Report 2019

A summary of key information and future plans

Annual Company
Report by HFX

www.hfx.co.uk

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About us

Mission and Values

Our vision of A New World of Work was born out of assessing the rapid changes occurring with employment practices, demographics and legislation as well as researching the causation and inevitable remedy to the UK productivity stagnation. What became clear was the need for organisations to adapt not just to evolving work patterns but also the changing consumer and competitive landscape.

We aim to simplify Workforce Management and Empower our customers in the new world of work. Workforce Management Solutions have historically been complex and cumbersome to implement and use, often brittle and unable to cope with organisational change. There is an unmet need to provide a solution that is able to cope with complexity but is also *easy to understand, use and configure*. Our mission is to provide a solution that is simple to configure, simple to use and empowers our customers to take full ownership of the solution and adapt it without recourse to the supplier. We have made huge progress, but our mission is far from over.

At our core, we always aim to simplify everything we do. The fact that we have only one core value 'Simplify' is testament this.

Our Pedigree

Formed in 1971, HFX has consistently been the leading provider of flexitime working solutions and rapidly became the defacto market leader within the Public Sector and Local Authority, a record it still retains today. In 2012 HFX was acquired by Smart Capital Investments with a long-term plan to re-platform the technology to SaaS Cloud and broaden the solutions to include Time and Attendance, Advanced Rostering and associated modules within the Workforce Management market segment. In 2018, Autotime was acquired by HFX to increase market share and opportunity.

Autotime has also been a long established market leader in the commercial sector for over 45 years.

At A Glance

Revenue up by
250%

Profit up by
550%

3
New Cloud Solutions have been Released

1500
Customers on a growing basis

EveryOneCloud deployments up by
104%

58%
of a Recurring Revenue

Prospect pipeline currently
£10m

Our Achievements

Recent performance

2018 was a year of significant investment and change for HFX. Autotime was fully integrated into HFX and brings with it over 700, mainly SME, customers and continues to contribute significant revenue and opportunity for growth.
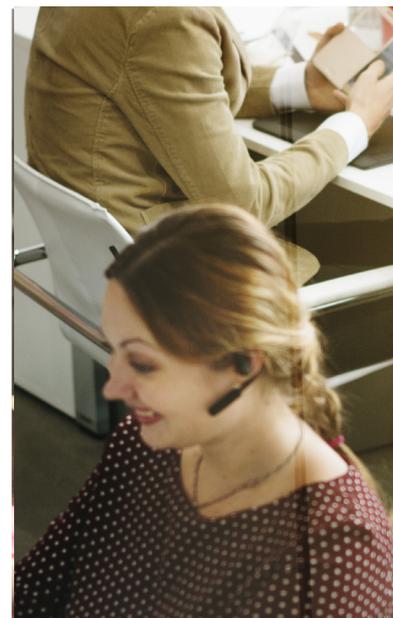
Our business is currently buoyant with an average of 40 new customer wins per annum.

HFX EveryOneCloud saw stella growth (104%) with over 80 clients adopting the solution to meet their Attendance Recording needs. As of January 2019, we recorded over 2.6 million clockings and we expect that EveryOneCloud will gain a further 40-60 clients during 2019.

We launched two new products during the latter part of 2018 including our Budgeting and Costing module for 3D Rostering and our Visitor Registration. These modules have already captured significant interest and HFX have already onboarded and deployed these to several customers. We expect these additional modules to drive additional revenue during 2019.

We continue to re-invest within the business and have increased headcount by 10% during 2018 including additional development resource. In 2019 we plan to relocate offices to accommodate our staff and provide further room for growth.

We believe that innovation does not stop with the product development, thus, in 2018 we launched our new corporate website (hfx.co.uk) which already has garnered a lot of attention by redefining the web experience.
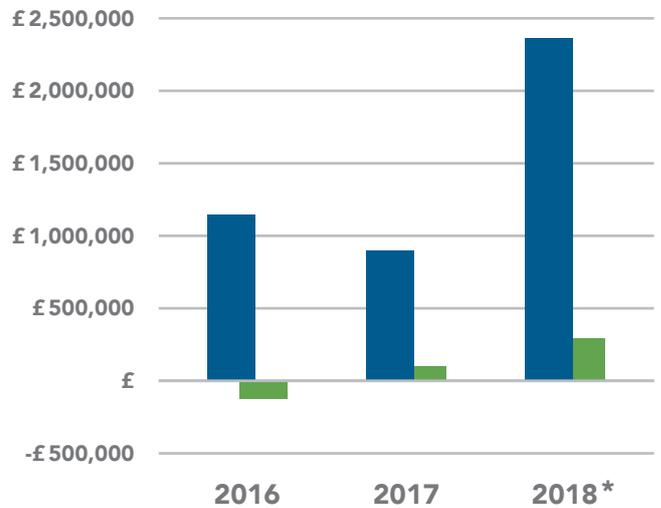
Key Financials

HFX's Revenue

At HFX we have continued to invest significantly in new cloud solutions and we now have the most comprehensive suite of solutions provided across the group, from both HFX and Autotime divisions. With the move to SaaS there has been an increase in deferred revenue that impacted the year 2017, before positively impacting on subsequent years.

In 2018 we recorded over 58% of HFX recurring revenue from support and SaaS contracts.

We expect 2019 to achieve between 10% and 20% organic growth through existing customer migrations and New Business wins.

* The 2018 figures are provisional and include the acquisition HFX made in 2018 of Autotime
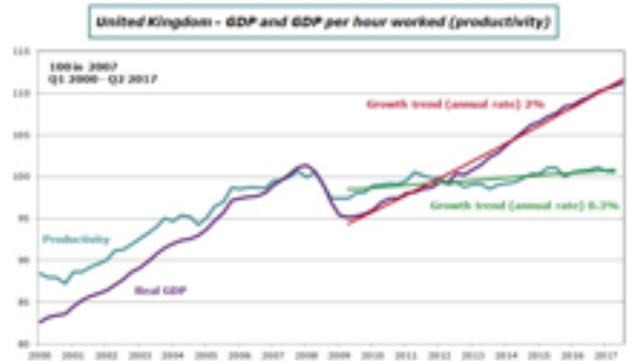
Our Plans

Starting the New Year strong

We start 2019 with a total contract value of £10m. With a strong brand, an innovative marketing campaign and engaged partners we believe that this will grow, and we will see the market for Workforce Management Solutions increase during this year.

We believe that in 2019 organisations will focus much more on productivity. With a tightening labour market and rising costs, there is a need to be more focused on efficiency and productivity to ensure that profit margins are safeguarded whilst remaining competitive.

The impact of the 2008 recession has dogged the UK industry with productivity 20% below pre-2008 trends. It is likely that some post 2008 organisations paused investment in efficiency projects and rely heavily on cheap labour. Thus, labour markets are now tightening and salaries increase as a result. These combined events mean that companies are likely to turn to technology for efficiency, automation as well as productivity improvements.

We will continue to work with our Partners and Resellers within the UK whilst also looking to create further partnerships globally to open up markets outside of the UK. Various customers are already outside the UK and we have conducted a number of pilots in a range of geographies to validate our solution within different legislative jurisdictions and employment practices.

As a result of our recent company growth we will be relocating to new offices. The location and layout of the offices will enable a much closer collaboration across teams as we design and develop new products. Closer working between our development, operational and support teams will also enhance our customer service delivery, both pre and post sales.

Our Journey

1973 | HFX launches Flexitime in the United Kingdom.

1984 | Our solutions expand to include Access Control.

1997 | HFX leads the market with their flexitime work solution.

2004 | HFX provides a complete workforce management suite.

2012 | HFX is acquired by Smart Capital Investments.

2013 | HFX makes investments in the next cloud solution.

2014 | Imperago Flexitime launches with Access Control.

Our Market

Strengths in all Sectors

The Workforce Management Solutions market touches any organisation that needs to plan the deployment of their resource and/or capture the attendance of their staff for payroll or productivity.

The majority of competitor solutions are legacy on-premise solutions hosted on a per customer basis and not user friendly. Such workforce management trends arise from the evolving patterns of work which together form a 'New World of Work'. Organisations which struggle are investing more in the planning and deployment of their workforce to ensure the Right people with the Right skills are available at the Right time.

Legacy solutions struggle to achieve this in its most basic form, but with organisations now wanting to plan not just when their staff are rostered, but where, for whom and on what task, it becomes obvious that a new solution is required. HFX developed 3D rostering to address this need.

Secondly, the way organisations engage with and contract workers is expanding rapidly with Full Time, Part Time, Annualised Hours, Flexitime, Agency, Zero Hours Contracts creating additional flexibility for the organisation and workers, but also additional management burden.

The New World of Work is driving organisations to think differently about how they manage their workforce and in doing so they require a modern solution that HFX can provide.

Over 1,500 Customers

255 Local Authorities	**343** Public Sector	**172** Services	**479** Manufacturing	**80** Retail and Leisure

2015 HFX releases Imperago Time and Attendance as well as Workforce Design with 80% reduction in time to configure and implement the solution.

2016 HFX launches the innovative Imperago 3D Rostering module and the attendance and location management solution EveryOneCloud.

2017 HFX signs up a great host of partners and resellers within the UK. HFX also firstly manufactures its own cloud data collection devices.

2018 Autotime joins HFX and we launch our new website as well as a Visitor Registration, in addition to a Budgeting and Costing module.
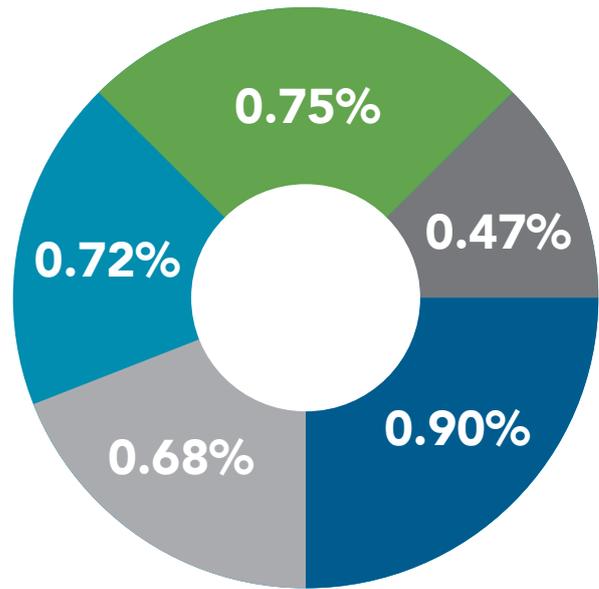
Market Proposition

Reduction in Payroll cost

The ROI for Workforce Management Solutions is traditionally very high and this is recognised within the industry. With Time and Attendance, the savings can be as much as 3.52% of an organisations payroll bill, as can be seen in the graph.

However, rostering efficiently (ensuring resources are aligned to business activity) can be even higher at 9% of the rostered wage bill.

Whilst these figures alone are compelling, the research by HFX reveals that savings can be still greater depending on our unique HFX maturity index developed based on our experience of 100's of organisations.

0.75%
0.47%
0.72%
0.90%
0.68%

- Payroll Error Rate
- Labour Reporting
- Payroll Inflation
- Payroll Processing Time
- Saved Absence Time

LEVEL 1

Rigorous processes with Strong Quality & Fraud Controls: Expected ROI within 12 months 1:3 (£3 saving for each £1 invested)

LEVEL 2

Clear Processes but without rigorous Quality & Fraud controls; Expected ROI within 6 Months 1:6 (£6 saving for each £1 invested)

LEVEL 3

Poor processes and lack of Quality & Fraud controls; Expected ROI within 3 Months 1:12 (£12 saving for each £1 invested)

The model helps quantify the expected ROI both in terms of timeframe and savings based on the Maturity Index of the organisation.

Our proposition is enhanced by our ability to rapidly implement the solution through our contract-based configuration tool. Research shows that implementations can be achieved in 20% of the time required for legacy competitor solutions. This reduces the lead time for benefits to be released.

Whilst any Time and Attendance system can generate benefits, we believe that our suite can yield substantially greater savings and faster than any other. This mixed with our experienced team of consultants and a support team that regularly receive 100% Awesome ratings by our customers means that we are always on hand to advise and help them achieve their objectives whether during implementation or in the following years.

Our Customers

Public Sector

"Thanks to the HFX solution, our staff have the flexibility that our policies allow, they can use free days to get things done, which means they tend to make sure they are as productive as they can be, in order to have the time off."

Christine Miller, HR Partner at the National Library of Scotland

"The HFX system has been welcomed by staff as it provides a very transparent way to record working time, including business absence. It enables us to correlate and calculate working hours, meal allowances and travel claims easily and promptly, and we can see at a glance who is in the office."

Joe Gallacher, Senior Admin Officer at Renfrewshire Valuation Joint Board

"We are very pleased with the newer system, which is adaptable, intuitive and easier to use for staff as well as management. Managers can configure controls to enable employee access to certain building and office areas at set times of the day and week using card readers."

Peter Henderson, Portfolio Holder for Resources and Performance at South Ayrshire Council

Private Sector

"We selected Autotime for the simplicity of its technology. In a very short space of time, we have taken control of our T&A activities, made tangible time savings and improved payroll accuracy beyond our expectations."

Dean Horton, Works Director at Barnfather Wire

"The recording of hours is important as it ensures that overtime, sickness and holidays are captured and compensated accurately. Our previous manual system was dependent on one person to record hours, resulting in frequent mismatches."

Robert Thorogood Financial Director at Thorogoods

"Running a theme park is a complex business and requires innovative technology to match. However, nothing beats the unique Autotime approach. It's fast, gives us vital, real-time information on holidays, time off in lieu and other absences, allows us to create and download valuable reports in an instant."
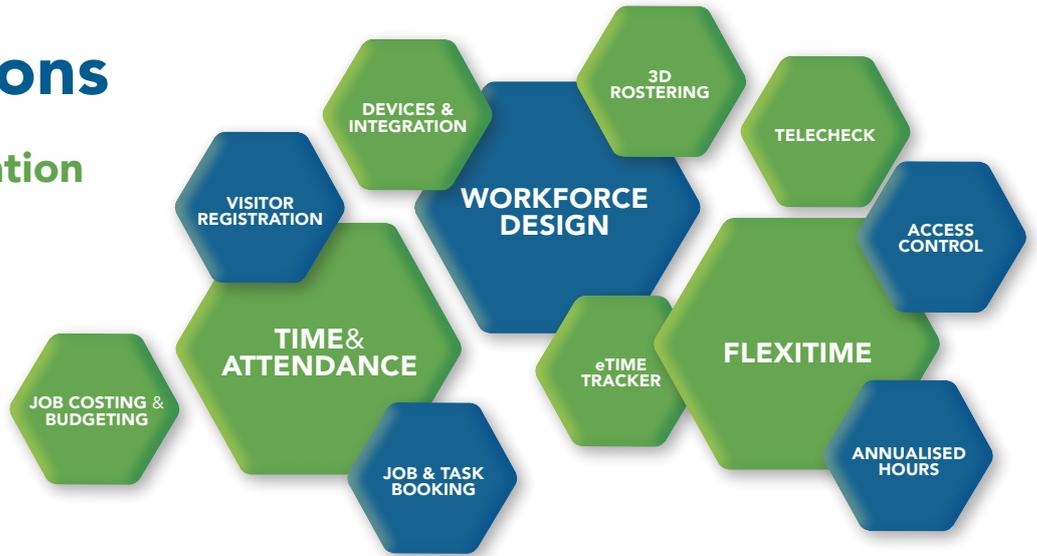
Clare Beasley, Director of People at Drayton Manor

Our Solutions

Seamless Integration

The latest generation of our Saas Cloud solutions are highly customisable and can be configured to meet exact requirements, can support unlimited numbers of work patterns and provide seamless integration with all major HR and payroll systems.

DEVICES & INTEGRATION

3D ROSTERING

TELECHECK

VISITOR REGISTRATION

WORKFORCE DESIGN

ACCESS CONTROL

JOB COSTING & BUDGETING

TIME & ATTENDANCE

eTIME TRACKER

FLEXITIME

JOB & TASK BOOKING

ANNUALISED HOURS

The HFX solution comprises Time & Attendance, Rostering, Flexitime, Workforce Optimisation, Budgeting & Costing, Job & Task Booking, Access control and Visitors' Registration and fits organisations of all sizes and sectors including manufacturing, public sector, services industry, leisure, construction, retail, contract cleaning, recruitment, logistics and hospitality.
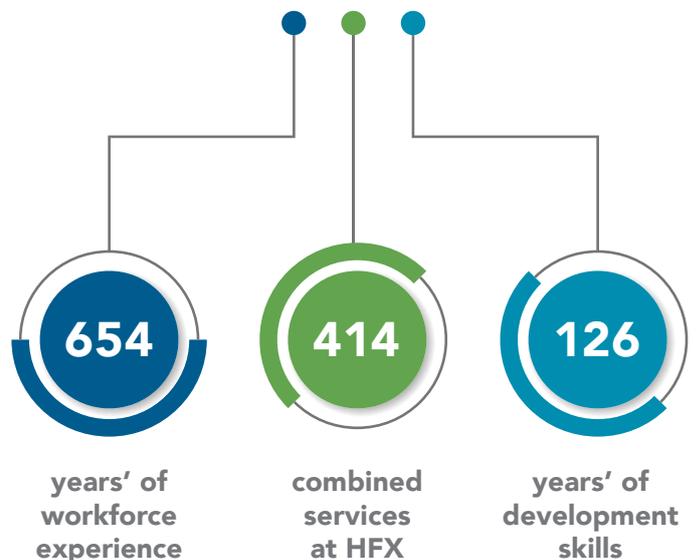
Our Experience

Why choose HFX?

We have a strong and stable workforce who have years of experience in workforce management. Our Staff Attrition remains at zero and this demonstrates not only the commitment of the management team to our staff, but also the dedication and commitment of our colleagues.

On average our staff have over 10 years' service at HFX, with over 25% having between 11- and 20-years'. Within product development, our team have on average 15+ years' experience and overall our staff have on average 17 years' experience in Workforce Management Solutions. This huge amount of experience goes into every product release, every project and every customer interaction here at HFX.

654 years' of workforce experience

414 combined services at HFX

126 years' of development skills

Management Team

Eric Smart
Chairman

Entrepreneur and Investor with over forty years' experience in workforce management solutions. Eric has spent over 40 years acquiring, growing and selling high tech businesses focussed on workforce management solutions and is considered a domain expert in this niche vertical.

Nick Whiteley
Chief Executive Officer

Nick has held a variety of Board Level positions over the last 15 years including Group MD, CTO, COO and CIO. He brings 22 years of Workforce Management experience to HFX and remains Chief Product Officer for the HFX suite of solutions. He has a Degree in Artificial Intelligence and in 2012 authored a book on Business Innovation which outlined key principles and approaches to Innovation which he has successfully implemented within HFX.

Nicola Smart
Chief Operating Officer

Nicola has over twenty years' experience working in key director positions, where she focuses on long-term growth strategies through acquisitions, partnerships and sales. Her early career was spent at PwC as a Chartered Accountant in London and Madrid, where her work involved managing teams on audit and M&A projects. She is passionate about creating strategies for global business expansion and ensuring sustained revenue whilst not forgetting her top priorities: high quality product and top customer service/satisfaction.

Robert Jamieson
Chief Technology Officer

Adam Shepherd
Service Delivery Manager

Stephen Mehew
Chief Cloud Officer

Robert Ayers
Group Customer
Account Manager

Brendan Sands
National Business
Development Manager

Alex Boa
Group Sales Director

Our CSR Programme

HFX is putting people first

HFX is an accredited Living Wage Employer. Our Living Wage commitment ensures everyone working at HFX receives a minimum hourly wage of £9.00 in the UK or £10.55 in London. Both rates are significantly higher than the government minimum for over 25s, which currently stands at £7.83 per hour.

HFX is working for a greener environment

We take our carbon footprint very seriously. As part of our environmental policy and practices we have invested in a new datacentre that is highly energy efficient and have created a sustainable purchasing policy. Furthermore, as a responsible employer we are committed to ensuring that all company cars will be electric by 2021, reducing our carbon footprint further.

Sponsoring young talent at the Anna Fiorentini Theatre and Film School

HFX is a partner of the Anna Fiorentini Theatre and Film School and is also a Platinum Corporate Sponsor of the school's annual creative Variety Showcase event.

The sponsorship builds on our company ethos of putting people first - enabling individuals to contribute to the workplace in a flexible working environment.

We share the values and professionalism exhibited by the school and its mission to bring out the best in every child, using arts as a creative and expressive vehicle to develop students' self- confidence further.

HFX Advantage

Our competitive edge comes from many decades of experience in Workforce Management as well as our highly skilled and dedicated colleagues with a strong focus on our Mission and Values.

Our comprehensive approach enables one solution to handle all staffing groups of any size without needing multiple systems.

However, a technical superior and feature rich product, is not the end of the story and this is where our mission and values come into play.

The Value of Simplify

Our mission

Our mission is to 'Simplify Workforce Management and Empower our customers'. This is our mantra and guides everything we do. We believe this drives positive change and provides tangible benefits to all our customers. We apply this approach to all that we do and place our customers at the heart of the process.

By applying the value of Simplify to our software development, our team has created a powerful Workforce Management Solution that reduces customer configuration time by over 80%. The result is that our customers pay significantly less for a faster implementation, resulting in immediate savings.

We aim to empower our customers to take complete ownership of the system including the ability to manage the rules of the system themselves. This not only reduces costs but enables customers to adapt the solution as they change and grow.

Our approach

By providing a user interface that is intuitive and simple, our customers significantly reduce training costs whilst ensuring that there is a high user adoption and fewer user errors.

Our approach to integration with other software solutions including HR, Payroll and ERP takes a similar approach. HFX provides RapiD interface configuration that does all the heavy lifting, translation and transformation enabling third party integration to be achieved effortlessly. By handling the complex processes within the application, we simplify the integration to third parties and enable our customers to leverage the API so that they can integrate directly

We have also applied our core value to other aspects of our business including the approach to Marketing. Our new website (www.hfx.co.uk) was designed with our audience in mind rather than being slaves to google search ranking algorithms.

We removed all the clutter and present the key information we think our potential customers want to know. There are no cookies, no pop-up ads, no annoying call-outs and no information overload. We want our customers to view the information they want quickly whilst having a fun and positive experience.

A well as providing the latest Cloud and SaaS technology, our solutions also break new ground by reflecting the New World of Work including:

- The Ability to plan your resources by Time, Location, Activity, Client, Cost Centre.

- The Ability to capture multi-dimensional data (Time, Location, Activity, Client, Cost Centre)

- The ability to integrate into any device to leverage existing infrastructure and estate.

- A fully integrated solution including Visitor Registration, Access Control, Rostering, Time and Attendance, Job Booking, Budgeting and Costing as well as Mustering and Alarm.

- Our Cloud based HexOne devices are fully customisable and link seamlessly to the cloud providing real-time data capture. These unique devices are manufactured by HFX in the UK.

A Shift Towards Best of Breed

Meeting workplace demands

Best of Breed Workforce Management Solutions are now increasingly chosen over the traditional Best of Suite HCM providers.

Research by Navigo revealed that 69% of organisations would rather choose a Best of Breed provider to meet their needs than a suite. It also discovered that 50% more organisations were "Very Satisfied" with a Best of Breed than those who purchased this as a module of HCM.

With the world of work continually evolving, organisations need more agile and adaptable solutions to accommodate workforce changes.

Cloud technology is accelerating the move away from Best of Suite towards a new paradigm of "plug and play" applications in the cloud.

Simple and secure integration

Historically, Best of Breed applications were held back by limitations with integration. Many applications didn't "play well" with other applications or even devices. But this is changing fast thanks to modern cloud applications.

Today, we share content to Facebook, Twitter, LinkedIn and many other cloud platforms without even thinking about the enabling technology that seamlessly integrates these applications together.

Web and cloud integration technologies make integration simple, secure and in many cases real-time. Data flows seamlessly between applications and without the need for organisations to involve their IT departments.

Historically, IT departments would spend significant internal resource trying to knit on-premise applications together to avoid users having to dual key data into separate applications.

Now, many modern cloud providers provide integration plug-ins to other vendors without the need for any internal work. Likewise, the adoption of Single Sign on (SSO) standards has meant that user experience across platforms isn't impacted.

A watershed moment

This represents a watershed moment in vendor selection. Historically organisations had to weigh up the trade-offs between a fully integrated suite that didn't quite meet their business requirements versus a Best of Breed option that didn't quite meet the "joined up" experience that users required.

With next generation cloud "Best of Breed" applications removing this barrier, organisations no longer need to sacrifice business need over user experience.

It also enables organisations to adapt more quickly to changing situations and without the costly and long delays required to replace a monolithic application. If a specific solution cannot be adapted to the new way of working, then it can be replaced without needing to replace the entire suite.

HFX Integration

HR & Payroll

HFX's SaaS Cloud Time & Attendance solutions seamlessly integrate with many mainstream HR and payroll systems.

Integration to HFX generally involves main data groupings in relation to HR and Payroll; People Information, Payroll Information (Time to Pay), Absences, Shift Patterns, SSO.

Integration can occur in any of the following ways -

1. Classic

Flat file export and import carried out manually.

2. Hybrid

Often with on-premise/legacy HR/Payroll solutions with no api's but a desire by the customer to automate data transfer. An on-premise app communicates locally with the HR/Payroll solution and translates this into secure cloud communications with HFX.

3. Cloud Pull & Push

Connected HR/Payroll systems have exposed cloud api's that HFX can call to request the latest updates (information added/updated/deleted etc) and push updates from HFX. Pushed data can occur in real-time with requested data interval driven.

4. Cloud Request & Receive

HFX receives data pushed by the HR system and also returns updated/new data when requested by the HR/Payroll system. Data requested by the HR system (from HFX) is often not required in real-time so the interval driven approach is less of an issue.

5. On-Demand Cloud integration

Enables both applications to push data to each other avoiding the need to make repeated requests for new data. The "owner" of the data pushes the information to the other party at the point of entry. This provides real-time information with minimum network traffic.

HFX has forged partnerships with many leading HR and Payroll providers, enabling customers to benefit from a best of breed solution which combines HFX's workforce management functions for managing staff working hours from shift pattern design, access control, and time & attendance.

CONTACT US

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