Deal Velocity, Platform Depth,
and the New Rules of Work Tech

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INVESTOR EXPERIENCE

2025

DATA BOOK

Prepared by

WorkTech

INTRODUCTION

Welcome to the third edition of the HR Tech Investor Experience, now reimagined and fully embedded on the HR Technology Exposition floor in the dynamic new PitchFest and Investor Experience Theater. What began as a curated gathering of capital and innovation has evolved into a high-velocity hub for deal-making, strategic insight, and ecosystem visibility.

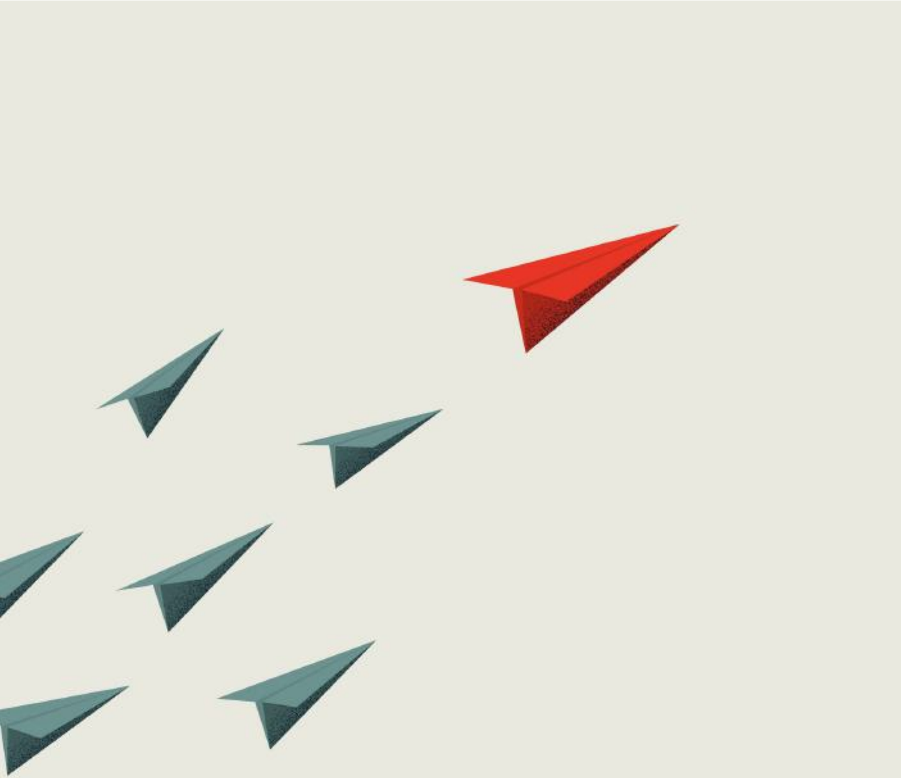
This year, we're leaning in, intentionally and unapologetically, to connection. The HR Technology Conference and HR Executive continue to champion the thriving community of startups, scaleups, investors, and bankers shaping the future of work. And now, we're making it easier than ever to turn introductions into opportunities: specially designated tables allow registered investors and startups to schedule one-on-one meetings via the show app, explore synergies, and accelerate momentum.

Inside this Data Book, you'll find curated insights designed to serve the full HR Tech ecosystem, from investors and bankers to founders, operators, and strategic advisors. It offers a window into investor priorities, capital flows, and the strategic conversations shaping the next wave of HR Tech. And live on stage we have a series of panels that move from market observations to actionable insights shared by founders, investors, and bankers.

And don't miss PitchFest, where 33 startups will compete for $30K in prize money and the chance to be named this year's hottest HR Tech startup on the global stage.

I'm looking forward to meeting you, helping you connect, and discovering what's next—together.

George LaRocque
WorkTech Founder
Investor Experience Chair



HR TECH DATA BOOK

1. GROWTH CAPITAL UPDATE
2. M&A INSIGHTS
3. SELECT M&A ACTIVITY

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H1
GROWTH CAPITAL
UPDATE

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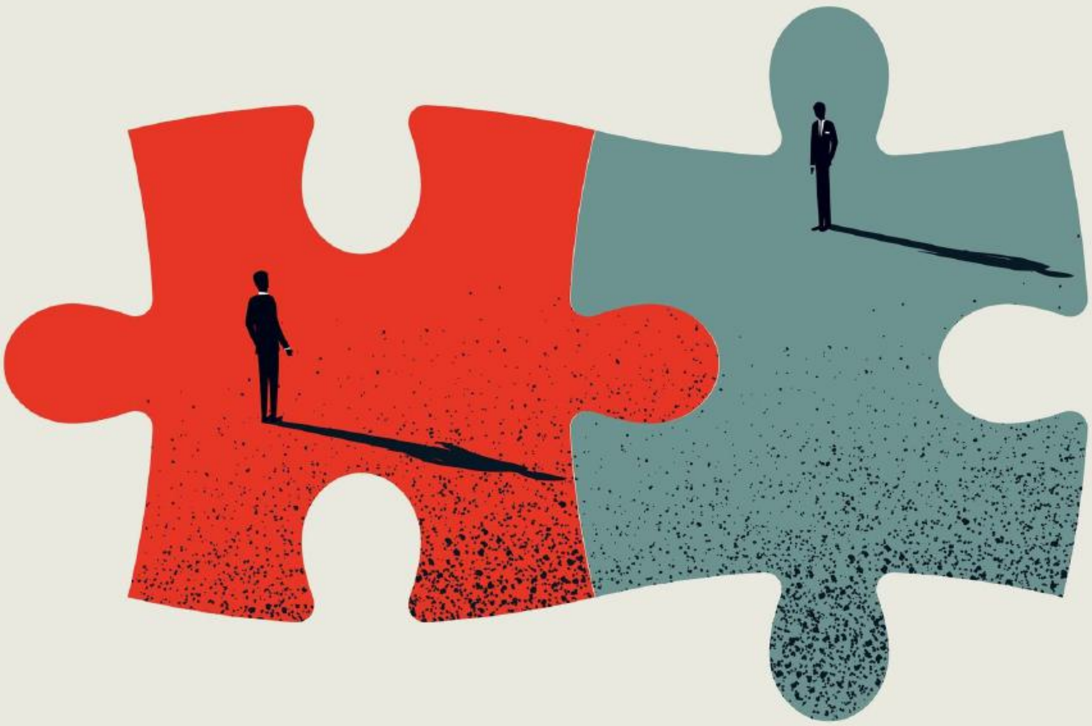


Signals,Shifts,and a Smarter Market: What H1 2025 Tells Us About Work Tech's Next Move

In the first half of 2025, Work Tech investment defied expectations, raising **$3.55 billion across 119 deals** despite persistent economic headwinds and recalibrated venture appetites. Beneath the headline figures, the market revealed a more nuanced character—selective, signal-driven, and increasingly shaped by platform depth and functional precision.

WorkTech tracks these dynamics in real time, leveraging AI to monitor deal activity across more than 60 sub-categories, layered with embargoed updates from tech providers. This dual lens allows us to detect emerging momentum early and decode the narrative arcs behind capital flows—what's moving, why it matters, and where conviction is building.

This report analyzes investment across three top-level categories: HCM, Talent Acquisition, and Talent Management, alongside key sub-segments such as Payroll, HR Suites, ATS/TA Suites, Job Boards, Learning, Benefits, Financial Wellness, and Collaboration.

We go beyond the numbers to surface strategic meaning: why Payroll is commanding oversized rounds, how infrastructure platforms are regaining investor trust, where early-stage signals point to contrarian opportunity, and what shrinking deal sizes in Learning and Benefits suggest about post-peak recalibration.

Grounded in structured analysis and attuned to strategic inference, this report is designed to equip investors, vendors, and HR decision-makers with clarity on where capital is flowing, where conviction is growing, and where the next signal may already be surfacing.

H1 2025

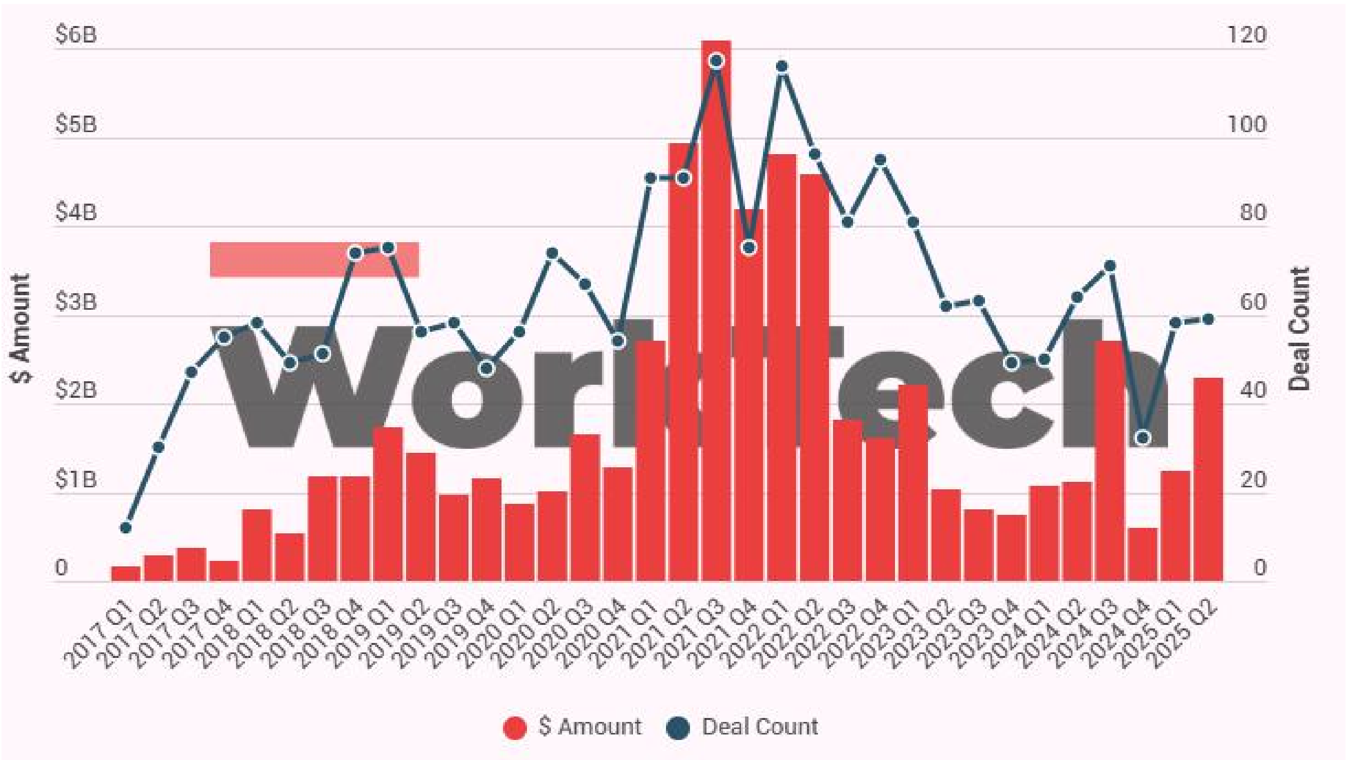
$3.55B
119 DEALS

Q1
$1.24B
58 DEALS

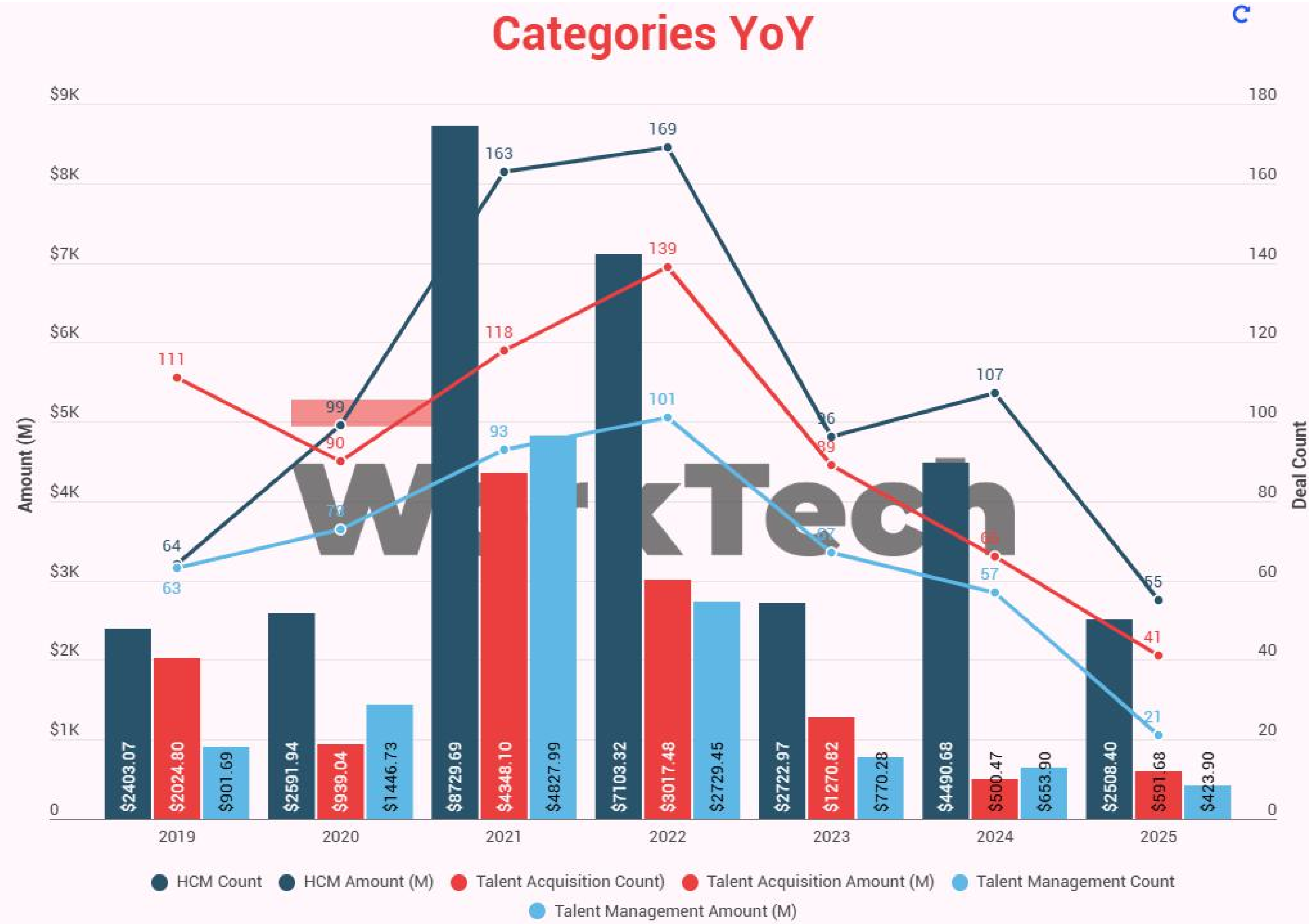
Q2
$2.32B
61 DEALS

Global investment in Work Tech reached $3.55 billion across 119 deals in H1 2025. Q2 contributed $2.32 billion across 61 deals, while Q1 brought in $1.24 billion across 58 deals.
H1 2025 exceeded H2 2024 by nearly 10% and outpaced H1 2024 by 60%—a surprising acceleration amid persistent economic headwinds. This pace even surpasses investment levels from 2018 to 2020, the period that laid the groundwork for the VC surge of 2021 and early 2022.

Notably, H1 2025 included 11 mega-deals valued at $100 million or more—five in Q1, six in Q2. We're currently tracking a 30-quarter (2018-present) average of $1.96 B.



CATEGORY BREAK DOWN



HCM's dominance continues, with widening lead in both deal count and funding.
TA may be undervalued despite its structural complexity—ripe for contrarian bets.
TM's capital density suggests investor conviction in proven platforms and scaling solutions.

In H1 2025, HCM remained the dominant category, capturing 71% of total deal volume and more than two-thirds of all funding. Talent Acquisition, while second in deal count, saw a relative dip in capital allocation, consistent with investor hesitancy observed in previous periods. Talent Management held steady with focused investment across fewer, high-value deals.

Since 2019, HCM has consistently led both deal volume and capital allocation in WorkTech, accounting for more than half of all global investment. Talent Acquisition has historically trailed despite periods of sharp innovation, highlighting an investor opportunity to revisit its complex substructure and emerging traction. Talent Management, while leaner in volume, shows increasing capital density across mid-stage rounds.

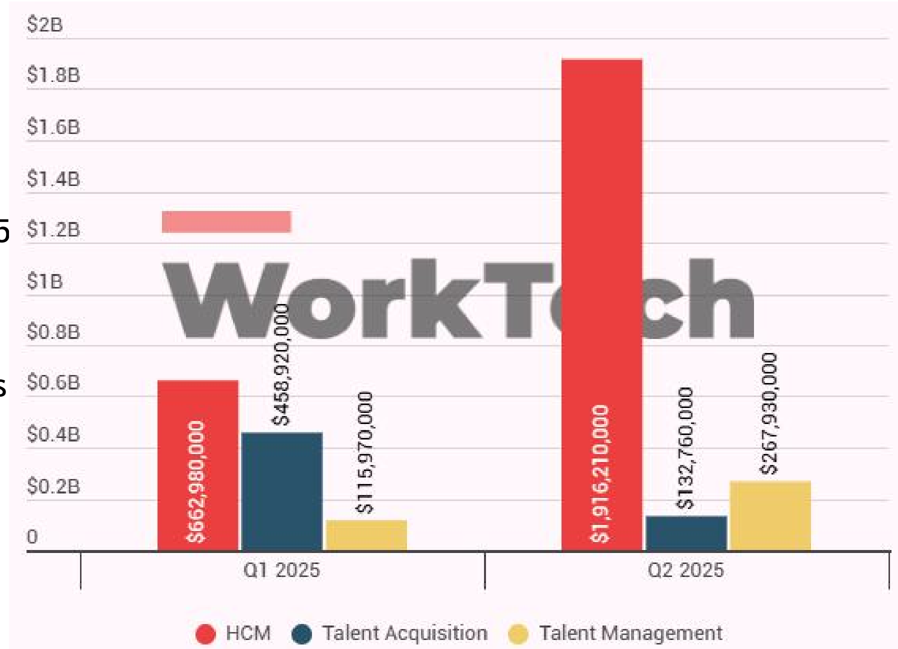
Deal velocity dipped slightly in 2024, but H1 2025 rebounded with $3.55 billion in fresh capital across 119 deals—surpassing the full-year 2023 total. The pace signals a return to Work Tech investment confidence despite macroeconomic pressure.

Talent Acquisition's Q1 Spark Fades

After a subdued 2024, Talent Acquisition VC regained equilibrium with HCM in Q1 2025. Q2, however, skewed more heavily toward HCM, echoing patterns seen throughout the previous year.

The Talent Acquisition market spans more than 25 nuanced subcategories, many of which are seeing notable traction in both revenue and field adoption. Yet, most investors lack deep visibility into the intricacies of the recruiting landscape. As macroeconomic and labor market shifts broadly affect hiring, investor sentiment toward TA remains cautious.

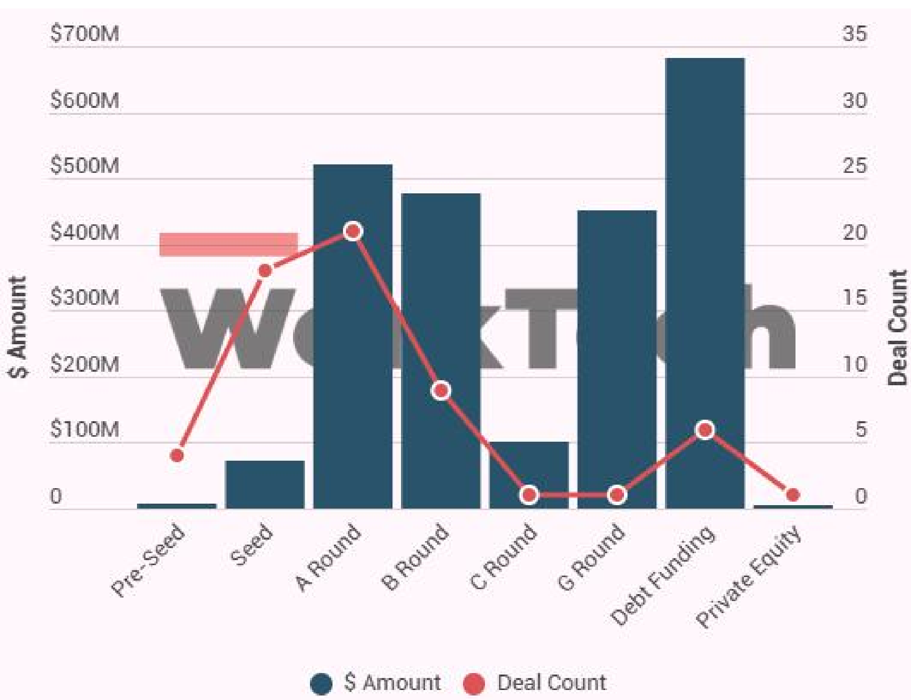
This hesitancy presents an opportunity for early-stage investors (pre-Seed through Series A) who understand TA's nuanced dynamics and can capitalize on emerging momentum.



45%

Will TA Rebound?

45% of the firms in this year's Startup Pavilion are in the TA category.



Q2 Deals by Round

Q2 featured six "mega-rounds"—deals valued at over $100 million. The largest was Rippling's $450 million Series G, fueling its SMB-focused Core HR product. Two mega-rounds were structured as Debt Funding: Wagestream (Payroll) raised $395 million, and Kashable (Financial Wellness) closed a $250 million round. Tapcheck (Payroll) secured a $225 million Series A. Awardco (Rewards) raised $165 million in a Series B, while Laurel (Time and Attendance) landed a $100 million Series C.

Across all 61 Q2 deals, the average deal size was $37.98 million. The average Seed round came in at $4 million across 18 deals.

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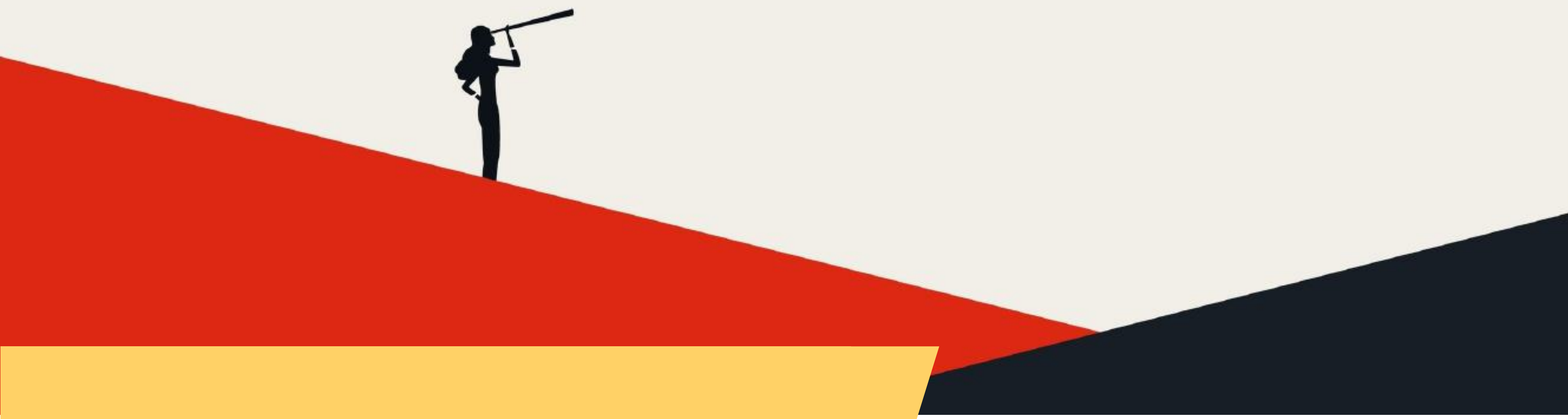

H1 2025 Work Tech Investment Signals

Work Tech investment in H1 2025 totaled $3.55 billion across 119 deals, with capital distribution and pace reflecting renewed confidence across several key sub-categories. While mega-rounds and platform bets reemerged, average round size varied widely, signaling an investor landscape that is both selective and bifurcated.

Macro Trends & Investment Momentum

- HCM led in both deal count (55) and total funding ($2.51B), reinforcing its role as WorkTech's investment anchor.
- Payroll saw the strongest rebound, raising $766.5M across just seven deals—highlighted by outsized rounds and debt structures.
- HR Suites also regained ground, averaging $65M per deal after a dip in 2024.
- Talent Acquisition showed muted volume in categories like ATS and Job Boards, but early-stage signals (e.g., candidate experience tools) point to contrarian opportunities.
- Learning softened considerably post-2021 spike, though niche plays and personalized formats remain active.

Strategic Takeaways

- Selectivity over saturation: Investors are consolidating capital into fewer, larger bets —especially across core infrastructure categories.
- Early-stage traction matters: Subtle signals in candidate tools and platform modularity suggest that investor hesitation around TA may be overstated.
- Post-peak recalibration: Categories like Learning and Benefits, once at the center of pandemic-era demand, now attract more targeted funding—an opportunity for agile disruptors.

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M&A INSIGHTS

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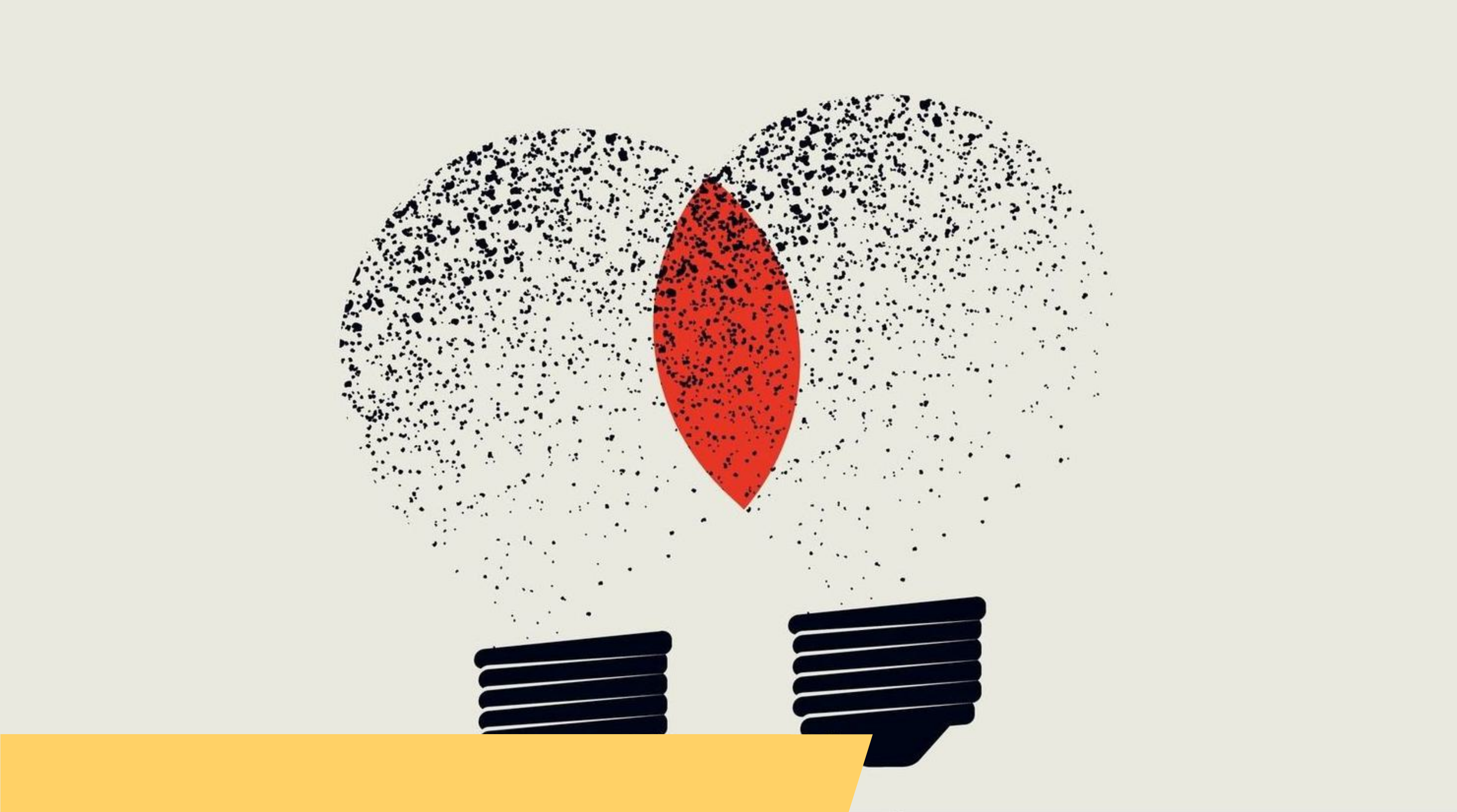


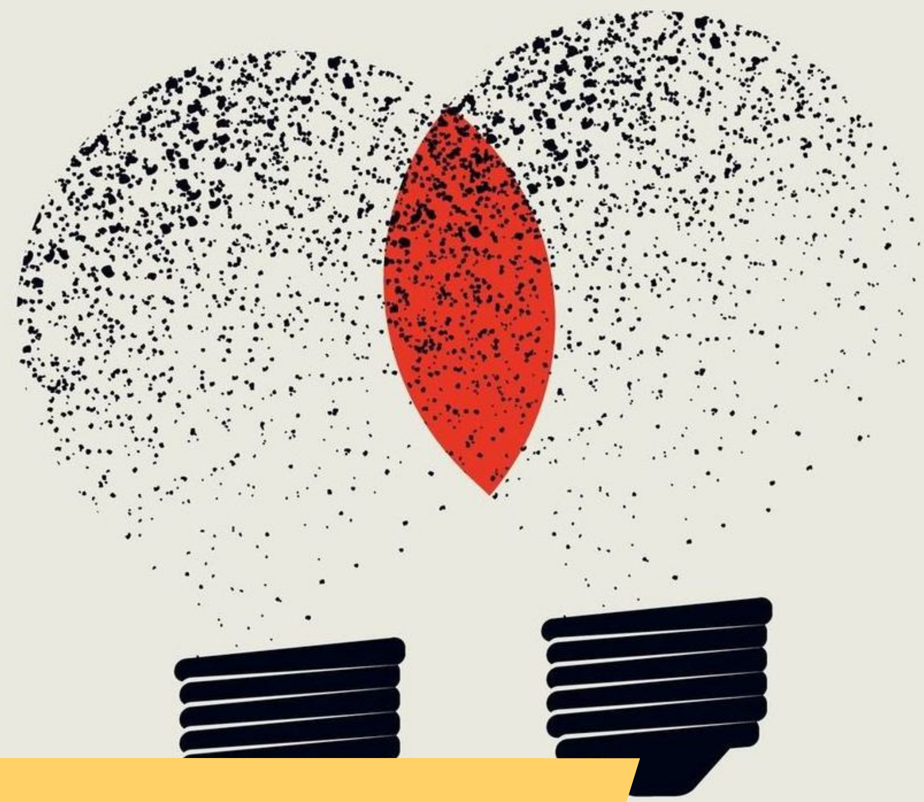
Everyone's Shopping, Everyone's for Sale: The Relentless Drive of HR Tech M&A

M&A activity in the global HR Tech market is showing no signs of slowing, and the drivers are both strategic and opportunistic. Based on conversations with bankers, corporate development leaders, and technology executives, it's clear that the landscape is ripe for continued consolidation. Large platform players are under pressure to deliver more comprehensive solutions, and gaps in existing functionality—particularly around AI-driven tools—are prompting buy-versus-build decisions that overwhelmingly favor acquisition. The pace and volume of deals suggest that this is not a temporary uptick, but rather a structural trend reshaping the sector.

A defining feature of today's environment is the appetite for smaller, tuck-in acquisitions. Many emerging HR Tech vendors with strong point solutions are struggling to gain traction at scale, challenged by funding headwinds, go-to-market constraints, and buyer preferences for integrated platforms.

This dynamic creates fertile ground for attractive, lower-priced acquisitions, giving platform providers a faster route to expand capabilities, while offering founders viable exits. In many cases, these tuck-ins are not about revenue accretion, but about acquiring talent, technology, and differentiated capabilities that can be reinforced within a larger ecosystem.

The integration of AI into HR Tech is particularly significant in shaping M&A priorities. Enterprise demand for AI-native capabilities—whether in talent acquisition, workforce analytics, or employee engagement—is accelerating. At the same time, the cost and complexity of building these features organically remains high. Forward-looking acquirers recognize that consolidating early-mover solutions allows them to leapfrog development cycles and bring innovative tools into their product suites more quickly. This reinforcing cycle is creating a race among platform players to remain competitive on the AI front, further fueling the acquisition pipeline.



Everyone's Shopping, Everyone's for Sale: The Relentless Drive of HR Tech M&A

Yet for all the consolidation taking place, it's important to recognize that markets themselves don't consolidate—vendors do. As acquisitions occur, the outcome is rarely a locked-down space. Instead, the absorptions create "lanes" for innovators to enter, often with new ideas or lightweight approaches that incumbents cannot move on quickly. Buyers tend to lean toward vendors who can offer scale and breadth, but new entrants invariably spring up to serve the next unmet need, or to bypass platform complexity with agile, point-driven offerings. This constant recycling of innovators defines the HR Tech market as much as consolidation does.

Another consideration is the cultural and operational fit of the acquired businesses. While financial synergies and technology integration are often positioned as the rationale for deals, aligning product roadmaps, customer expectations, and organizational models post-acquisition is seldom straightforward.

Acquiring companies that are too early-stage or lacking market validation can be risky, particularly when absorbed into bureaucratic structures. Nonetheless, the sheer volume of smaller firms under financial pressure has tilted the buyer's calculus more toward "option value"—accepting integration risk because the relative cost of missteps has declined as valuations reset downward.

Ultimately, the global HR Tech M&A market is characterized by simultaneous consolidation and regeneration. Everyone is shopping, and nearly everyone is technically for sale—conditions that ensure a steady flow of transaction activity. Large players will continue to absorb niche specialists, reshaping their strategies around AI-centric experiences and holistic platforms. At the same time, each acquisition reshuffles opportunities for the next wave of innovators, who will inevitably emerge to challenge incumbents and redefine the HR Tech value proposition. Far from signaling an endpoint, today's consolidation should be seen as part of a longer cycle of reinvention that will continue to shape the market for years ahead.

Select 2025 M&A Activity

Acquirer	Target	Region
Paychex, Inc.	Paycor HCM, Inc.	United States
Phenom	Pixentia	United States
Phenom	EDGE	United States
Selerix	The Benefits eXpert (TBX)	United States
Employment Hero	Humi	Australia, Canada
Zellis	Elementsuite	UK
Quantum Workplace	WorkDove	United States
HR Path	IntSys Solutions	US, Netherlands

Acquirer	Target	Region
15Five	Kona	United States
Shaker	JobAdX	United States
Karat	Byteboard	United States
Relias	Feedtrail HealthcareXM	United States
Momentive Software	Blue Sky eLearn	United States
SAP	SmartRecruiters	United States
Hexaware	SMC Squared	United States
Workday	Paradox	United States
Workday	Flowise	United States

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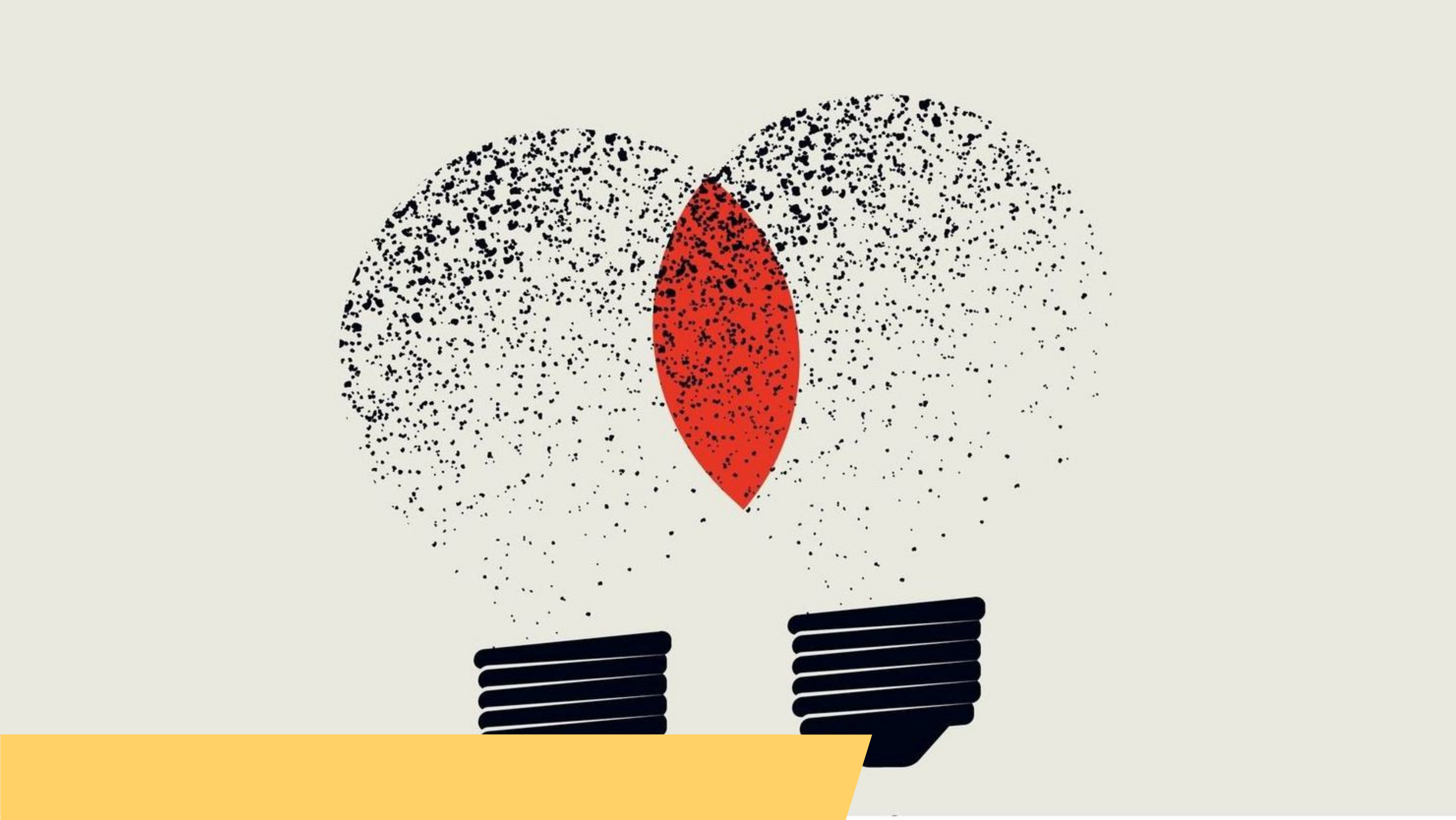

WorkTech Coverage of Recent Deals

Workday's Acquisition of Paradox

The WorkTech article, "Strategic Fragmentation: What Workday's Paradox Acquisition Signals About the Future of Hiring Tech" (August 21, 2025), explores how Workday's acquisition of Paradox, a leader in conversational AI for high-volume, frontline hiring, aligns with the broader consolidation seen across HR Tech. The acquisition is intended to integrate Paradox's advanced AI technology into Workday's recruiting platform, creating a comprehensive, end-to-end AI-powered talent acquisition suite that strengthens Workday's position in both the frontline and professional hiring markets. Workday's CEO called it "another important step in our journey to create an end-to-end AI platform that empowers people to do their best work".

SAP's Acquisition of SmartRecruiters

In "SAP to Acquire SmartRecruiters, Boosting Talent Acquisition Scope" (August 3, 2025), WorkTech reports that SAP's purchase of SmartRecruiters brings expanded hiring and workforce planning technology into the SAP SuccessFactors suite. SmartRecruiters is known for AI-driven candidate engagement and high-volume recruiting capabilities, which are expected to accelerate SAP's talent acquisition platform, delivering a single system for sourcing, interviewing, onboarding, and workforce planning. Industry observers describe the deal as more than a bolt-on ATS acquisition, positioning SAP for next-generation, agentic talent technology—and reinforcing the theme of platform players buying best-in-class, AI-native assets to stay competitive.

Global Work Tech VC Research

WorkTech Advisory tracks global Work Tech investment via proprietary AI-based tools, enabling real-time monitoring across dozens of subcategories. We also receive direct funding announcements from tech providers under embargo, often before public disclosure, giving us early visibility into developing market signals.

This report represents our latest data, paired with curated insights that reveal both what's happening now and what business leaders can expect next. We encourage vendors to share funding updates and context on their company, product, and positioning. Our data is continuously updated to reflect the evolving landscape.

Deals are tracked from a growing range of sources. All currency figures are converted to U.S. dollars based on exchange rates at the time of each announcement. While we study the Work Tech and HR Technology market in depth, we are not financial analysts, none of the insights or forecasts shared should be considered financial advice.

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