

AD1 Holdings Limited Half-Year results Announcement For the 6 months to 31 December 2022

Melbourne, Australia, 27 February 2023: AD1 Holdings Limited ('AD1', the 'Company' or the 'Group') (ASX: AD1), a technology company with a growing portfolio of market-leading software businesses, is today releasing its results for the half year ended 31 December 2022 (H1 FY23).

Key highlights

- Group revenue of \$3.5 million, up 15% on the prior corresponding period (pcp) of H1 FY22 despite loss of LPE revenue from the Utility Services Software (USS) business
- Cash receipts from customers of \$3.0 million, 21% lower on pcp due to delays in customer payments, which have now been rectified
- Added an additional 22 customers across the Group increasing the Group's total customer number to over 140
- Art of Mentoring (AoM) revenue increased by 57% on pcp to \$1.6 million while cash receipts from customers increased by 17% on pcp to \$1.5 million
- AoM's increasing sales pipeline is now totalling \$7.3 million across Australia and North America with further growth expected
- Successfully launched the 'Art of Mentoring Academy' to further drive revenue and open new sales channels for the AoM vertical

Commenting on the results, AD1 Holdings Chief Executive Officer Mr Brendan Kavenagh said:

"We are pleased that the Group revenue from contracts with customers is up 15% on pcp despite the loss of a key customer in our USS business as a result of the national energy crisis. This growth was mainly driven by increases in our AoM division and its successful launch into the US market.

"AoM continued to build strong momentum in the US with an increasing sales pipeline of over \$4 million in potential lifetime value (LTV) in North America, with further growth expected in the upcoming months. AoM has witnessed significant adoption in North America as an increasing number of companies see the benefits of the AoM product in attracting, developing and retaining employees.

"With the upcoming launch of platform 2.0 and the recent launch of the 'AoM Academy' and online training gathering momentum across numerous countries, we are very excited about AoM's growth opportunities, especially in the US, and we will continue to focus on growing this vertical and expand our presence in the North American market."

Business update

Art of Mentoring (AoM)

The AoM vertical has shown significant growth with 57% growth on pcp and increased its cash receipts from customers by 17% to \$1.45 million. AoM signed a new contract with the US Department of Labor for an initial one-year term with a total contract value (TCV) of over \$0.13 million and an option to extend annually for a further four years, resulting in a potential LTV of over \$0.63 million.

The division recognises North America as a significant growth opportunity over the medium term and to help support its growth prospects, newly appointed CEO and Co-Founder Alex Richardson has relocated to

Austin, Texas to establish an in-country presence and further capitalise on opportunities in the North American market.

ApplyDirect

ApplyDirect continues to service its existing customer base whilst delivering growth. The business is currently onboarding its latest customer Incolink onto the platform and working with customers to migrate from their existing “legacy” platforms onto the latest version “Gen3”. This is a significant step forward and reduces ongoing costs of maintaining multiple platforms and frees up resources.

Jobtale

During the half, the platform was launched and early feedback from pilot customers has been positive with the software receiving accolades in various industry awards. The product has been well received in the Australian market and we are currently exploring channel partner opportunities as we continue to gather feedback from pilot customers so that we can plan out future road map items to progress to commercialisation at scale. Early market validation provides us with confidence that this is a unique product that will deliver future growth opportunities.

Utility Services Software (USS)

The national energy crisis has impacted the USS business with a 12% decline in revenue on a YTD basis as a result of key customer LPE exiting the retail market. Additionally, USS worked on a billing platform for a large multinational over the last 12 months under a fee for service arrangement, however the contract did not convert. As a result, the Group reported a \$2.6 million impairment on intangible assets on USS.

After a 5-year term, USS’s largest customer agreement with BlueNRG is set to expire in March 2023 and the Company is currently in advanced discussions to finalise a new agreement.

Outlook and strategy

Although the Group has delivered year-on-year (YoY) revenue growth, cash burn rate has been high which prompted the Board to review the Company’s strategy and take steps to refocus on building a sustainable growth platform for the future. As revenue continues to improve across the HR tech businesses with YoY revenue up 47%, AD1 will concentrate on expanding this segment with a focus on growing the AoM vertical.

AoM is a leader in its market with an established and quickly increasing customer base, a growing sales pipeline with strong conversion and renewal rates, and an industry leading customer satisfaction scores. AoM has experienced 80% revenue growth YoY for the last two financial years, has recently expanded into the North American market, and expects revenue to account for over 40% of the total Group revenue by the end of FY24.

With the product investments made over the last 18 months, the Company is confident that it can increase revenue while continuing to implement its cost reduction strategy and realise improved efficiencies.

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.

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