

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

Key highlights

- Cash receipts of \$1.97 million for the quarter, an increase of 54% compared to the prior corresponding period (pcp) of Q4 FY21 and totalling \$7.32 million for FY22, a significant increase of 45% compared to FY21
- The Group added 6 new customers across all division during Q4 FY22
- 51% revenue growth in Art of Mentoring (AoM) division compared to the pcp, and an increase of 12% compared to Q3 FY22
- ApplyDirect renewed its Managed Services Agreement with the NSW Government for a further two-year term for the continued delivery of recruitment solutions software
- Jobtale product is gaining traction with 70 pilot customers already signed, and official launch expected in August FY23
- AoM (Art of Mentoring) CEO and Co-Founder Alex Richardson will relocate to Austin, Texas in Q1 FY23 to accelerate growth of the AoM's North American business

Melbourne, Australia, 29 July 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 June 2022 (Q4 FY22).

AD1 Holdings Chief Executive Officer Brendan Kavenagh said:

"We are pleased to have achieved another quarter of steady growth across the Group with key customer wins and renewals and a significant increase in cash receipts from customers. Both our AoM and ApplyDirect divisions have been tracking particularly well, and we are in various discussions with existing and new customers to further expand our offerings. Our new SME recruitment solutions platform Jobtale is progressing as planned, and is on track to launch in Q1 FY23, with 70 pilot customers already signed.

The national energy crisis 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 will manage its cost base in line with this impact. Given strong growth in other divisions we do not expect this exit to have a material impact on the company overall. 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. We expect to be making announcements on new USS customers imminently.

"We have a strong pipeline of targets set for FY23 and we are very excited about the new opportunities developing in Australia and North America, and more specifically with the recently appointed AoM CEO and Co-Founder Alex Richardson relocating to Austin, Texas in the upcoming months. This is a very exciting growth opportunity for AoM and we believe that by being on the ground, we will be able to build and execute on our growth strategy faster."

Business update

During the quarter, AD1 continued to see steady growth across the Group with the addition of 6 new customers across all divisions, and key renewal agreement with the NSW Government for an additional two-year term.

Art of Mentoring

AoM has had another strong quarter of growth with revenue of \$0.6m, an increase of 51% on Q4 FY21 and 12% compared to Q3 FY22. To accelerate growth, newly appointed CEO and Co-Founder Alex Richardson will be relocating to Austin, Texas to establish an in-country presence and further capitalise on the North American market opportunities. Mr Richardson will relocate to Austin, Texas in August.

ApplyDirect

During the June 2022 quarter, AD1 renewed its Managed Services Agreement with the NSW Public Services Commission for an additional two-year term for the continued delivery of ApplyDirect recruitment solutions software, further strengthening the Company's ongoing partnership with the NSW Government.

JobTale

Jobtale, AD1's new SME recruitment solutions platform, is gaining traction with 70 pilot customers already signed, and is on track to launch in August FY23.

USS

We continue to work closely with our customers and have a pipeline that we expect to convert imminently.

Financial Performance

The Company received cash receipts totalling \$1.97 million in the quarter, representing an increase of 54% compared to Q4FY21 and received \$7.32 million for the full year representing an increase of 45% as compared to the FY21 full year.

The growth in cash receipts has been driven by the acceleration of the Group's investment in product development and the continued enhancement of existing service offerings across all divisions. AD1's cash balance at 30 June 2021 was \$1.96 million.

Outlook

In FY22, AD1 invested heavily into sales and marketing, products, and people and has already seen the benefits in terms of increased upsells and new customer wins. Moving into FY23, AD1 has shifted into a strong sales focus across the Group and will continue to improve its different product offerings and manage costs effectively.

The Company started FY23 with a strong pipeline of opportunities both in the Australian and North American markets, and increased 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

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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities	1,967	7,321
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(328)	(2,273)
(c) advertising and marketing	(65)	(273)
(d) leased assets	-	-
(e) staff costs	(1,804)	(6,489)
(f) administration and corporate costs	(781)	(2440)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(262)
1.6 Income taxes paid	(59)	(277)
1.7 Government grants and tax incentives (less costs)	-	448
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,074)	(4,245)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (net of cash balance from subsidiary acquired)	-	(1,062)
(c) property, plant and equipment	(4)	(12)
(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	(4)	(1,074)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,982
3.2 Proceeds from issue of convertible debt securities	-	5,000
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(223)
3.5 Proceeds from borrowings	-	1,743
3.6 Repayment of borrowings	-	(1,743)
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	-	6,759

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,041	523
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,074)	(4,245)

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)	(4)	(1,074)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	6,759
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,963	1,963

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	1,963	3,041
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	3,041

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
135
-

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)	(1,073)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,963
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	1963
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.83

- 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: 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?

Answer: Given existing contracted and firm prospective revenue the company is satisfied that it has enough net operating cash to continue its operations and meet its objectives.

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: Yes, as set out in section 8.6.2.

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: 29 July 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.