

AD1 Holdings Business Update and Appendix 4C for the Quarter Ended 30 June 2023

Melbourne, Australia, 26 July 2023: AD1 Holdings Limited ('AD1', the 'Company' or the 'Group') (ASX: AD1), a technology company with a portfolio of market-leading software businesses, today releases its business update and Appendix 4C for the quarter ended 30 June 2023 (Q4 FY23).

Key highlights

- Cash balance at end of the financial year of \$1.3m
- Cash receipts for the quarter of \$2.3m, a 16% improvement on the prior corresponding period (pcp)
- Net cash used from operating activities has improved by 83% on pcp, achieving only a \$0.2m deficit this quarter against a \$1.1m deficit in pcp
- Group unaudited total revenue approximately \$7m for FY23
- Art of Mentoring (AoM) division revenue is up 34% year-on-year (YoY)
- ApplyDirect revenue has increased 10% YoY
- USS sub-licencing has been finalised and that operation will be discontinued from 31 August 2023
- A continued strong pipeline for the US market with regular contract wins and expanding revenue on existing contracts being delivered

AD1 Holdings Chief Executive Officer Brendan Kavenagh said:

"We are pleased to have accomplished another quarter of steady growth across the Group securing key target customer wins, achieving valuable customer renewals and delivering a significant increase in cash receipts. Our cost reduction strategy has identified and delivered significant cost savings, with an 83% reduction in expenses on pcp.

Our AoM and ApplyDirect divisions have been tracking particularly well. We are in advanced discussions with existing and new customers to further expand our offerings across both divisions. AoM predominantly has a strong pipeline of targets set for FY24, with exciting new opportunities emerging in Australia and North America. "

As we look to FY24, ApplyDirect will benefit from operational cost savings in the first half, as a result of clients transitioning onto the upgraded Gen 3 platform. As customers migrate over the course of the year, less cost efficient legacy platforms will be turned off. It has been very encouraging to observe customer interest in the Gen 3 platform and we continue to make further investments to enhance features and functionality within the platform for our customer base."

Business update

During the quarter, AD1 continued to see steady growth across the Group with the addition of new customers across all divisions. Our commitment to customer service and retention has been reflected in customer renewals across the Group at above 85% for the year and pleasingly includes returning government customers in both in Australia and the US.

Art of Mentoring

Art of Mentoring continues to achieve growth in the US. Having only entered the US market 12 months ago, the division recently renewed its original US Department of Labor contract for an additional 24 months. A positive outcome with AoM's foundation US client being retained for 36 months, cementing AoM's North American expansion strategy.

In addition to the above renewal, two other agencies from the Department of Labor added contracts during the quarter. One of which had a contract term for 48-months and a Total Contract Value (TCV) of US\$280,000 and the second with a minimum TCV of US\$75,000 for 24-months.

During the quarter AoM added additional contracts to the value of approximately US\$111,000 per annum via the on-boarding of the Society of Critical Care Medicine, City of Glendale Arizona and the American College of Rheumatology (following the successful completion of a 6-month pilot program). These contract wins in addition to a recently signed partnership agreement which will expose AoM's product to 950 associations within Texas, further highlights that AoM is well-positioned to capitalise on growth opportunities in North America.

The opportunity for AoM in the US remains strong with US\$0.75 - \$1.0 million expected to be added to the pipeline over the next 6 months.

The launch of AoM's second generation platform, Platform 2.0 is expected to further attract and retain customers in the region. The upgraded platform provides leading technology within the mentoring vertical, including new mentoring programs which provide significant opportunity to better service clients and upsell into existing clients, via new verticals. Additionally, Platform 2.0 will have multilingual functionality, creating opportunity for AoM to target large multinational organisations and local data hosting creating an opportunity to work with more data sensitive customers.

ApplyDirect

ApplyDirect witnessed continued momentum in Q4 with new customer integrations and significant project investment from key customers requiring platform enhancements.

During the quarter, the division effectively executed its strategy of delivering operational efficiencies by migrating customers onto its upgraded Gen 3 platform. ApplyDirect's focus for FY24 is acquiring new customers by leveraging Gen 3's capabilities and delivering further benefits as a result of platform migration.

USS

This business will be discontinued under the agreed and completed sub-licensing agreement with BlueNRG from 1 September 2023.

Financial Performance

The Company received cash receipts totaling \$2.3m in the quarter, representing an increase of 16% compared to Q4 FY22 and received total cash receipts of \$7.3m for FY23.

Outlook

In FY23, AD1 invested heavily into people, products and sales and marketing with benefits being observed via increased upsells and new customer wins. As we commence FY24, AD1 has shifted into a strong sales and revenue growth focus across the Group and will continue to improve its robust product offerings and manage costs effectively.

The Company commenced FY24 with a minor restructure to its operations, and a clear objective to target profitability in FY24. The Group's outlook is positive leading into FY24, with a robust North American sales pipeline, strong customer retention from ApplyDirect and continued cost reduction.

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")

30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,282	7,301
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(232)	(1,102)
	(c) advertising and marketing	(28)	(316)
	(d) leased assets	-	-
	(e) staff costs	(1,398)	(5,591)
	(f) administration and corporate costs	(773)	(2,792)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(1)	(517)
1.6	Income taxes paid	(31)	(266)
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	(181)	(1,505)
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 (12 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)	769	769
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	84
3.10	Net cash from / (used in) financing activities	853	853

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	625	1,963
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(181)	(1,505)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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)	853	853
4.5	Effect of movement in exchange rates on cash held	(2)	(13)
4.6	Cash and cash equivalents at end of period	1,295	1,295

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	1,295	625
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)	1,963	625

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
-
-

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

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)	(181)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,295
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	1,295
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	(7.15)

- 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?

Answer: 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?

Answer: 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?

Answer: 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: 26 July 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.