

Appendix 4C for the Quarter Ended 31 December 2023

Key Highlights

- Cash flow positive quarter with operating cash surplus of \$0.5m, an improvement of 207% vs pcp (prior corresponding period)
- Cash receipts for the quarter of \$1.445m, a 12% improvement on pcp
- Cash balance as at 31 December 2023 is c. \$0.8m
- Costs saving program delivers a permanent c\$2.8m in annualised savings from FY25 and beyond. Program delivered net savings of c \$1.4m in FY24
- Included are one off exceptional costs totaling \$420k within the quarter, related to corporate restructuring, decommissioning costs related to removal of existing cost base, and USS related charges as part of AD1's ongoing strategic review and cost reduction restructure
- Exceptional growth delivered from AoM North American business with \$375k of new business for the quarter
- 47% revenue growth from ApplyDirect with Gen3 platform migration work on track to be completed by the end of the financial year
- USS is now in cash-flow surplus and profitable into H2 FY24 after accounting for all costs associated with USS sub-licensing
- \$1m received in R&D refund
- Ongoing strategic review being undertaken for the entire business the outcomes of which will be released to the market upon completion in the coming months

Melbourne, Australia, 29 January 2024: AD1 Holdings Limited ('AD1', the 'Company' or the 'Group') (ASX: AD1), a SaaS technology company with a growing portfolio of market-leading software businesses, today releases its business update and Appendix 4C for the quarter ended 31 December 2023 (Q2 FY24).

AD1 Holdings Chief Executive Officer Todd Perkinson commented:

"We are pleased to have completed a quarter of significant transformation of the AD1 group. Our continued focus on a new strategic direction across restructuring, implementing cost controls and maintaining a strong pipeline has been positively reflected in an ARR increase over the quarter. Not only have we been contracting new customers, but existing customers have expanded programs and users within the platforms. The Group is well positioned with a strong pipeline of potential new customers across Australia and North America."

Art of Mentoring (AoM)

In a major achievement AoM secured contracted revenues from new business for the quarter of \$375k attributable to its USA division. The US division successfully renewed all existing customers with many significantly expanding their scope or signing longer dated typically 24-month contracts.

Total contracted revenues for the AoM's US business are \$725k+ with a major government customer on the second year of a five-year contract.

The Australian division of AoM also delivered strong growth and from increased demand amongst economic headwinds with strong renewals across the customer base. Over \$1.3m in customer renewals has been completed throughout H1 FY24. New business for H1 FY24 for the AU division attracted over \$350k+ in new business. Of this, 60% is from new customer wins and the remaining 40% from existing customer growth.

Overall, AD1's AoM division has observed steady growth throughout the quarter and the Company's focus has remained on improving digital infrastructure, on-boarding efficiencies, and implementing new strategies to expedite deal closures. Specifically, the introduction of Design workshops has proven to be a strong method to gain commitment before formal deal closure takes place.

These design workshops are shorter in nature and more client-focused to ensure full benefits are realised throughout the program.

Following a successful quarter, AoM has maintained its growth momentum and is still experiencing strong demand through word of mouth, network referrals and conference participation. Referrals and conferences remain the strongest lead generation with over 50% conversion rate.

Total pipeline across the AoM group is \$3m in total contract value, a significant portion targeted to be closed within Q3 FY24.

ApplyDirect

Following the implementation of a more streamlined growth strategy ApplyDirect has experienced substantial growth achieving 47% unaudited revenue growth to \$270k for the quarter. This is an encouraging achievement and validates the Company's revised growth strategy.

As part of this revised strategy, the business has continued to implement cost reduction, the full benefit of which is expected to be realised H2 FY24.

ApplyDirect has continued its momentum with migration to the Gen3 platform with the migration of one major customer well underway and expected to go live in the coming weeks. The strategy remains to sequentially undertake the migration of customers onto Gen3 platform, with the Victorian Government scheduled to go live by the end of the financial year.

Management is also exploring the possibility of partnership and organic growth opportunities for ApplyDirect leveraging its network within AoM.

USS

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

Corporate and Financial Update

AD1 continued to progress in line with its new strategic direction prioritising cost efficiencies without impacting the ability to deliver revenue growth to deliver a strong and sustainable business model.

The Company received cash receipts totaling \$1.445m in the quarter, representing an increase of 12% compared to Q2 FY22.

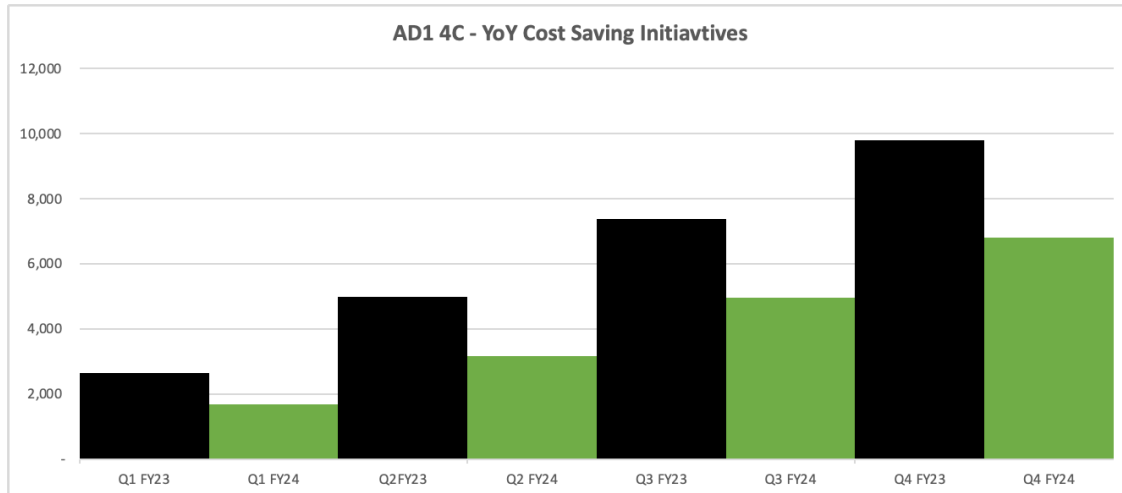
Q2 FY24 also saw a 207% increase in Net Cash against pcp to deliver a cash flow positive quarter of \$0.5m.

This is inclusive of \$420k one-off costs that are attributed to corporate restructuring. These costs, if calculated on a normalised basis, would represent an improvement of 449% on pcp.

As mentioned in Q1 FY24, the new business direction now allows more streamlined operations and resources efficiency, meaning that there will be greater opportunity for cross-selling and collaboration between divisions.

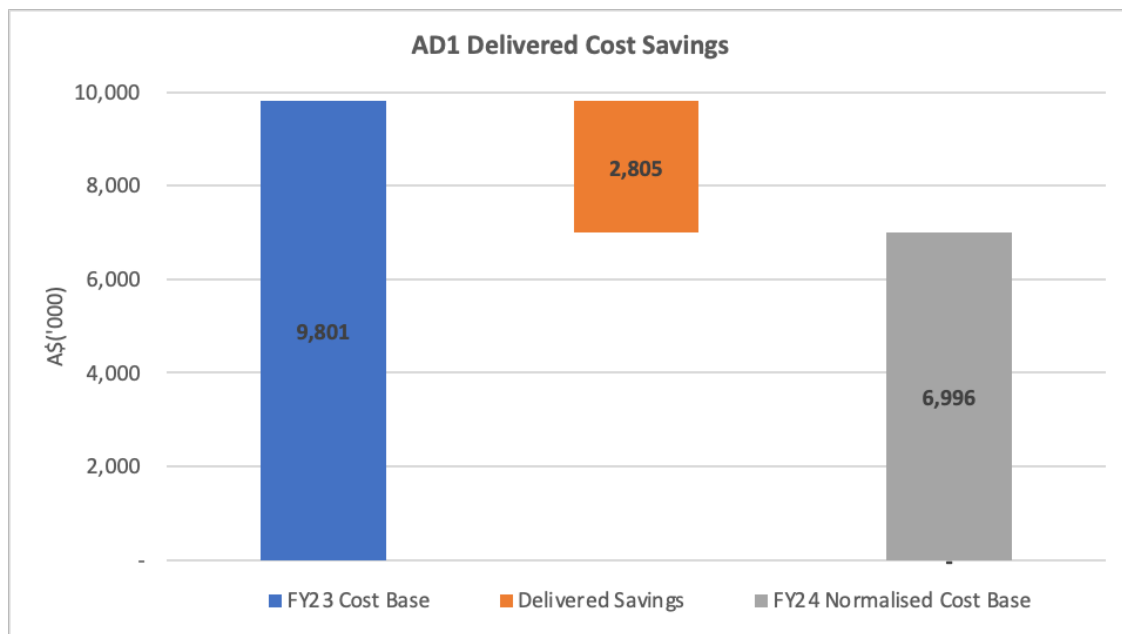
USS' transition to licence arrangements has been completed during the quarter with all transition costs being included during H1 FY24. Cash attributable to the transition in Q2 FY24 was \$150k+.

Cost savings are demonstrated in the below chart with Year-on-Year (YoY) normalised operating costs when compared to prior corresponding periods. Savings have been identified and fully implemented across staff (68%) and other operating costs (32%).



Outlook

This far into FY24, AD1 has made substantial investments in restructuring the business' strategic direction and operating model to achieve sustainable growth and align operational costs with the business' scale. This initiative resulted in successful annual cost reductions, coupled with revenue growth.



Moving further into FY24, AD1 is shifting into a strong sales and partnership focus, all while ensuring deeper customer relationships and the right business model to deliver effective outcomes.

Supported by a robust sales pipeline in Australia and North America, ongoing execution of the cost reduction program, and solid customer retention from both AoM and ApplyDirect, the Group anticipates a more defined focus on profitability, projecting a positive outlook for the remainder of FY24.

The Company continues to undertake a strategic review of the entire business, the outcomes of which will be released to the market upon completion in the coming months.

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.

For enquiries please contact:

Todd Perkinson
Todd.perkinson@ad1holdings.com.au
(03) 8199 0455

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 mentoring products under the Art of Mentoring banner.

For more information

Follow us on [LinkedIn](#)



Visit our investor websites: www.ad1holdings.com.au



Subscribe to our [mailing list](#) to receive updates

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")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities	1,445	3,294
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(199)	(386)
(c) advertising and marketing	(20)	(62)
(d) leased assets	-	-
(e) staff costs	(1,060)	(2,554)
(f) administration and corporate costs	(625)	(1,555)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(129)
1.6 Income taxes paid	-	(8)
1.7 Government grants and tax incentives (less costs)	1,000	1,000
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	536	(401)
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	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	-	-

3. Cash flows from financing activities		
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)	(84)	(84)
3.10 Net cash from / (used in) financing activities	(84)	(84)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	349	1,295
4.2 Net cash from / (used in) operating activities (item 1.9 above)	536	(401)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(84)	(84)
4.5	Effect of movement in exchange rates on cash held	(9)	(18)
4.6	Cash and cash equivalents at end of period	792	792

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	792	349
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)	792	349

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
127
-

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
	5,253	5,253
	-	-
	-	-
	5,253	5,253

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.

-

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

536

8.2 Cash and cash equivalents at quarter end (Item 4.6)

792

8.3 Unused finance facilities available at quarter end (Item 7.5)

0

8.4 Total available funding (Item 8.2 + Item 8.3)

792

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

-

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?

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?

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?

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: 29 January 2024

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.