

## ASX Announcement

31 January 2023

### Business Update & Appendix 4C – Q2 FY23

#### Key highlights

- Record six expansion deals signed in Q2 FY23, demonstrating Felix's ability to unlock high margin revenue from existing customers
- Three new Contractors added in Q2 FY23 including a significant Joint Venture between Laing O'Rourke and Symal Group to deliver the South Package of Victoria's North East Link Project (\$15.8b program of works), and one signed subsequent to quarter end
- \$3.2m Contractor ARR in Q2 FY23, increasing 34% on pcp, with total Group ARR of \$4.9m increasing 16% on pcp
- Completed first native integration with InEight's *Document Management* module, enhancing customer value proposition and joint sales campaigns
- 79,293 Vendors in Marketplace in Q2 FY23, increasing 34% on pcp, with 6,500 new Vendors expected to join platform from recent new contract wins
- Significant reduction in net operating cash outflows to \$654k in Q2 FY23, relative to \$2.3m in Q1 FY23, driven by increased revenue and employee cost efficiencies

BRISBANE Australia, 31 January 2023: 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 31 December 2022 ("**Q2 FY23**").

#### Record number of expansion deals

A record six expansion deals finalised in Q2 FY23, which is equivalent to the total number completed across the prior four quarters. These contract expansions accommodated demand for more platform users or additional modules to be licenced, highlighting increasing adoption of Felix within organisations. Felix is focussed on unlocking more high margin revenue opportunities through leveraging customer relationships to expand existing accounts, with 22 expansion deals currently in the pipeline.

Three new Contractors were added during the quarter, bringing total number of Contractors to 43 at close of Q2 FY23. \$298k in new Contractor ARR was added for the quarter, including New Hope Group (ASX.NHC), an Australian mining and resources company, and Aerison (ASX.AE1), a multi-disciplinary industrial services provider. New Hope Group licensed Felix's *Vendor Management*, *Sourcing* and *Contracts* modules while Aerison licensed *Vendor Management*, providing Felix with further potential expansion revenue opportunities.

In Q2 FY23, Felix signed an agreement with the joint venture between Laing O'Rourke, a multinational engineering and construction company headquartered in the UK, and Symal Group, a Victorian-based multi-disciplinary construction company (Nexus Consortium<sup>1</sup>). The consortium has been named as the preferred bidder to deliver the South Package of Victoria's

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<sup>1</sup> See press release, 'Laing O'Rourke through to the next stage of procurement for North East Link's South package', 19 October 2022: <https://www.laingorourke.com/company/press-releases/2022/laing-o-rourke-through-to-next-stage-of-procurement-for-north-east-link-s-south-package/>

North East Link Project and has licensed Felix's *Vendor Management*, *Sourcing* and *Contracts* modules.

Felix is already in use on the North East Link Project, aiding the delivery of the Primary Package PPP for the Spark Consortium which includes WeBuild, GS Engineering & Construction, CPB Contractors, China Construction Oceania, Ventia, Capella Capital, John Laing Investments, DIF and Pacific Partnerships. The \$15.8 billion North East Link is Victoria's largest ever road project and this latest contract demonstrates the world class nature of the Felix platform and continuing penetration of the Australian infrastructure market.

Subsequent to quarter end, Felix signed an agreement with BMD Group, who are involved with engineering, design, construction and land development in the urban development, transport infrastructure and resources and energy sectors. Under the 3-year agreement, BMD Group will license Felix's *Vendor Management* module for a recurring annual licence fee of \$154k, for usage across its five subsidiaries. Discussions are currently underway to license additional modules, providing further near-term expansion revenue opportunities.

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

*"This has been a strong quarter on the sales front, with a record number of expansion deals signed and several high value Contractor wins. We are particularly pleased the contract signed with the signing of the Nexus Consortium on the North East Link Project, and New Hope Corporation, a major Australian resources player, demonstrating the diverse applicability of Felix to world class organisations and projects.*

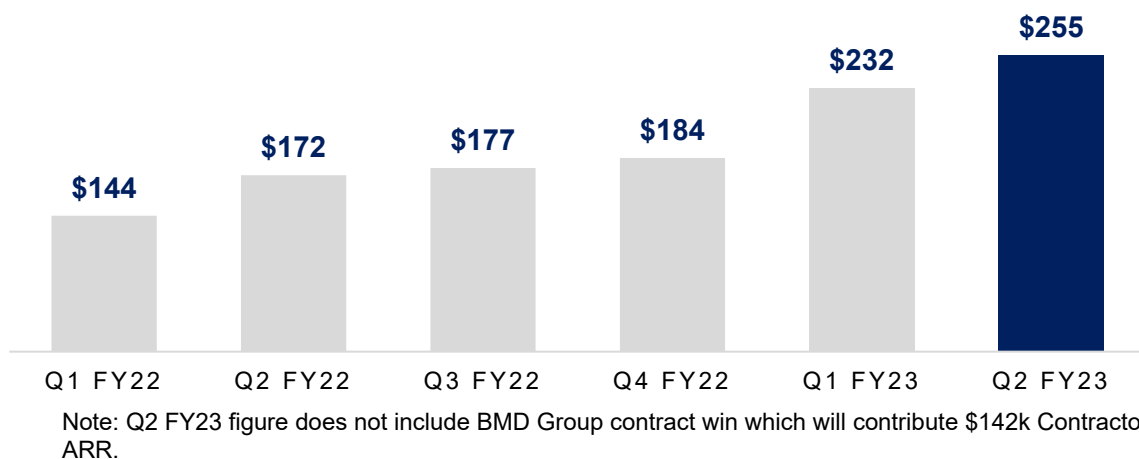
*The completion of a first native integration between Felix and InEight's Document Management module marks a milestone in the partnership. We are optimistic that the enhanced joint-value proposition will contribute to an acceleration in sales.*

*In addition, we have remained focussed on executing on our FY23 budget, which has prioritised strategic investment, optimised costs and progress towards cash flow breakeven. We see the significant reduction in our net operating cash flows for this quarter as great validation of the progress we are making."*

#### **Group financial update**

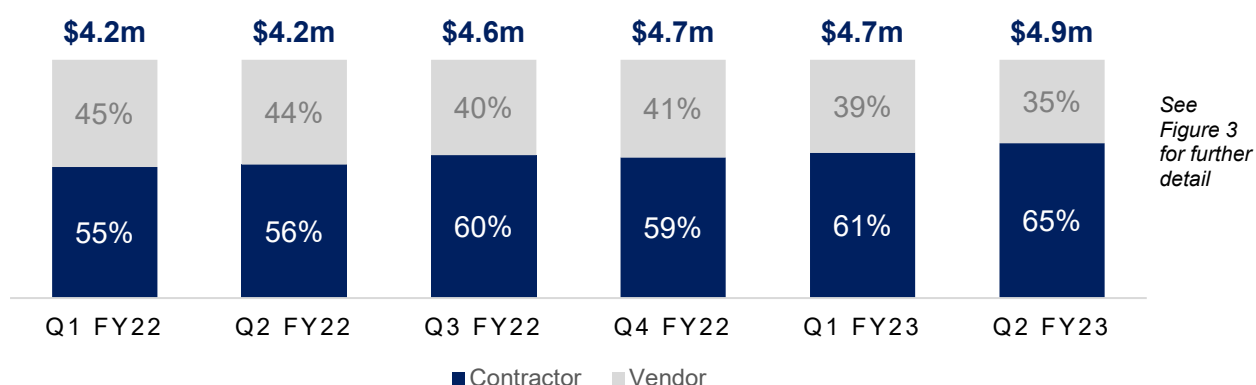
Contractor pipeline conversion and momentum in expansion deals in Q2 FY23 contributed to a 49% increase in Contractor MRR on pcp, closing the quarter at \$255k (refer to Figure 1). Pleasingly, no customers churned during Q2 FY23, further highlighting the stickiness of Felix's platform.

**Figure 1. Contractor MRR at close of quarter (A\$'000)**

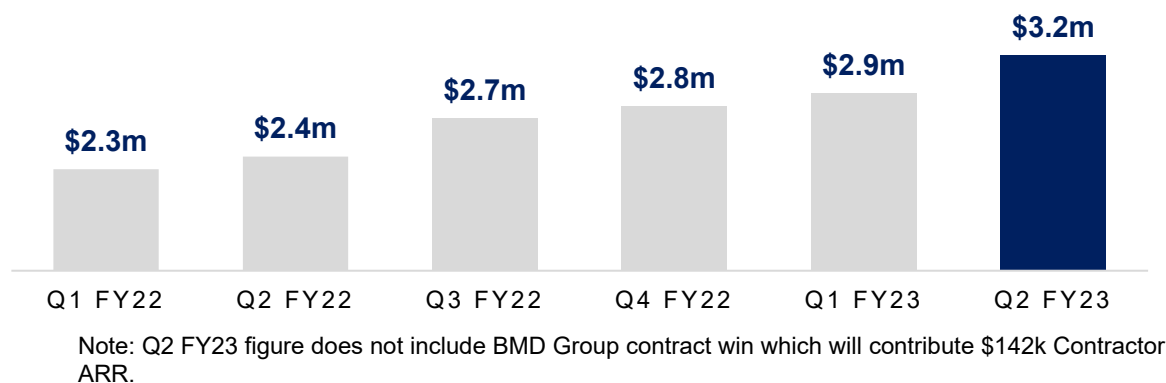


Group ARR increased to \$4.9m in Q2 FY23, representing a 16% increase on pcp (refer to Figure 2). Of this, Contractor ARR contributed \$3.2m in Q2 FY23, a material 34% increase on pcp (refer to Figure 3). In line with Felix's strategic focus on scaling Contractor customers, Contractor ARR contribution grew from 56% of Group ARR in Q2 FY22 to 65% in Q2 FY23.

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



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



## Completion of first InEight integration

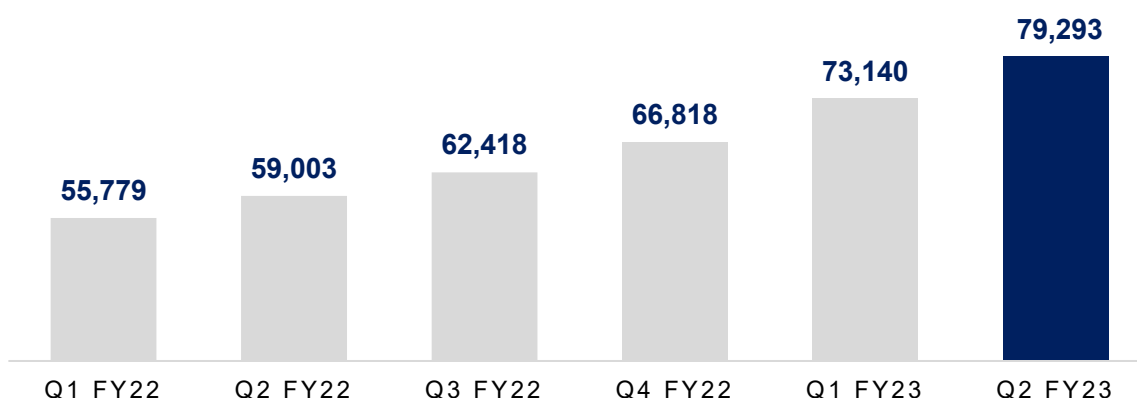
In Q2 FY23, Felix completed its first native integration with InEight, which ensures the thousands of documents exchanged throughout the procurement phase remain synchronised and controlled across both platforms. With secure and seamless importation from InEight's *Document Management* module (InEight Doc) to Felix's *Sourcing* module to support Requests for Quotations (RFQs), Contractors have confidence that Vendors have the most up to date tender information. This also allows for greater operational efficiency, eliminating the need to manually update documents on both platforms.

Throughout the quarter, Felix continued to progress nine InEight introduced Contractor opportunities in various stages of the advanced pipeline. Each are with large international organisations across North America, EMEA and the APAC region. The average of these opportunities is \$231k, which is significantly higher than current average ARR of \$74k.

## Vendor Marketplace

Felix continued to grow Vendors in the Marketplace, with the total number of Vendors using the platform increasing from 59,003 in Q2 FY22 to 79,293 in Q2 FY23, representing a 34% increase on pcp (refer to Figure 4). The new contract wins secured over this quarter are expected to add approximately 6,500 new Vendors to the platform, enhancing the strategic value of the marketplace ahead of transition to a new Vendor monetisation model.

**Figure 4. Number of Vendors in the Vendor Marketplace**



## Key engagement metrics

Felix continues to see strong growth across key platform engagement metrics, evidence of the solution is widely used and deeply embedded within organisations and Vendor processes. These include for the period ending 31 December 2022:

- Number of Active Projects: +208% pcp
- Requests for Quotations (RFQ) sent by Contractors: +140% pcp
- Total Contractor User Accounts: +74% pcp
- Total active Vendor Compliance Documents: +58% pcp

## Corporate update

During the quarter, Felix reported net operating cash outflows of \$654k, including receipts from customers of \$1.9m. The significant reduction in net operating cash outflows, relative to \$2.3m in Q1 FY23, is driven by strong revenue and strategic reduction in staff and admin

expenditure. Payments totalling \$171k 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 \$5.6m in cash and cash equivalents.

Subsequent to the end of the quarter, Felix received a \$352k R&D Tax Incentive Rebate from the Australian Tax Office for the financial year ending 30 June 2022. The Australian Government's R&D Tax Incentive program provides companies with a tax offset for eligible expenditure on research and development. Felix's rebate primarily relates to investment into the development of its procurement management platform.

## 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 31 December 2022.

Use of funds	Total per the Prospectus – for 24 months (A\$'000)	Actual expenditure 12 Jan 21 to 31 December 22 (A\$'000)	Commentary
Marketing & growth initiatives	400	391	In-line with expectations
Platform development	5,700	5,740	In-line with expectations
Research and development	1,200	1,174	In-line with expectations
Working capital	3,179	2,117	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.
<b>Total</b>	<b>12,000</b>	<b>11,734</b>	

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:

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## About Felix – see more at [felix.net](http://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")**

DECEMBER 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,939	2,972
1.2 Payments for		
(a) research and development	(309)	(555)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(40)	(100)
(d) leased assets	(13)	(65)
(e) staff costs	(1,942)	(4,146)
(f) administration and corporate costs	(326)	(1,080)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	40	40
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(654)</b>	<b>(2,937)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(4)
(d) investments (see section 7)	-	-
(e) intellectual property	(174)	(331)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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) – <i>term deposit matured in December 2022</i>	4,000	4,000
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>3,824</b>	<b>(3,665)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,436	4,878
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(654)	(2,937)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	3,824	3,665

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>5,606</b>	<b>5,606</b>

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	5,606	2,436
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,606</b>	<b>2,436</b>

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	171
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.



<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(654)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,606
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,606
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  <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>	8.57
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: 31 January 2023

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.