

AD1 Holdings Business Update and Appendix 4C for the Quarter Ended 31 December 2022

Melbourne, Australia, 31 January 2023: AD1 Holdings Limited ('AD1', the 'Company' or the 'Group') (ASX: AD1), a technology company with a growing portfolio of market-leading software businesses, today releases its business update and Appendix 4C for the quarter ended 31 December 2022 (Q2 FY23).

Key highlights

- Positive cash from operating activities increased the cash on hand balance at quarter end
- Cash receipts of \$1.3 million for the quarter, 29% lower than the prior corresponding period (pcp) of Q2 FY22 due to delays in customer payment (had overdue debtors been collected within terms cash receipts for the quarter would have been up 20% on pcp)
- Current year-to-date (YTD) revenue of \$3 million, consistent with prior year revenue despite loss of LPE revenues in USS
- Added an additional 13 customers across the Group increasing YTD new customers to 22.
- The combined HR tech businesses revenues are up 31% yoy
- AoM (Art of Mentoring) current YTD clients invoiced up 23% compared to pcp with a 20% increase in revenue vs pcp
- ApplyDirect launched an automated customer reporting function

AD1 Holdings Chief Executive Officer Brendan Kavenagh said:

"While not all of our divisions performed well during the second quarter, we remain confident in our HR Technology businesses against this economic backdrop. We are extremely pleased with the strong traction AoM is having across all geographies and this is reflected by significant new customer wins in addition to a strong sales pipeline.

Given current headwinds being faced by select divisions, we continue to prudently manage our cost base and have focused on reducing cash burn across the Company".

Business update

Art of Mentoring

AoM had another record quarter of sales with the addition of new customers that are expected to deliver approximately \$0.95 million in lifetime value (LTV) over the next 4 years. Significant uptake of AoM's product has been witnessed across Australia and North America during the first half of FY2023. New customer signings include PwC, Toll Group and BUPA Dental. Additionally, AoM renewed key agreements with existing customers representing \$3.8 million in potential LTV.

AoM's US sales pipelines is currently valued at \$4 million, compared to approximately \$400,000 this time last year, with an additional \$400,000 in potential LTV in procurement.

In the second half of FY23, AoM will continue its trajectory of rapid growth as the pipeline generated from marketing and business development make their way into procurement. The Company expects further growth in new customer wins over the coming months including additional US contracts that are currently moving through procurement.

ApplyDirect

ApplyDirect had a relatively flat quarter in terms of revenue growth compared to pcp. During the quarter, the division focused on migration of existing customers across to the new Gen 3 platform, the launch of an automated customer reporting function, existing customer renewals and the integration of Incolink a key customer win announced in July 2022. Apply Direct is currently working on and an industry wide jobs

marketplace, which will soft launch in February and provide a job support program for the construction industry.

Jobtale

Since its launch in the first quarter of FY23, Jobtale continues to receive positive feedback and interest. AD1 continues to explore the product opportunity however the product ambition has been tempered given current market conditions and customers hesitant to spend money on a recruitment platform. Jobtale is yet to generate revenue and the Company are currently working with pilot customers to further tailor the product to ensure market fit.

USS

The national energy crisis has impacted the USS business, with the Company witnessing a 12% decline in revenues on a YTD basis and a 40% decline pcp quarter, as a result of LPE exiting the retail market. Subsequently AD1 has managed costs in line with this reduction. USS had worked very closely throughout the year on a billing platform for a large multinational under a fee for service arrangement however despite best efforts the contract did not convert.

Financial Performance

Cash on hand at end of quarter of \$0.78 million has increased by \$0.17 million since the previous quarter as a result of positive cash inflows. The group had cash receipts totalling \$1.3 million in the quarter, representing a decrease of 11% compared to Q1 FY23, due to timing matters that include a substantial amount of invoices being issued at the latter end of the quarter and delays in payments from select customers. AD1 expects the majority of outstanding payments will be received and included in the cash receipts for Q3 FY23.

Outlook

AD1 remains focused on delivering sustainable growth in FY23. The Company continues to witness a strong pipeline in AoM across Australia and North America. AD1 is currently reviewing its cost base and focused on reducing cash burn across the group. Despite the declining revues in USS revenue remains constant YOY with invoiced revenue up 23% in AoM and 19% in ApplyDirect. The HR tech side of the business continues to grow and with strong pipelines we expect the growth to continue to replace and supersede lost revenues within USS.

Disclosure under LR4.7C.3

Payments to related parties of the entity and their associates disclosed in item 6.1 of the Appendix 4C include director fees, remuneration and superannuation.

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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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

AD1 Holdings Ltd

ABN

29 123 129 162

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities	1,296	2,757
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(297)	(544)
(c) advertising and marketing	(110)	(204)
(d) leased assets	-	-
(e) staff costs	(1,427)	(2,911)
(f) administration and corporate costs	(500)	(1,330)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(382)	(510)
1.6 Income taxes paid	(184)	(219)
1.7 Government grants and tax incentives (less costs)	1,778	1,778
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	174	(1,183)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (net of cash balance from subsidiary acquired)	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property (software development)	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(3)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	603	1,963
4.2	Net cash from / (used in) operating activities (item 1.9 above)	174	(1,183)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	777	777

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	777	603
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	777	603

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
127
-

The amount at 6.1 includes payment of directors' fees, consulting services and payments to a director related entity (excluding GST and reimbursement for administrative expenses and travel expenses)

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (debtor finance facility)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
5,000	5,000
-	-
-	-
5,000	5,000

7.5 Unused financing facilities available at quarter end

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	174
8.2	Cash and cash equivalents at quarter end (Item 4.6)	777
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	777
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.47

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

Note: refer to the accompanying business update on further commentary on the company's outlook and future operating results.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: **the Board of Directors**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.