

AD1 delivers strong FY22 performance while investing heavily in technology and products to drive future growth

Key highlights

- Annual Group revenue of \$6.0 million, an increase of 12% on the prior corresponding period (pcp) of FY21 and cash receipts from customers of \$6.8 million, an increase of 35% on pcp
- Art of Mentoring (AoM) delivered strong year on year (YoY) revenue growth of 44% with cash receipts from customers up 78%
- ApplyDirect has maintained its recurring revenue, onboarded new customers, renewed its core customers while investing in software and product development
- Utility Software Services (USS) maintained its recurring revenue bases whilst investing in software and product development
- Recent launch of new HR technology SaaS platform Jobtale with ~100 customers signed up and 10 key pilot partners selected to test the platform, creating a new revenue stream for AD1
- Research and development (R&D) tax incentive of \$1.8 million, reflecting AD1's strong investments in technology and products to further drive growth

Melbourne, Australia, 26 August 2022: 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 2022 (FY22).

Commenting on the FY22 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 and new customer with and renewals.

"Both our AoM and ApplyDirect divisions showed significant progress with improved adoption of our expanded offerings and received strong interest following progress with our international marketing campaign directed at the North American market.

"We also recently launched HR technology platform Jobtale, an exciting platform that supports small to mid-size businesses attract talent using creative tools including video and storytelling. So far ~100 customers signed up and early feedback from pilot partners have been extremely pleasing. Jobtale is a highly scalable SaaS product with a monthly subscription model which generate a new revenue stream and create cross selling opportunities across the Group.

Moving into FY23, we are well positioned to capitalise on a strong pipeline of contract wins which is currently 200% stronger than the same period last 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."

Financial performance

AD1's revenue from operating activities increased by 12% to \$6.0m compared to FY21, while cash receipts from customers increased by 35% to \$6.8 million. Total revenue increased to \$7.7 million following a R&D tax incentive of \$1.8 million. At the end of 1H FY22, AD1 entered a \$5.0 million four-year secured loan facility with PURE Asset Management to support the Company's strategy and further drive growth.

AD1 had a strong sales focus in FY22 and invested \$0.5m in sales and marketing to drive greater adoption of its product suite. Overall expenses increased by 26% as the Company focused on greater market penetration and geographic expansion. The strong investment in people, product development and marketing for each business has resulted in new client wins during 2H FY22.

Art of Mentoring (AoM)

The Art of Mentoring vertical has shown significant growth in its first full financial year of being integrated with the Group. AoM delivered 44% YoY growth and had an increase of 78% in cash receipts, which was supported by 27 new contract wins and 3.7m in LTV. The expansion into North America was highlighted with the signing of HR.com 12-month pilot with US Department of Labor.

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 the North American market opportunities.

ApplyDirect

During FY22 ApplyDirect maintained its recurring revenue and onboarding new customers and renewals by its core customers including the NSW Public Services Commission and Pharmacy Guild and Development Victoria. Over the year the ApplyDirect division had a strong focus on investing in software and product development to improve customer experience and drive greater customer penetration over the upcoming year.

Jobtale

AD1 recently added Jobtale to its growing portfolio of SaaS businesses, offering a complementary platform to ApplyDirect and Art of Mentoring. Jobtale is a disruptive HR SaaS platform providing companies with innovative and creative tools to attract and engage top talent via their network.

Jobtale is targeted at the small to mid-market, however it will also appeal to larger enterprise customers and will provide cross selling opportunities across ApplyDirect and Art of Mentoring. The platform has had strong interest so far with ~100 customers signed and 10 key pilot partners selected to help test and improve the platform. AD1 will continue onboarding customers and upgrading features through FY23

Click [here](#) to watch a short video on the platform and to trial Jobtale, visit jobtale.co

USS

The well documented energy crisis nationally has had an impact on USS late in FY22. Despite these impacts USS achieved revenue consistent with FY22. AD1 Holdings continues to monitor the energy impact for USS and remains focused on product experience, supporting existing customers and converting its existing pipeline.

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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Appendix 4E – Preliminary final report For the year ended 30 June 2022

Name of entity:	AD1 Holdings Limited
ABN or equivalent company reference:	ACN 123 129 162
Current reporting period:	the year ended 30 June 2022
Previous corresponding period:	the year ended 30 June 2021

Results for announcement to the market

Revenue for ordinary activities	Up	12%	to	\$ 5,986,390
Net loss after tax for the period attributable to members (from ordinary activities)	Up	20%	to	2,666,228
Net loss for the period attributable to members	Up	20%	to	2,666,228

Dividends

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

Explanation of results

Revenue for the year has increased by 12% to \$5,986,390 while cash receipts from customers has increased by 35% to \$6,757,933. 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 \$1,870,436 reflecting the group's investment in technology and product.

Net loss for the period of \$2,666,228 (2021: \$2,219,600) includes one off accounting fair value adjustments of \$447,974 in relation to Art of Mentoring deferred consideration and non-cash share based payment expense of \$528,776.

Net tangible asset per share

	30 June 2022	30 June 2021
Net tangible asset per share (cents)	(0.49)	(0.47)

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
- Foreign entities - on 11th February 2022 the company incorporated a wholly owned US subsidiary Art of Mentoring Inc.
- 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 2022



**Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022**

	2022 \$	2021 \$
Revenue from continuing operations		
Revenue from contracts with customers	5,986,390	5,338,590
Other income	1,810,158	705,199
Interest income	1,572	9
	<u>7,798,120</u>	<u>6,043,798</u>
Expenses		
Employee benefit expense	(3,966,582)	(4,798,393)
Software development and other IT expense	(1,718,026)	(925,433)
Consulting and professional service expense	(2,243,546)	(1,785,160)
Advertising and marketing expense	(538,710)	(139,463)
Occupancy, utilities and office expense	(205,611)	(124,379)
Depreciation and amortisation expense	(715,234)	(440,483)
Travel expense	(16,602)	(18,421)
Interest expense	(399,274)	(32,012)
Other expense	(660,763)	346
Total expenses	<u>(10,464,348)</u>	<u>(8,263,398)</u>
Loss before income tax	<u>(2,666,228)</u>	<u>(2,219,600)</u>
Income tax expense	-	-
Loss for the year	<u>(2,666,228)</u>	<u>(2,219,600)</u>
Other comprehensive income		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss for the year	<u>(2,666,228)</u>	<u>(2,219,600)</u>
Earnings per share attributable to the ordinary equity holders of the Group:		
Basic earnings per share	(0.42)	(0.39)
Diluted earnings per share	(0.42)	(0.39)



Consolidated statement of financial position
As at 30 June 2022

	2022	2021
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,962,966	523,434
Trade and other receivables	2,993,101	1,873,287
Total current assets	<u>4,956,067</u>	<u>2,396,721</u>
Non-current assets		
Property, plant and equipment	262,306	103,716
Other non-current assets	85,001	82,327
Intangible assets	9,108,820	6,544,477
Total non-current assets	<u>9,456,127</u>	<u>6,730,520</u>
Total assets	<u>14,412,194</u>	<u>9,127,241</u>
LIABILITIES		
Current liabilities		
Trade and other payables	2,155,116	1,555,157
Employee benefit obligations	275,767	302,666
Current tax liabilities	175,072	437,680
Lease liability	84,024	54,224
Contract Liability	843,058	492,867
Other liabilities	1,500,000	1,290,313
Total current liabilities	<u>5,033,037</u>	<u>4,132,907</u>
Non-current liabilities		
Employee benefit obligations	51,477	57,120
Lease liability	167,157	-
Borrowings	3,333,333	-
Other liabilities	-	1,241,826
Total non-current liabilities	<u>3,551,967</u>	<u>1,298,946</u>
Total liabilities	<u>8,585,004</u>	<u>5,431,853</u>
Net assets	<u>5,827,190</u>	<u>3,695,388</u>
EQUITY		
Share capital	31,604,804	29,156,778
Reserve	3,901,118	1,606,435
Accumulated losses	(29,678,732)	(27,067,825)
Total equity	<u>5,827,190</u>	<u>3,695,388</u>



**Consolidated statement of changes in equity
For the year ended 30 June 2022**

	Share Capital \$	Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2020	26,368,683	53,702	(24,870,475)	1,551,910
Loss for the year	-	-	(2,219,600)	(2,219,600)
Total comprehensive loss for the year	-	-	(2,219,600)	(2,219,600)
Transactions with owners in their capacity as owners:				
Shares issued	2,500,000	-	-	2,500,000
Options granted	-	1,561,679	-	1,561,679
Capital raising costs	(212,463)	-	-	(212,463)
Business acquisition	500,558	-	-	500,558
Options expired/forfeited	-	(22,254)	22,250	(4)
Share-based payment expense	-	13,307	-	13,307
	2,788,095	1,552,732	22,250	4,363,077
Balance at 30 June 2021	29,156,778	1,606,434	(27,067,825)	3,695,387
Opening balance at 1 July 2021	29,156,778	1,606,434	(27,067,825)	3,695,387
Opening balance adjustment	-	-	55,321	55,321
Loss for the year	-	-	(2,666,228)	(2,666,228)
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	-	1,765,908	-	1,765,908
Capital raising costs	(56,680)	-	-	(56,680)
Options expired/forfeited	-	(104,211)	-	(104,211)
Share-based payment expense	-	632,987	-	632,987
Business Acquisition	472,706	-	-	472,706
Balance at 30 June 2022	31,604,804	3,901,118	(29,678,732)	5,827,190



Consolidated statement of cash flows
For the year ended 30 June 2022

	2022 \$	2021 \$
Cash flows from operating activities		
Receipts from customers	6,757,933	5,003,082
Payments to suppliers and employees	(8,011,764)	(5,698,796)
Government grants and tax incentives (less costs)	514,000	548,859
Income taxes paid	(262,608)	(87,536)
Interest income	1,572	9
Interest and other costs of finance paid	(397,296)	(20,359)
Net cash (outflow) from operating activities	(1,398,163)	(254,741)
Cash flows from investing activities		
Payments for property, plant and equipment	(19,655)	(29,691)
Term deposit	(2,674)	-
Payments for Software Development	(2,913,266)	(1,013,062)
Acquisition of Art of Mentoring Pty Ltd (net of cash acquired)	(1,000,000)	(894,650)
Net cash (outflow) from investing activities	(3,935,595)	(1,937,403)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	2,032,000	2,500,000
Borrowings	5,000,000	-
Capital raising costs	(56,680)	(122,463)
Transaction costs related to loans and borrowings	(150,000)	(17,500)
Repayments of lease liabilities	(52,030)	(104,201)
Net cash inflow from financing activities	6,773,290	2,255,836
Net increase / (decrease) in cash and cash equivalents	1,439,532	63,692
Cash and cash equivalents at the beginning of the financial year	523,434	459,742
Cash and cash equivalents at end of period	1,962,966	523,434



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 2021, 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 2021 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

	2022 Cents	2021 Cents
Basic earnings per share	(0.42)	(0.39)
Diluted earnings per share	(0.42)	(0.39)

b. Reconciliation of loss used in calculating earnings per share

	2022 \$	2021 \$
Loss attributable to the ordinary equity holders of the Group used in calculating basic & diluted earnings per share	(2,666,228)	(2,219,600)

c. Weighted average number of shares used as denominator

	2022 No. of shares	2021 No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted earnings per share	628,221,982	570,237,752

As the Group is still loss making, options over ordinary shares outstanding at 30 June 2022 and 30 June 2021 are considered anti-dilutive and were excluded from the diluted weighted average number of ordinary shares calculation