



AD1 Holdings Limited

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AD1 releases FY21 results

Melbourne, Australia, 26 August 2021: AD1 Holdings Limited (ASX: AD1) (**AD1** or the **Company**) today released its financial results for the financial year ended 30 June 2021.

Key highlights of FY21:

- Significant growth of 65% YoY in revenue for ordinary activities, contributed by both organic growth and business acquisition.
- Successful acquisition and integration the Art of Mentoring (**AOM**) business in October 2020 not only added over \$1 million in revenue but also expanded the group's footprint within the lucrative HR tech market. Since becoming part of the group, AOM has continued its strong performance and added over 20 new customers to its portfolio, ended FY21 with significant revenue growth of 35% and a strong pipeline moving into the new fiscal year.
- **Platform growth YoY** – 60% increase in Utility Software Services ('USS') meters under management, 37% increase in ApplyDirect users and 27% increase in inbound traffic.
- Strong momentum observed throughout the year within the utilities sector with the introduction of 3P Energy and Powerclub in H1 FY21 and the signing of LPE in H2 FY21.
- Achieved high customer retention (100% across the ApplyDirect and Utilities Software Services customer base and 83% within AOM).
- ApplyDirect signed a project with the NSW Government in May 2021 to enhance its iworkforNSW careers platform and the accompanying mobile applications. The product "refresh" will further enhance the candidate experience and support NSW Government as an employer of choice. The development is well progressed and expected to be made available to the NSW Government in what was August 2021, will be September 2021.
- Introduction of the ApplyDirect's off-the-shelf product with development currently on the way with expected pilots underway in the September 2021 quarter. Once product market fit is confirmed the B2B SaaS product will open opportunities within the broader market.
- Successfully secured \$2 million debt facilities to support the delivery of revenue generating initiatives

AD1 Managing Director and CEO, Brendan Kavenagh, said: "FY21 has been a successful year for achieving significant YoY growth. The acquisition of Art of Mentoring has strengthened the Groups HR Tech footprint in what is a very quick moving and competitive space. AoM continue to respond to demand and are continuing to build on their client portfolio. ApplyDirect continues to support existing customers and delivering on projects to improve the service offering. Parallel to this, ApplyDirect is currently investing in the recruitment platform and is focused heavily on bringing that product to market with a series of pilot projects over the coming months."

"Understanding our customers and providing them with the ongoing support to be successful is a key requirement for FY22. Customer retention and improving customer satisfaction are key focus areas for all businesses, which will be achieved on the back of continued investment in product innovation and product refinement across each business to ensure we continue to deliver value to existing and new customers. Strong emphasis on leveraging the existing customer base and a targeted approach to new customers as a group will also be a key focus area. A team approach to realising cross sell opportunities, leveraging networks and internal IP across the AD1 companies is also a major focus as we build momentum. Making the linkages internally through carefully planned and executed sales strategy will result in improved



collaboration and improved opportunity to offer better experiences for both staff and clients. In addition to leveraging existing customer opportunities, we are also looking to partner with companies who have complementary offerings and can strengthen their go to market with customer using our product as a white label offering where required.”

“Other key priorities include investment in sales and marketing across the Group which involves collateral and website refresh to support the team to unlock future growth. Our aim is to speed up the sales cycle and grow our customer numbers across each business. We will continue to focus on product refinement, a customer first approach and delivering to customer needs. A big focus on staff retention and engagement by establishing key engagement programs is also in plan”

END

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

Andrew Henderson

Chairman
AD1 Holdings Limited
03 8199 0455

Brendan Kavenagh

CEO
AD1 Holdings Limited
03 8199 0455

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Appendix 4E – Preliminary final report For the year ended 30 June 2021

Name of entity:	AD1 Holdings Limited
ABN or equivalent company reference:	ACN 123 129 162
Current reporting period:	the year ended 30 June 2021
Previous corresponding period:	the year ended 30 June 2020

Results for announcement to the market

					\$
Revenue for ordinary activities	Up	65%	to		6,043,798
Net loss after tax for the period attributable to members (from ordinary activities)	Up	2%	to		2,219,600
Net loss for the period attributable to members	Up	2%	to		2,219,600

Dividends

There were no dividends paid, recommended, or declared during the current financial period.

Explanation of results

For the current reporting period, revenue from ordinary activities increased by \$2,388,883 (equivalent to 65%) to \$6,043,798 (2020: \$3,654,915), out of which \$1,136,715 was contributed by the addition of Art of Mentoring (**AOM**) revenue starting from the end of October 2020. Excluding AOM, the organic growth in revenue from the rest of the business was approximately 32% compared to the previous financial year.

Net loss for this financial year of \$2,219,600 (2020: \$2,181,158) included \$1,484,982 in non-cash share-based payment expense (2020: \$19,305). Net operating loss for the year, excluding the aforementioned non-cash expense was \$734,618 (2020: \$2,161,852), which represents a significant improvement of approximately 66% compared to prior year.

Net tangible asset per share

	30 June 2021	30 June 2020
Net tangible asset per share (cents)	(0.47)	0.01

Other information required by Listing Rule 4.2A

- Distribution Reinvestment Plan – n/a
- Changes in controlled entities - On 26 October 2020, the Group completed the acquisition of 100% equity interest in Art of Mentoring Holdings Pty Ltd and its wholly owned subsidiary, Art of Mentoring Pty Ltd.
- Details of associates and joint venture entities - n/a
- Foreign entities - n/a
- Details of individual and total dividends or distributions and dividend or distribution payments - n/a

Audit

This report should be read in conjunction with the preliminary financial report. The financial statements in the preliminary financial report are in the process of being audited.



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Preliminary financial report
For the year ended 30 June 2021



Consolidated statement of profit or loss and other comprehensive income For the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from continuing operations			
Revenue from contracts with customers	4	5,338,590	3,400,947
Other income		705,199	251,069
Interest income		9	2,899
		6,043,798	3,654,915
Expenses			
Employee benefit expense		(4,798,393)	(2,933,314)
Software development and other IT expense		(925,433)	(1,214,419)
Consulting and professional service expense		(1,785,160)	(1,024,206)
Advertising and marketing expense		(139,463)	(74,634)
Occupancy, utilities and office expense		(124,379)	(149,052)
Depreciation and amortisation expense		(440,485)	(227,013)
Travel expense		(18,421)	(27,413)
Interest expense		(32,012)	(17,238)
Other expense		346	(132,567)
Total expenses		(8,263,398)	(5,799,856)
Loss before income tax		(2,219,600)	(2,144,941)
Income tax expense		-	(36,217)
Loss for the year		(2,219,600)	(2,181,158)
Other comprehensive income			
<i>Other comprehensive income for the year, net of tax</i>		-	-
Total comprehensive loss for the year		(2,219,600)	(2,181,158)
Earnings per share attributable to the ordinary equity holders of the Group:			
Basic earnings per share	3	(0.39)	(0.41)
Diluted earnings per share	3	(0.39)	(0.41)



Consolidated statement of financial position As at 30 June 2021

	Notes	30 June 2021	30 June 2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		523,434	459,742
Trade and other receivables		1,873,287	771,073
Total current assets		2,396,721	1,230,815
Non-current assets			
Property, plant and equipment		103,716	177,397
Other non-current assets		82,327	82,327
Intangible assets		6,544,477	1,473,158
Total non-current assets		6,730,520	1,732,882
Total assets		9,127,241	2,963,697
LIABILITIES			
Current liabilities			
Trade and other payables		1,555,157	490,509
Employee benefit obligations		302,666	157,986
Current tax liabilities		437,680	525,216
Lease liability		54,224	85,690
Contract liability		492,867	80,099
Other liabilities		1,290,312	-
Total current liabilities		4,132,906	1,339,500
Non-current liabilities			
Employee benefit obligations		57,120	24,100
Lease liability		-	48,187
Other liabilities		1,241,827	-
Total non-current liabilities		1,298,947	72,287
Total liabilities		5,431,853	1,411,787
Net assets		3,695,388	1,551,910
EQUITY			
Share capital		29,156,778	26,368,683
Reserve		1,606,435	53,702
Accumulated losses		(27,067,825)	(24,870,475)
Total equity		3,695,388	1,551,910



Consolidated statement of changes in equity For the year ended 30 June 2021

	Share Capital \$	Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2019	24,535,633	598,198	(23,245,867)	1,887,964
Adjustment - adoption of AASB 16	-	-	(7,252)	(7,252)
Adjusted balance at 1 July 2019	24,535,633	598,198	(23,253,119)	1,880,712
Loss for the year	-	-	(2,181,158)	(2,181,158)
Total comprehensive loss for the year	-	-	(2,181,158)	(2,181,158)
Transactions with owners in their capacity as owners:				
Shares issued	1,833,050	-	-	1,833,050
Options granted	-	4,476	-	4,476
Options expired/forfeited	-	(564,490)	563,802	(688)
Share-based payment expense	-	15,518	-	15,518
	1,833,050	(544,496)	563,802	1,852,356
Balance at 30 June 2020	26,368,683	53,702	(24,870,475)	1,551,910
Opening balance at 1 July 2020	26,368,683	53,702	(24,870,475)	1,551,910
Loss for the year	-	-	(2,219,600)	(2,219,600)
Total comprehensive loss for the year	-	-	(2,219,600)	(2,219,600)
Transactions with owners in their capacity as owners:				
Shares issued	2,500,000	-	-	2,500,000
Options granted	-	1,561,679	-	1,561,679
Capital raising costs	(212,463)	-	-	(212,463)
Business acquisition	500,558	-	-	500,558
Options expired/forfeited	-	(22,254)	22,250	(4)
Share-based payment expense	-	13,307	-	13,307
	2,788,095	1,552,733	22,250	4,363,078
Balance at 30 June 2021	29,156,778	1,606,435	(27,067,825)	3,695,388



Consolidated statement of cash flows For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		5,003,082	3,638,091
Payments to suppliers and employees		(5,698,796)	(6,308,374)
Government grants and tax incentives (less costs)		548,859	584,198
Income taxes paid		(87,536)	-
Interest income		9	2,899
Interest and other costs of finance paid		(20,359)	(7,350)
Net cash (outflow) from operating activities	6	(254,741)	(2,090,536)
Cash flows from investing activities			
Payments for property, plant and equipment		(29,691)	(14,738)
Term deposit		-	(14,627)
Payments for Software Development		(1,013,062)	-
Acquisition of Art of Mentoring Pty Ltd (net of cash acquired)		(894,650)	-
Net cash (outflow) from investing activities		(1,937,403)	(29,364)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		2,500,000	1,833,050
Capital raising costs		(122,463)	-
Transaction costs related to loans and borrowings		(17,500)	-
Repayments of lease liabilities		(104,201)	(92,395)
Net cash inflow from financing activities		2,255,836	1,740,655
Net increase / (decrease) in cash and cash equivalents		63,692	(379,245)
Cash and cash equivalents at the beginning of the financial year		459,742	838,987
Cash and cash equivalents at end of period		523,434	459,742



Notes to the preliminary financial report

1. Basis of preparation and significant accounting policies

This preliminary final report of AD1 Holdings Limited (**Company**) has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

There have been no material changes to the consolidated entity's application of its significant accounting policies as presented in the consolidated entity's financial statements for the year ended 30 June 2020, and the preparation of current financial information, and the presentation of any prior period comparatives, is consistent from one reporting period to the next.

Readers of this report should refer to note 3 'Significant accounting policies' in the consolidated entity's financial statements for the year ended 30 June 2020 for details of those policies.

2. Significant changes in the current reporting period

The preliminary financial report of AD1 Holdings was particularly affected by the acquisition of 100% equity interest in Art of Mentoring Holdings Pty Ltd and its wholly owned subsidiary, Art of Mentoring Pty Ltd (**Art of Mentoring**) on 26 October 2020 which resulted in the recognition of goodwill and other intangible assets.

3. Earnings per share

a. Basic & diluted earnings per share

	2021 Cents	2020 Cents
Basic earnings per share	(0.39)	(0.41)
Diluted earnings per share	(0.39)	(0.41)

b. Reconciliation of loss used in calculating earnings per share

	2021 \$	2020 \$
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted earnings per share	(2,219,600)	(2,181,158)

c. Weighted average number of shares used as denominator

	2021 No. of shares	2020 No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted earnings per share	570,237,752	532,061,638

As the Group is still loss making, options over ordinary shares outstanding at 30 June 2021 and 30 June 2020 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation



4. Revenue from contracts with customers

	2021 \$	2020 \$
<i>Rendering of services disaggregation:</i>		
Managed Services (including SaaS and Business Process Outsourcing)	3,713,664	2,556,058
IT Development and Consulting	1,624,926	823,208
Digital Marketing	-	21,681
	<u>5,338,590</u>	<u>3,400,947</u>
<i>Timing of revenue recognition:</i>		
At a point in time	1,764,166	823,208
Over time	3,574,424	2,577,739
	<u>5,338,590</u>	<u>3,400,947</u>

5. Business combinations

a. Summary of acquisition

On 26 October 2020, AD1 Holdings acquired 100% of the issued share capital and received effective control of Art of Mentoring.

Art of Mentoring is Australia's leading mentoring program provider that delivers best-in-class programs through an intuitive SaaS platform. Art of Mentoring operates a SaaS business focused on designing, implementing and providing mentoring services to organisations using a range of evidenced-based programs, expert consultants and software.

The acquisition is expected to provide significant benefits to the Group, including the addition of a diversified recurring revenue stream of approximately \$1 million with excellent growth outlook and significant sales synergies with the Company's career-platform offering.

The acquisition of Art of Mentoring is initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognized and also recognizes additional assets or liabilities during the measurement period, based on new information obtained about the acts and circumstances that existed at acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	Fair Value \$
Purchase consideration:	
Cash paid – Tranche 1	1,068,801
Ordinary shares issued – Tranche 1	500,558
Contingent consideration – Tranche 2	1,290,313
Contingent consideration – Tranche 3	1,241,827
Total purchase consideration	<u>4,101,499</u>

Contingent consideration is payable to Art of Mentoring across 2 tranches upon meeting specific performance milestones per the sale agreement.



5. Business combinations (continued)

The provisional fair values of the identifiable net assets acquired are detailed below:

	Fair Value \$
Purchase consideration (refer to (b) below):	
<i>Assets</i>	
Cash and cash equivalents	174,151
Trade debtors	122,816
Software – replacement cost	748,000
Other copyright materials	345,000
Customer contracts	531,000
<i>Liabilities</i>	
Contract Liabilities	(415,924)
Provision for annual leave	(19,276)
Trade creditors	(67,094)
Net identifiable assets acquired	1,418,673
Add: goodwill ⁽ⁱ⁾	2,758,052
Less: changes in fair value of contingent consideration – Tranche 2	(75,226)
Acquisition date fair value of the total consideration transferred	4,101,499

(i) Goodwill recognised is primarily attributable to the expected synergies and other benefits from combining the assets and activities of AoM with those of the Group's. The Group operates as one operating segment and goodwill was allocated to a single cash operating unit as at acquisition date. The goodwill is not deductible for tax purposes.

6. Cash flow information

Reconciliation of loss after income tax to net cash outflow from operating activities (net of acquisitions and disposals of controlled entity balances)

	2021 \$	2020 \$
Loss for the year	(2,219,600)	(2,181,158)
<i>Adjustment for:</i>		
Depreciation	116,267	103,320
Amortisation	323,794	123,693
Share based payment expense	1,484,982	19,305
Changes in fair value of contingent consideration	(75,226)	-
Interest expense of lease liability	-	9,888
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in accounts receivable	(1,102,214)	(68,950)
Increase/(decrease) in accounts payable	1,127,092	31,971
Increase/(decrease) in provisions	177,700	(164,824)
Increase/(decrease) in other current liabilities	(87,536)	36,219
Net cash outflow from operating activities	(254,741)	(2,090,536)