

ASX Announcement

29 January 2024

Business Update & Appendix 4C – Q2 FY24

Key highlights

- **First internationally domiciled Contractor outside of APAC signed (also long-term InEight customer), a significant milestone in Felix's targeted and capital-light international expansion strategy**
- **Record Contractor MRR in Q2 FY24 of \$426k, increasing 67% on pcp, driven by new contract wins and recent customer expansions**
- **\$4.9m Contractor ARR in Q2 FY24, increasing 55% on pcp, driven by the growth in larger contracts being signed and significant expansion deals**
- **\$6.8m Group ARR recorded in Q2 FY24, increasing 39% on pcp**
- **Contractor NRR (Net Revenue Retention) of 116% in Q2 FY24, highlighting Felix's ability to upsell and expand existing customer accounts**
- **Strong improvement in YTD net operating cash outflow to \$1.3m, representing a 57% reduction on pcp as the Group progresses toward cash-flow breakeven by Q1 FY25**
- **Cost base efficiencies made in Q2 FY24 will reduce annualised operating cash outflows by 9% from Q3 FY24**

BRISBANE Australia, 29 January 2024: 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 2023 ("**Q2 FY24**").

New contract wins and expansions

Felix has signed its first international contract outside of APAC with a global multi-disciplinary engineering, project delivery and operations management Contractor. Predominantly focused on the mining, minerals, and metals industry, the Contractor operates across Africa and the Middle East, North and South America, and APAC. Felix will be initially utilised across 4 projects in South Africa and Ethiopia. The contract builds on Felix's already considerable international momentum, with its platform rolled out on over 90 international projects by existing customers.

Notably, the Contractor is a long-term customer of InEight's construction project management solution and intends to adopt the Felix and InEight integrated solution, representing Felix's second joint customer with InEight. The contract also validates Felix's targeted international expansion strategy, following early investment in the internationalisation of the platform, including SOC2 and GDPR certification.

Felix has also signed a contract with an ASX-listed provider of network services to utility, telecommunications, and transport asset owners across Australia. The contract will see Felix's *Vendor Management, Sourcing and Procurement Schedule* deployed on a long-term defence-based maintenance project.

In addition, two expansion deals were signed in Q2 FY24, which in aggregate added \$48k in ARR.

Throughout the quarter, Felix's pipeline of prospective customers continued to grow, with the total value of opportunities increasing 28% over the last 6 months to December 2023. The growth has primarily been driven by momentum in the mining & resources and real estate sectors.

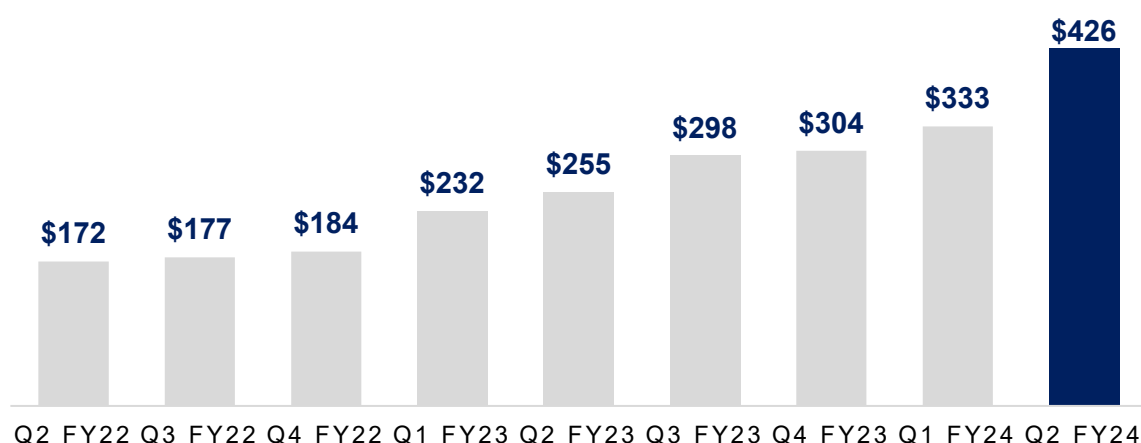
Felix's Co-Founder and CEO, Mike Davis commented:

"We are excited to have signed Felix's first international contract, a milestone in our international growth strategy and second joint customer with our strategic partner InEight. With our growth strategy continuing as we head into 2024, we are highly focused on progressing towards operating cash flow breakeven in Q1 FY25, underpinned by continued revenue growth and careful cost management."

Record Contractor MRR growth

Contractor MRR¹ for the closing month of the quarter was a record \$426k, increasing 67% on pcp, driven by the successful onboarding of new Contractor customers signed in the prior quarter and implementation of expansion deals (refer to Figure 1). Strong Contractor MRR growth highlights Felix's continued execution of converting Contractors in the pipeline, while also expanding existing customer accounts.

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

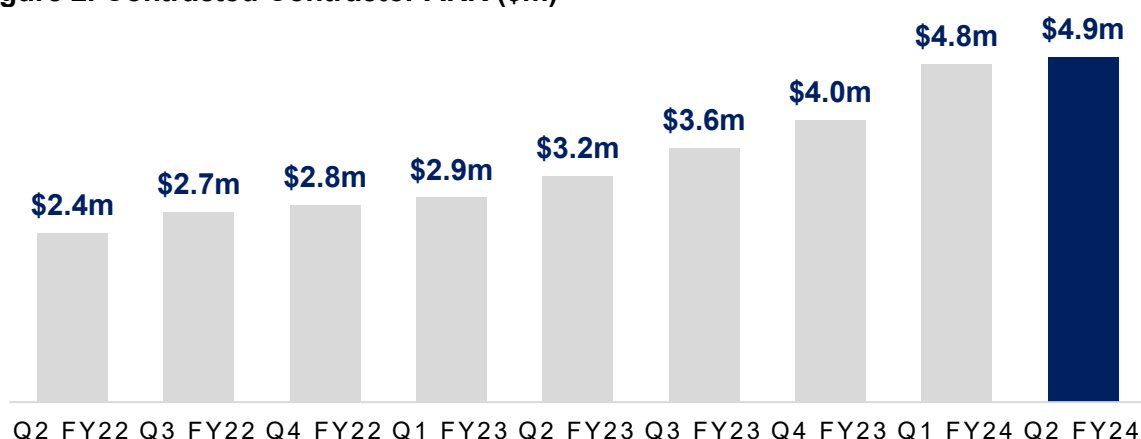


Felix delivered Contractor ARR² of \$4.9m in Q2 FY24 (refer to Figure 2), increasing 55% on pcp, driven by the growth in larger contracts being signed and significant expansion deals. The softer quarter-on-quarter growth in Q2 FY24 is a result of a number of opportunities due to close in Q2 FY24 falling into Q3 FY24. Pleasingly, average ARR per customer continues to rise strongly from \$74k in Q2 FY23 to \$101k in Q2 FY24.

¹ Contractor MRR represents the monthly recurring revenue as at 31 December 2023 and excludes contracts yet to be implemented

² Contractor ARR is the sum of contracted annualised recurring revenue for all Felix Contractor customers, which includes contracts yet to be implemented

Figure 2. Contracted Contractor ARR (\$m)

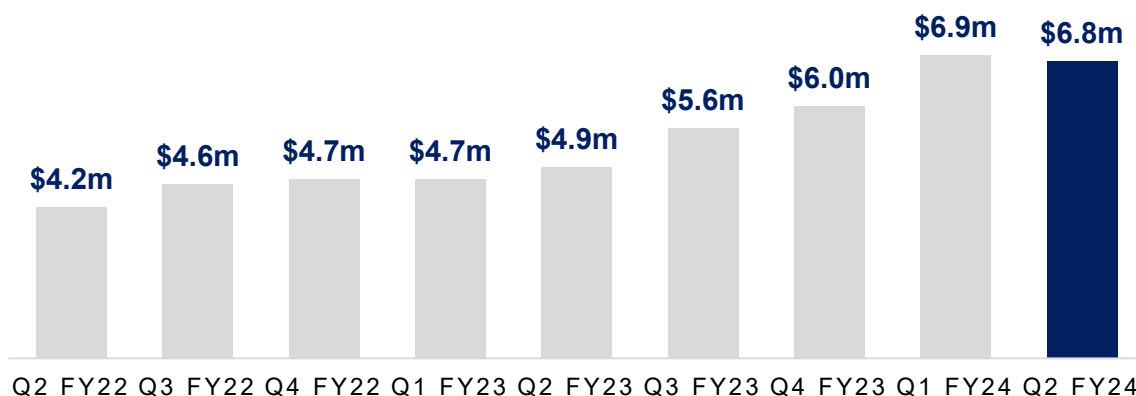


Felix recorded Contractor NRR³ of 116% in Q2 FY24, a significant increase relative to 97% in Q2 FY23. This result is despite one customer churning during the quarter. The strong Contractor NRR highlights the mission critical nature of Felix's solution for existing customers, as well as Felix's ability to upsell through increased usage and module uptake, or by upselling into larger parent organisations of its existing customer base.

Group financial update

Total Group ARR was \$6.8m in Q2 FY24, increasing 39% on pcp (refer to Figure 3). Of this, Felix's Vendor ARR contributed \$1.9m, a decrease relative to the prior quarter, resulting in a small quarter-on-quarter decline in Group ARR. The decrease in Vendor ARR is mainly attributed to a decline in activity during the holiday period, with the results also being in-line with Felix's strategic focus on scaling Contractor ARR.

Figure 3. Group Contracted ARR (\$m)

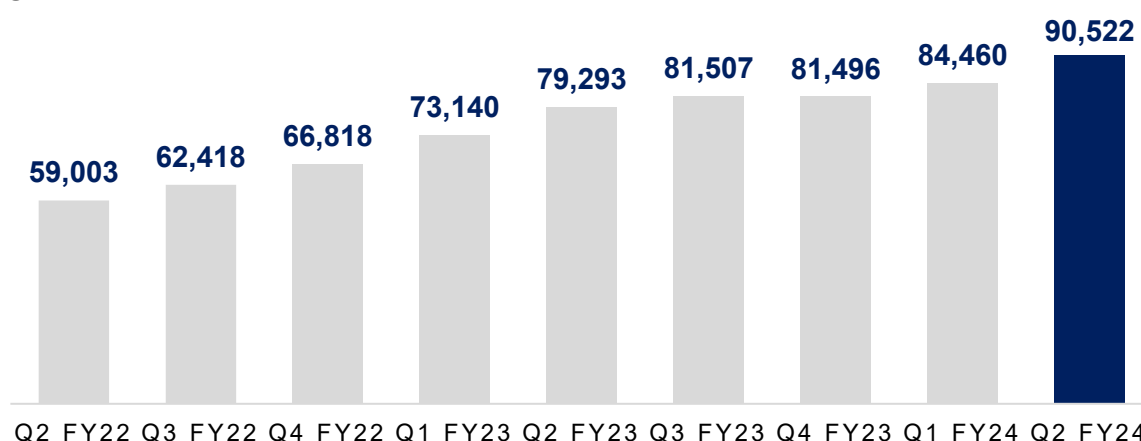


Vendor Marketplace

Felix grew the number of Vendors in the Vendor Marketplace to 90,522 in Q2 FY24, increasing 14% on pcp (refer to Figure 4). Strong growth in the number of Vendors in the Vendor Marketplace supports Felix's strategic goal of monetising the marketplace in the medium-term, following development of key modules and features.

³ Contractor NRR is calculated by comparing the contracted ARR of Contractor customers as at 31 December 2023 with the contracted ARR of the same customers as at 31 December 2022

Figure 4. Number of Vendors in the Vendor Marketplace



Key engagement metrics

New Contractor wins and continued uptake of Vendor Marketplace in Contractor workflows, including in international markets, has contributed to strong growth in key engagement metrics. These include for the period ending 31 December 2023:

- Number of Active Projects: +52% pcp
- Requests for Quotations (RFQ) sent by Contractors: +67% pcp
- Total active Vendor Compliance Documents: +25% pcp
- Total Contractor User Accounts: +6% pcp

Corporate update

Felix reported receipts from customers of \$2.5m and net operating cash outflows of \$675k for the quarter ending 31 December 2023. Felix's YTD cash receipts have increased 71% on pcp, while YTD operating outflows have only increased 7% on pcp. Furthermore, cost base efficiencies made in Q2 FY24 will reduce annualised operating cash outflows by 9% from Q3 FY24. Felix has delivered a significant improvement in cashflow performance with total YTD net operating cash outflows of \$1.3m, representing a 57% reduction relative to H1 FY23. Overall, the results are in line with Felix's aim of achieving operating cashflow breakeven in Q1 FY25.

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 \$4.4m in cash and cash equivalents.

Authorised for release by:

Mike Davis
Co-Founder & CEO
Felix Group Holdings Ltd

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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")

DECEMBER 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,523	5,080
1.2 Payments for		
(a) research and development	(182)	(382)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(38)	(83)
(d) leased assets	(14)	(29)
(e) staff costs	(2,310)	(4,630)
(f) administration and corporate costs	(653)	(1,238)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	37
1.5 Interest and other costs of finance paid	(3)	(5)
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	(675)	(1,250)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(9)
(d) investments (see section 7)	-	-
(e) intellectual property	(338)	(584)
(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 held at bank until April 2024</i>	(2,061)	(2,061)
2.6	Net cash from / (used in) investing activities	(2,404)	(2,654)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(11)	(295)
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	(11)	3,527

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,468	2,756
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(675)	(1,250)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,404)	(2,654)

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)	(11)	3,527
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,379	2,379

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	2,379	5,468
5.2	Call deposits	2,061	-
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)	4,440	5,468

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)	(675)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,440
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	4,440
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.6
<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: 29 January 2024

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.