

AD1 achieves first cash flow positive quarter

Melbourne, Australia, 24 July 2020: AD1 Holdings Limited (ASX: AD1) (**AD1** or the **Company**) the provider of customer branded recruitment technology platforms, utilities software billing services and management platforms and related services is pleased to release its business update and the Appendix 4C for the June 2020 quarter.

Key Highlights & Business Update

- First cashflow positive quarter for the Company adding \$217,000 in net cash from operating activities
- Cash receipts for FY20 were \$3,648,000, an increase of 52% compared to the prior year
- Operating outflows for FY20 reduced by \$1,251,000 (▼18%) compared to the prior year with net cash outflow from operating activities reducing by \$2,496,000 (▼ 53%) compared to the same period
- Cash receipts for the June 2020 quarter were \$1,206,000 with operating outflows of \$989,000
- Renewed Managed Services Agreement with AD1's oldest customer, the NSW Government, for a further two-year term
- Renewed Managed Services Agreement with the Victoria Government for up to three years structured as three one-year extensions
- Retained all revenue contributing employment platform customers with almost 97% of subscription revenue secured on multi-year terms
- Implemented the utilities software and managed services solution for iGeno, an embedded networks provider, in the June 2020 quarter
- New contract wins:
 - Integration of the Careers.VIC platform with the VIC Jobs API Gateway being developed in partnership with the Department of Premier and Cabinet's API Gateway Team
 - Integration of the new NSW Government cluster called Regional NSW into the existing iworkforNSW platform
 - Currently in late stage discussions to secure new contracts across both the employment-platform and utilities software products with outcomes expected imminently

The key focus for the Board and Management in FY20 was to accelerate the Company's pathway to breakeven through the successful integration of the utilities software and managed services revenue stream acquired in late FY19, building a strong revenue foundation by renewing existing AD1 contracts and rationalising the combined cost base.

AD1's first cashflow positive quarter in June 2020 represents a significant milestone for the Company and demonstrates the success in achieving these objectives. Highlights during the year included the successful implementation of the employment platform solution for the Pharmacy Guild of Australia,

implementation of the Company's utilities software for iGeno and more recently the multi-year renewals with NSW and Victoria Governments, the two largest employers in the country.

The significant reduction in outflows compared to prior year is remarkable considering the acquisition in late FY19. The cost rationalisation program executed in the first half of FY20 extended the cost savings to approximately \$5 million per annum. Importantly, this means that the Company now maintains a cost run rate that is lower than AD1's pre-acquisition cost run rate.

Accelerated revenue growth is the key priority for the Company in FY21. The Company has secured two contracts with the VIC and NSW Government as outlined above. In addition, there are several new business opportunities that are currently in late stage discussions and expected to close imminently.

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.

Andrew Henderson
Chairman
AD1 Holdings Limited
03 8199 0455

Prashant Chandra
CEO
AD1 Holdings Limited
03 8199 0455

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 2020

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | 1,206 | 3,648 |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (302) | (1,633) |
| (c) advertising and marketing | (9) | (118) |
| (d) leased assets | - | - |
| (e) staff costs | (736) | (3,758) |
| (f) administration and corporate costs | (123) | (904) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | 1 |
| 1.5 Interest and other costs of finance paid | - | (2) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives (less costs) | 181 | 584 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | 217 | (2,182) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | (16) |
| (d) investments | - | - |
| (e) intellectual property | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| (f) other non-current assets | 3 | (14) |
| 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 | (30) |

| | | |
|---|----------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | - | 1,833 |
| 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 | - | 1,833 |

| | | |
|---|-----|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 240 | 839 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | 217 | (2,182) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | 3 | (30) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|------------------------------------|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | 1,833 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 460 | 460 |

| 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 | 460 | 240 |
| 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) | 460 | 240 |

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 |
|------------------------------------|
| 104 |
| - |

The amount at 6.1 includes payment of directors' fees, remuneration and superannuation (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 | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | | - |

7.5 **Unused financing facilities available at quarter end** -

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) | 217 |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 460 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 460 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | n/a |

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: n/a

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: n/a

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: n/a

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: 24 July 2020

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.