

Top M&A Firm Sees More Roll-Up Activity in Engagement Space



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As predicted over the past year in ESM, merger and acquisition (M&A) activity in the engagement and rewards & recognition space continues to heat up, with more interest now coming from investors outside the arena.

According to a recent [report](#) issued by Harbor View Advisors, a leading investment banking and M&A company based in Ponte Vedra Beach, FL, “The rewards and recognition sector is part of the large and dynamic employee incentives and recognition market – a market that spans from traditional rewards to employee e-commerce and sales incentives. This estimated \$30 billion-\$40 billion segment of the HR technology industry is undergoing a sort of renaissance, as family-owned legacies face the challenges of rapid changes in technology and the convergent interests of traditional HR, SaaS delivery models and new entrants from sectors like wellness and more traditional HR.”

Cited as the most recent example was the purchase of Michael C. Fina Recognition by private equity-backed promotional products company HALO Branded Solutions. The authors believe that “HALO’s promotional product distribution capabilities will complement MC Fina’s established brand and reward and recognition programs.”

The report also cited the recent purchase by Sodexo of Inspirus, an engagement technology and services company, (previously [reported in ESM](#)); the acquisition by CallidusCloud, a publicly traded company, of Badgeville, a gamification company; the acquisition by Maritz of Culture Next; and Blackhawk Network’s purchase of Achievers. Maritz also participated in a private equity deal that merged its training division with Allegiance to form [Maritz CX](#).

Interesting Times in the R&R Space

The Harbor View authors note: “These are interesting times in the rewards and recognition, employee incentive, brand promotion and HR Tech worlds. Why would a promotional products supply company acquire an enterprise rewards and recognition company? Is the distribution access to MC Fina’s clients a big enough opportunity once the products are sourced through HALO?”

The authors identified three key trends.

1. Multi-generational family businesses that need to adapt to change or exit.
2. Traditional incentive platforms evolving into technology-powered engagement solutions.
3. More interest from investors and related industries.

The report says that the MC Fina and HALO combination is well timed, given that traditional rewards & recognition companies face a tougher outlook based on changing employee preferences and more capital backing companies with comprehensive and “innovative engagement solutions.” The authors believe that “larger players from adjacent industries with technology and service offering mandates are finding acquisition opportunities in the space.”

A Push for Innovative Employee Experience

Harbor View sees a “push for more innovative employee experience portals, complete with engaging recruiting, HR, learning, rewards and recognition and wellness solutions. Further catalyzing the transformation are the fast-growing new entrants from adjacent fields, which have garnered more than \$3 billion in venture funding, including Glint, HighGround and LifeDojo. The report attributed the recent shutdown of [US Motivation](#) to failure to innovate. (According to sources, other factors related to the financial issues of its holding company contributed to the closing.)

Harbor View expects “consolidation to continue with similar MC Fina-type developments unfolding in the coming months, as rewards and recognition providers seek partnerships or exit opportunities, while outside investors, both private equity and larger strategic buyers, pursue market roll-ups, digitization overhauls and service offering expansion.”

The company sees valuations in the range of two times sales or eight times EBITDA (earnings before income tax, depreciation and amortization.)

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