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**Topic: Learning and Talent Management**

**Issue:** Who are the learning and talent management providers and how will they evolve?

## Vector Capital Acquires Saba Software; Takes It Private

**Summary:** On February 9, 2015, Saba Software announced that it would be taken private by Vector Capital, at an estimated price of \$9.00 per share.

**Event:** Saba Software announced that it would be purchased by Vector Capital. The deal is expected to close in the next few months.

### Analysis

Financial restatement issues had plagued Saba since 2013, and it was under a deadline to resolve the issue with the U.S. Securities and Exchange Commission (SEC). With Vector Capital's acquisition of Saba, that issue is effectively gone, and as a private company, Saba can focus on growth and customer acquisition.

Vector Capital had been investing in Saba for some time, so it was not a surprise to see them make this move. It is interesting to note that other investors, such as Goldman are also involved in the deal, so we expect to see even more investment in the firm going forward. We expect them to double down in marketing and sales to fuel customer acquisition activities.

### Restatement Saga Ends

The biggest benefit to Saba is that by going private, the issues with their financial restatement, which had been burning cash and increasing debt, ends because as a private company, Saba does not need to issue financial statements. Note that Saba settled their issues with the SEC in 2014.

## Saba Continues to Win Large Deals

Our analysis and interviews with customers has shown that even during the restatement period, Saba was continuing to win large deals. Saba's platform has always been one of the most scalable, which meant that that it was ideal for very large organizations like the military or global 100 organizations.

### Operationally Focused Management

CEO Shawn Farshchi, who joined Saba in 2011, is an experienced executive with a reputation for product and operations excellence. Shawn brought in many operational engineering and cloud engineering managers who had worked with him at previous firms, such as Coremetrics (Sold to IBM in 2010) and WebEx, now part of Cisco.

### From Learning Focus to Full Talent Suite

Saba's talent suite is now on a full multi-tenant SaaS cloud, and is social and mobile enabled. While Saba's compensation module was late to market when it launched in 2014, it has had a performance module for many years.

Buyers are smart and shrewd these days, and based on client feedback, Saba is winning new deals and replacing competitors with their full talent suite. Given that the negative publicity surrounding the restatement, we expect their client win rate to go up.

### Saba and the Shift to Predictive

Aragon predicted in 2014 that by YE 2015, half of all software providers would have some level of predictiveness. Saba has been organically

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adding predictive capabilities to its talent suite, which it markets as TIM (The Intelligent Mentor).

Predictive applications in talent offer many possibilities, including predictive hiring, where the app can identify recruiting candidates who have the highest probability of success at that firm. Enterprises should start to evaluate talent management providers based on their predictive capabilities.

### **Learning and Talent Markets Projected to Grow**

Aragon projects that the learning market will grow slightly faster than the overall talent management market. Learning will grow at about 10% annually, with overall talent management growing just over 8%.

There is still heavy discounting in talent management deals and we would suggest that enterprises carefully look at capabilities, including mobile, collaboration and predictive before making a decision solely on price.

### **Market Impact**

The Saba deal is indicative of other recent transactions, such as SumTotal being sold to Skillsoft. A lot of investment occurs in technology markets, and now more of it is flowing into talent management. We expect two possible outcomes from the Saba deal:

- Other talent management firms will seek out additional investment options.
- More venture capital firms may look to do roll-ups in talent management, since there are synergies to be had and many vendors would be attractive candidates.

### **Aragon Advisory**

- Enterprises who have legacy on-premise Learning applications, should evaluate shifting to the cloud.
- Ask talent management providers for their roadmap for predictive capabilities.
- Enterprises should look at Saba as a complete talent management provider.

### **Bottom Line**

By going private, Saba ends its financial statement issues that were plaguing it and it can focus on growth. While Saba continued to win deals during the Restatement Saga, we expect its win rate and overall number of deals to go up. Enterprises should look at current and prospective Talent Management providers and look carefully at their product roadmaps.

### **Related Aragon Research**

- Talent and HCM Part II: Saba Partners with Workday (19.5)
- Saba Summit In Three Words: Talent, Cloud, Predictive (17.3)
- Saba Goes Deeper Into Recruiting: The Sound Of A Changing Market (16.7)
- Predictive Hiring Can Help You Win the Talent War
- Predictions for HCM and Talent Management, 2015: The Shift To Employee Engagement