

Cover Story

Recruitsoft Finishes Strong 2002: Plans Continued Revenue Growth

At **Recruitsoft's** annual company meeting last month, the San Francisco-based recruiting-software vendor assembled most of its 349 employees in a Montreal hotel for three days of meetings, meals, employee awards and speeches by senior managers. They praised the company's performance and outlined goals for the year ahead, noting matter-of-factly that Recruitsoft had just concluded the best year in its brief history.

Earlier this month, Recruitsoft announced it had achieved generally accepted accounting profitability for its fourth quarter. It's the first time since Recruitsoft's launch in 1998 that the firm has reached this goal and it comes at a time when many tech and software providers in a range of industries are barely staying afloat. The company's fourth-quarter revenues soared 116 percent. For the year, they were up a whopping 131 percent. Recruitsoft is a privately held company and doesn't release revenue figures.

Having real net income is "an important milestone, but it's not the end," says Louis Tetu, the company's chief executive officer. "I believe businesses only exist if they make money."

Recruitsoft produces computer software that tracks job applicants through the hiring process. Applicant-tracking systems, as the software is known, enable human resource departments to keep tabs on job seekers from the moment they apply for a position. Recruitsoft's systems also enable the company's clients to screen out unqualified applicants and to detail a company's hiring procedures. It can also be connected with human resource systems used to keep track of payroll, accounting and employee benefits. Julie Denardo, a company spokesperson, says the company's systems "allow you to define different steps candidates need to go through to ensure they are identified quickly and can be brought in quickly."

Because its systems do more than just track job applicants, Recruitsoft is reluctant to be called merely an applicant-tracking vendor. Yet the company is widely considered a marketshare leader in this relatively new sector of recruiting technology, along with **BrassRing**, **PeopleSoft** and **SAP**. While a number of vendors have fallen by

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CEO Recruitsoft*

the wayside in the ill economy, Recruitsoft has steadily built clientele. About two-thirds of its business last year came from new clients and its revenues have grown for 12 consecutive quarters. Recruitsoft customers include about 110 major companies, among them **Agilent Technologies**, **Honeywell** and **Hewlett-Packard**.

The company is the brainchild of Martin Ouellet, who holds a degree in computer engineering, and created the successful Canadian job board, **Viasite**. The first plans for Recruitsoft were mapped out in Mr. Ouellet's kitchen. The company launched in 1999 with \$1.5 million in venture capital funding. A total of \$35 million flowed in two subsequent rounds, and the latest \$25 million installment in early 2001 was spearheaded by **Bain Capital**. Observers of applicant tracking say the company's success has resulted from high-quality products and strong relationships with customers, who tout Recruitsoft. In a survey of applicant-tracking systems by the New York-based **Electronic Recruiting Exchange**, Recruitsoft scored above average in all 18 categories, including customer service, technical support, screening and ease of use. The company also won kudos for its ability to configure its products. "They gauge client's needs", says Lisa Arnold, Honeywell's staffing systems analyst, in an interview last year.

Hewlett Packard, Honeywell and **Dow Chemical** offer testimonials on the company's Web site. The company said that 71 percent of its revenues came from recurring subscriptions to its products and that a number of clients that initially signed one-year contract have renewed for two years or more. "We've established a brand and reputation for ourselves," says Mr. Tetu. "Clients trust that brand and are willing to commit for price protection." He adds, "We don't spend a whole lot of money on marketing."

Mr. Tetu says Recruitsoft funnels a large portion of its money into research and development. Recruitsoft will spend \$16 million on R&D this year, he says, amounting to a 60 percent increase over last year. About 200 people, or 58 percent of the company's workforce are focused in research. That's part of the reason for its weight in the market. "They've invested a lot in customer service and product development," says Robert Maina, analyst for **CIBC World Markets**.

The hard-driving Mr. Tetu is known for his laser focus on building his business. He sometimes works from 6 a.m. to midnight, and travels extensively. After one recent swing to the West Coast, he was back at his Quebec City desk the next morning. He says the company's strong for the fourth quarter – usually a slow time in recruiting – stemmed in part from new business in the retail and government sectors and in Europe, where Recruitsoft has been pushing harder. About 85 percent of the company's business comes from U.S. firms.

Mr. Maina says Recruitsoft has done a good job of demonstrating how their software benefits clients. He says the company also has a competitive advantage by maintaining its research and development division in Canada, where salaries are lower. "You're seeing more companies look abroad because of the cost advantage," says Mr. Maina. "You may see another (applicant tracking) company emulate Recruitsoft. But Mr. Maina adds that it may be difficult for other firms to follow suit because "start-up costs aren't small."

He expects another good year for Recruitsoft based on the momentum it has. "Recruitsoft has cemented its leadership position in the enterprise market," Mr. Maina says, adding: "Looking at software companies in any area, it's hard to find another one with more than 100 percent growth in revenues."