

AD1 delivers strong FY23 performance while investing heavily in technology and products to drive future growth

Melbourne, Australia, 31 August 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 pleased to announce its full year results for the financial year ended 30 June 2023 (FY23).

Key highlights

- Annual Group revenue of \$6.4 million, an increase of 7% on the prior corresponding period (pcp) of FY21 and cash receipts from customers of \$7.3 million, an increase of 8% on pcp
- Art of Mentoring (AoM) delivered strong year on year (YoY) revenue growth of 36%, with good customer wins in both Australia & North America
- ApplyDirect has delivered growth of 9.5% whilst maintaining its strong customer base
- Utility Software Services (USS) continues to be wound down with ongoing sub-licencing of the software from 1 September 2023
- Research and development (R&D) tax incentive of \$1.3 million, reflecting AD1's strong investments in technology and products to further drive growth

Commenting on the FY23 results, AD1 Holdings Chief Executive Officer, Mr Brendan Kavenagh said:

"We are pleased to have achieved a solid year of growth with key customer wins across the Group. Over the course of the year, we invested heavily into sales and marketing, development of products, and technology to set a strong foundation for growth, and we have already seen benefits with increased upsell activities, new customer wins and renewals.

Moving into FY24, we are well positioned to capitalise on a strong pipeline of contract wins which continues to grow year on year. AD1 will remain focused on executing its growth strategy and deliver on its geographic expansion, specifically in North America, while further improving its product suite and growing its portfolio of SaaS businesses.

AD1 continues to pursue cost savings to reduce the operating costs of the business. This will be achieved through the exit of operating USS within the group, whilst all costs are being reviewed and removed where possible."

Financial performance

AD1's revenue from operating activities increased by 7% to \$6.4m compared to FY22, while cash receipts from customers increased by 8% to \$7.3 million.

Art of Mentoring (AoM)

Art of Mentoring has continued its strong growth trajectory delivering a growth in FY23 of 36%. Comparative growth in FY22 was 44%, so this division continues to perform well in what were tough economic conditions over the last 2 years. After being in the North American market for 12 months now, the group are excited by the opportunities presenting themselves within this geographic area.

ApplyDirect

During FY23 ApplyDirect maintained its customer base, grew by 9.5% and are currently in the process of migrating all clients over to a new platform which will deliver better features, lower operating cost levels and less reliant on legacy platform knowledge within the team. This division also re-signed one its major customers during the period which was officially announced ASX: AD1 31.07.23 "Victorian Government renews agreement with AD1 Holdings".

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USS

This division entered into a licence agreement commencing 1 September 2023, therefore the focus has been to exit the operating of this business and handing over the operating procedures to new licensee for commencement in September 2023.

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.

For more information

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-  Visit our investor websites: www.ad1holdings.com.au
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Appendix 4E – Preliminary final report For the year ended 30 June 2023

Name of entity:	AD1 Holdings Limited
ABN or equivalent company reference:	ACN 123 129 162
Current reporting period:	the year ended 30 June 2023
Previous corresponding period:	the year ended 30 June 2022

Results for announcement to the market

Revenue for ordinary activities	Up	7%	to	\$ 6,401,940
Net loss after tax for the period attributable to members (from ordinary activities)	Up	118%	to	5,821,016
Net loss for the period attributable to members	Up	118%	to	5,821,016

Dividends

There were no dividends paid, recommended, or declared during the current financial period.

Explanation of results

Revenue for the year has increased by 7% to \$6,401,940 while cash receipts from customers has increased by 8% to \$7,300,923. Increase in cash received predominately due to timing on unearned income. The results include an accrued research and development tax incentive for the current year of \$1,275,507 reflecting the group's investment in technology and product.

Net loss for the period of \$5,821,016 (2022: \$2,666,229) includes non-cash share-based payment expense of \$589,217.

Net tangible asset per share

	30 June 2023	30 June 2022
Net tangible asset per share (cents)	(0.82)	(0.54)

Other information required by Listing Rule 4.2A

- Distribution Reinvestment Plan – n/a
- Changes in controlled entities – n/a
- Details of associates and joint venture entities - n/a
- Details of individual and total dividends or distributions and dividend or distribution payments - n/a

Audit

This report should be read in conjunction with the preliminary financial report. The financial statements in the preliminary financial report are in the process of being audited.

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Preliminary financial report
For the year ended 30 June 2023



Consolidated statement of profit or loss and other comprehensive income For the year ended 30 June 2023

	2023 \$	2022 \$
Revenue from continuing operations		
Revenue from contracts with customers	6,401,940	5,986,390
Other income	1,878,885	1,810,158
Interest income	556	1,572
	<u>8,281,381</u>	<u>7,798,120</u>
Expenses		
Employee benefit expense	(4,360,058)	(3,966,582)
Software development and other IT expense	(1,136,078)	(1,718,026)
Consulting and professional service expense	(1,827,883)	(2,243,546)
Advertising and marketing expense	(648,638)	(538,710)
Occupancy, utilities and office expense	(741,455)	(205,611)
Asset Impairment	(2,658,029)	-
Depreciation and amortisation expense	(1,377,420)	(716,418)
Travel expense	(27,726)	(16,602)
Interest expense	(642,126)	(399,274)
Other expense	(682,984)	(659,580)
Total expenses	<u>(14,102,397)</u>	<u>(10,464,349)</u>
Loss before income tax	<u>(5,821,016)</u>	<u>(2,666,229)</u>
Income tax expense	-	-
Loss for the year	<u>(5,821,016)</u>	<u>(2,666,229)</u>
Other comprehensive income		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss for the year	<u>(5,821,016)</u>	<u>(2,666,229)</u>
Earnings per share attributable to the ordinary equity holders of the Group:		
Basic earnings per share	(1.00)	(0.42)
Diluted earnings per share	(1.00)	(0.42)

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Consolidated statement of financial position As at 30 June 2023

	2023 \$	2022 \$
ASSETS		
Current assets		
Cash and cash equivalents	1,210,930	1,962,966
Trade and other receivables	2,362,180	2,993,101
Total current assets	3,573,110	4,956,067
Non-current assets		
Property, plant and equipment	41,698	262,306
Other Non-current assets	85,001	85,001
Intangible assets	7,624,264	9,108,820
Total non-current assets	7,750,963	9,456,127
Total assets	11,324,073	14,412,194
LIABILITIES		
Current liabilities		
Trade and other payables	2,098,114	2,155,116
Employee benefit obligations	299,334	275,767
Current tax liabilities	1,503,124	175,072
Lease liability	-	84,024
Lease Provision	104,000	-
Contract Liability	1,520,964	843,058
Other liabilities	-	1,500,000
Total current liabilities	5,525,536	5,033,037
Non-current liabilities		
Employee benefit obligations	58,561	51,477
Lease liability	-	167,157
Borrowings	3,586,175	3,333,333
Other liabilities	-	-
Total non-current liabilities	3,644,736	3,551,967
Total liabilities	9,170,272	8,585,004
Net assets	2,153,801	5,827,190
EQUITY		
Share capital	33,973,177	31,604,804
Reserve	3,713,498	3,901,118
Foreign Currency Translation Reserve	(31,942)	-
Accumulated losses	(35,500,932)	(29,678,732)
Total equity	2,153,801	5,827,190

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Consolidated statement of changes in equity For the year ended 30 June 2023

	Share Capital \$	Reserve \$	Foreign Currency Translation Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2021	29,156,778	1,606,434	-	(27,067,825)	3,695,387
Opening Balance Adjustment	-	-	-	55,322	55,322
Loss for the year	-	-	-	(2,666,229)	(2,666,229)
Total comprehensive loss for the year	-	-	-	(2,610,907)	(2,610,907)
Transactions with owners in their capacity as owners:					
Shares issued	2,032,000	-	-	-	2,032,000
Options granted	-	1,855,909	-	-	1,855,909
Capital raising costs	(56,680)	-	-	-	(56,680)
Business acquisition	472,706	-	-	-	472,706
Options expired/forfeited	-	(194,148)	-	-	(194,148)
Share-based payment expense	-	632,923	-	-	632,923
	2,448,026	2,294,684	-	-	4,742,710
	31,604,804	3,901,118	-	-	5,827,190
Balance at 30 June 2022	31,604,804	3,901,118	-	(29,678,732)	5,827,190
Opening balance at 1 July 2022	31,604,804	3,901,118	-	(29,678,732)	5,827,190
Opening Balance Adjustment	-	-	-	(1,183)	(1,183)
Foreign Currency Translation Reserve	-	-	(31,942)	-	(31,942)
Loss for the year	-	-	-	(5,821,016)	(5,821,016)
Total comprehensive loss for the year	-	-	-	(5,822,199)	(5,854,142)
Transactions with owners in their capacity as owners:					
Shares issued	2,368,373	-	-	-	2,368,373
Options expired/forfeited	-	(776,836)	-	-	(776,836)
Share-based payment expense	-	589,217	-	-	589,217
	2,368,373	(187,619)	-	-	2,180,754
Balance at 30 June 2023	33,973,177	3,713,498	(31,942)	(35,500,932)	2,153,801



Consolidated statement of cash flows For the year ended 30 June 2023

	2023 \$	2022 \$
Cash flows from operating activities		
Receipts from customers	7,300,923	6,789,561
Payments to suppliers and employees	(7,450,156)	(7,786,129)
Government grants and tax incentives (less costs)	1,778,096	514,974
Income taxes paid	(265,794)	(262,608)
Interest income	-	(1,102)
Interest and other costs of finance paid	(517,328)	(385,179)
Net cash inflow (outflow) from operating activities	845,741	(1,130,483)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,326)	(19,649)
Payments for Software Development	(2,304,255)	(3,171,509)
Acquisition of Art of Mentoring Pty Ltd (net of cash acquired)	-	(1,000,000)
Net cash inflow (outflow) from investing activities	(2,307,581)	(4,191,158)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	768,965	2,032,000
Borrowings	-	5,000,000
Capital raising costs	-	(56,680)
Transaction costs related to loans and borrowings	-	(150,000)
Repayments of lease liabilities	(59,161)	(64,147)
Net cashflow from financing activities	709,804	6,761,173
Net increase / (decrease) in cash and cash equivalents	(752,036)	1,439,532
Cash and cash equivalents at the beginning of the financial year	1,962,966	523,434
Cash and cash equivalents at end of period	1,210,930	1,962,966

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Notes to the preliminary financial report

1. Basis of preparation and significant accounting policies

This preliminary final report of AD1 Holdings Limited (**Company**) has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

There have been no material changes to the consolidated entity's application of its significant accounting policies as presented in the consolidated entity's financial statements for the year ended 30 June 2023, and the preparation of current financial information, and the presentation of any prior period comparatives, is consistent from one reporting period to the next.

Readers of this report should refer to note 3 'Significant accounting policies' in the consolidated entity's financial statements for the year ended 30 June 2023 for details of those policies.

2. Significant changes in the current reporting period

No significant changes in the current reporting period.

3. Earnings per share

a. Basic & diluted earnings per share

	2023	2022
	Cents	Cents
Basic earnings per share	(1.00)	(0.42)
Diluted earnings per share	(1.00)	(0.42)

b. Reconciliation of loss used in calculating earnings per share

	2023	2022
	\$	\$
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted earnings per share	(5,821,016)	(2,666,229)

c. Weighted average number of shares used as denominator

	2023	2022
	No. of shares	No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted earnings per share	580,560,232	628,221,982

As the Group is still loss making, options over ordinary shares outstanding at 30 June 2023 and 30 June 2022 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation