year Versus Prior Year Survey

| Vendor Satisfaction - HRMS (500-4,999)	2023	2022	Y/Y #	Y/Y %
Workday	4.03	3.90	0.13	3%
UKG Pro	3.64	3.72	-0.08	-2%
Ceridian Dayforce	3.42	3.54	-0.12	-3%
ADP Workforce Now	3.41	3.29	0.12	4%
Oracle PeopleSoft	3.35	2.97	0.38	13%
Paylocity	3.16	3.12	0.04	1%
Oracle HCM	3.06	3.68	-0.62	-17%
Paycom	2.16	2.81	-0.65	-23%

Payroll (5,000+)

For payroll, in the 5,000+ employee size segment provided the highest average marks on UX for Workday (3.98), Ceridian Dayforce (3.90), and SAP SuccessFactors (3.76), and highest vendor satisfaction for Workday (3.97), Oracle HCM (3.94), and Oracle E-Business Suite (3.71). On the other end of the spectrum, SAP HCM (3.05), UKG Pro (3.17), and Oracle PeopleSoft (3.20) ranked lowest for UX, while ADP Workforce Now (3.06), ADP (Other) (3.23), and Oracle PeopleSoft (3.29) were at the bottom for vendor satisfaction. It is notable that Workday scored highest for UX and vendor satisfaction. Within our HCM coverage, Ceridian Dayforce registered the highest scores for UX and vendor satisfaction.

Figure 96 Payroll – UX & Vendor Satisfaction (5,000+)
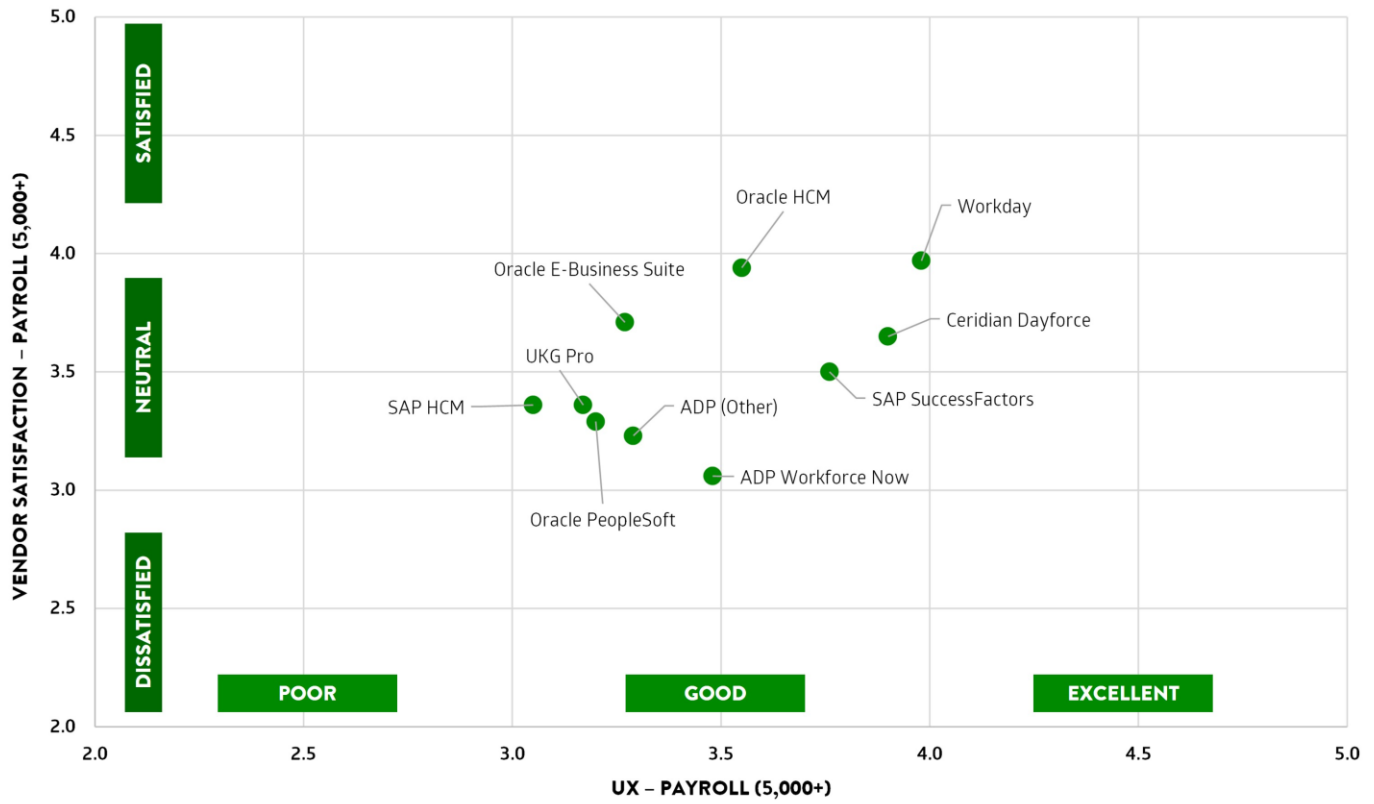
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 97 Payroll – UX & Vendor Satisfaction (5,000+)

UX - Payroll (5,000+)

Workday	3.98
Ceridian Dayforce	3.90
SAP SuccessFactors	3.76
Oracle HCM	3.55
ADP Workforce Now	3.48
ADP (Other)	3.29
Oracle E-Business Suite	3.27
Oracle PeopleSoft	3.20
UKG Pro	3.17
SAP HCM	3.05

Vendor Satisfaction - Payroll (5,000+)

Workday	3.97
Oracle HCM	3.94
Oracle E-Business Suite	3.71
Ceridian Dayforce	3.65
SAP SuccessFactors	3.50
SAP HCM	3.36
UKG Pro	3.36
Oracle PeopleSoft	3.29
ADP (Other)	3.23
ADP Workforce Now	3.06

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Consistent with last year's survey, Workday ranked highest for UX and vendor satisfaction. ADP Workforce Now had the largest relative improvement in its UX score, while Oracle HCM had the greatest relative improvement in its vendor satisfaction score. On the other hand, Oracle PeopleSoft had the greatest relative decrease in its UX and vendor satisfaction scores. Within our HCM coverage, ADP Workforce Now and Ceridian Dayforce witnessed slight improvements in UX scores, but both had modest declines in vendor satisfaction scores.

Figure 98 Payroll – UX (5,000+) – Current Year Versus Prior Year Survey

UX - Payroll (5,000+)	2023	2022	Y/Y #	Y/Y %
Workday	3.98	3.90	0.08	2%
Ceridian Dayforce	3.90	3.81	0.09	2%
Oracle HCM	3.55	3.50	0.05	1%
ADP Workforce Now	3.48	3.33	0.15	5%
Oracle PeopleSoft	3.20	3.21	-0.01	0%
SAP HCM	3.05	3.04	0.01	0%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; Sapient Insights 2022-2023 Annual HR Systems Survey, 25th Annual Edition; TD Cowen

Figure 99 Payroll – Vendor Satisfaction (5,000+) – Current Year Versus Prior Year Survey

Vendor Satisfaction - Payroll (5,000+)	2023	2022	Y/Y #	Y/Y %
Workday	3.97	4.11	-0.14	-3%
Oracle HCM	3.94	3.68	0.26	7%
Ceridian Dayforce	3.65	4.02	-0.37	-9%
SAP HCM	3.36	3.56	-0.20	-6%
Oracle PeopleSoft	3.29	3.69	-0.40	-11%
ADP Workforce Now	3.06	3.22	-0.16	-5%

HRMS (5,000+)

For HRMS, in the 5,000+ employee size segment provided the highest average marks on UX for ADP (Other) (3.63), Ceridian Dayforce (3.61), and Workday (3.60), and highest vendor satisfaction for Workday (3.70), Ceridian Dayforce (3.66), and Oracle HCM (3.59). On the other end of the spectrum, SAP HCM (2.77), Oracle E-Business Suite (2.79), and SAP SuccessFactors (3.16) ranked lowest for UX, while Oracle E-Business Suite (2.56), Infor HCM (3.09), and SAP SuccessFactors (3.27) were at the bottom for vendor satisfaction. Ceridian Dayforce and Workday were the only vendors to be in the top 3 for both UX and vendor satisfaction while SAP SuccessFactors and Oracle E-Business Suite were the only vendors in the bottom 3 for UX and vendor satisfaction.

Figure 100 HRMS – UX & Vendor Satisfaction (5,000+)
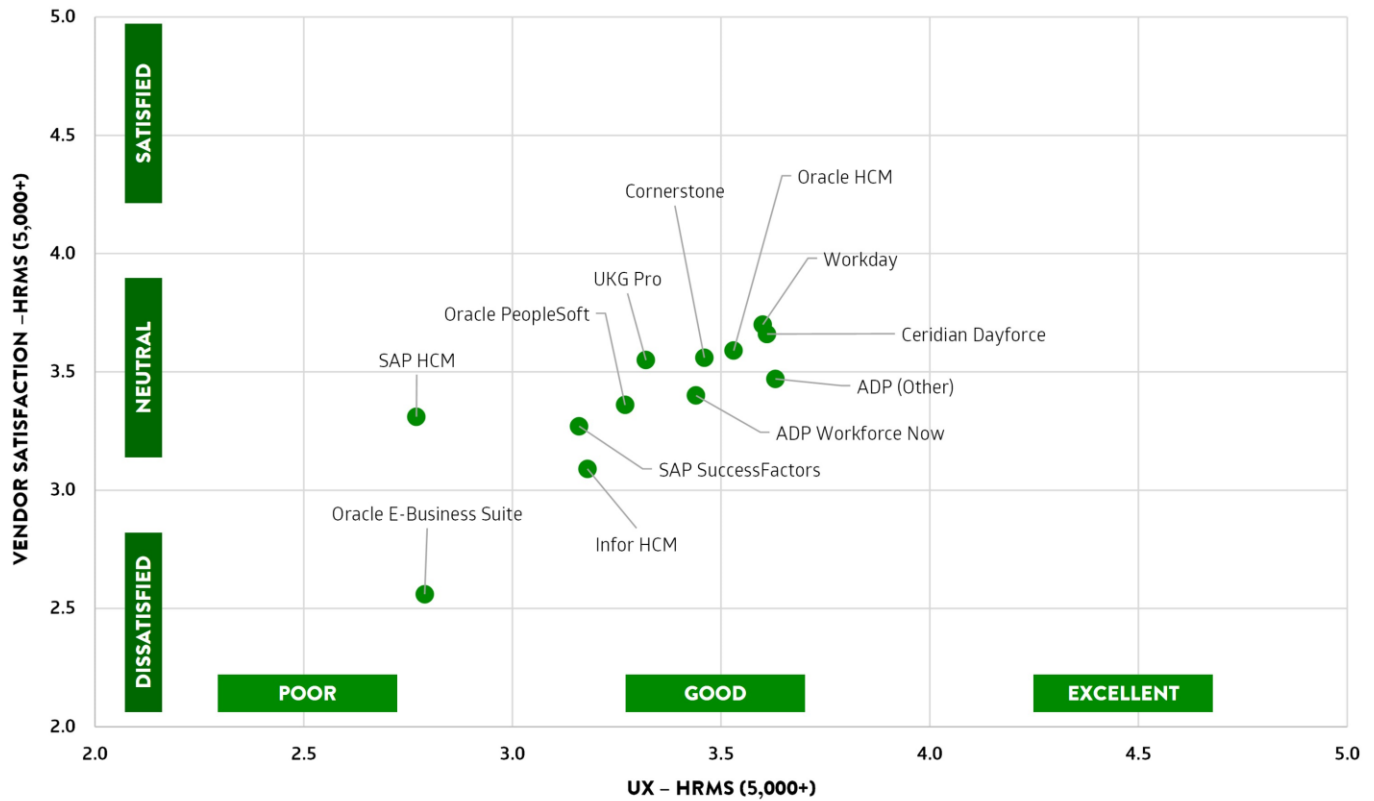
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 101 HRMS – UX & Vendor Satisfaction (5,000+)
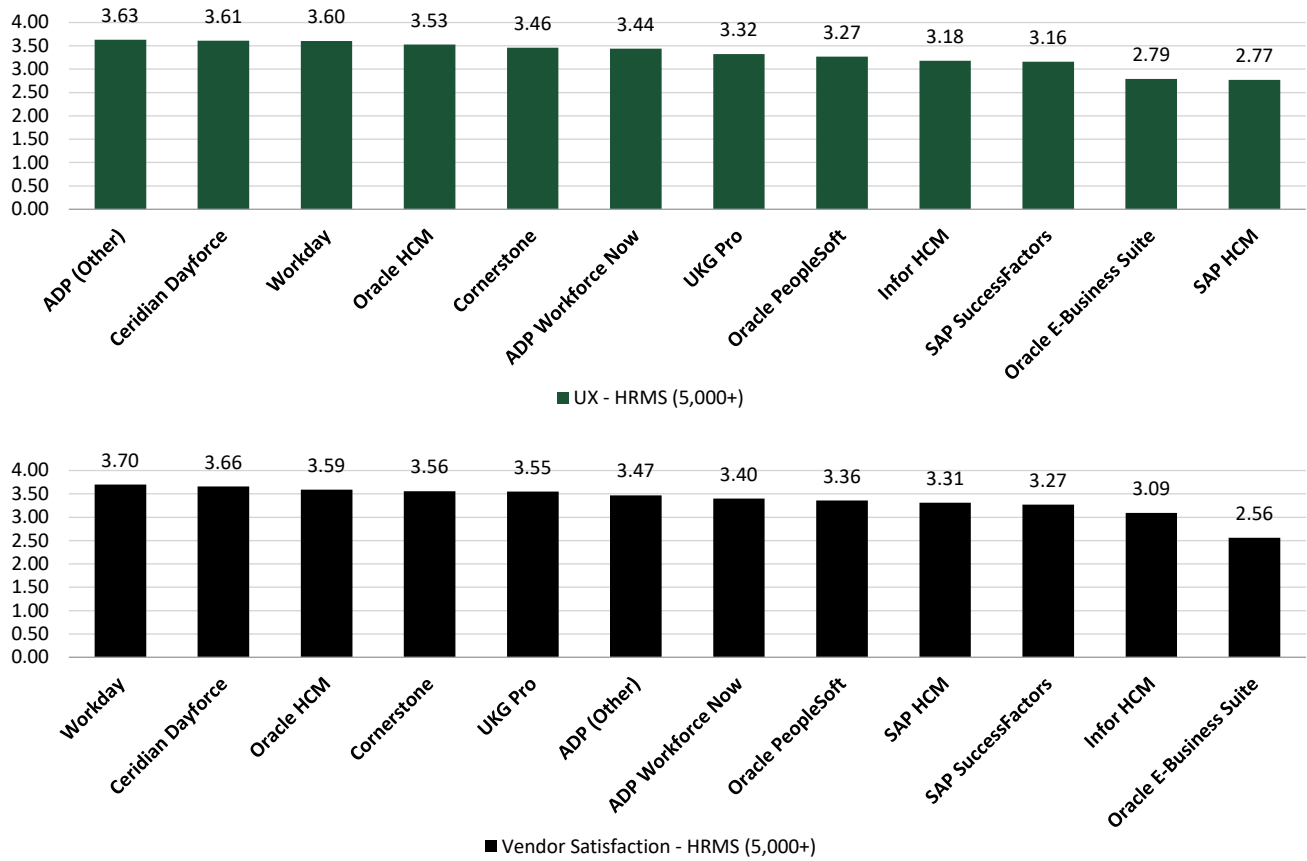
UX - HRMS (5,000+)

Vendor Satisfaction - HRMS (5,000+)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Consistent with last year's survey, Workday and Ceridian Dayforce ranked near the top for UX and vendor satisfaction. ADP Workforce Now had the largest relative improvement in its UX score, while Infor HCM had the greatest relative improvement in its vendor satisfaction score. On the other hand, UKG Pro had the greatest relative decrease in its UX and vendor satisfaction scores. Within our HCM coverage, ADP Workforce Now stood out in terms of its notable relative improvement across UX and vendor satisfaction scores.

Figure 102 HRMS – UX (5,000+) – Current Year Versus Prior Year Survey

UX - HRMS (5,000+)	2023	2022	Y/Y #	Y/Y %
Ceridian Dayforce	3.61	3.61	0.00	0%
Workday	3.60	3.80	-0.20	-5%
Oracle HCM	3.53	3.42	0.11	3%
ADP Workforce Now	3.44	2.84	0.60	21%
UKG Pro	3.32	3.75	-0.43	-11%
Oracle PeopleSoft	3.27	3.30	-0.03	-1%
Infor HCM	3.18	2.96	0.22	7%
SAP HCM	2.77	3.04	-0.27	-9%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; Sapient Insights 2022-2023 Annual HR Systems Survey, 25th Annual Edition; TD Cowen

Figure 103 HRMS – Vendor Satisfaction (5,000+) – Current Year Versus Prior Year Survey

Vendor Satisfaction - HRMS (5,000+)	2023	2022	Y/Y #	Y/Y %
Workday	3.70	3.92	-0.22	-6%
Ceridian Dayforce	3.66	3.66	0.00	0%
Oracle HCM	3.59	3.63	-0.04	-1%
UKG Pro	3.55	3.89	-0.34	-9%
ADP Workforce Now	3.40	2.76	0.64	23%
Oracle PeopleSoft	3.36	3.51	-0.15	-4%
SAP HCM	3.31	3.45	-0.14	-4%
Infor HCM	3.09	2.43	0.66	27%

Payroll Analysis & Takeaways for HCM Coverage

ADP: ADP's user experience (UX) and vendor satisfaction scores were highest on average within the SMB, while enterprise had the 2nd highest average UX scores, but mid-market had the 2nd highest vendor satisfaction scores. The SMB cohort is the only segment ADP had an offering near the top of the individual vendors/offerings evaluated, with mid-market and enterprise offerings near the middle or bottom of pack across UX and vendor satisfaction scores. SMB was led by Run, which ranked near top across UX (5 of 16) and vendor satisfaction (5 of 14) despite modest declines in its scores compared to our prior year survey. Mid-market performance was weighed by its Run offering, while Workforce Now had its best combination of UX (7 of 15) and vendor satisfaction (tied 9 of 14) of scores, but Workforce Now did witness modest y/y declines in its scores. In enterprise, ADP was in the middle of the pack for UX scores but registered the 2 lowest vendor satisfaction scores for the category, with Workforce Now (9 of 9) and Other (8 of 9).

Ceridian Dayforce: Ceridian Dayforce registered its highest scores in the enterprise segment followed by the mid-market, with SMB the lowest. In enterprise, it garnered the 2nd highest (out of 10) ranking for UX, while its vendor satisfaction score was near the middle of the pack (4 of 9) with a modest y/y decline in its score. In the mid-market it scores were relatively flat y/y, led by it UX score coming in at 4th out of 15 while its vendor satisfaction score was near the middle (6 of 14). In the SMB segment it ranked near bottom across both metrics with double-digit declines compared to prior year survey.

Paychex: Received UX and vendor satisfaction scores in the SMB segment that were slightly above median, as it ranked near the middle of pack across both metrics (UX 7 of 16 and 8 of 14 for Vendor Satisfaction within SMB). Both scores increased slightly compared to our prior year survey. Within our HCM coverage in SMB segment, it had the 3rd best UX score (of 8) and 2nd highest for Vendor satisfaction.

Paycom: Paycom had notably higher UX and vendor satisfaction scores in the SMB relative to the mid-market segment. In the mid-market despite reporting double-digit increases in scores relative to prior year survey, it still ranked last across both UX and vendor satisfaction scores. Its mid-market vendor satisfaction score of 2.67 was the lowest score garnered for any vendor within our HCM coverage across any employer size segment. In the SMB its scores increased slightly relative to our prior year survey,

but still landed it near the bottom of rankings across both UX (13 of 16) and vendor satisfaction (11 of 14).

Paylocity: Registered higher average scores in the SMB relative to the mid-market segment. However, its relative rankings were better within the mid-market coming in closer towards the top (5 of 15 in UX and 5 of 14 in Vendor Satisfaction), while it was near middle of pack in the SMB. Its average scores and relative rankings were amongst the strongest within our HCM coverage. Its SMB UX and vendor satisfaction scores increased modestly compared to prior year survey.

Paycor: Paycor witnessed the most outsized declines in its scores within our HCM coverage relative to our prior year survey, with -10% declines in UX scores and over -20%+ declines in vendor satisfaction scores. This resulted in Paycor ranking near the bottom across both metrics for the SMB and mid-market segment. Its average scores were higher in SMB relative to mid-market.

TriNet Zenefits: Registered UX and vendor satisfaction scores near the bottom within the SMB segment, with its vendor satisfaction score ranking last. We believe this is partly attributable to the ongoing client churn within Zenefits as TNET has been investing in upgrading the payroll engine and customer support function since acquiring Zenefits in 2022. It did rank ahead of Insperity for SMB UX.

Figure 104 HCM Coverage Payroll UX and Vendor Satisfaction Scorecard

		ADP Run	ADP Workforce Now	ADP (Other)	Ceridian Dayforce	PAYCHEX	paycom	paylocity	Paycor	trinet zenefits	CATEGORY OVERALL / MEDIAN
(1–499)	UX – Payroll	3.88	3.65		3.46	3.70	3.43	3.83	3.30	3.34	3.66
		(5 of 16)	(9 of 16)		(12 of 16)	(7 of 16)	(13 of 16)	(6 of 16)	(15 of 16)	(14 of 16)	16
	Y/Y #	(0.03)	(0.01)		(0.47)	0.14	0.05	0.17	(0.35)		
	Y/Y %	-1%	0%		-12%	4%	1%	5%	-10%		
	Vendor Satisfaction – Payroll	3.63	3.43		3.28	3.52	3.32	3.47	3.17	3.07	3.50
		(5 of 14)	(10 of 14)		(12* of 14)	(8 of 14)	(11 of 14)	(9 of 14)	(13 of 14)	(14 of 14)	14
	Y/Y #	(0.47)	0.07		(0.64)	0.06	0.13	0.28	(0.90)		
	Y/Y %	-11%	2%		-16%	2%	4%	9%	-22%		
(500–4,999)	UX – Payroll	3.01	3.57	3.46	3.78		2.94	3.68	3.07		3.52
		(13 of 15)	(7 of 15)	(9 of 15)	(4 of 15)		(15 of 15)	(5 of 15)	(12 of 15)		15
	Y/Y #	0.15	(0.48)		0.04		0.39		(0.33)		
	Y/Y %	5%	-12%		1%		15%		-10%		
	Vendor Satisfaction – Payroll	3.25	3.28	3.28	3.40		2.67	3.42	2.78		3.33
		(10 of 14)	(9* of 14)	(9* of 14)	(6 of 14)		(14 of 14)	(5 of 14)	(13 of 14)		14
	Y/Y #	(0.14)	(0.29)		(0.11)		0.26		(0.97)		
	Y/Y %	-4%	-8%		-3%		11%		-26%		
(5,000+)	UX – Payroll		3.48	3.29	3.90						3.39
			(5 of 10)	(6 of 10)	(2 of 10)						10
	Y/Y #		0.15		0.09						
	Y/Y %		5%		2%						
	Vendor Satisfaction – Payroll		3.06	3.23	3.65						3.43
			(9 of 9)	(8 of 9)	(4 of 9)						9
	Y/Y #		(0.16)		(0.37)						
	Y/Y %		-5%		-9%						

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Key Payroll Vendor/Offering Customer Criticisms

- **ADP Run:** Customer service/support, particularly the wait times, was the most frequent criticism of customers.
- **ADP Workforce Now:** Customer service/support was the most frequent criticism of customers. Other common criticisms included cost, platform flexibility, system updates, and UX.
- **Ceridian Dayforce:** Customer service/support, particularly the time to resolution, was the most frequent criticism of customers. Other common criticisms included tax services and pricing.
- **Paychex:** Customer service/support was the most frequent criticism of customers. Other common criticisms included platform limitations and UX.
- **Paycom:** Customer service/support was the most frequent criticism of customers. Other common criticisms included UX and cost.
- **Paycor:** Customer service/support, particularly the time to resolution, was the most frequent criticism of customers. Other common criticisms included platform configurability & flexibility, UX, and time to implement.
- **Paylocity:** Customer service/support was the most frequent criticism of customers. Other common criticisms included account manager turnover, benefits integration, reporting, and UX.
- **TriNet Zenefits:** Customer service/support was the most frequent criticism of customers.

HCM Suite Vendor Attach Rates

Participants' attach rates of modules within the HCM suite from the same respective payroll vendor reflects incremental growth opportunities for HCM suite vendors from existing payroll clients. This expansion opportunity within the HCM suite for payroll vendors may stem from vendor consolidation or first-time module adoption. Vendor attach rates within the HCM suite can be influenced by client size, workforce composition (ie hourly versus salaried), complexity of client (including industry specific needs), vendors' strategy around bundling, robustness of vendors' modules within the HCM suite, if module from another vendor is already in place, and any preferences for bundled versus best-of-breed purchasing from participants' organization. Small sample sizes for vendors/offerings were not included in this analysis.

HRMS attach rates were higher than time management, recruiting, and learning within vendors evaluated. We attribute this to HRMS being relatively more essential functionality, these vendors/offerings (outside of Ceridian Dayforce and UKG Pro) primarily serving SMB and mid-market client bases (which typically prefer bundled purchasing), and HRMS' tendency to be included as part of bundled pricing packages.

Figure 105 HCM Suite Vendor Attach Rates (Based on Payroll Clients)
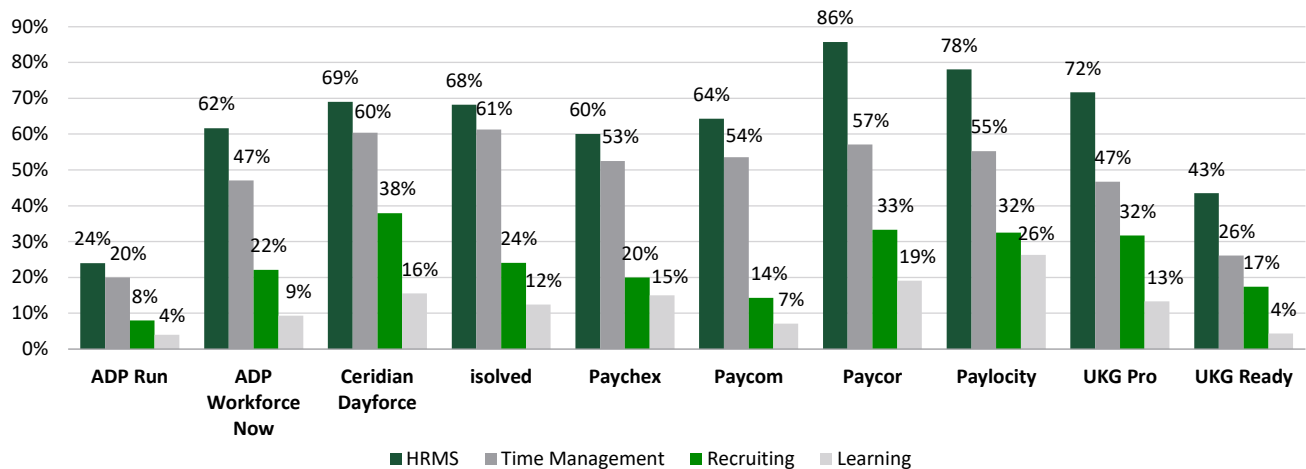
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HCM Coverage Analysis & Takeaways

ADP: We attribute the higher attach rates for Workforce Now relative to Run to the fact that Run is primarily utilized by organizations with <50 employees while Workforce Now is marketed for organizations with 50+ employees. The attach rates for Workforce Now trended highest for SMB clients (outside of learning), followed by mid-market, with lowest attach rates across each category for enterprise clients.

Figure 106 ADP Workforce Now Attach Rates by Employer Size (Based on Payroll Clients)
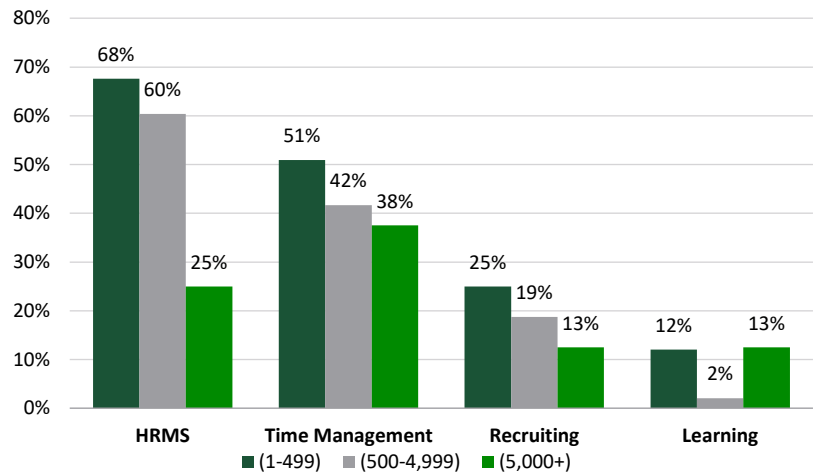
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Ceridian Dayforce: We view it having amongst the highest attach rates for time management as representative of it being recognized as one of the leaders in workforce management functionality and its modest skew towards clients with hourly workforces, which is partly a function of its strength in workforce management. It registered the highest attach rates of recruiting, which we believe is representative of its increased emphasis on this module in recent years as well as efforts to drive higher attach rates beyond its compliance related functionality. Attach rates were lowest within its enterprise client base as expected.

Figure 107 Ceridian Dayforce Attach Rates by Employer Size (Based on Payroll Clients)
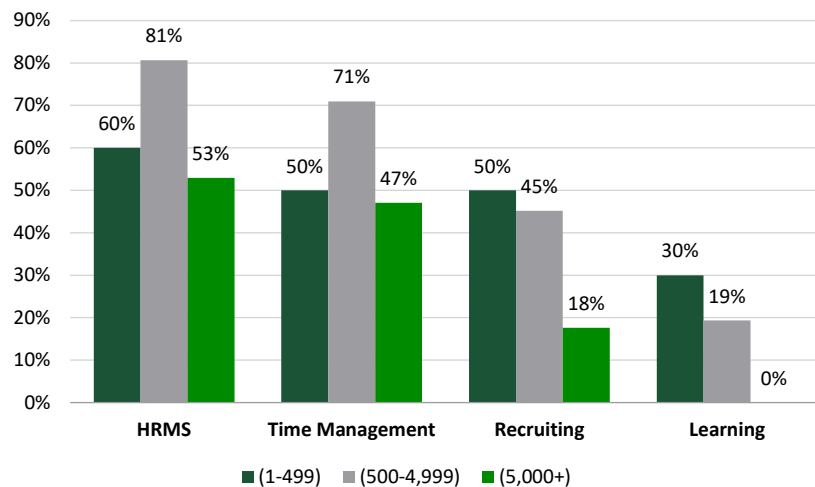
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Paylocity: Had above average attach rates across each module, with the highest attach rates of any vendor analyzed for learning (26%). Its attach rates were higher across each category for its mid-market client base relative to its SMB client base.

Figure 108 Paylocity Attach Rates by Employer Size (Based on Payroll Clients)
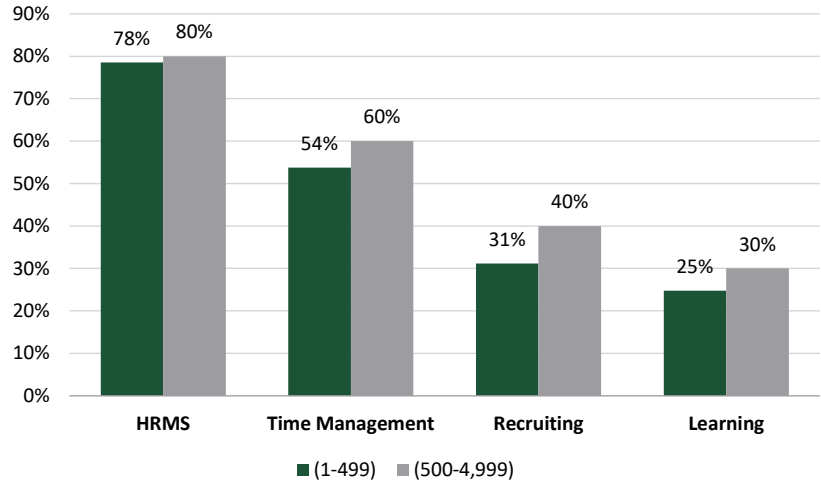
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Paychex: Attach rates were close to average across the various modules, which is representative of its primarily SMB client base.

Paycom: HRMS and time management attach rates were modestly above average, which we attribute to its closed ecosystem approach. Its attach rates were higher for its mid-market clients relative to its SMB base (outside of HRMS).

Figure 109 Paycom Attach Rates by Employer Size (Based on Payroll Clients)
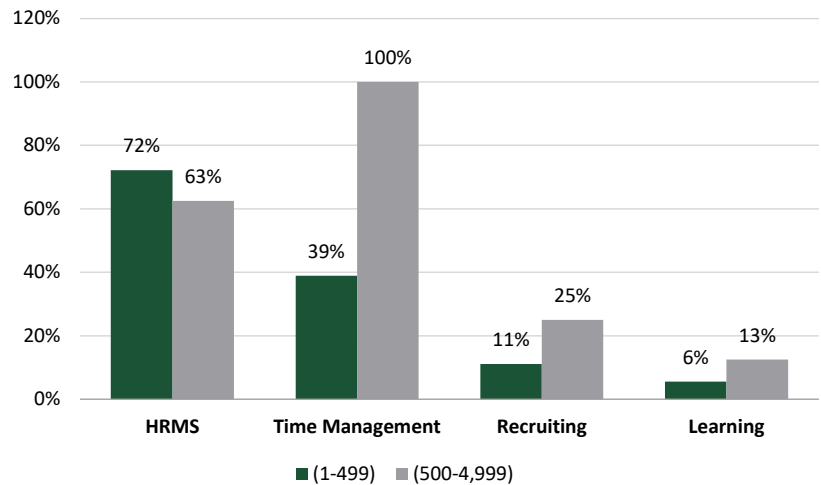
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Paycor: Had above average attach rates across modules, which we attribute to its increasing emphasis on bundled purchasing and up-sells in recent years. It had the highest attach rate of HRMS (86%) amongst vendors analyzed. Attach rates based on client size varied by module, with notably higher attach rates of HRMS and time management within its SMB base relative to mid-market clients.

Figure 110 Paycor Attach Rates by Employer Size (Based on Payroll Clients)
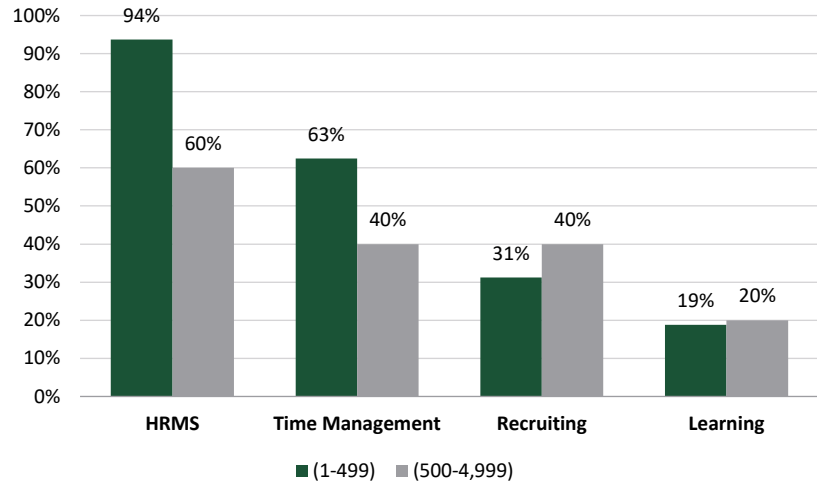
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HR System Selection Criteria

Participants were asked to rank (with 1 being highest and 12 lowest importance) criteria for their organizations HR system selection. 'Cost' was prevalent in terms of importance for selection criteria, receiving the greatest mix of highest priority (1) for SMB and mid-market (tied 2nd highest mix of 1 for enterprise). 'Payroll/HRMS Integration' received the 2nd highest mix of highest priority (1) ranking within the SMB and mid-market participants. 'Specific functionality' received the largest mix of highest priority (1) rankings for the enterprise cohort followed 'Cost' and 'User Experience'.

Figure 111 HR System Selection Criteria by Employer Size – Ranked in Order of Importance (1 Most Important & 12 Least Important)

(1-499)	1	2	3	4	5	6	7	8	9	10	11	12
Cost	27%	11%	14%	11%	9%	10%	4%	3%	2%	0%	7%	1%
Payroll/HRMS Integration	25%	23%	23%	12%	4%	3%	3%	1%	2%	3%	1%	2%
User Experience	19%	14%	18%	13%	13%	8%	5%	4%	0%	4%	0%	2%
Specific Functionality	13%	13%	5%	12%	15%	6%	11%	8%	6%	7%	4%	1%
Suite of HRMS Applications	7%	15%	11%	11%	14%	14%	5%	11%	6%	1%	4%	1%
Global Capability	4%	0%	3%	3%	3%	5%	3%	3%	14%	3%	9%	51%
Vendor Services/Culture	2%	3%	3%	6%	6%	8%	17%	8%	18%	15%	8%	8%
Vendor Partner/Marketplace	2%	3%	4%	0%	5%	9%	11%	11%	18%	18%	12%	7%
Integration Flexibility	1%	11%	7%	14%	14%	10%	10%	15%	7%	3%	5%	3%
Industry-Tailored	1%	1%	4%	5%	4%	3%	9%	8%	11%	21%	23%	10%
Vendor Roadmap	0%	1%	1%	2%	1%	10%	8%	16%	8%	18%	22%	14%
Analytics Reporting Functionality	0%	5%	8%	10%	12%	13%	14%	12%	9%	8%	6%	1%
(500-4,999)	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Cost	22%	11%	15%	2%	7%	17%	11%	4%	4%	4%	4%	0%
Payroll/HRMS Integration	17%	20%	19%	9%	11%	2%	2%	6%	4%	6%	2%	4%
Suite of HRMS Applications	13%	13%	13%	6%	6%	4%	9%	6%	6%	7%	9%	9%
Global Capability	9%	9%	2%	6%	2%	6%	4%	2%	4%	4%	13%	41%
Specific Functionality	7%	13%	6%	11%	11%	7%	7%	15%	4%	13%	6%	0%
Integration Flexibility	7%	2%	9%	15%	15%	7%	20%	11%	6%	0%	7%	0%
Vendor Partner/Marketplace	7%	2%	2%	0%	6%	2%	9%	9%	17%	17%	22%	7%
User Experience	6%	17%	19%	20%	11%	9%	6%	2%	2%	2%	4%	4%
Vendor Services/Culture	6%	2%	6%	7%	0%	13%	6%	15%	11%	22%	7%	6%
Vendor Roadmap	2%	2%	2%	4%	6%	9%	6%	17%	28%	9%	13%	4%
Industry-Tailored	2%	4%	4%	7%	11%	4%	4%	9%	7%	15%	11%	22%
Analytics Reporting Functionality	2%	6%	6%	13%	15%	20%	17%	6%	9%	2%	2%	4%
(5,000+)	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Specific Functionality	27%	6%	9%	12%	3%	0%	15%	9%	3%	9%	0%	6%
Cost	15%	9%	12%	12%	12%	9%	12%	6%	6%	0%	3%	3%
User Experience	15%	42%	6%	6%	6%	3%	3%	3%	3%	6%	6%	0%
Global Capability	12%	9%	12%	9%	9%	6%	0%	0%	6%	3%	9%	24%
Suite of HRMS Applications	9%	12%	12%	15%	6%	6%	3%	12%	6%	0%	9%	9%
Payroll/HRMS Integration	6%	9%	9%	9%	3%	18%	15%	15%	6%	9%	0%	0%
Vendor Partner/Marketplace	6%	0%	15%	12%	3%	6%	0%	9%	12%	15%	3%	18%
Industry-Tailored	3%	0%	3%	0%	6%	9%	6%	9%	0%	9%	30%	24%
Vendor Services/Culture	3%	0%	0%	0%	6%	12%	27%	3%	18%	6%	12%	12%
Analytics Reporting Functionality	3%	3%	9%	12%	12%	15%	9%	12%	3%	12%	9%	0%
Vendor Roadmap	0%	6%	9%	9%	6%	3%	6%	9%	18%	15%	15%	3%
Integration Flexibility	0%	3%	3%	3%	27%	12%	3%	12%	18%	15%	3%	0%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

When viewing on a cumulative mix of being cited within the top 3 highest priorities, 'Payroll/HRMS Integration' had the largest mix followed by 'Cost' and 'User Experience' for the SMB and mid-market cohorts. 'User Experience', 'Specific Functionality', and 'Cost' had the largest mix of respondents pointing to these as being top 3 highest priorities for the enterprise segment.

Figure 112 HR System Selection Criteria by Employer Size – Mix of Top 3 Highest Rankings

Chart 1 (1-499):
- Payroll/HRMS Integration: 70%
- Cost: 53%
- User Experience: 51%
- Suite of HRMS Applications: 33%
- Specific Functionality: 31%
- Integration Flexibility: 19%
- Analytics Reporting...: 13%
- Vendor Partner/Marketplace: 8%
- Vendor Services/Culture: 8%
- Global Capability: 7%
- Industry-Tailored: 6%
- Vendor Roadmap: 2%

■ (1-499)

Chart 2 (500-4,999):
- Payroll/HRMS Integration: 56%
- Cost: 48%
- User Experience: 41%
- Suite of HRMS Applications: 39%
- Specific Functionality: 26%
- Global Capability: 20%
- Integration Flexibility: 19%
- Vendor Services/Culture: 13%
- Analytics Reporting...: 13%
- Vendor Partner/Marketplace: 11%
- Industry-Tailored: 9%
- Vendor Roadmap: 6%

■ (500-4,999)

Chart 3 (5,000+):
- User Experience: 64%
- Specific Functionality: 42%
- Cost: 36%
- Global Capability: 33%
- Suite of HRMS Applications: 33%
- Payroll/HRMS Integration: 24%
- Vendor Partner/Marketplace: 21%
- Analytics Reporting...: 15%
- Vendor Roadmap: 15%
- Industry-Tailored: 6%
- Integration Flexibility: 6%
- Vendor Services/Culture: 3%

■ (5,000+)

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

HR Tech Decision-Making Resources

For SMB organizations online sources/research (60%), internal team (46%), and associations (46%) are the top 3 resources utilized for HR tech decision-making, while for mid-market respondents it is internal team (61%), online sources/research (57%), and vendor marketplace (39%) and for enterprise participants it is internal team (64%), online sources/research (49%), and vendor marketplace and HR advisory/analyst firm (tied at 43% each). Online sources/research and internal team amongst the top 2 resources across employer size segments highlights the importance of client satisfaction given the relative ease in obtaining these reviews from online sources and internal teams. Vendor marketplaces cited amongst the top 3 resources for mid-market and enterprise cohorts suggests high weighting placed on integrations to another vendors' offerings in decision making process and supports ongoing investment in integrations and partnerships by HCM vendors.

Figure 113 Top 3 Resources Used When Making a HR Tech Decision by Employer Size
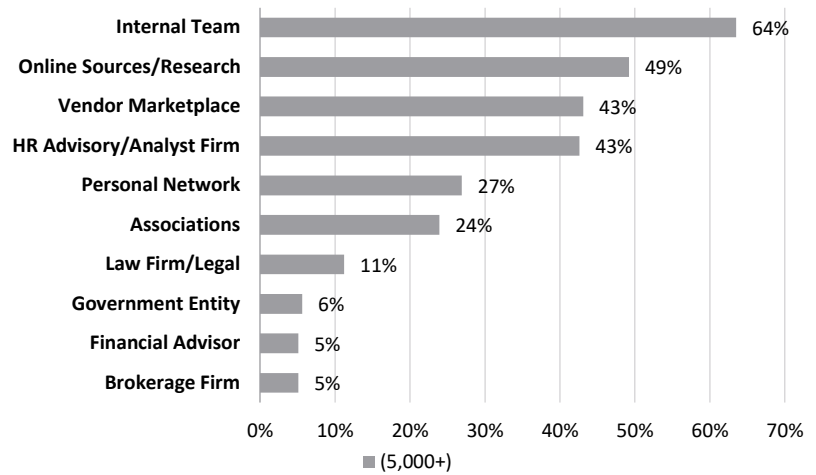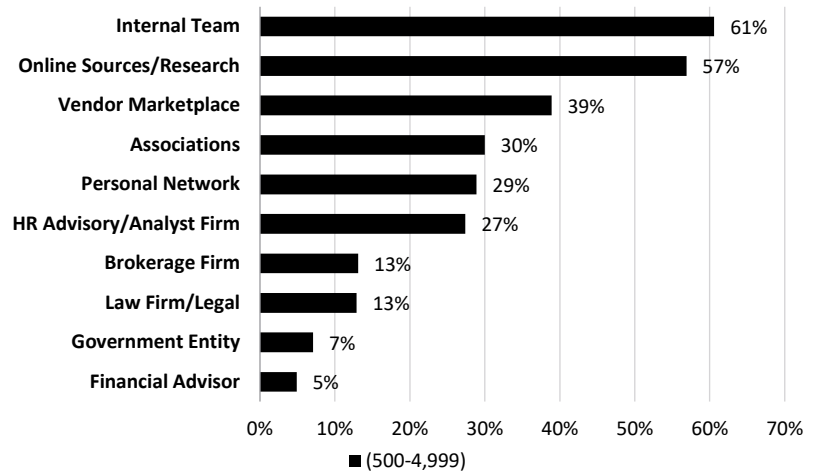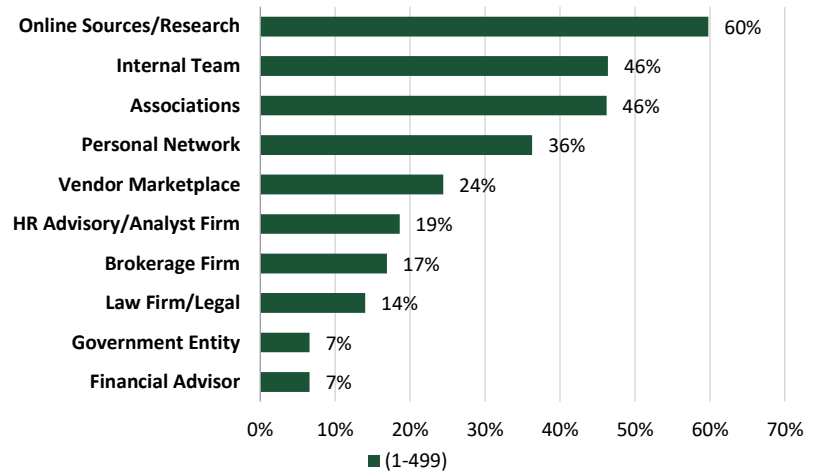
Within the SMB respondent base, 1-99 employee respondents pointed to online sources/research (63%), associations (45%), and internal team (42%) as the top 3 resources utilized for HR tech decision making while for 100-499 employee respondents it is online sources/research (57%), internal team (50%), and associations (47%). Internal teams lower relative ranking for 1-99 cohort we attribute to less resources to leverage necessitating greater need to external support in decision making.

Figure 114 Top 3 Resources Used When Making a HR Tech Decision (1-99)
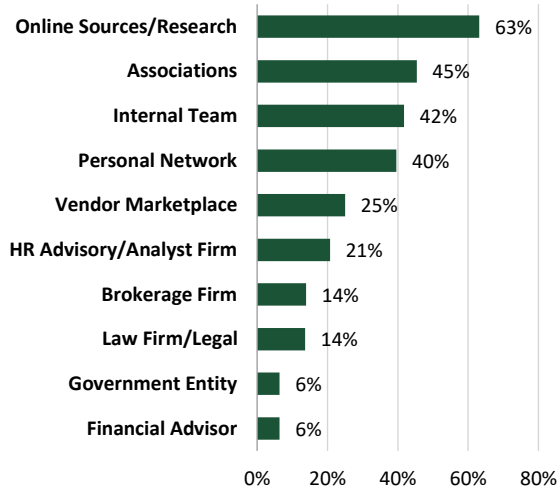
Figure 115 Top 3 Resources Used When Making a HR Tech Decision (100-499)
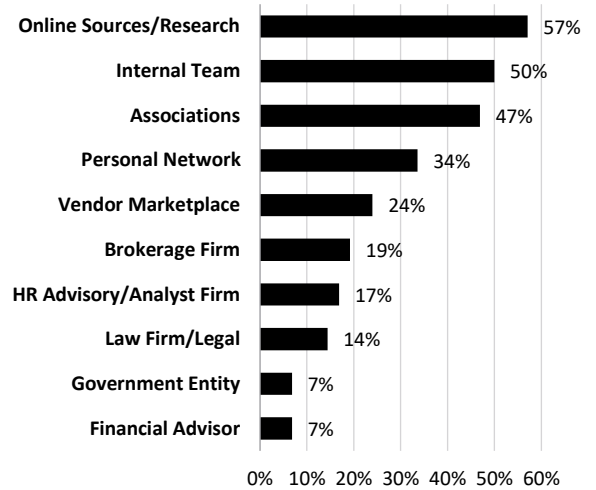
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Earned Wage Access (EWA) Adoption

Our 2023 survey found adoption of earned wage access (EWA) remains nascent, with just 13% of respondents' organizations currently utilizing (or in the process of implementing) an EWA solution. This implies a notable greenfield opportunity for EWA vendors and HCM suite/payroll vendors with EWA offerings (either natively developed or via partnership/white label). EWA adoption is projected to increase over the medium-term, with adoption implied to reach 17% over the next 12 months and 20% of organizations over the next 3 years.

Figure 116 Earned Wage (EWA) Adoption
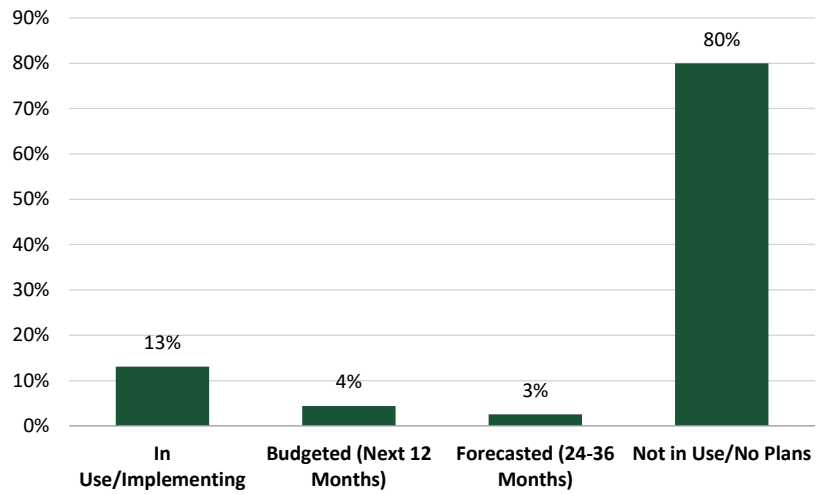
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Current and projected adoption of EWA correlates with employer size as anticipated. 16% of enterprise organizations having already adopted an EWA solution versus 13% of mid-market organizations and 10% of SMB organizations. Within the next 36 months, adoption of EWA is anticipated to reach 24% for enterprise, 22% for mid-market, and 14% for SMB. Our survey data also suggests nascent current adoption of EWA across the market (in terms of employer size segments).

Figure 117 Earned Wage Access (EWA) Adoption by Employer Size
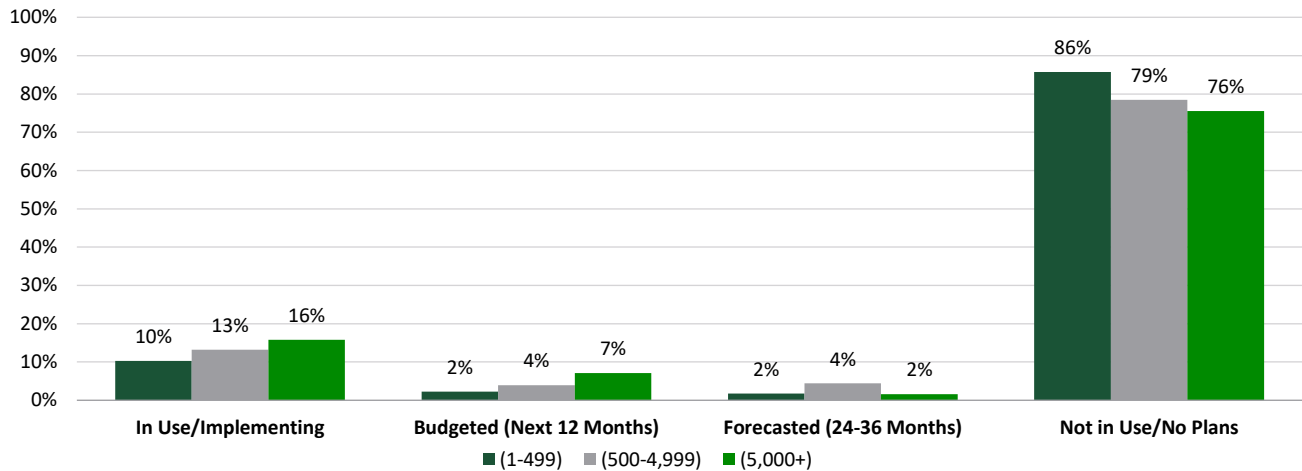
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Employment Data

When respondents were asked about how the headcount changed at their respective organization over the past year, the mid-market had the highest mix of respondents pointing to increased headcount at 47% followed by enterprise at 46%, and SMB at 40%. On a net increase basis (% Increased less % Decreased), the same relative rankings held with 30% of mid-market organizations net increasing followed by enterprise at 29%, and 21% of SMB cohort.

Figure 118 Net Workforce Headcount Changes Over Past Year by Employer Size
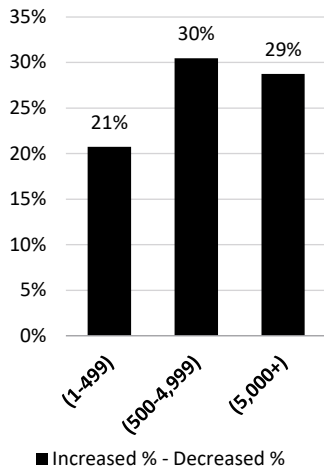
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 119 Workforce Headcount Changes Over Past Year by Employer Size
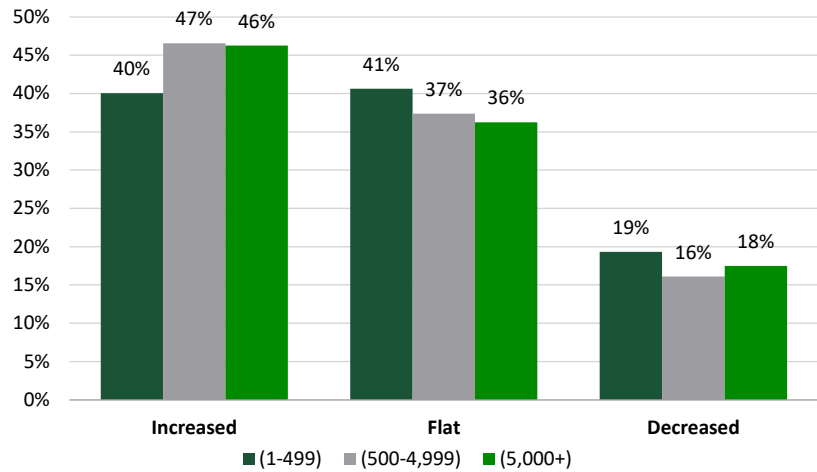
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

For the respondents that cited their respective organization currently utilizes contingent workers, respondents across employer size segments most frequently pointed to flat usage of contingent workers over the next 24 months anticipated. The enterprise segment had highest mix of respondents pointing to a net increase in usage at 5% followed by SMB with a net 3% increase. The mid-market cohort was the only segment to cite a net decrease in usage at -7%.

Figure 120 Net Usage of Contingent Workforce Over the Next 24 Months by Employer Size
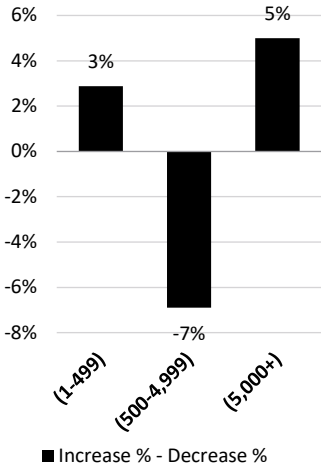
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Figure 121 Usage of Contingent Workforce Over the Next 24 Months by Employer Size
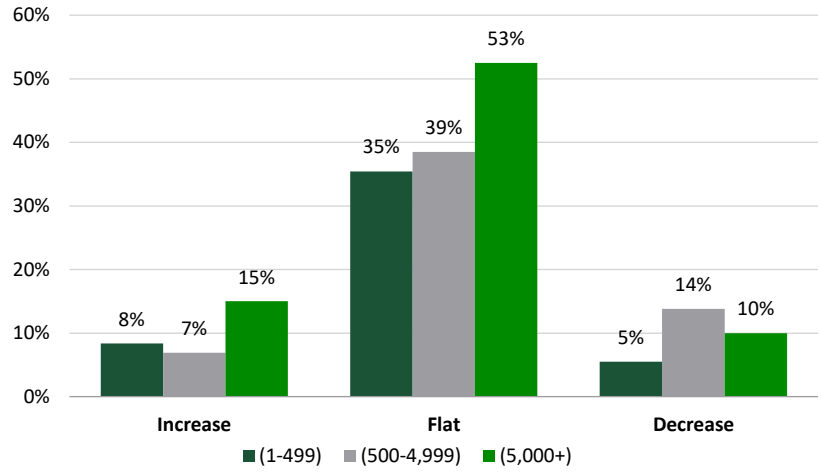
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Survey Profile

The survey encompasses 2,310 different organizations with 330 of these global organizations. Survey responses were fielded from May through July 2023.

Size of Organization

Figure 122 Size (Number of Employees) of Organization

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Geographic Location

Figure 123 Organization Location
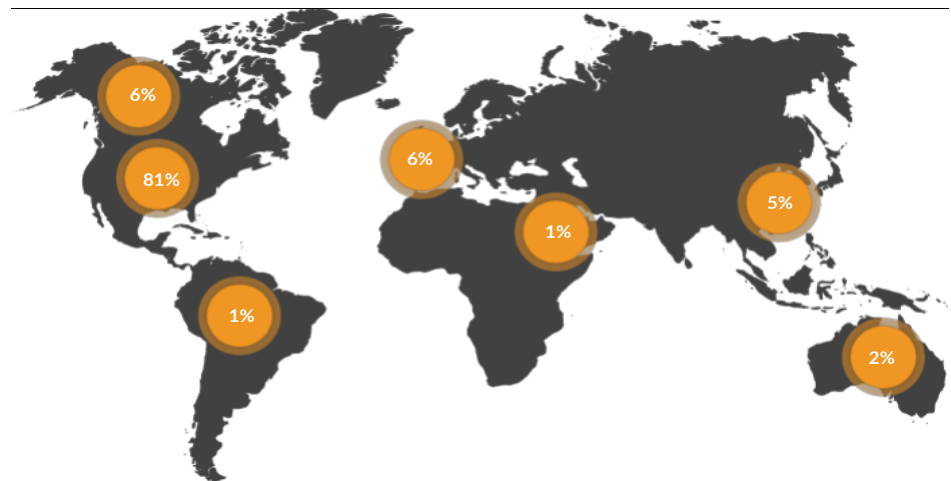
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Industry Verticals

Figure 124 Industry Verticals
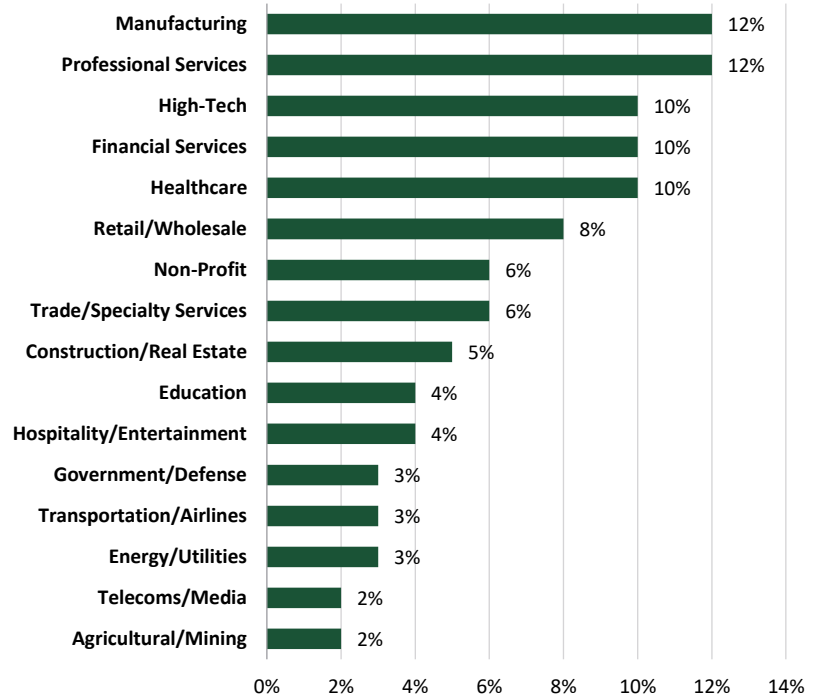
Industry	%
Manufacturing	12%
Professional Services	12%
High-Tech	10%
Financial Services	10%
Healthcare	10%
Retail/Wholesale	8%
Non-Profit	6%
Trade/Specialty Services	6%
Construction/Real Estate	5%
Education	4%
Hospitality/Entertainment	4%
Government/Defense	3%
Transportation/Airlines	3%
Energy/Utilities	3%
Telecoms/Media	2%
Agricultural/Mining	2%

Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Participant Roles

Figure 125 Participant Roles

- Individual Contributor: 24%
- Manager: 30%
- Director: 28%
- Executive: 15%
- Owner/Founder: 3%
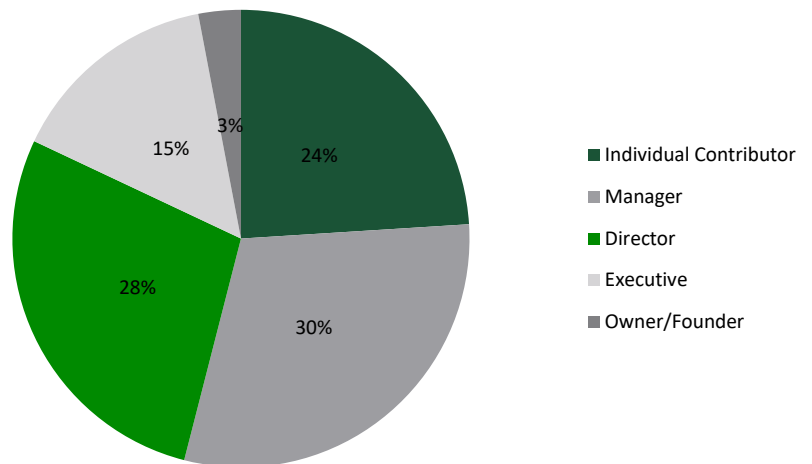
Source: Sapient Insights 2023-2024 Annual HR Systems Survey, 26th Annual Edition; TD Cowen

Ticker	Rating	Price*	Price Target	Ticker	Rating	Price*	Price Target
ASUR	Outperform	$8.05	$13.00	ADP	Market Perform	$232.94	$235.00
CDAY	Market Perform	$70.27	$62.00	PAYX	Outperform	$123.92	$131.00
PAYC	Market Perform	$185.75	$202.00	PYCR	Market Perform	$21.80	$20.00
PCTY	Outperform	$159.88	$195.00	TNET	Outperform	$118.19	$126.00
WDAY	Outperform	$272.92	$285.00	SAPG.DE	Market Perform	€146.70	€133.00
ORCL	Outperform	$117.16	$137.00	MSFT	Outperform	$374.51	$390.00

As of 12/01/2023

VALUATION METHODOLOGY AND RISKS

Valuation Methodology

Human Capital Management:

Our valuation methodology varies by company, depending on the composition of the business (Software vs. Software & Services) and stage of growth. For Software businesses or for growth companies that have recently entered the public equity markets, we primarily base our valuation on Enterprise Value to Sales (EV/S), followed by Enterprise Value to Free Cash Flow (EV/ FCF). For Software & Services companies or those in later-stage growth, we primarily base our valuation on Price-to-Earnings (P/E), followed by Enterprise Value to Free Cash Flow (EV/ FCF) or Enterprise Value to EBITDA (EV/ EBITDA).

We make investment recommendations on certain early stage, pre-revenue companies based upon an assessment of their business model, technology, probability of market success, and the potential market opportunity, balanced by an assessment of applicable risks. Such companies may not be assigned a price target.

Software:

Our valuation methodology is primarily based on Enterprise Value to Free Cash Flow (EV/ FCF), followed by Price-to-Earnings (P/E). However, this varies by company; for instance, we will often use Enterprise Value to Revenue (EV/Revs) or a discounted cash flow (DCF) analysis for software companies that are primarily subscriptions-based, or for growth companies that have recently entered the public equity markets.

We make investment recommendations on certain early stage, pre-revenue companies based upon an assessment of their business model, technology, probability of market success, and the potential market opportunity, balanced by an assessment of applicable risks. Such companies may not be assigned a price target.

Investment Risks

Human Capital Management:

The global economy or specific end markets significantly worsen, contracting IT spending and impairing software growth. The rate of SaaS/Cloud adoption slows, resulting in prolonged sales cycles and higher-than-anticipated quarterly volatility. Competition increases materially, driving deflationary pricing pressure and compressing margins. In particular, innovation by new entrants in the software sector often produces solutions with similar or better functionality at materially lower prices than incumbents' legacy offerings. Future regulation initiatives could have a negative impact on revenue growth prospects. Changing federal and government laws in the U.S. and internationally could have a negative impact on operations and financial results.

Software:

The global economy or specific end markets significantly worsen, contracting IT spending and impairing software growth. The rate of SaaS/Cloud adoption slows, resulting in prolonged sales cycles and higher-than-anticipated quarterly volatility across much of our coverage universe. Competition increases materially, driving deflationary pricing pressure and compressing margins. In particular, innovation by new entrants in the software sector often produces solutions with similar or better functionality at materially lower prices than incumbents' legacy offerings.

ADDENDUM

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