

2020 AGM Chairman and CEO's Address to Shareholders

On behalf of the Directors of AD1 Holdings Limited, I am pleased to present this update to shareholders on the Company's progress over the last year.

At last year's AGM, I outlined the realignment in our strategy with the objective of taking your Company through to a position of sustainable operating profit and creating further shareholder value through EPS accretive acquisitions. Over the past year the Board and Management of the Company have worked hard to execute this strategy and I am pleased to report that the Company has progressed well on both fronts delivering its first ever cashflow positive quarter and completing an acquisition of a complementary SaaS business, Art of Mentoring.

The Company delivered consecutive cashflow positive quarters in June and September this year and continues to operate at near breakeven levels. With strong customer retention during the past year, new customer wins in the first half of FY21 and a mature pipeline, the Company is on track to exiting FY21 with a run rate that reflects sustainable operating profit. Whilst COVID-19 continues to create economic uncertainty, it is our expectation that the Company will continue to meet its growth aspirations.

On our ApplyDirect career platforms, 97% of our subscription revenue is locked in multi-year contracts. Customers on our career platforms over the past year enjoyed inbound traffic of 13.3 million sessions and 6.7 million users. Our utilities SaaS division now has grown to approximately 40,000 Network Management Identifiers (NMI)s under management, which represents a growth of 25% from June last year.

The Company announced the acquisition of SaaS business, Art of Mentoring, on 30 September 2020. We see great synergy between Art of Mentoring and the ApplyDirect division in both customer opportunities and aligned technology offerings in our portfolio. The divisions are already experiencing customer referrals, which validates the strategic merit of this acquisition. The transaction is now complete and is the first of many acquisitions we expect to undertake to fulfil our business vision.

In order to complete the Art of Mentoring acquisition, the Company successfully completed a placement of \$2.5 million in October 2020 issuing approximately 48 million new fully paid shares to professional and sophisticated investors. The placement received strong endorsement from investors with an oversubscription of the underwritten amount by almost five times, which reflects the confidence our investors have in our strategy. I would like to thank our many investors and shareholders for the overwhelming interest in the raise however, it was important that the placement was right sized for our acquisition strategy.

The Company is sufficiently capitalised as a result of its improved operating performance and the recent capital raise. The funds from the raise will be used to complete the integration of Art of Mentoring and to canvas future acquisition opportunities.

In summary, the last year has seen the Company significantly turnaround its operating performance and stem the cash burn. Importantly, this positions the Company well to meet its growth aspirations, via both organic and M&A channels, and continue to create sustainable long-term shareholder value.

On behalf of the Board, I would like to thank our shareholders and customers for the ongoing support and also commend our team on their efforts this year especially against the backdrop of COVID-19.

I will now handover to our CEO, Prashant Chandra, to provide you with more insight into our operating performance.

Thank you, Mr Chairman,

In FY20, the Company recorded a 74% year on year increase in Operating Revenue to \$3.4 million, whilst reducing the operating costs by 15% to \$5.8 million. Loss for the year reduced by \$2.2 million compared to the previous financial year.

The key operating priorities for FY20 were:

- to drive a realignment of revenue with costs to strengthen the Company's cashflow and accelerate the pathway to breakeven;
- to create a scalable operating structure to enhance customer experience, maximise cross-divisional leverage and support acquisitions and integrations; and
- to create a steady revenue baseline as a platform for future growth.

The Company's first cashflow positive quarter in June 2020 along with the recent acquisition of Art of Mentoring represents the success in achieving these objectives.

For our careers platform, highlights during the year included the successful launch of the employment platform solution for the Pharmacy Guild of Australia and more recently the multi-year renewals with NSW and Victoria Governments, the two largest employers in the country. As our Chairman mentioned, this means that 97% of our subscription revenue on this platform is locked in multi-year contracts providing a steady revenue base to build upon. These contracts are also an important source of significant project revenue as we continue to partner with each government on their innovation roadmap.

Our utilities SaaS division or USS signed up three new clients including iGeno, Powerclub and 3P Energy. iGeno and Powerclub have been implemented and are live, which along with the growth in the existing customer base has increased the NMLs under management to approximately 40,000 compared to 32,000 in June 2019. The commencement of implementation for 3P Energy is subject to the timing of their retail licence application. We expect this to occur next quarter.

The pipeline across both verticals continues to be strong however, both divisions have experienced some delays in decision making by prospective customers due to the economic uncertainty that continues to prevail against the backdrop of COVID-19. We expect such delays to be temporary and believe the Company to be on track to meeting its growth aspirations.

The significant reduction in outflows compared to prior year is remarkable considering the USS acquisition was only completed in late FY19. The cost rationalisation program executed in the first half of FY20 extended the cost savings to approximately \$5 million per annum. Importantly, this means that the Company's current cost run rate is lower than AD1's pre-acquisition cost run rate. In addition, the Company is now well positioned to support its growth aspirations with prudential investments to enhance our sales capability and accelerate revenue growth, which is our primary objective from here on.

The recent acquisition of the SaaS business, Art of Mentoring, is another significant milestone for the business. Delivering on its M&A strategy the Company has now added two new verticals in 18 months.

Art of Mentoring is a compelling strategic fit for the Company with a cutting-edge SaaS product, a diversified recurring revenue stream and strong growth prospects. Our complementary customer base will enable the Company to expand its footprint within both the government and professional association sectors. I am also very pleased with the capability and calibre of the people we have

added to the Group starting right at the top with Melissa Richardson, a pioneer and one of Australia's experts in the mentoring field. The integration of Art of Mentoring into the AD1 Group is underway.

Moving to our people, I would like to acknowledge and thank all our team members for their efforts over the last year in what have been challenging circumstances.

Lastly, I would like to thank our shareholders for your continuing support of the Company. We look forward to delivering continued results and creating shareholder value in the current year and beyond.

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This released has been authorised by the Chairman and CEO.

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