

Growing retail cash receipts and an ongoing reduction in data costs has Flexiroam on the path to cash flow positive

Q3 FY23 UPDATE – December 2022

Flexiroam Limited (ASX: FRX), (“Flexiroam”, “Company” or the “Group”) is pleased to announce its results and Appendix 4C for the three months ended 31 December 2022 (Q3 FY23).

Key highlights:

- Total revenue increased 21% to A\$2.51M compared to the previous quarter (Q2 FY23: A\$2.08M) and up 127% on the prior corresponding period (Q3 FY22: A\$1.11M), driven by strong growth across Travel;
- Gross profit jumped 166% to A\$1.25M compared to the previous quarter (Q2 FY23: A\$469k) and up 313% on the prior corresponding period (Q3 FY22: A\$302k), driven by reductions in data costs;
- Data cost per GB has fallen by 15% in December 2022 from September 2022 and 36% from December 2021;
- Cash receipts of A\$2.94M, up 20% on the previous quarter (Q2 FY23: A\$2.46M) and up 205% on the prior corresponding period (Q3 FY22: A\$963k);
- Cash burn from Operating Activities of A\$488k, a reduction of A\$276k compared to the same period last year (Q3 FY22: A\$764k). Cash balance of A\$2.48M as at 31 December 2022;
- Continued strong growth across key Travel metrics in December 2022. Data sold up 16% to 203TB (Q2 FY23: 175TB) and new paying users up 9% to 7.3k (Q2 FY23: 6.7k)
- Multiple new agreements entered into during Q3 FY23 which have continued to grow Flexiroam's global profile and accelerate its customer growth:
 - World leading airline Emirates, has now included Flexiroam as an in-flight retail product available via their duty free magazine and online
 - Global eSIM company, Easy eSIM, signed a white label agreement as a reseller of Flexiroam
 - Singapore-based motorbike rental company, Bikago, signed a white label agreement as a reseller of Flexiroam
 - Global booking and payment solutions provider, Optionizr, signed a white label agreement as a reseller of Flexiroam
 - Moroccan aviation company, Air Ocean Maroc, signed an agreement to provide connectivity for their crew of private charter flights to Africa
 - The Women's Tennis Association (WTA) has formed a partnership with Flexiroam to provide data to their top players, coaches and tournament officials
- Appointment of Tat Seng Koh as non-executive Chairman effective from 1 February 2023

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Commenting on the progress achieved over the third quarter of FY23, Chief Executive Officer Marc Barnett said:

“We are really pleased with the financial and operational performance of the business through the third quarter of FY23. Flexiroam continues to deliver on its vision of providing seamless mobile connectivity for users globally, whilst also scaling the business by signing a number of exciting partnerships, including having Flexiroam included in Emirates’ in-flight range.

“The growth in the retail travel sector continued, with retail cash receipts in Q3 FY23 of A\$1.4M, the highest in the company's history. In addition to the growth in revenue and cash receipts, we significantly improved Gross Profit and as a result saw a 36% YoY drop in operating cash burn.

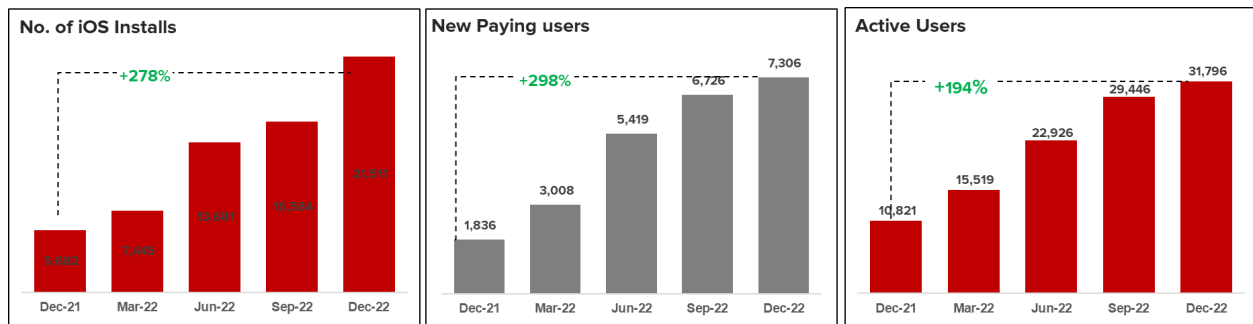
“With data costs continuing to reduce and a growing pipeline of potential partnerships at greatly improved economics, we are extremely well placed to continue our path to being cash flow positive in FY24.”

Sustained growth in operational metrics

Improved efficiency in digital marketing and promotional campaigns, combined with the enhancements made to the user funnel, have yielded an increase in Travel retail revenue. New user revenue of US\$590k represents 45% of total revenue, while total installs increased 4.6% QoQ to 178k (Q2: 170k).

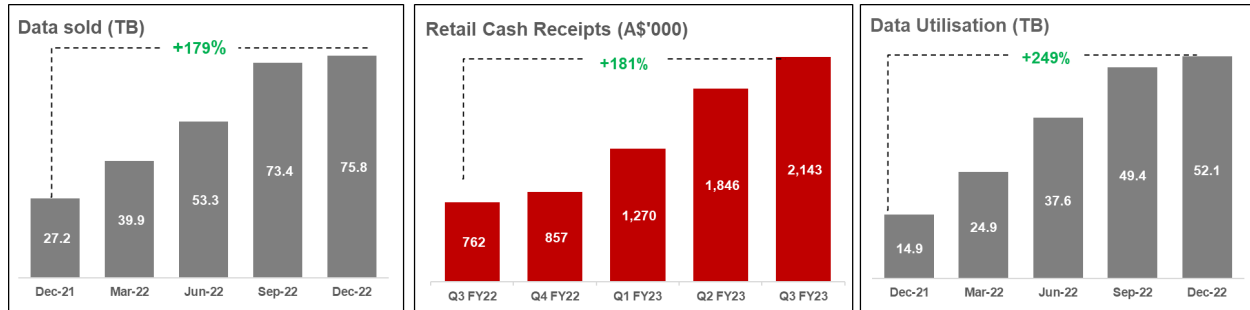
The focus on iOS installs continued to deliver positive outcomes. Lower total, but higher quality installs has driven improved conversion metrics:

- iOS installs increased 39% to 62k (Q2: 45.0k)
- New Paying users increased to 7.3k, up 9% (Sept 2022: 6.7k)
- Monthly active users increased to 31.8k up 8% in Dec 2022 (Sep 2022: 29.4k)
- eSIM activations increased 4% to 19.2k (Q2: 18.4k)



Data sold increased to 203TB in Q3, up 16% from 175TB in Q2 and up 167% from Q3. Data usage was relatively stable at 148TB in Q3 and significantly improved by 279% from the prior corresponding period being (Q3 FY22: 39TB). Improving the price competitiveness of Flexiroam plans was a key focus during Q3, which drove the increase in higher data sold. The growth in new paying users and data sold is a strong indicator of future revenue, which will be recognised as the data is consumed. In Q3, Flexiroam serviced users from 195 countries in 154 destination countries.

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Landmark deal signed with Emirates

During the third quarter of FY23, Flexiroam signed an agreement with world leading airline, Emirates. Under the agreement, Flexiroam SIM cards and eSIMs with 10GB of data will be stocked as an in-flight product in approximately 100 Emirates aircraft. The agreement has the scope to expand to 180 aircraft, and will generate an expected annual revenue of A\$150,000.

Emirates currently operates across 6 continents, carrying approximately 19 million passengers in 2021 and 2022. The Emirates in-flight magazine provides a direct distribution channel for Flexiroam to reach Emirate's passengers requiring roaming data, with its customised data plan spanning 128 countries. Emirates customers are also able to make pre-order purchases through the EmiratesRed website in advance of their flight.

The partnership with Emirates provides Flexiroam with access to a highly engaged audience with a high propensity to travel and require roaming services, given they are already onboard a flight at the time. Flexiroam expects to leverage this partnership to further increase its market share and brand exposure globally.

Partnerships

In Q3, Flexiroam signed an eSIM reseller agreement with Singapore-based motorbike and scooter rental company, Bikago. The partnership will see Flexiroam's SIM cards and eSIMs sold as a Bikago Mobile branded product through its website and local retailers as an upsell to its rental offerings. The contract has a term of one year, with an annual revenue commitment of A\$150,000.

Building on its leading partnerships, Flexiroam also signed an eSIM reseller agreement with global payment software provider, Optionizr. Optionizr is an innovative software provider dedicated to the travel and tourism industries based in France, that offers secure and seamless alternate payment methods. Under the agreement, Optionizr will sell Flexiroam eSIM technology and data through a Flexiroam powered digital reseller portal, mainly targeting airlines and travel agencies. This agreement is valid for a duration of 18 months with an option to renew post that.

During the quarter, Flexiroam also signed an agreement with Easy eSIM, a global eSIM company that provides their customers with 4G connectivity in over 138 locations. The deal will see Easy eSIM become a reseller of Flexiroam's eSIM technology through their online channels by integrating it into its current portfolio of eSIM offerings.

Flexiroam signed an agreement with Morocco based Air Ocean Maroc, a leader in business aviation. Similar to the service used by Korean Air, Flexiroam will provide connectivity to the Air Ocean Maroc crew as they travel throughout Africa.

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New Business Development – Delivering Future Growth

As the core Travel business has continued to recover and grow market share Flexiroam has taken the opportunity to further define the new growth engines that will sustain the growth profile of the business. The objective is to allow clear focus on these exciting incremental areas which represent substantial adjacent market opportunities, building on our existing core competencies including systems, suppliers and the skills of the existing team.

In recognition that the traditional Travel business is in fact two distinct defined markets, Flexiroam has separated the Retail Travel and the Corporate Travel segments. The Corporate Travel segment is based on strong account relationships and is expected to grow from ~20% of FY23 revenue to 32% in FY24.

The previous Solutions line of business has been further defined into three vertical segments being Aviation Services, Terminal Enablement Solutions and Maritime Services. Flexiroam already has existing contracted revenue and qualified sales pipelines allowing both the sales and technology teams to build these growth opportunities over the next 18 months. The business will continue to innovate and as such, will maintain an “incubator” segment focused on capturing further growth opportunities as well as being opportunistic with singular solutions that deliver attractive returns.

In it's end of year announcement, Flexiroam will provide further details around these initiatives including the progress made and the scale of the various opportunities

Research and Development Investment

Flexiroam continues to invest heavily in Research and Development (R&D) in order to support its future growth through the expansion of our team in Poland focused on an aggressive technology roadmap supporting both incremental growth, increased system reliability and the new business opportunities being pursued. The Company has already improved the flexibility and functionality of its platforms and is capitalising on the strong and expanding interest in its products. Flexiroam is developing and pursuing scalable prospects, aggressively expanding its travel business and signing deals across new and existing verticals.

As part of this investment Flexiroam has classified this team's costs against Research and Development being A\$383k from 1 April 2022 to November 2022. Flexiroam will continue to invest in the R&D to support the growth of the business.

Sustained strong financial performance

The Company delivered revenue of A\$2.51M, a strong increase of 127% on the prior corresponding period (Q3 FY22: A\$1.11M) and up 21% compared to the previous quarter (Q2: A\$2.08M).

Gross profit jumped 166% to A\$1.25M compared to the previous quarter (Q2: A\$469k) and up 313% on the prior corresponding period (Q3 FY22: A\$302k), primarily driven by revenue growth and data cost reductions.

Flexiroam received Cash receipts of A\$2.94M up 205% on the previous corresponding period (Q3 FY22: A\$963k) and up 20% on the previous quarter (Q2: A\$2.46M). Cash receipts from Solutions increased 25% from the previous quarter to A\$205k.

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Total net operating cash outflows of A\$488k were 19.5% lower than the previous quarter (Q2: A\$606k) and are expected to continue to improve further in upcoming quarters.

Payments to Related Parties and their associates during Q3 were comprised of executive and non-executive director salaries and fees of approximately A\$141k. The 2021 legacy payments to Flexiroam's data connectivity supplier for Q3 totalled US\$586k. These payments began in October 2021 and have now been paid in full. The impact of the legacy payments on cash flow in the FY23 financial year is A\$514k and will have no impact on any future cash flow.

Appointment of non-executive Chairman

Subsequent to quarter end, the Board is pleased to announce that Tat Seng Koh will be appointed as non-executive Chairman effective 1 February 2023. Mr Koh has been a director since September 2018 and has held senior management and corporate advisory roles in the finance sector with significant fundraising experience in the debt and equity markets. CEO Marc Barnett said: "Tat Seng has been a valued member of the board for a number of years and I look forward to working closely with him as our Chairman as we continue to execute on our exciting growth plans for Flexiroam."

Investor Webinar

Flexiroam CEO Marc Barnett will host an investor webinar regarding the Company's quarterly update on 24 January at 3:00pm AEDT. The presentation will be followed by a Q&A session.

For those wishing to join the webinar, pre-registration is required by following the link below:

https://us02web.zoom.us/webinar/register/WN_4FbQ2aYgTh6Porfd9tJuZg

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AUTHORISED BY THE BOARD OF DIRECTORS

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ABOUT FLEXIROAM

Founded in 2011 by Jeffrey Ong, Flexiroam Limited (ASX:FRX) started with a mission to push the boundaries of communications. What began as a solution for travellers needing seamless mobile data at competitive rates, has evolved beyond the consumer travel market.

Flexiroam provides connectivity across any device, in any part of the world for any application. The Company is a superconnector for people and machines globally. Flexiroam's versatile network now spans across 520 network operators in over 200 countries and territories, making it the preferred service for consumers and businesses worldwide.

For further information, please visit <https://www.flexiroam.com/>

Disclaimer

This announcement contains "forward-looking statements" concerning Flexiroam and its operations, economic performance, plans and expectations. Without limiting the foregoing, statements including the words "believes", "anticipates", "plans", "expects", and similar expressions are also forward-looking statements.

Forward-looking statements reflect, among other things, Flexiroam's plans and objectives for future operations, current views with respect to future events and future economic performance and projections of various financial items. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ from those expressed or implied by forward-looking statements. Factors that may cause actual results to differ materially include, among other factors, general economic conditions in Australia and globally, competition in the markets in which Flexiroam does and will operate, technological innovation and business and operational risk management.

The forward-looking statements contained in this announcement should not be taken as implying the assumptions on which the projections have been prepared are considered correct or exhaustive. Readers are cautioned not to unduly rely on these forward-looking statements and the Company undertakes no obligation to update or revise the forward-looking statements except as required by law.

Appendix 4C

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

Name of entity

FLEXIROAM LIMITED

ABN

ACN 143 777 397

Quarter ended ("current quarter")

31 DECEMBER 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,942	7,131
1.2 Payments for		
(a) research and development ⁽¹⁾	174	(230)
(b) product manufacturing and operating costs	(1,883)	(4,478)
(c) advertising and marketing	(506)	(1,360)
(d) leased assets	-	-
(e) staff costs	(428)	(1,411)
(f) administration and corporate costs	(268)	(795)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(137)	(335)
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	(106)	(1,478)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(25)	(42)
(d) investments	-	-
(e) intellectual property	-	-

1) These numbers exclude expenditure directly attributable to software development activities that are capitalised as an intangible asset under Australian Accounting Standards. These capitalised costs are shown below in section 2.1(f).

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets ⁽¹⁾	(443)	(443)
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	(468)	(485)

1) Other non-current assets inclusive of one-off reclassification of intangible asset (software development cost) \$A383k.

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,050	4,211
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(106)	(1,478)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(468)	(485)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	1	229
4.6	Cash and cash equivalents at end of period	2,477	2,477

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	2,477	3,050
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)	2,477	3,050

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	141
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p> <p>Director fees, consultancy fees, and salaries</p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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.		
	Not applicable		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9) ⁽¹⁾	(489)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,477
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,477
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.07
	<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>	

1) One-off reclassification of software development cost totalling \$A383k has been added back to 8.1.

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: 17 January 2023
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Authorised by: The Board of Flexiroam Limited

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.