

Introduction

The Company, Avature Group Limited, was incorporated on July 15, 2020. On December 28, 2020, the Avature Group ("the Group" or "Avature") initiated a corporate restructuring, whereby Avature Holdings Limited, a private exempt limited liability company incorporated in Malta, with a UK establishment office address at 1 Charterhouse Mews, London was incorporated as the ultimate parent company by the controlling shareholders. The previous ultimate parent company, Avature Unlimited Company in Ireland, provided Avature Group Limited control over each of the existing Group's subsidiaries by means of a Share Exchange agreement on that date and is consequently being wound up during 2021.

The results reflect the Group's full 12-month trading period to December 31, 2020, as well as the comparative 12-month trading period to December 31, 2019, based on continuation accounting being applied as these entities are all ultimately still under the same common control.

The Directors present their strategic report together with the audited consolidated financial statements of the Group for the financial period ended December 31, 2020, based on its continued existence.

Review of the development of the business

Avature is a SaaS business for the HR industry with over ten years of operating history and a global customer base of large multinationals.

We started 2020 with a very strong first quarter, where our invoiced revenue had a 100% step up from the same period in 2019, our booked sales were 30% higher, and our sales pipeline was stronger than ever.

As the Covid-19 pandemic reduced economic activity and stopped people from going to work, we were able to adjust to a 100% work-from-home model within a week. As we closed our offices worldwide, work was performed on our internal systems to support this new model. Nevertheless, towards the end of the year, our China team returned to their office.



All the while, our teams kept working at total capacity. We delivered our services on schedule to our customers, completed several implementations, created a new product, added new employees and expanded our customer base. Because we have customers in a wide range of industries, some were reducing their business activity while others were expanding theirs in response to the pandemic. Regardless, most of our customers remained committed to increasing their automation of human resources activities. Overall, the pandemic caused our customers to invest more in automation, including adjusting their workflows to the new way employees work.

Only one of our customers had to discontinue services. A small number of companies requested and received payment deferrals of some portion of their fees due in the April to September period. None of our customers missed any payments, regardless of their operating situation.

As we faced uncertainty during the early days of the crisis, we worked to readjust our plans for the year - we reduced costs in 2020 by over 15% by slowing hiring, reducing marketing expenses, eliminating travel and renegotiating rent payments with the majority of the property owners.

We also took maximum advantage of any government assistance – took a loan from the US Government to cover US payroll, and did the same in both Spain and Argentina. We received VAT deferrals from the HMRC in the UK. We drew down our credit lines to ensure that we had ample cash on hand. In the end, none of this was needed.

We improved our cash position in every month of 2020 - we now have the strongest balance sheet in the history of the Group.

Our products continued to expand on schedule according to our product roadmap. We accelerated our development process and released a video interviewing solution, Avature Video, which had a great reception from our customer base. We released our machine learning-based Semantic Search features, our Custom Endpoints API toolset and over 100 additional features.

We improved our private cloud data processing capacity by upgrading the Ubuntu OS, separating our application and database services to different servers, and moving from bare metal to a virtual machine hosting model. We analyzed and began projects to transition some infrastructure services to Amazon AWS, such as DNS.



We expanded our security framework and improved our organizational structure in anticipation of becoming FedRAMP compliant. The Federal Risk and Authorization Management Program (FedRAMP) is a US government-wide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services. We began a short engagement with Deloitte to review the FedRAMP control requirements.

As for the year ahead, we are looking to continue to grow our customer base and upsell more solutions to existing customers. We will expand our product offering and continue to build our brand as companies adjust to a new work model.

We have accelerated our hiring, looking to expand our workforce by 30% this year, including technical and commercial profiles.

As the Covid-19 pandemic is still ongoing, we keep monitoring the situation closely.

Analysis of performance and position

The profit for the financial period amounted to US\$ 6,714,512 (2019: US\$ 1,748,854). Total comprehensive income of the period amounted to US\$ 10,234,618 (2019: US\$ 3,421,761). Total assets amounted of US\$ 61,286,908 (2019: US\$ 38,855,044) and total equity amounted to US\$ 19,775,604 (2019: US\$ 8,666,537).

Having started 2020 with the strongest Q1 in terms of billing and sales in the history of the Group, we entered the new reality set by the Covid-19 pandemic and revisited our yearly plan. We set to work alongside our clients, providing additional services and support. By keeping our software updated and with new offerings to help with the new all-remote landscape, we retained our historic low attrition rates, added new customers, and sold additional services to existing customers.

We also worked on adjusting our expenses and supporting our employees during these trying times. Starting March 2020 and to this date, all Avature offices have been closed, with employees working remotely, but all areas of the Group have remained 100% operational.

Overall, the performance of the Group produced encouraging results. As for the year ahead, we are looking to continue to grow our customer base and up-sell more solutions to existing customers.



Key performance indicators (KPIs)

Avature KPIs related to the financial statements: We have improved our liquidity to 1.5 (2019: 1.14); we have a working capital of 18 million USD (2019: 3 million USD); our Gross Profit Margin is 39.92% (2019: 41.80%), while our Net Profit Margin is 9.64% (2019 3.71%).

Avature KPIs related to the SaaS industry show a 20% growth in Billing Revenue (2019 \$61MM – 2020 \$72.7MM) and a Gross Margin of 55% (2019 47%). Concerning customer retention, we had an attrition rate of 14.56% during 2020 (2019: 14.17%).

Strategic Management

Strategy

Avature aims to create an innovative and agile enterprise Human Capital Management ("HCM") platform for customers to do business the way they want, create the user experience they want, and add a competitive edge to their talent programs.

Avature believes cutting-edge talent acquisition and talent management require new thinking and new solutions because breakthrough performance requires a break from the past. At Avature, we see things differently. Rather than struggle with too many separate systems that do not really communicate with each other, we believe in a one-platform approach. One platform powered by innovative, flexible and socially oriented software that supports business-driven solutions, not vendor-driven compromises. Our solution-oriented approach unlocks the creativity of your management teams, where success is a business optimization process, not a technical challenge.

Business model

Avature was founded in 2005 by Dimitri Boylan to help organizations across the globe deploy innovative solutions to their HR challenges. Our platform is a people-centric system designed to help manage a company's most important asset - its people. We are goal-oriented, team-spirited professionals looking for challenges. Our individual stories bring insights and perspectives that enrich our products and improve our services. We work together and support each other in an open environment with a shared drive to bring interesting technical solutions to the market.

Recognizing that leading CRM products were not suitable for modern recruiting, we designed branded email marketing features for passive candidate engagement, developed



advanced segmentation based on candidate pipeline progress and talent pool attributes, and pioneered personalized multi-channel communication.

Along the way, we realized that we could get hiring managers to participate in recruiting if we gave them a modern web portal with real-time information on recruiting projects. As it turned out, this added transparency and helped hiring managers to gain new respect for the efforts that went into building good talent pipelines and recruiting passive candidates.

Finally, realizing that every company has a different way to go to market and attract and retain great talent, we delivered a flexible data model and configurable workflow engine to support the creation of referral management, agency management, internal mobility and fully bespoke recruiting solutions for any region of the world.

We provide recruiting software to companies of all sizes as SaaS. We charge one-time costs for implementing the software and a recurring fee for maintenance and upgrades with new features.

Business environment

Recruiting software is used across all industry types without much variation. However, for recruiting CRM software, the buyers are usually high-growth companies, such as software companies, professional services companies, etc. For our Applicant Tracking System ("ATS"), we focus on large companies (10,000 employees or more) that are multinational – essentially, the Global 2000 is the market.

Our flagship product is a recruiting CRM. In this product space, our competitors are start-ups or new companies. The other product that has "traction" at this time is our ATS, which competes against large ERP software companies and start-ups.

Avature differentiates in the following ways:

Fit for Purpose

We believe that HR teams need to cut through the noise and perform sales and marketing-like activities to win candidates' attention and effectively recruit today. Therefore, they require technology that is as good as the best sales and marketing systems on offer. Likewise, systems must be specifically designed to support talent acquisition processes, providing functionality to source, parse and search on resumes, support career sites, coordinate interviews or manage your employer brand online.



Avature delivers a unique combination of these two elements not offered by another vendor. We are explicitly designed to help customers win in today's hyper-connected digital environment.

Agility

We believe that agility is more than a buzzword. In talent acquisition, agility means the ability to change the way things are done when market conditions change. Agility is only possible when a system is flexible enough for its users to optimize it over time. We have made it possible for customers to configure the system through the user interface to design, modify, and optimize digitally-based business practices to compete for and win talent over their competition aggressively. In today's environment, it is not enough to acquire a marginally competitive system today that cannot scale, lacks innovation, and will be ineffective in one or two years. We offer customers a steady stream of new functionality to keep pace with evolving technology and trends.

Continuous Improvement

We believe that our customers are co-designers of our software. We continuously develop customer-requested features and enhancements. Our focus is recruiting, and we offer multiple channels for customers to present their feedback directly to us (Customer Advisory Counsel, User Conferences, Online Forums, Meet-ups, Account Management) and adhere to a customer-driven roadmap.

World Class Support

Avature provides full-lifecycle customer support, from the day customers first meet us to the future evolution of their strategy in the years to come. Our consulting team has extensive domain expertise in sourcing, talent engagement and recruiting service delivery derived from the world's most demanding and innovative recruitment organizations. Dedicated and experienced Account Managers and our change management team support our customers. We take pride in our customer team being just one step away from our technical operations, engineering, and product design teams. This allows us to respond to customer issues with real solutions and in real-time, rather than dealing with an intermediary or system integrator who has a limited understanding of the underlying platform or leverage to drive modifications to it.



Experience

We differentiate with our industry experience, commitment, and proven staying power. The recruiting software market is full of heavily venture capital-funded start-ups who are seeking a quick exit. They do not commit to developing long-term relationships. Avature's larger competitors are typically serving up a software product that they purchased several years ago and for which they have no real roadmap or appetite for innovation and progress.

Environmental, employee, social, community, human rights and anti-corruption and anti-bribery matters

Employees

The Covid-19 pandemic has set out new challenges for everyone the world over. Avature has stepped into 2021 with a renewed commitment to continue our efforts to bring people together safely and in a fundamentally human way. We understand our responsibility as a recruiting technology provider, and we reaffirm our commitment to the initiatives and best practices we have implemented towards positive social and environmental impact.

We are constantly empowering our own internal teams, promoting long-term career paths and continued education for employees. We champion sustainable employment, job security, and a thriving space to propose innovative ideas and business initiatives.

We believe a diverse employee body will bring about creativity and foster innovation. Our vision is that only by accepting our differences, bringing people together, and supporting each other will we realize each employee's full potential and create breakthrough solutions.

Avaturians are trained to focus on the output of the individual and commit to helping each other succeed. Avature has a zero-tolerance stance on discrimination, harassment, or bullying of any kind. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. It is the Group's policy that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

We require each employee to behave professionally, but we do not require people to change who they are when they come to work for us. As enshrined in our Code of Conduct and Equal Opportunity policy, Avature condemns forced labor, child labor, modern slavery, or human trafficking of any kind.



Customers

Avature solutions are not one-size-fits-all. We respect our customers as experts in their own business, and we actively encourage them to follow their own vision and define the solution that achieves their objective. Our platform allows our customers to create real, lasting transformation.

Our decision to respond directly to our customers' needs, listen to them, and partner with them is at the heart of Avature's operating model. We develop all of our solutions in-house, and we are in complete control of the quality and evolution of our platform, allowing us to engage with our customers directly and co-create the next-generation enterprise platform. Our commitment to high-quality engineering, transparency, and service, together with this partnership and the people we bring to this commitment, are our competitive advantage and, hopefully, part of our customers' advantage.

We offer a core platform meant to serve only the solutions, tools, and functionality that an organization needs for its processes to avoid distracting from its objectives. If they wish to evolve or expand, the platform can adapt to additional or modified processes, new strategies, enhanced functionality, new tools or extended solutions. Furthermore, we give users the training to use our solutions specifically for their processes, and we view this training and support as ongoing.

Our customers recognize their responsibility in challenging inequalities and providing their organizations with a platform to create a fairer, more equitable world. We assist them in crafting and supporting a culture of inclusion that harnesses the power of a larger talent pool, boosts employee engagement, and models a society that is tolerant and welcoming of all.

Suppliers

We understand that corporate social responsibility extends to our entire supply chain. This encompasses the products and services supplied and the human rights, ethics, and social practices of Avature and our suppliers. One goal of our corporate social responsibility procurement program is to build partnerships with like-minded organizations by actively seeking out business partners who are the most environmentally and workforce friendly.

This includes the following areas:

- Responsible Environmental Impact: Avature and its suppliers shall conduct ongoing efforts to reduce environmental pollution while increasing sustainability.



- Forced Labor: Avature and its suppliers and supply chain shall employ all employees under their own free will with no individual being subject to bonded or forced labor.
- Child Labor: Avature and its suppliers and supply chain shall not employ any people under the minimum legal working age of the country in which they work.
- Modern slavery/human trafficking: Avature does not tolerate human trafficking or slavery in any form and in any part of our global organization or our supply chain.

Avature has a Diverse Supplier policy. For non-strategic supply, managers are expected to include small business vendors and minority-owned vendors in any bid group unless a reason is given for not including them. We recognize that size does not relate to performance and the only reason company size can be used as criteria for selection is when size is needed for the execution of the service.

Avature's abiding rule on diversity is that our vendors' diversity should align with the general diversity of the country where they operate their business. A substantial deviation from this model can be considered a negative attribute in any evaluation. A vendor employment policy that supports diversity can be regarded as a positive attribute.

Principal risks and uncertainties

The Group is required to describe the principal risks and uncertainties that it faces. These principal risks are set out hereunder:

- Financial risk management, including exposure to both liquidity and foreign currency risk
- Significant changes in the marketplace in which the business operates
- Economic risks due to Coronavirus (Covid-19)

The Group has insurances, business policies and organizational structures to limit these risks and the Board of Directors regularly review, re-assess and proactively limit these risks. Please refer to Note 16 to the financial statements for more detail on these risks.

Statement by the Directors in the performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

The Directors of the Group must act under a set of general duties including (among others) those under s172 of the Companies Act to promote the success of the companies.



The Directors, both individually and collectively, consider that they have acted in good faith in the way that would most likely promote the success of the company for the benefit of its members as a whole (regarding the stakeholders and matters set out in s172(1) (a-f) of the Act) and in the decisions taken during the period ended December 31, 2020.

- The Directors oversee a structured approach to developing the Group's strategy, looking at commercial considerations and developing current and potential future markets. They also take a long-term perspective on possible strategic workforce requirements and the impact of new technology. Long-term business planning and key strategic decisions are undertaken in line with the strategy agreed by the Directors.
- The Group's employees are fundamental to the delivery of the Group's goals. The Group aims to be a responsible employer in their approach to their employees' pay and benefits. Their employees' health, safety, and well-being are one of their primary considerations in how it does business (see the previous section). In this regard, the Group annually conducts an in-depth review of entire workforce remuneration and the alignment of incentives with the Group's culture. The review covers the structuring of pay and incentives across the Group.
- Delivering on the commitments the companies make to their customers is critical to their long-term success. Senior Executives meet regularly with customers and, as necessary, subsequently brief the Directors on the status of these important relationships and how the Group is delivering on its commitments. The Directors were also provided with details of the output from the Group's customer satisfaction surveys during the year.
- The Group considered the impact of its operations on the community and environment, particularly how the companies influence the regions where facilities are located (for more information, see the previous section).
- Responsible behavior is fundamental to how companies do business. The Group's Code of Conduct sets out the standards and behaviors expected of all the companies' employees to meet the high standards of business conduct – legally and ethically – that their customers and other stakeholders expect. The Directors intend to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance. The intention is to nurture the companies' reputation through the compliance of the Code of Conduct, which is reflected in the companies' actions. In addition, during the



year, the Directors reviewed how employees were encouraged to seek guidance, raise concerns or report issues, if necessary, to the Group's Ethics Committee.

- The Directors intend to behave responsibly toward the Group's shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of the Group's long-term objectives.

Employee gender diversity

Avature understands that innovation goes hand in hand with solutions designed to offer accessibility for individuals with disabilities and can be leveraged to remove bias and partiality in hiring practices. This has informed and will continue to inform our functionality and roadmap on an ongoing basis.

We are committed to ensuring that our internal hiring and mobility philosophy reflects what we help our customers do: hire the person before anything else. By way of example, by the end of the year, 307 Avaturians are women, and 80 of them correspond to 37% of senior leadership positions at Avature, surpassing the number at other leading tech organizations. Moreover, with 25% of technical roles filled by women, Avature is also well ahead of the industry average.

Equality and diversity are at the core of our organization. Our talent acquisition strategy is neutral regarding any form of self-identification, including gender, sexual orientation, race, etc.

Dimitri Boylan

August 2021

