

Business Update & Appendix 4C – Q4 FY22

Key highlights

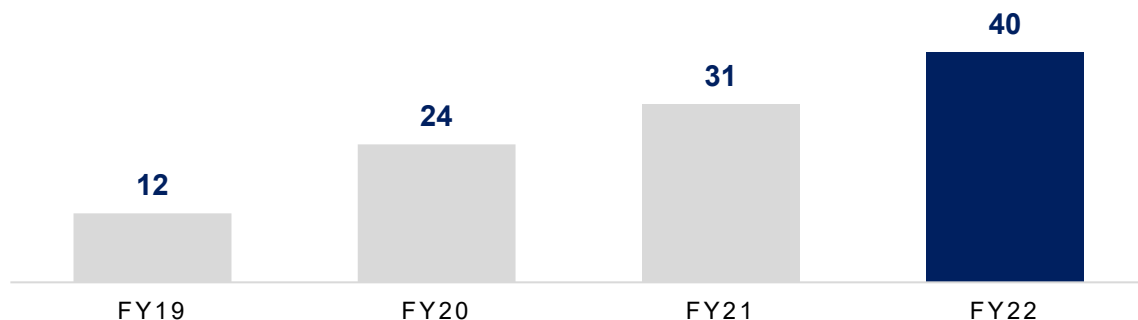
- Total Group Contracted ARR in FY22 of A\$4.7m, with Contractor ARR increasing 50% on pcp to A\$2.8m (FY21: A\$1.9m)
- Contractor ARR retention of 105% in Q4 FY22, increasing from 98% in Q4 FY21, demonstrating Felix’s ability to unlock the value of its leading Contractor customers
- Atlas Iron, subsidiary of Hancock Prospecting, signed in Q4 FY22 along with expansion of Clough contract in line with increased international usage
- Extensive engagement across Felix and InEight management, sales and product teams ahead of significantly scaling up the partnership in North America
- Appointed former Aconex and Oracle Sales Director to lead Felix’s North American growth and sales strategy
- Strong balance sheet with A\$8.9m in cash and cash equivalents as at 30 June 2022, following the strategic-led placement and SPP

BRISBANE Australia, 28 July 2022: Felix Group Holdings Ltd (ASX:FLX) (“Felix” or the “Company”) is pleased to release its quarterly business update and Appendix 4C for the period ended 30 June 2022 (“Q4 FY22”).

Contractor expansion provides further validation

Felix’s enterprise platform was licenced by 40 Contractors at the end of FY22, an increase of 9 on FY21. Notably, the Company also completed 7 expansion deals throughout the year, highlighting the value of the platform to Contractors and the Felix’s ability to grow the value of its existing accounts. This was further highlighted through Felix’s Contractor ARR retention rate¹ of 105% at the end of FY22, up from 95% in FY21.

Figure 1. Contractor customers



1. Contractor ARR retention is calculated by comparing the contracted ARR of Contractor customers as at 30 June 2022 with the contracted ARR of the same customers as at 30 June 2021

Felix's Co-Founder and CEO, Mike Davis commented:

"This has been an incredibly busy quarter for Felix, with the Company accelerating the strategic partnership with InEight on all fronts. Our management, sales and product teams have engaged extensively with their InEight counterparts ahead of significantly scaling up the partnership in North America.

We remain focused on Contractor-led growth and are particularly pleased with increases in Contractor ARR, up 50% on FY21, and positive ARR retention of 105% in the final quarter of the year, demonstrating Felix's ability to unlock additional value from its highly valuable customer base of leading Contractors.

Felix is in a strong position heading into FY23, with funding flexibility to take advantage of the significant sales opportunities and execute on our long-term growth strategy."

During Q4 FY22, Felix signed a 3-year contract with Atlas Iron, an Australian iron ore mining and exploration company with operations in Western Australia. Atlas is a fully owned subsidiary of Hancock Prospecting, which has mining operations in Australia and the UK. Felix hopes to leverage the initial contract with Atlas to encourage adoption of its broadly applicable platform across Hancock Prospecting's subsidiary businesses and the resources industry more generally.

Additionally, Felix signed an expansion deal with Clough in Q4 FY22. Clough is a long-term customer of Felix that engineers, constructs, and maintains critical facilities for the resources, energy and infrastructure industries. The contract was expanded to facilitate increased usage of Felix's platform across Clough's North American operations demonstrating the value of Felix's solution and ability to expand existing customer accounts.

Partnership update

Following the Company's capital raising (see announcement, *InEight makes strategic investment in Felix*, 4 May 2022), Felix and InEight have progressed various commercial and platform initiatives to accelerate the strategic partnership.

During the quarter, Felix and InEight management teams engaged extensively, including several in-person meetings at InEight's headquarters in Phoenix, Arizona. Together, the management teams progressed key commercial strategies including a framework to align InEight's sales team, product engineers, support and implementation teams ahead of an expanded sales effort by both Felix and InEight in North America. In-line with Felix's strategy of capital-light geographic expansion, the framework provides Felix a very efficient commercial model to expand into North America leveraging InEight's network of customers, new prospects and existing sales and support infrastructure.

Felix and InEight engaged in several joint sales demonstrations with prospective customers as well as presentation to InEight's parent company, Kiewit who is one of the largest construction companies in North America. To capitalise on the growing demand for Felix's solution in North America, Felix appointed a former Aconex and Oracle Sales Director to lead the Company's growth and sales strategy in the region.

Felix and InEight product teams have also progressed integrations between the two platforms. The teams commenced work to facilitate data flow between InEight's *Document Management* module and Felix's Request for Quote (RFQ) functionality, as well as ongoing integrations to facilitate the flow of Vendor data into InEight's platform. Additional upgrades to Felix's existing APIs are being considered and prioritised as part of the Company's strategic planning process.

Group financial update

In line with Felix’s strategic focus on scaling Contractor customers, Contractor ARR contribution increased to 59% in FY22, increasing from 50% in FY21 (refer to Figure 2). This translates to a 50% increase in Contractor ARR from A\$1.9m in FY21 to A\$2.8m in FY22 (refer to Figure 3). During the financial year, the Vendor ARR was A\$1.9m, remaining stable relative to FY21.

Figure 2. Group Contracted ARR contribution (% of Group ARR)

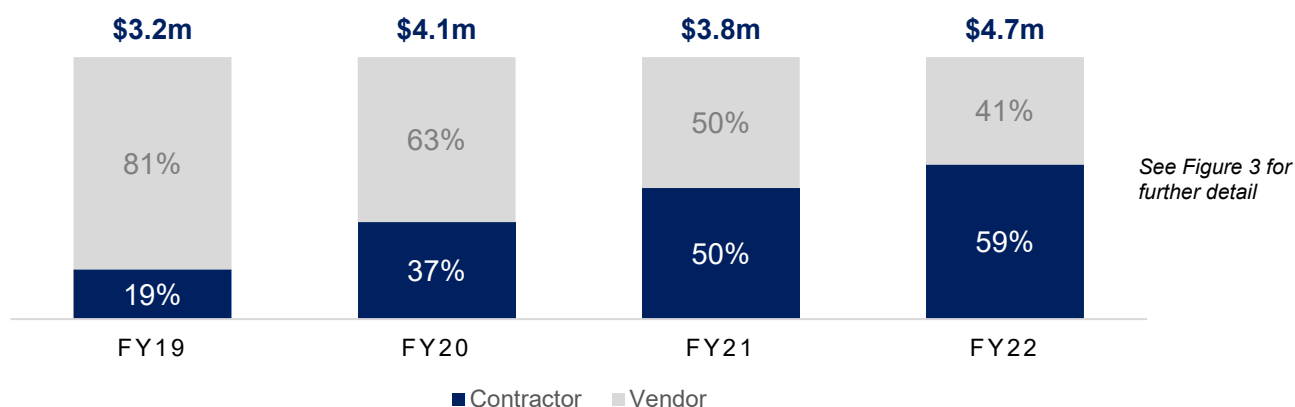
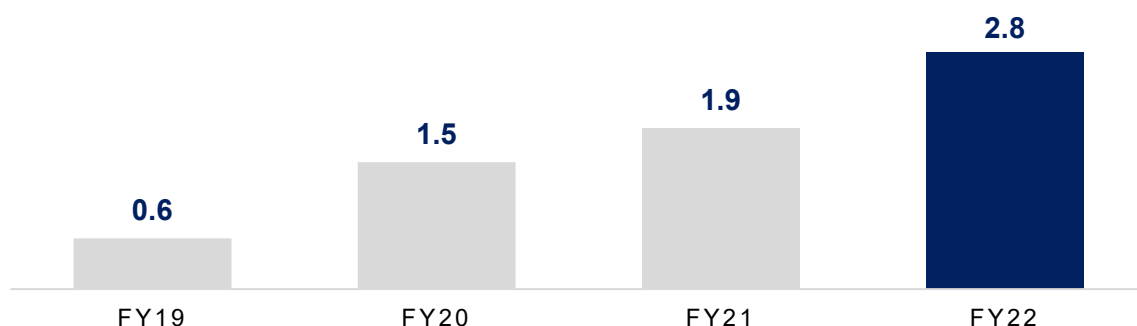


Figure 3. Contracted Contractor ARR (A\$m)



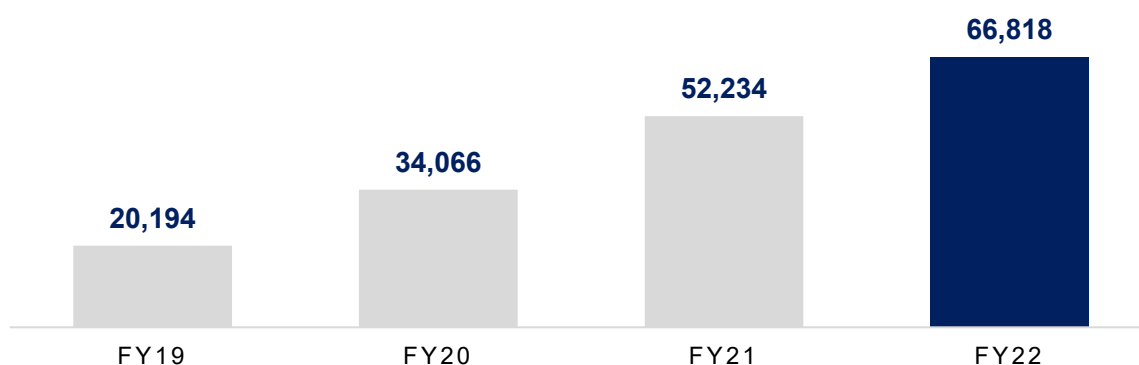
Felix’s Contractor MRR² for the closing month of the quarter was A\$184k, an increase of 37% on pcp. One customer discontinued during Q4, although the contract’s overall contribution was minimal at A\$15k per annum.

Vendor Marketplace

Felix has grown the number of Vendors in its Vendor Marketplace from 52,234 in FY21 to 66,818 in FY22, representing a 28% increase on pcp (refer to Figure 4). The new Contractor customers signed throughout the year continue to accelerate the scale of the Vendor Marketplace through network effects, expected to increase the long-term, strategic value of the Vendor Marketplace.

² Contractor MRR represents the monthly recurring revenue as at the month-end date derived from Contractors

Figure 4. Number of Vendors in the Vendor Marketplace



Enterprise platform enhancements

Felix is finalising enhancements to the pricing schedule functionality within its *Sourcing* module. The increased detail on inclusions and exclusions and improved quote analysis tools will enable Contractors to better compare complex bids from Vendors and track Vendor bid processes for every sourcing event.

Felix has further strengthened the integration between the *Vendor Management* and *Contracts* modules, giving vendors real-time notifications when they are on active contracts with expiring compliance details. Additionally, work has been progressed on enhancing the pricing schedule functionality within its *Sourcing* module. Increased detail on inclusions and exclusions and improved quote analysis tools will enable Contractors to better compare complex bids from Vendors.

The evolution of the *Procurement Schedule* module continues, with the current iteration of work focused on providing users with more granular permissions and optimising performance and user experience.

Key engagement metrics

Felix continues to see strong growth across key platform engagement metrics, demonstrating the solution becoming widely used and deeply embedded within organisations and Vendor workflow, including (for the period ending 30 June 2022):

- Requests for Quotations (RFQ) sent by Contractors: +209% pcp
- Number of Active Projects: +171% pcp
- Total active Vendor Compliance Documents: +143% pcp
- Total Contractor User Accounts: +83% pcp

Felix continues to see significant growth in RFQs sent by enterprise customers, increasing 209% on pcp. This reflects the growing use by Contractors to source quotes, incentivising Vendors to join the marketplace to access new projects. Additionally, the number of active Vendor Compliance Documents processed on Felix's platform increased by 143% on pcp, demonstrating the growing usage of Vendor Management and opportunity to further automate document workflows.

Corporate update

In May 2022, Felix successfully raised A\$6.8m under an institutional placement and share purchase plan. The capital raising was led by strategic partner, InEight, and strongly supported

by new and existing shareholders, with Felix further strengthening its share register through the addition of new domestic funds.

During the quarter, Felix reported net operating cash outflows of A\$2.0m, including receipts from customers of A\$0.9m. Felix notes that Q4 is typically a lower quarter for cash receipts, compared with Q1 to Q3, as the majority of customer contract payments fall in subsequent quarters, with payment terms for Contractors typically being 12 months in advance.

Payments totalling A\$196k were made to related parties and associates for Directors' fees. These payments were included in cash flows from operating activities and cash flows from financing activities (item 6.1 in the below Appendix 4C). At the end of the quarter, Felix held A\$8.9m in cash and cash equivalents.

Use of funds

In section 7.4 of the Prospectus, the Company provided a proposed use of funds statement for 24 months from listing. The table below only shows the use of funds from IPO, to the end of the most recent quarter 30 June 2022.

Use of funds	Total per the Prospectus – for 24 months (A\$'000)	Actual expenditure 12 Jan 21 to 30 June 22 (A\$'000)	Commentary
Marketing & growth initiatives	400	381	In-line with expectations
Platform development	5,700	4,151	In-line with expectations
Research and development	1,200	677	In-line with expectations
Working capital	3,179	1769	In-line with expectations
Professional fees and ASX listing costs	1,521	2,312	Note that all IPO costs are presented including those prior to 12/1/21.
Total	12,000	9,289	

Note the table above includes expenditure since 12 January 2021 and excludes funds raised in the capital raising announced on 4 May 2022 and related investment initiatives.

Authorised for release by:

Mike Davis
Co-Founder & CEO
Felix Group Holdings Ltd

For further information please contact:

Company	Investors
James Frayne Company Secretary Mobile: +61 401 663 177 Email: investors@felix.net	Harry Halstead Vesparum Capital Phone: +61 3 8582 4800 Email: felix@vesparum.com

About Felix – see more at felix.net

Felix operates a cloud-based enterprise Software as a Service (SaaS) procurement management platform and vendor marketplace. Felix connects contractors and third-party vendors by digitising, automating, and streamlining a range of critical procurement-related business processes – reducing supply chain risk and improving transparency and governance.

Appendix 4C

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

Name of entity

FELIX GROUP HOLDINGS LIMITED

ABN

65 159 858 509

Quarter ended ("current quarter")

JUNE 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	894	4,838
1.2 Payments for		
(a) research and development	(236)	(467)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(135)	(381)
(d) leased assets	(52)	(190)
(e) staff costs	(1,838)	(7,519)
(f) administration and corporate costs	(661)	(2,253)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	13
1.5 Interest and other costs of finance paid	(1)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,026)	(5,967)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(49)
(d) investments (see section 7)	(4,000)	(4,000)
(e) intellectual property	(129)	(480)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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	(4,135)	(4,529)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,862	6,862
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	(254)	(254)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(165)
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	6,608	6,443

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,431	8,930
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,026)	(5,967)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,135)	(4,529)

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)	6,608	(6,443)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,878	4,431

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	4,878	1,431
5.2	Call deposits	-	3,000
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)	4,878	4,431

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	196
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

6.1. Director's fees and Managing Director's salary.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	4,000	-
7.4 Total financing facilities	4,000	-
7.5 Unused financing facilities available at quarter end		4,000
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.		
Term deposit – Maturing in December 2022		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,026)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,878
8.3 Unused finance facilities available at quarter end (item 7.5)	4,000
8.4 Total available funding (item 8.2 + item 8.3)	8,878
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.38
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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	
8.6.2 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	
8.6.3 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	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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: 28 July 2022

Authorised by: By the Board
(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.