

AD1 Holdings Business Update and Appendix 4C for the Quarter Ended 30 September 2022

Melbourne, Australia, 31 October 2022: 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 30 September 2022 (Q1 FY23).

Key highlights

- Cash receipts of \$1.46 million for the quarter, 25% lower than the prior corresponding period (pcp) of Q1 FY22 due to delays in customer payments (had overdue debtors been collected within terms cash receipts for quarter would have been up 16% on pcp)
- Revenue for the quarter increased 11% compared to Q1 FY22
- Subsequent to the end of the quarter AD1 received \$1.8 million from research and development tax incentive grants and \$0.5 in debtor receipts
- Added 9 new customers across the Group during Q1 FY23
- AoM (Art of Mentoring) signed first North American contract with leading American multinational technology company Intel, and has a strong pipeline anticipated to convert over the course of FY23
- AoM signed contracts with key Australian customers including the Australian Diabetes Educators Association (ADEA) and an Australian government body
- Strong performance for ApplyDirect with revenue growth of 50% on pcp and a contract win with one of the largest GDP contributing industries in Victoria for an initial two-year term
- Jobtale product successfully launched during the quarter with 79 customers signed up, and has been shortlisted as a finalist for the Australian Talent Conference
- Steady organic growth in Utility Software Services (USS) division with revenue growth of 13% compared to Q1 FY22
- AoM CEO and Co-Founder Alex Richardson relocated to Austin, Texas in August to accelerate growth of the AoM's North American business
- AD1 announced the acquisition of Scout Talent Group, a market leader in talent acquisition software with a proven and resilient ecosystem solving the challenge of talent acquisition for midsized companies, and the transaction is expected to be completed in December 2022
- Post transaction, AD1 is expected to generate FY23 pro-forma revenue of over \$30 million with approximately 30% derived from North America and be cash flow and EBITDA positive

AD1 Holdings Chief Executive Officer Brendan Kavenagh said:

"There are positive signals as we enter FY23 with significant contract wins and ongoing momentum for ApplyDirect and AoM. We are very excited to have signed an agreement with a significant US Tech giant such as Intel so soon after landing in the US. It is pleasing to observe such strong interest and pipeline that is growing very quickly a month into relocating AoM CEO and Co-Founder Alex Richardson to Austin, Texas in early August.

"The quarterly cash receipts do not accurately reflect the momentum we are witnessing in the business due to various delays in payments from select customers and the issuance of invoices falling at the end of the quarter.

"We continue to be focused on growing all verticals of the business and are very excited about the developing opportunities in Australia and North America."

Business update

Art of Mentoring

AoM delivered strong performance with key customer wins including the division's first North American contract win with US Tech giant Intel with a potential LTV of ~\$150,000. AoM also signed contracts with the Australian Diabetes Educators Association (ADEA) and an Australian government body with a combined potential LTV of ~\$395,000, and renewed key agreements with existing customers, including the doubling in value of a major Defence contract.

AoM has a strong US sales pipeline resulting from a recent increase in marketing activity, an in-country presence to further capitalise on the North American market opportunities, and upselling opportunities from existing customers across the Group. AoM will continue executing its strategy for sustained growth via new customer acquisitions and leverage existing relationships, as well as expanding into the North America.

ApplyDirect

ApplyDirect had a solid start to FY23 with a 50% increase in revenue verse pcp and signed an initial two-year contract with one of the largest GDP contributing industries in Victoria. The initial contract is valued at \$243,000 and includes an option to extend for an additional year. The new contract win further reinforces AD1's position as a leading provider of recruitment technology.

Under the terms of the contract, ApplyDirect's end-to-end recruitment technology will be configured to provide a worker portal for the Victorian based customer whereby workers can easily find open career opportunities, additionally AD1 is contracted to build, host and provide ongoing maintenance and digital services.

Jobtale

Jobtale successfully launched during the quarter. 23 customers of the 79 sign ups have been onboarded and the team are working to build their adoption. Early validation and feedback is positive, with pilot customers providing positive and valuable user experience feedback.

Jobtale, AD1's SME recruitment platform participated at the HRD Tech Summit in Sydney and is a finalist in the ATC & HR Tech Fest Innovation Labs which has over 1500 attendees within Talent Acquisition & Human Resources. Participation at these events provides a great lead generation opportunity that allows for the cross-selling of AD1's other HR tech products.

USS

The USS division achieved steady organic growth with a 13% increase in revenues compared to Q1 FY22. The well documented energy crisis nationally has had an impact on USS late in the quarter and the full impacts are still being assessed. Most notably, LPE are expecting to exit the retail market and USS have managed its cost base in line with this impact. We will continue to monitor the energy impact for USS and focus on supporting existing customers well while also aiming to achieve moderate growth for the division.

Financial Performance

AD1 received cash receipts totalling \$1.47 million in the quarter, representing a decrease of 25% compared to Q1 FY22, 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 Q2 FY23.

Outlook

The Company started FY23 with a strong pipeline of opportunities both in the Australian and North American markets and increased the number of leads by over 100% year on year. Additionally, renewal targets have been strong, with signs that trend will continue. FY23 has been set as a year for growth and the Company remains positive on achieving the milestones that have been set across each of its divisions.

AD1 continues to be focused on a strategy that delivers new and attractive SaaS verticals, specifically in the global online HR talent acquisition and staff development markets. In August 2022 AD1 announced its intention to acquire talent acquisition and management software provider, Scout Talent Group, subject to funding. AD1 continues to finalise funding arrangements in relation to the acquisition and the transaction is expected to be finalised in December 2022.

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.

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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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,460	1,460
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(246)	(246)
(c) advertising and marketing	(94)	(94)
(d) leased assets	-	-
(e) staff costs	(1,484)	(1,484)
(f) administration and corporate costs	(830)	(830)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(128)	(128)
1.6 Income taxes paid	(35)	(35)
1.7 Government grants and tax incentives (less costs)	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,357)	(1,357)
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)	(3)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)

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	1,963	1,963
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,357)	(1,357)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(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	603	603

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	603	1,963
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)	603	1,963

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
133
-

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.

	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)	(1,357)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	603
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	603
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.5

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?

Yes

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?

Post quarter end the company received \$1.8m in research and development tax incentive and as announced on 30/8/22 is conducting a capital raise which will include additional working capital for the group.

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 set out in 8.6.2 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: 31 October 2022

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.