

AD1 Holdings Business Update and Appendix 4C for the Quarter Ended 31 March 2023

Melbourne, Australia, 26 April 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 March 2023 (Q3 FY23).

Key highlights

- **Current year-to-date (YTD) revenue of \$5.0 million, a 12% increase on the prior corresponding period (pcp) of Q3 FY22**
- **HR Technology segment continued to strengthen, increasing 48% compared to pcp, with Group normalised revenue up 35% on pcp**
- **Record cash receipts of \$2.26 million for the quarter, up 75% from \$1.29 million in Q2 FY23, and up 44% from 1.57 million on pcp**
- **Record recognised revenue for Art of Mentoring (AoM) of \$0.8 million for the quarter, a strong increase of 52.8% from \$0.52 million on pcp**
- **AoM achieved invoiced revenue of \$0.32 million during March with a 40% contribution from the US market**
- **12 new customers added across the Group during Q3 FY23**
- **Over 50% of YTD leads and customer conversions were generated through referrals and upselling existing customers**
- **The Group debtors totalled \$0.27 million for Q3 FY23 compared to \$0.94 million for Q2 FY23, representing an improvement of over 70% in cash collections**
- **Announced a Non-Renounceable Entitlement Offer to raise up to ~\$1.0 million to support working capital requirements and fund growth of the AoM business in the US**
- **Cash position of \$0.63 million as at 31 March 2023**

AD1 Holdings Chief Executive Officer Brendan Kavenagh said:

"We delivered pleasing results for the March quarter with significant achievements including record quarterly cash receipts, further highlighting our commitment and sustained focus on delivering growth in the core areas of our business.

"We remain confident in our strategy to grow the Group's HR Technology divisions particularly within the current economic backdrop and the selected segments of the market. The 48% increase in HR technology performance was heavily supported by mounting success in the AoM division which continues to attain significant new customer wins and develop a strong sales pipeline.

"Unprecedented inflationary cost pressures have renewed our focus on prudent financial management, the Group has successfully reduced our cash burn in a downward trajectory for the current financial year to date and are resolute in delivering further reductions as we come to the end of FY23.

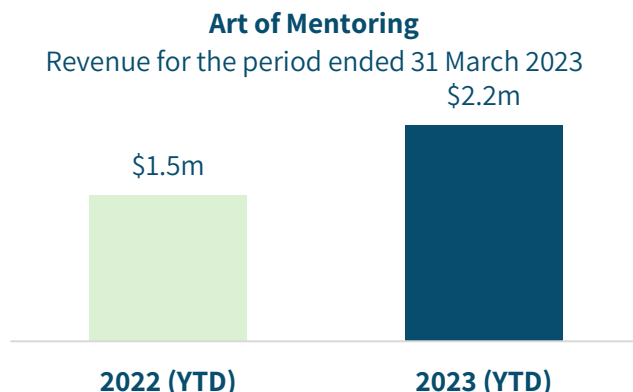
"Our sales focus is on sectors of the market both in Australia and the US that are or should be resistant to economic slow down."

“At the end of the quarter we launched a Non-Renounceable Entitlement Offer to further support growth within our business with funds from the capital raise to be used towards working capital and to further support growth of our AoM business in the US”.

Business update

Art of Mentoring (AoM)

AoM had a strong March quarter, delivering recognised revenue of \$0.8 million for the quarter compared to \$0.52 million in Q2 FY23, an impressive improvement of 52.8%. AoM's FY23 YTD revenue totalled \$2.2 million compared to \$1.5 million YoY, a significant increase of 47%.



The division achieved invoiced revenue \$320,000 during the month of March with North America contributing 40% of sales, showcasing the benefit of an increased presence in the US, whilst continuing to perform within the Australian market.

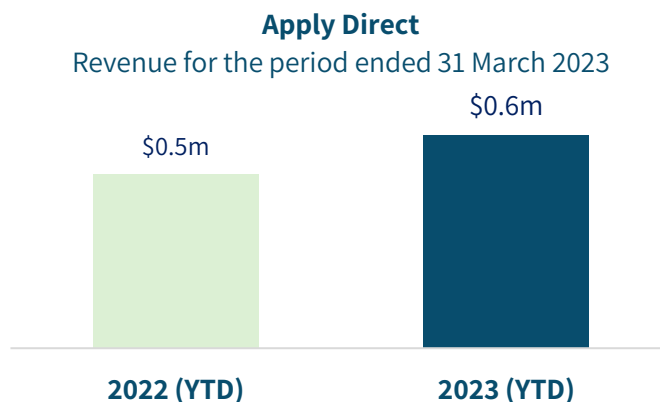
During the quarter several contracts were signed with new customers, including an agreement with the NSW Department of Planning & Environment, the American Health Information Management Association, and the American College of Rheumatology.

Continued new customer wins reflect the strength of AoM's product offering and the ability to convert a strong pipeline of opportunities, with continued expectation to further convert the existing pipeline of ~\$8.0 million in LTV over Q4 with additional US contracts currently moving through procurement.

AoM is witnessing an increasing ability to source new customer wins through a variety of channels, including marketing leads, conferences and significant uptick in wins in from referrals and upselling existing customers.

ApplyDirect

ApplyDirect had a strong quarter leading to a FY23 YTD revenue of \$0.6 million in revenue, representing 23% growth. The Q3 FY23 quarter had pcp growth of 30%.



The division continues to service its existing customer base with efficiencies expected to come from platform upgrades, with all customers migrating across to the new “Gen3” version of the platform over the course of

the next 12 months. This is a significant step forward for ApplyDirect reducing costs and resources from managing different bespoke legacy platforms.

During the quarter, the division went live with its integration of an industry wide jobs marketplace for key customer Incolink. The marketplace powered by ApplyDirect provides an uplift by bolstering management of job posts with increased automation improved user experience and access to analytics that can inform future strategic directives.

Jobtale

Jobtale continues to operate under a minimum viable product (**MVP**), with positive indications observed from pilot customers and industry bodies. AD1 is currently exploring channel partner opportunities as we continue to collate feedback from pilot customers in order to plan out a future road map, which will assist in progressing Jobtale to commercialisation at scale.

USS

AD1 is currently undertaking a cost reduction and efficiency improvement strategy, and has finalised the renegotiation of its agreements with Blue NRG Pty Ltd (**BlueNRG**). Both parties are currently cooperating to implement a contractual transition plan to transition the services to BlueNRG and will enter into a sub-licence agreement creating an extremely low cost revenue stream for AD1.

Financial Performance

AD1 ended the quarter with a cash position of \$0.63 million, a slight decrease to the previous quarter of \$0.78 million. The Group recorded cash receipts totalling \$2.26 million for the quarter, representing an increase of 75% compared to Q2 FY23.

Debtor balances reduced heavily within the period due to strong collection processes from \$0.94 million in Q2 FY23 to \$0.27 million in Q3 FY23, an improvement of \$0.67 million.

Non-Renounceable Entitlement Offer

The Company announced a 2 for 7 Non-Renounceable pro rata Entitlement Offer on the 30 March 2023 to raise up to approximately \$1.0 million. The net proceeds from the Entitlement Offer will be used for working capital requirements and fund growth of the AoM business in the US.

Eligible shareholders can choose to take up all, part or none of their entitlement, with shareholders who apply for their entitlement in full able to apply for additional Shares under a shortfall facility. The Entitlement Offer closes at 5.00pm (AEST) on 1 May 2023 and the directors of the Company have stated their intention to take up their entitlements in full.

Outlook

The HR technology divisions continue to witness growth, especially AoM, which has a strong and growing pipeline in Australia and North America. This growth will offset lost revenues from the USS division due to the loss of a major customer as advised earlier during FY23.

AD1 continues to review its cost base and will continue its efforts to further reduce its cash burn across the Group. The focus remains on delivering sustainable growth in FY23.

Other Business

The Company has agreed to vary the terms of its existing loan structure with PURE Asset Management Pty Ltd (**PURE**). The Company does not consider the terms of the variation to be material. As part of the variation the Company will issue unlisted warrants to PURE (subject to obtaining shareholder approval) as disclosed in the Company's Appendix 3B (30 March 2023).

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

Todd Perkinson was appointed as Chief Financial Officer and Company Secretary while Justin Mouchacca resigned from the position of Company Secretary.

END

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

For enquiries please contact:


Brendan Kavenagh
Chief Executive Officer
brendan.kavenagh@ad1holdings.com.au
03 8199 0455

Melanie Singh
Investor Relations
melanie@nwrcommunications.com.au
0439 748 819

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 ("March 2023")

31 March 2023

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | 2,262 | 5,019 |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (327) | (871) |
| (c) advertising and marketing | (84) | (288) |
| (d) leased assets | - | - |
| (e) staff costs | (1,282) | (4,193) |
| (f) administration and corporate costs | (689) | (2,019) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (6) | (516) |
| 1.6 Income taxes paid | (15) | (234) |
| 1.7 Government grants and tax incentives (less costs) | - | 1,778 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (141) | (1,324) |
| 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 | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 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 | 777 | 1,963 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (141) | (1,324) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 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 | (11) | (11) |
| 4.6 | Cash and cash equivalents at end of period | 625 | 625 |

| 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 | 625 | 777 |
| 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) | 625 | 777 |

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

- | | Current quarter
\$A'000 |
|---|------------------------------------|
| 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 | - |

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)

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

| 7. Financing facilities <i>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.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| 7.1 Loan facilities | 5,000 | 5,000 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (debtor finance facility) | - | - |
| 7.4 Total financing facilities | 5,000 | 5,000 |

7.5 **Unused financing facilities available at quarter end** 0

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) | (141) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 625 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | 0 |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 625 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | (4.4) |

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?

As per the announcement on 30 March 2023 the group will be conducting a capital raise as per the timetable outlined within the announcement

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?

As per point 1 above.

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

As per point 1 above.

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: 26 April 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.