

## Appendix 4C for the Quarter Ended 30 September 2023

### Key highlights

- Cash balance as at 30 October 2023 is \$1.25m (after settling ATO liabilities of \$0.3m)
- R&D receipt of \$1.235m was received through October 2023
- Cash receipts for the quarter of \$1.9m, a 27% improvement on prior comparative period (pcp)
- Net cash used from operating activities has improved by 31% pcp, achieving \$0.9m deficit this quarter against a \$1.4m deficit in the pcp
- Operating cash for the quarter included \$400k+ of costs that are being removed from the business, with the majority gone by end of Q2 FY24
- Group unaudited operating revenue at c. \$1.235m for the quarter
- Art of Mentoring (AoM) revenue is up 21% year-on-year
- ApplyDirect revenue has increased 30% year-on-year
- USS has absorbed all costs associated with sub-licensing and now is operating profitably
- The AoM US arm of the business continues to build momentum and numerous deals across a variety of sectors are to be closed by H1 FY24

**Melbourne, Australia, 30 October 2023:** 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 2023 (Q1 FY24).

#### **AD1 Holdings Chief Executive Officer Todd Perkinson said:**

"We are pleased to have completed a quarter of significant transformation of the AD1 group. Our continued focus on reviewing and executing on costs controls has seen over \$1.9m of annualized costs be eradicated from the business whilst we have seen revenue growth from all divisions within the group. The USS transition was completed smoothly during the quarter and all costs have been absorbed within the results that are being presented. With a strong pipeline of targets set for FY24, we are very excited about the new opportunities emerging in Australia and North America."

#### **Business update**

During the quarter, AD1 continued to see steady revenue growth across the Group whilst driving operating costs down, albeit some one-off costs were embedded within the quarter to achieve the annualized savings. AoM and ApplyDirect have seen new customer wins and existing revenue enhancement with existing customers expanding functionality and use of the solutions through a revised sales and account management approach. As a result of the recent restructure we now have group resources overseeing the functional areas of the business, which is also allowing for greater exposure for cross-sell opportunities.

**Art of Mentoring (AoM)**

AoM has seen significant activity in both the Australian and North American geographies. The business has grown revenue 21% on pcp and drove gross profit up by 10%. We have seen strong contract renewals with some contract wins within targeted verticals.

Strong growth within the Australian market has seen robust renewals with our largest clients re-signing and also achieving \$240k of new client revenue. Our new account management structure is engaging 4-5 months out from contract renewal to discuss new contracts which has seen several clients re-sign well in advance of contract anniversary.

The US division of AoM has seen a strong pipeline be created with over \$500k worth of deals that are being actively worked and some close to being closed. We expect as the US team embed themselves into the solution that many more opportunities will present. We are currently in discussions with strong strategic partnerships which should position us nicely within the US market.

**ApplyDirect**

ApplyDirect continued its momentum with migration to the Gen3 platform. One of our major customers is well underway with the migration and looking to go-live through November 2023. Our plan was always to run these government contracts sequentially and the Victorian migration has been planned and about to start actively migrating to the new Gen3 platform. We expect Victoria to be live by February / March 2024.

We have seen significant growth within this business achieving 30% revenue growth throughout the quarter, which was planned. Pleasingly we have had EBITDA growth of 85% on pcp which has been planned and will be continued throughout the FY24 year as we look to drive profitability and free cash-flow surplus within this business.

**USS**

The transition of the sub-licensing arrangements were successfully completed during the quarter, with all costs being accounted for during Q1 FY24.

**Financial Performance**

The Company received cash receipts totaling \$1.849m in the quarter, representing an increase of 27% compared to Q1 FY22. Whilst cash receipts were up the operating cash used within operating reduced by 31% pcp.

**Outlook**

In FY24, AD1 invested heavily into the organization design to deliver sustainable revenue growth and operational costs that are in-line with the size of the business. This has seen reductions in annual costs whilst revenue growth has been achieved successfully. Moving into the remaining quarters for FY24, AD1 has shifted into a strong sales and partnership focus, whilst ensuring that we have deeper relationships with our customers and the right business model to deliver effective outcomes.

The Company commenced FY24 with a restructure to its operating model, resulting in clear objectives for staff and alignment to achieving profitability through FY24. With a robust Australian and North American sales pipeline, strong customer retention from ApplyDirect and continued implementation of the cost reduction program, the Group's outlook is positive for the remainder of the FY24 year.

**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.

**For more information**

-  Follow us on [LinkedIn](#)
-  Visit our investor websites: [www.ad1holdings.com.au](http://www.ad1holdings.com.au)
-  Subscribe to our [mailing list](#) to receive updates

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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 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>	1,849	1,849
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(187)	(187)
(c) advertising and marketing	(42)	(42)
(d) leased assets	-	-
(e) staff costs	(1,494)	(1,494)
(f) administration and corporate costs	(931)	(931)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(124)	(124)
1.6 Income taxes paid	(8)	(8)
1.7 Government grants and tax incentives (less costs)	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(937)</b>	<b>(937)</b>
<b>2. Cash flows from investing activities</b>		
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 (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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,295	1,295
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(937)	(937)

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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)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(8)	(8)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>349</b>	<b>349</b>

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	349	349
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>349</b>	<b>349</b>

**6. Payments to related parties of the entity and their associates**

- |   | Current quarter<br>\$A'000 |
|---|----------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 126,332                    |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | -                          |

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)

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## Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. <b>Financing facilities</b> <i>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.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	5,000	5,000
7.2 Credit standby arrangements	-	-
7.3 Other (debtor finance facility)	-	-
7.4 <b>Total financing facilities</b>	-	-

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. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(937)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	349
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	349
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>0.37</b>

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?

We expect the R&D refund to be processed through October 2023 of \$1.235m.

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?

As per point 1 above.

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 per point 1 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: 30 October 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.