

## AD1 to acquire Scout Talent Group

### Key highlights

- AD1 to acquire leading SaaS talent acquisition software provider, Scout Talent Group for up-front consideration of \$65 million (\$18.5 million cash and \$46.5 million in scrip) with equity consideration issued at 4.23 cents per share.
- Scout acquisition advances AD1 to be a global provider of SaaS HR technology products and services with a significant North American presence
- In FY23, Scout expects to invoice \$23m of total revenue and be EBITDA positive. \$20m of this invoiced revenue will be ARR. The monthly recurring revenue (MRR) in September 2022 will be \$1.7m which would result in a September run rate of \$20.4m ARR for FY23. Post completion of the Scout Talent acquisition, AD1 is forecasting total revenue in excess of \$30 million for FY23.<sup>1</sup>
- Complementary fit to AD1's business adding significant scale and growth opportunities, having achieved 45% year-on-year ARR growth and 300 new customers during FY22
- Unlocks over 800 active SaaS customers, growing AD1's base to over 900 active customers
- AD1 to generate FY23 pro-forma revenue in excess of \$30m with approximately 30% derived from North America
- AD1 expected to be EBITDA and cash flow positive in FY23 on a pro-forma basis before synergies<sup>2</sup>
- Acquisition is consistent with AD1's strategy of delivering strong shareholder returns by acquiring and growing SaaS businesses within fast growing markets

**Melbourne, Australia, 30 August 2022:** AD1 Holdings Limited ('AD1', the 'Company' or the 'Group') (ASX: AD1), a technology company with a growing portfolio of market-leading software businesses, is pleased to announce that it has entered into a share sale agreement ('SSA') for the acquisition of Scout Talent Group Pty Ltd (ACN 634 393 874) ('Scout'), a leading Australian-based software-as-a-service ('SaaS') talent acquisition software provider for a total consideration of \$65 million ('Acquisition'). Scout is the market leader in talent acquisition software, enabling the highly lucrative mid-market to move from reactive to strategic talent acquisition.

**On the Acquisition, AD1 CEO, Brendan Kavenagh, commented** "AD1's strategy has been focused on delivering new and attractive SaaS verticals, specifically in the global online HR talent acquisition and staff development markets.

*As a growing number of organisations digitise and streamline their recruitment process, Scout's complimentary technology is transformative for AD1, further strengthening our offering by providing instant scale and significant opportunities with the ability to up-sell and cross-sell our existing products to new and existing customers and markets.*

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<sup>1</sup> Scout's financial information has not been audited. However, AD1 has, together with the assistance of external accountants, undertaken diligence on Scout's revenue, including its ARR. AD1 has also received a legal due diligence report undertaken by external counsel on Scout's operations.

<sup>2</sup> Assumes full year FY23 contributions of AD1 Holdings Limited and Scout Talent Group

*Scout is the market leader in Talent Acquisition and Management Software with strong capabilities and an expansive footprint across Australia and North America within a highly fragmented market providing opportunities to increase our customer base and expand into new verticals.*

*We are delighted that the key Board and Management of Scout will be joining AD1, who will be integral to successfully integrating the business into our existing operations."*

## About Scout Talent Group

Established in Brisbane in 2007, Scout is a best-in-class solution for in-house HR and recruitment teams. Scout's software is designed to facilitate automation within in-house recruitment teams solving the challenge of talent acquisition for mid-sized companies across all industries and includes a specialised HR Customer Relationship Management ('CRM') platform. Scout's niche is mid-market organisations of up to 3,000 staff however its scalable offering means it currently provides recruitment solutions to customers with approximately 30,000 staff.

The business has grown rapidly across Australia, New Zealand and North America with over 800 customers and over 29,000 subscribers using its products. Scout has over 70 integrations with other HR products, offering customers true flexibility to meet their talent requirements by providing modular based products or full Human Capital Solutions that are supported by its software development business NetEngine.

Over the last 3 years Scout has doubled in size achieving 45% year-on-year growth (ARR) in FY22 and a very healthy pipeline and run rate leading into FY23. Scout's launch into North America has resulted in fast growth particularly within the mid-market. In FY22 the business delivered over \$15 million in revenue.

The Scout team is made up of a highly experienced executive team that includes the Scout founders, Tudor Marsden-Huggins and Susanne Mather who are strongly aligned with AD1's culture and values and will remain in the business, providing meaningful contributions to the integration and the growth of the business over the long term. The executive team are supported by a highly focused, sales and service team of over 100 staff.

**Managing Director of Scout, Tudor Marsden-Huggins said:** *"We are delighted to become a part of AD1. Scout Talent has a fantastic team enjoying great success to date. We look forward to accelerating our growth under the AD1 umbrella and believe the alignment of culture and values, along with our combined SaaS products and customer synergies will enhance our overall offering to become the dominant provider of HR Tech products and services."*

## Additional Information required under the ASX Listing Rules

- **Counterparties:** The counterparties to the SSA are Recruitment Investments Pty Ltd as trustee for the Recruitment Investments Trust as well as the two key principals of the Scout business, Tudor Marsden-Huggins and Susanne Mather.
- **Information about the Counterparties:** Recruitment Investments Pty Ltd is the sole shareholder in Scout. Recruitment Investments Pty Ltd is an entity controlled by Scout founders, Tudor Marsden-Huggins and Susanne Mather.
- **Conditions:** The Acquisition is subject to a number of customary conditions for a transaction of this nature, including shareholder approval (for the purposes of item 7 of section 611 of the Corporations Act), the Company completing a \$25 million capital raising and Recruitment Investments Pty Ltd entering into a two year voluntary escrow deed. The Company has engaged an independent expert to prepare an independent expert's report in respect of the Acquisition. The Company anticipates issuing a copy of the independent expert's report to shareholders, together with a notice of shareholder meeting, in mid-September.
- **Expected Completion Date:** The Company anticipates that completion of the Acquisition will occur in late October or early November.

- **Board Appointment:** Following completion of the Acquisition, Tudor Marsden-Huggins (or his nominee) will be appointed to the Board. The Board will also consider the appointment of an additional director nominated by Recruitment Investments Pty Ltd following completion.
- **Acquisition funding:** The Acquisition will be funded through a \$25 million capital raising. The Company anticipates that the capital raise will be undertaken in September 2022. The Company can make no guarantee that funding will be obtained. If the Company is unable to finalise its funding arrangements the Acquisition terms will need to be revisited or terminated.

## Strategic Rationale

AD1 is taking significant steps to fast track its position in the global online HR talent acquisition and staff development markets as a HR Tech specialist across Australia and North America. The flagship product of Scout is a recruitment software platform that is primarily designed to facilitate automation within in-house recruitment teams. Scout generates a combination of recurring revenues via SaaS subscriptions and business process outsourcing ('BPO') subscriptions, as well as project-based revenues related to BPO transactions and software customisation and integration.

### Complementary Technology

Scout is complementary to AD1's existing business model of providing SaaS-based enterprise solutions for recruitment and mentoring delivering significant scale and growth opportunities via the cross-sell and up-sell of new & existing products to new and existing customers and industries. The acquisition diversifies AD1's current business offering and significantly increase its contracted recurring revenue. Post-acquisition products available for customers to purchase increases from 3 to 8 and AD1 believes the average module per customer has the ability to increase from the current 1.3 to 2 modules per customer, driving significant revenue growth.

### Customer Base Expansion

The acquisition will expand AD1's presence domestically and across North America where approximately 25% of Scout's customers are currently located. The geographic diversity of Scout's customer base is expected to foster greater adoption of AD1's existing Art of Mentoring product and supporting the Company's strategy of expanding Art of Mentoring's North American Partners.

### Significant Synergies

AD1 intends to leverage Scout's internal digital marketing, software development and support capabilities to generate greater customer retention and lead generation. AD1 plans to grow Scout's reach by a further 20% customers by the end of CY22 in addition to capitalising on up-selling opportunities to both businesses existing customer base.

On a pro-forma basis, AD1 and Scout will generate revenue over \$30 million in FY23.

**AD1 Chairman Andrew Henderson said:** *"This transaction is another successful step in AD1's vision and strategy. The acquisition of Scout Talent has enabled us to execute upon a group strategy as previously indicated to the market. Post transaction, AD1 will expand operations across North America, Australia, New Zealand and Europe, generating more than \$30 million in revenue including fantastic cross-sell prospects into over 900 customers globally.*

*This combined business platform will see AD1 become a key player in the listed HR technology space."*

## Results Webinar

Chief Executive Officer Brendan Kavenagh will host a webinar to discuss the .Company's results on Wednesday, 31 August at 1:00pm (AEST). Please note that the webinar will be recorded, and a copy will be made available on AD1's website shortly after it is completed.

Webinar link: [https://us02web.zoom.us/webinar/register/WN\\_oaf1f\\_ibSXC6kCfWnBBMtQ](https://us02web.zoom.us/webinar/register/WN_oaf1f_ibSXC6kCfWnBBMtQ)

An Investor Presentation will follow this announcement consisting of an AD1 FY22 results update and Scout Acquisition information.

Investors can submit questions prior to the webinar to [melanie@nwrcommunications.com.au](mailto:melanie@nwrcommunications.com.au) or do so via the Q&A function on Zoom, during the webinar.

**END**

*This release has been authorised by the Board of Directors of the Company.*

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**About AD1 Holdings**

AD1 Holdings is a technology company with a growing portfolio of market-leading software businesses. We build, manage, and acquire best of breed, high potential software businesses that develop specialised software solutions to address the specific needs of the global workforce. The Company currently operates in two main verticals being 'HR Services' and 'Niche Services'. Under HR services the company provides talent recruitment solutions in the form of ApplyDirect and Jobtale and mentoring products under the Art of Mentoring banner. The Company also operates Utility Software Solutions which specialises in SaaS hosted customer interface solutions (CIS) and Business Process Outsourcing (BPO) services for energy providers.

**For more information**

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