

Appendix 4C for the Quarter Ended 31 March 2024

Key Highlights

- Net operating cash flow positive on a normalised basis, with \$222k surplus for the quarter. \$240k of operating costs for the quarter were identified as part of the cost saving program and are no longer in the business
- 88% improvement in operating cash flow vs pcp with operating cash loss of \$17k for the quarter
- Cost saving program delivers a permanent c.\$3.5m in annualised savings from FY25 and beyond. This represents a further \$0.7m in additional savings during the quarter, compounding on what was announced at H1 FY24 of c.\$2.8m
- Successful quarter for AoM, division has maintained its growth momentum whilst at the same time making improvements to the platform
- AoM North America:
 - surpassed \$1.0m (AUD) in revenue
 - re-signing 100% of customers expected, with 90% already signed and the residual committed to sign before end of the FY24
 - 80%+ customers are now re-signed on 24-month through to 60-month contracts
 - cash receipts grew by 154% for the quarter vs pcp
- ApplyDirect has completed the migration to Gen3 for NSW government. Migration to Gen3 for VIC government has now commenced and is targeted to complete by the end of the financial year
- AD1 group reduced operating cash payments by 67% for the quarter. Cash payments for Q3 FY24 were \$0.8m against pcp of \$2.4m
- Cash balance as at 31 March 2024 is c. \$0.3m
- Ongoing strategic review being undertaken for the entire business the outcomes of which will be released to the market upon completion in the coming months

Melbourne, Australia, 30 April 2024: AD1 Holdings Limited ('AD1', the 'Company' or the 'Group') (ASX: AD1), a SaaS 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 2024 (Q3 FY24).

AD1 Holdings Chief Executive Officer Todd Perkinson commented:

"We are pleased to have completed a quarter of significant transformation of the AD1 group. Our continued focus on a new strategic direction across restructuring, implementing cost controls and maintaining a strong pipeline has been positively reflected in an ARR increase over the quarter. Not only have we been contracting new customers, but existing customers have expanded programs and number of users within the platforms. AD1 has in place three pillars from which we will grow and execute our plans; (i) a clear mandate to right size the business, (ii) a strong pipeline of potential new customers across Australia and North America and (iii) a dedicated and well-motivated team who have strong alignment to the agreed strategic outcomes."

Art of Mentoring (AoM)

The AoM North American division has now surpassed \$1m+ (\$AUD) in revenue after entering the North American market only 20-months ago, this is a major achievement for the group.

AD1 has seen a tremendous demand for the AoM product across the association and corporate sectors. The division has re-signed 90% of its North American customers and the residual 10% are committed to sign before the end of the financial year. More than 80% of customers are now re-signed on 24-month contracts through to 60-month contracts. Pleasingly cash receipts for the North American division grew by 154% in the quarter compared to the prior corresponding period.

Of the newly acquired wins within the business, the international sporting brand Lululemon signed a 2-year agreement. Mentoring is not new to Lululemon, however AoM's platform, which enables the matching of mentors with mentees, was found to be superior to previous processes. Internal champions of the mentoring initiative could clearly see both the mentor and mentee details side-by-side within the AoM platform which significantly sped up the process and enabled more effective matches.

Other contracted wins within the AoM North American business include two significant associations signing \$40k (USD) contracts from both the financial sector and multiple healthcare entities. This shows that the platform can traverse sectors with ease and deliver accrued benefits to both individual participants and businesses alike.

The Australian AoM division has continued to focus on platform enhancements. They also commenced direct engagement with customers to obtain feedback and to enable customers to better understand the product roadmap and features within the platform. This process reinforces a deeper relationship with the customer.

The program set-up has been redesigned from 4 hours in duration to less than 15 minutes and participant matching from 2 weeks to less than 1 week, both utilizing process reengineering and technology improvements.

The team delivered significant efficiency improvements within the platform on-boarding and customer acquisition processes, moving from 8-10 weeks in duration down to 1 week. This has been done by replacing manual legacy processes with digitally enhanced processes and introducing improved education of customer 'champions' within the customer side of the business.

The introduction of design workshops has proven to be a strong method to gain customer commitment before formal deal closure takes place. The design workshops are shorter in nature and more client-focused to ensure full benefits are realised throughout the program.

This has been another successful quarter for AoM, where the division has maintained its growth momentum whilst at the same time making improvements to the platform. The platform has been simplified and digitized, enabled greater scale with efficiencies and developed a more modern look and feel with reporting. The more modern look and feel has been key to enabling the celebration and highlighting the improvements and achievements of participants within the platform.

Referrals and conferences remain the strongest lead generation for the division with over 50% conversion rate.

ApplyDirect

ApplyDirect saw continued growth during the quarter with revenue of \$215k, an 8% improvement on the prior corresponding period.

The division has grown 30% YTD and has significantly reduced its cost base on an annualised basis. The remainder of FY24 will still encompass some 'run-off' costs within the business and the migration to the Gen3 platform will again significantly reduce the hosting costs by \$150k-\$200k on an annual basis, the full benefit of which is expected to be achieved in FY2025.

ApplyDirect has continued its momentum implementing the Gen3 platform migration. The NSW Government's migration is now complete and the Victorian Government is now underway with accelerated timeframes after learnings from NSW. It was a conscious decision to implement them in sequential order, as previously announced. It is expected that Q4 FY24 will be a stronger quarter as the Company receives revenue associated with the Victorian Government's migration to Gen3.

A 24-month contract variation with the NSW Public Service Commission is currently being negotiated and an update will be provided to the market in due course.

As the ApplyDirect team explores new opportunities within the job board market, they are uncovering strong demand for more economical models for the advertisement of jobs. The team are seeing new entrants into the market which they are developing deeper relationships with.

Management is currently exploring the possibility of partnership and organic growth opportunities for ApplyDirect leveraging its network within AoM.

Corporate and Financial Update

AD1 continued to progress in line with its new strategic direction during the quarter, prioritising cost efficiencies without impacting the ability to deliver revenue growth. This will ensure a strong and sustainable business model going forward.

The group delivered cash outflow savings of 67% on pcp and a normalized outflow savings of 45%, showcasing the significant work done to deliver cost savings and right size the business into the future.

Q3 FY24 also saw an 88% increase in Net Operating Cash against pcp to deliver an operating cash outflow of \$17k. The result includes approximately \$240k in costs that were due to reductions in staff therefore the normalised result would have been a \$222k operating cashflow surplus, representing a 258% improvement on pcp.

During the quarter \$0.7m of savings were removed from the operating model. These are permanent savings across every division within the group as AD1 looked to continually test the business model. Management believes that as the Company migrates to a new platform for ApplyDirect and continues to find efficiencies within AoM, that the team is right sized until growth is signed and committed.

Outlook

This financial year, AD1 has made substantial investments in restructuring the business' strategic direction and operating model to achieve sustainable growth and align operational costs with the business' scale. This initiative has resulted in consistent and successful annual cost reductions, coupled with revenue growth, with a clear focus within the North American marketplace.

Moving towards the closure of FY24, AD1 is shifting into a strong sales and partnership focus, all while ensuring deeper customer relationships and the right business model to deliver effective outcomes. The new business direction allows more streamlined operations and resource efficiencies, meaning that there will be greater opportunity for cross-selling and collaboration between divisions.

Supported by a robust sales pipeline in Australia and North America, ongoing execution of the cost reduction program, and solid customer retention from both AoM and ApplyDirect, the Group anticipates a more defined focus on profitability, projecting to deliver stronger and improved positioning for the remainder of FY24. This strengthening of the overall business will ensure that the processes, people and technology are well positioned to deliver the FY25 strategic and operational goals.

The Company continues to undertake a strategic review of the entire business, the outcomes of which will be released to the market upon completion in the coming months.

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 mentoring products under the Art of Mentoring banner.

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 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities	788	4,082
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(59)	(445)
(c) advertising and marketing	(14)	(76)
(d) leased assets	-	-
(e) staff costs	(347)	(2,901)
(f) administration and corporate costs	(378)	(1,934)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(8)	(137)
1.6 Income taxes paid	-	(8)
1.7 Government grants and tax incentives (less costs)	-	1,000
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(17)	(418)
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	-	-
(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	(505)	(505)
(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	(505)	(505)

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)	-	(84)
3.10 Net cash from / (used in) financing activities	-	(84)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	792	1,295
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(17)	(418)

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)	(505)	(505)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(84)
4.5	Effect of movement in exchange rates on cash held	2	(16)
4.6	Cash and cash equivalents at end of period	271	271

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	271	792
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)	271	792

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
106
-

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

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	5,253	5,253
7.2 Credit standby arrangements	-	-
7.3 Other (debtor finance facility)	-	-
7.4 Total financing facilities	5,523	5,253

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)	(17)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	271
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	271
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	16

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: 30 April 2024

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.