

ASX Announcement
31 January 2025

Appendix 4C for Q2 Financial Year 2025

Key highlights:

- Art of Mentoring achieved record new sales of \$720k in Total Contract Value (TCV) during the quarter ending 30 December 2024. 71% of new sales originated from the United States (U.S.), including flagship accounts across strategic verticals such as banking, retail, and industry associations.
- AdNeo successfully launched a new corporate brand and began implementing a new strategy as an active acquirer of SaaS technology companies and innovative workforce transformation services.
- Across the Group, quarterly cash receipts from customers increased by 69% QoQ to \$1.6m (+8% YoY). Operational expenses reduced by -3% QoQ (-6% YoY), resulting in an operating cash flow of -\$223k for the quarter, marking a 76% improvement QoQ (52% YoY).
- AdNeo received \$780k in Jan'25 from the ATO's Research and Development (R&D) tax incentive, which has been applied to working capital and to reduce liabilities. The CEO executed a strategic cost reduction of \$1.5m, strengthening AdNeo's cash flow position and setting the business up for future M&A opportunities.

AdNeo (ASX:AD1) actively acquires, owns, and manages high-growth companies in the SaaS and innovative services sectors. AdNeo drives shareholder value by strategically acquiring synergistic companies with significant growth potential. AdNeo currently operates three market leading businesses: **ApplyDirect (AD)**; **Art of Mentoring (AoM)** and recently acquired **Oliver Grace (OG)**.

CEO **Angus Washington** commented on the quarter results: "I'm pleased with *the results achieved by our commercial team, especially in the USA, winning new flagship clients, in a quarter that has been quite volatile for businesses, experiencing the pressure of high costs and high interest rates.*

Our new corporate strategy and market positioning of AdNeo has been launched successfully at the Annual General Meeting and I have received overwhelmingly positive feedback from existing and active investors. We are confident the new strategy has set the business on a path towards cash flow positivity and growth, via disciplined cost management, organic growth and synergistic M&A deals.

The cash flow for the business has been a key focus for myself since I started as CEO in Nov'24. We recently executed a strategic cost cut of -\$1.5m annualised to right size each business to its leanest position, and to free up cash flow to significantly reduce liabilities. I want to express my sincere gratitude to the Board and my colleagues for supporting the strategy and business priorities.

We have incredible assets in our business which we believe are valued at a significant discount compared to similar private companies. I am confident in our strategy and our team's ability to execute and create significant shareholder value."

Commercial Update

Our sales team delivered a record quarter, signing \$720k in TCV with new clients. Notably, 71% of new sales came from the AoM U.S. team which successfully onboarded flagship clients in key sectors such as banking, retail, and industry associations.

New SaaS contracts won by Art of Mentoring include:

American Society of Banking (USA)

- Total Contract Value: **\$128,475**
- SaaS contract, 3 years term

Lululemon Retail (USA)

- Total Contract Value: **\$135,000 + \$127,500** (one-off extension)
- SaaS contract, 3 years term

The California Association of School Business Officials (CASBO)

- Total Contract Value: **\$112,500**
- SaaS contract Duration: 3 years SaaS

Other contracts won by Art of Mentoring in Australia include:

- Department of Environment, Science and Innovation
- MTAA Medical Tech Society
- A department of the Australian Government (confidential)

AoM Sales Pipeline

AoM's weighted sales pipeline is healthy with over 35 active targets across the U.S. and Australia. The average sales cycle is 5-8 months, with recent improvements in cycle acceleration due to refinements in our go-to-market approach. We've also developed a "kickstarter" framework to help clients build business cases and align realistic outcomes for mentoring programs.

While the sales environment remains challenging, primarily in Australia and New Zealand due to high costs and interest rates, mentoring and coaching continue to be highly effective workforce transformation solutions. According to research, mentoring is one of the most successful initiatives for improving workforce performance. The U.S. market for mentoring and coaching is valued at \$50b, with \$5b in Australia.

Renewals

AoM achieved \$702k in renewals in Q2, while focusing on extending contract terms from 1 to 3 years, increasing pricing, and selling add-ons to enhance customer value. We observed in Australia some customers experienced budget cuts and delays due to the challenging macro environment and budget restrictions.

Oliver Grace

In Q2, Oliver Grace made significant strides, achieving \$346k in cash receipts, winning five new clients providing a range of brand strategy, design and content production services.

Oliver Grace was also instrumental for the launch of AdNeo's new brand and are currently supporting the market research and brand positioning for Art of Mentoring.

ApplyDirect

ApplyDirect, Australia's leading provider of job board technology continued to make significant progress with the rollout of its Gen 4 platform, delivering substantial increases in performance, organic traffic, and reliability. Over the 12 months ending December 2024, ApplyDirect managed 94 million page views and maintained uptime of 98%+.

Financial Results

The Group received \$1.562m in cash receipts from customers in Q2 FY25, an increase of 68% from the prior quarter and 8% YoY. Expenses totalled \$1.785m for the quarter, representing a reduction of 3% QoQ and 6% YoY. Net cash flow from operating activities was -\$223k, a 76% improvement from the previous quarter.

In January 2025, the company received \$780k from the R&D tax credit, which has been used to reduce liabilities and fund working capital. In addition, the execution of strategic cost reduction of \$1.5m is expected to yield savings of \$250k in Q3 and \$30k in Q4 FY25. These measures will enhance cash flow, manage liabilities, and position the company for future M&A activities.

M&A Pipeline

The Group is actively pursuing M&A opportunities aligning with its strategy and core competencies, with the aim of creating significant shareholder value.

END

Authorised for Release by AD1's CEO, Angus Washington.
For further information, please contact: ir@adneo.com.au

AdNeo Ltd (ASX: AD1)

AdNeo (ASX:AD1) actively acquires, owns, and manages high-growth companies in the SaaS and innovative services sectors. AdNeo drives shareholder value by strategically acquiring synergistic companies with significant growth potential. Our experienced management team enhances operational efficiency and stimulates innovation, opening new market opportunities. This focused strategy maximises profitability and ensures exceptional returns for our shareholders.

Definitions

Total Contract Value (TCV) is total amount of revenue AD1 will receive from a given contract over the duration of the contract. It includes all recurring subscription revenue as well as one-time fees that may be associated with the contract, such as implementation fees.

Forward-looking statements

You are cautioned not to place undue reliance on any forward-looking statements regarding our belief, intent or expectations with respect to AD1's businesses, market conditions and/or results of operations (particularly in light of the current economic uncertainties and volatility).

Not advice

Information in this announcement, including forecast financial information, should not be considered as investment, legal, tax or other advice. You should make your own assessment and seek independent professional advice in connection with any investment decisions.

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Appendix 4C

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

Name of entity

AdNeo Holdings Ltd

ABN

29 123 129 162

Quarter ended ("current quarter")

31 December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities	1,562	2,485
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(58)	(173)
(c) advertising and marketing	(21)	(31)
(d) leased assets	-	-
(e) staff costs	(1,001)	(1,762)
(f) administration and corporate costs	(697)	(1,491)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(8)	(163)
1.6 Income taxes paid	-	-
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	(223)	(1,135)
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	-	-
(d) investments	-	(400)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(e) intellectual property (software development)	(147)	(295)
(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	(147)	(695)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	40	1,737
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	-	(86)
3.5 Proceeds from borrowings	25	25
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	(7)	(7)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	58	1,669

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	414	268
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(223)	(1,135)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(147)	(695)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	58	1,669
4.5	Effect of movement in exchange rates on cash held	(1)	(6)
4.6	Cash and cash equivalents at end of period	101	101

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	101	414
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)	101	414

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
31
-

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)

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

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	5,278	5,278
7.2 Credit standby arrangements	-	-
7.3 Other (debtor finance facility)	-	-
7.4 Total financing facilities	5,278	5,278

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)	(223)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	101
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	101
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.45

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?

On 8 Jan 2025 the Company received its assessment from the ATO of its 2024 R&D tax offset of a net value of \$667,893. If it was received in December 2024 and was included in the test at point 8 above, the estimated quarters of funding would be 3.4.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, as per point 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 January 2025

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.