

ASX Announcement

24 October 2023

Business Update & Appendix 4C – Q1 FY24

Key highlights

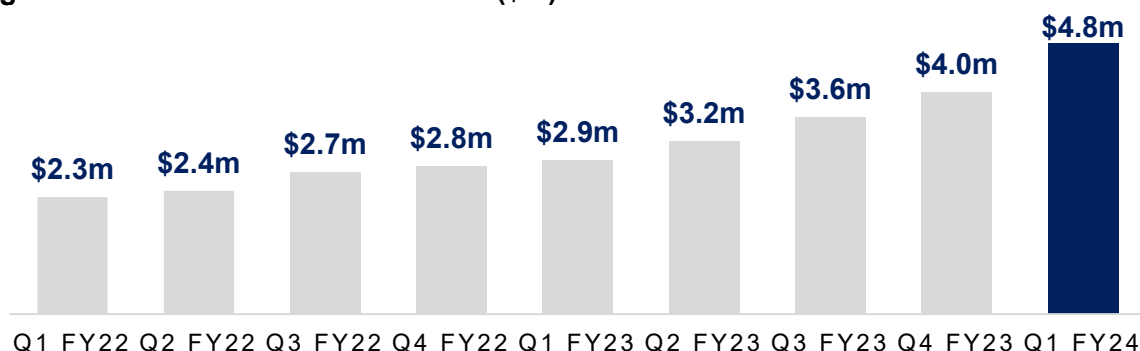
- Record new Contractor ARR in Q1 FY24 of \$800k, representing a 32% increase on the prior quarterly record (Q3 FY23: \$606k)
- \$4.8m Contractor ARR in Q1 FY24, increasing 69% on pcp, with demand for Felix's platform being driven by industry need for greater supply chain transparency, and growing ESG, legislative and productivity requirements
- Three expansion deals won, including with leading Tier 1 Contractors Downer and NRW Holdings, and three new Contractors added in Q1 FY24
- Record Contractor NRR (Net Revenue Retention) of 127% in Q1 FY24, driven by Felix's ability to increase penetration across existing customers
- Total Group ARR of \$6.9m in Q1 FY24, increasing 47% on pcp, consisting of Contractor ARR of \$4.8m and Vendor ARR of \$2.1m
- Launch of AI-powered information extraction and validation solution for compliance documents, which went live subsequent to quarter end
- Reduction in net operating cash outflows to \$575k, relative to prior quarter \$1.6m, demonstrating progress toward cashflow breakeven

BRISBANE Australia, 24 October 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 30 September 2023 ("**Q1 FY24**").

Record start to FY24

Felix achieved record new Contractor ARR¹ in Q1 FY24 of \$800k, 32% higher than the prior record of \$606k in Q3 FY23. Of this, expansion deals generated \$543k ARR in aggregate, while new Contractors contributed \$257k ARR. Contractor ARR was \$4.8m at Q1 FY24 (refer to Figure 1), increasing 69% on pcp, with sales demand driven by industry need for greater supply chain transparency, and growing ESG, legislative and productivity requirements.

Figure 1. Contracted Contractor ARR (\$m)



¹ Contractor ARR is the sum of contracted annualised recurring revenue for all Felix Contractor customers, which includes contracts yet to be implemented

In Q1 FY24, Felix signed a record expansion deal with Downer Group (ASX:DOW) (NZX:DOW), a leading ASX and NZX-listed integrated services provider (see ASX announcement, ‘*Felix signs record expansion deal with Downer Group*’, 2 October 2023). Felix also signed an expansion deal with NRW Holdings (ASX:NWH), a leading ASX-listed construction and mining company headquartered in Perth (see ASX announcement, ‘*3-year enterprise contract with NRW Holdings*’, 18 July 2023). The 3-year enterprise contract followed an initial successful contract with Primero, a subsidiary of NRW, demonstrating Felix’s ability to upsell into larger parent organisations of its existing customer base.

Three new Contractors were added during the quarter, bringing total number of Contractors to 48. New Contractors added included Sydney Water’s West Region Delivery Team (WRDT), a large ASX-listed gold miner, and MMA Offshore (ASX:MRM), an Australian marine services provider. Sydney Water’s WRDT licensed Felix’s full module suite, while MMA Offshore only licensed the *Vendor Management* module, highlighting further expansion revenue opportunities. The recent new Contractors added and expansion deals won represent considerable traction and opportunity for Felix beyond its initial target industries, in the adjacent sectors of mining and resources.

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

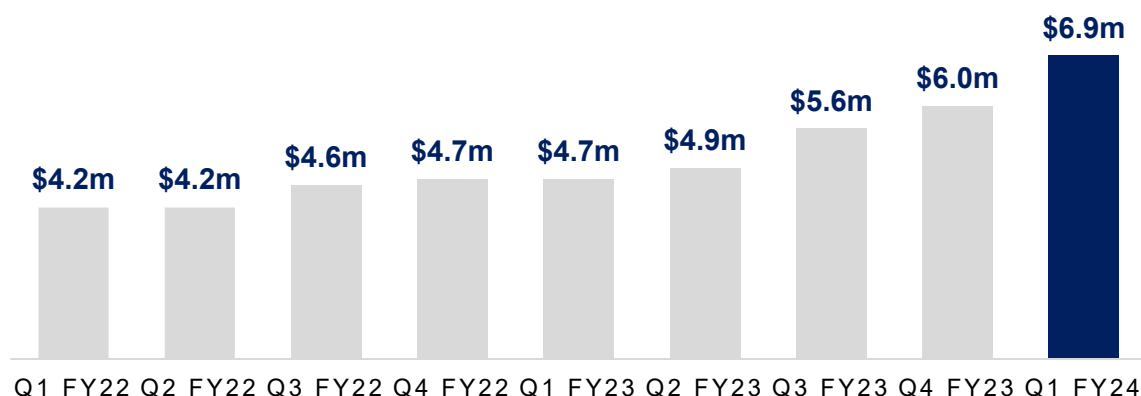
“We’re pleased to see such a strong start to FY24 on the sales front, with significant expansion deals won providing further validation of our land and expand strategy. It was also a productive quarter outside of sales, as our platform achieved SOC 2 Type 1 certification and GDPR compliance. This significantly expands our addressable market of large global Contractors as these security certificates are requirements for their technology partners.

Strong revenue growth and our disciplined approach to cost management is building operating leverage in the business as we continue to progress towards operating cash flow break even in Q1 FY25.”

Financial update

Total Group ARR was \$6.9m in Q1 FY24, increasing 47% on pcp (refer to Figure 2). Of this, Felix’s Vendor ARR contributed \$2.1m, remaining relatively stable in line with Felix’s strategic shift towards scaling Contractors, with Contractor licence fees representing a significant high margin-opportunity relative to current Vendor ARR.

Figure 2. Group Contracted ARR (\$m)

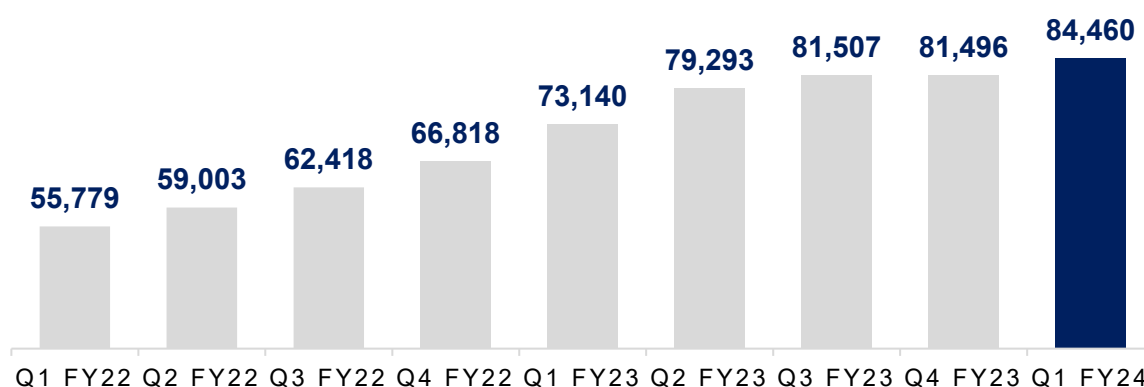


Record Contractor NRR retention² of 127% was achieved, a notable increase relative to the previous record of 107% in Q3 FY22, highlighting stickiness of the platform and strong expansion sales momentum. Contractor MRR³ was \$333k for the closing month of the quarter, representing a 44% increase on pcp. This is expected to increase further once contracts with Downer, MMA Offshore, BMD Group, and NRW Holdings go-live. No customers churned during the quarter.

Vendor Marketplace

Felix grew the number of Vendors in the Vendor Marketplace to 84,460 in Q1 FY24, increasing 15% on pcp (refer to Figure 3). Additional Vendors will be added once all new Contractors are onboarded, further enhancing the strategic value of the marketplace.

Figure 3. Number of Vendors in the Vendor Marketplace



International data compliance certifications

During the quarter, Felix achieved SOC 2 Type 1 certification and GDPR compliance, which are international data security certifications for North America and Europe, respectively. This compliments Felix's ISO27001 certification, which was obtained in May 2021, another internationally recognised data security standard. These certifications recognise the security of Felix's governance, infrastructure, and systems and ability to protect customer information from unauthorised access. These certifications, which are often a requirement for large organisations, are expected to help reduce the sales cycles for international customers as well as significant expand Felix's addressable market.

Launch of AI-powered solution

Subsequent to quarter end, Felix released an AI-powered information extraction and validation solution for compliance documents. The AI-powered solution will improve inefficiencies that currently exist for Vendors during onboarding stages and is expected to significantly enhance Contractor sales by further demonstrating the efficiency and accuracy in Felix's onboarding processes.

² Contractor NRR retention is calculated by comparing the contracted ARR of Contractor customers as at 30 September 2023 with the contracted ARR of the same customers as at 30 September 2022

³ Contractor MRR represents the monthly recurring revenue as at 30 September 2023 and excludes contracts yet to be implemented

Key engagement metrics

Felix's key platform engagement metrics continue to grow, evidence of the solution being widely used and deeply embedded within organisations and Vendor processes. These include for the period ending 30 September 2023:

- Number of Active Projects: +136% pcg
- Requests for Quotations (RFQ) sent by Contractors: +64% pcg
- Total active Vendor Compliance Documents: +27% pcg
- Total Contractor User Accounts: +25% pcg

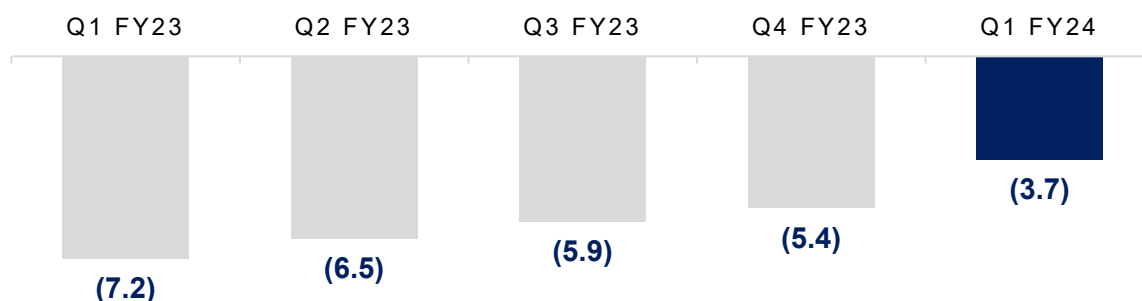
Corporate update

During the quarter, Felix successfully completed a \$3.0m Placement and \$0.8m SPP. The Placement was structured in two tranches, with Tranche 1 receiving strong support from existing institutional and sophisticated investors, and Tranche 2 supported by the board and related parties. The funds raised strengthen Felix's balance sheet to support its Tier 1 customer pipeline, including opportunities with leading global Contractors.

Felix reported receipts from customers of \$2.6m and net operating cash outflows of \$0.6m for the quarter ending 30 September 2023. This represents a significant reduction relative to the prior quarter's outflows of \$1.6m.

Figure 4 represents the trailing 12-months net operating cash flows as at the close of each quarter. The trajectory demonstrates continued improvement as Felix progresses towards operating cash flow breakeven which is expected in Q1 FY25.

Figure 4. Trailing twelve months net operating cash flow (\$m)



Payments totalling \$184k were made to related parties and associates for Directors' fees. These payments were included in cash flows from operating activities and cash flows from financial activities (item 6.1 in the below Appendix 4C). At the end of the quarter, Felix held \$5.5m in cash and cash equivalents. Felix have been approved to receive \$450k as part of the ATO R&D tax incentive offset and expect funds to be received in late October.

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")

SEPTEMBER 2023

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		2,557	2,557
1.2 Payments for			
(a) research and development		(200)	(200)
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		(45)	(45)
(d) leased assets		(15)	(15)
(e) staff costs		(2,320)	(2,320)
(f) administration and corporate costs		(585)	(585)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		35	35
1.5 Interest and other costs of finance paid		(2)	(2)
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		(575)	(575)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(4)	(4)
(d) investments (see section 7)		-	-
(e) intellectual property		(246)	(246)
(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) – <i>term deposit matured in December 2022</i>	-	-
2.6	Net cash from / (used in) investing activities	(250)	(250)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,822	3,822
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	(285)	(285)
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)	-	-
3.10	Net cash from / (used in) financing activities	3,537	3,537

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,756	2,756
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(575)	(575)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(250)	(250)

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)	3,537	3,537
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,468	5,468

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	5,468	2,756
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)	5,468	2,756

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	184
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.

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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)	(575)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,468
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,468
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	9.5
<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?	
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?	
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?	
<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: 24 October 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.