

Business Update & Appendix 4C – Q3 FY24

Key highlights

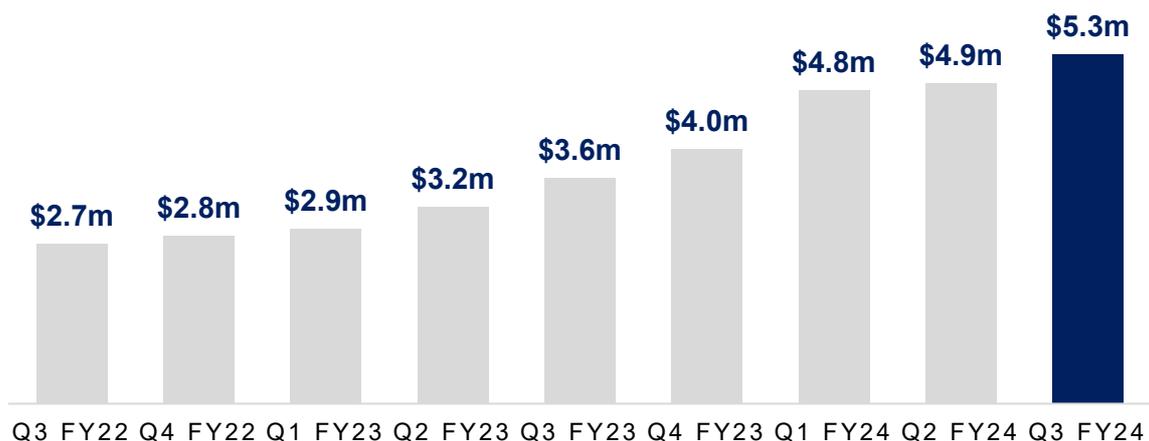
- Record Contractor ARR of \$5.3m in Q3 FY24, increasing 45% on pcp
- Five new Contractors added in Q3 FY24 across the resources, renewable energy, diversified property, infrastructure and engineering sectors
- Three contract expansions signed in Q3 FY24, driven by contracted price increases and uplift in users and user tiers
- Maintained high Contractor NRR (Net Revenue Retention) of 115% in Q3 FY24, highlighting Felix’s ability to retain and expand accounts
- Record \$7.1m Group ARR recorded in Q3 FY24, increasing 26% on pcp
- On target to reach operating cash flow breakeven in Q1 FY25

BRISBANE Australia, 22 April 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 March 2023 (“Q3 FY24”).

Another strong quarter

Felix has delivered a strong quarter of sales with five new contractors added and three contract expansions in Q3 FY24. Together, the new contract wins and expansions added \$407k of new ARR, bringing Contractor ARR to \$5.3m in Q3 FY24, an increase of 45% on pcp (refer to Figure 1).

Figure 1. Contracted Contractor ARR (\$m)



Felix continues to benefit from structural tailwinds across its target sectors driven by increased sustainability and compliance reporting including ESG, modern slavery, and carbon emissions reporting obligations. A key driver of uptake is the transition away from opt-in to mandatory supply-chain reporting and compliance practices for Contractors across Felix’s target sectors. This is evidenced by the wide range sectors Felix has won new contracts in this quarter, including resources, renewable energy, diversified property, infrastructure and construction.

A key contract win in Q3 FY24 was the industrial division of Frasers Property, a diversified property developer specialising in residential, retail and commercial property. The initial use case includes Felix's full suite of modules for the Industrial division. There are significant future revenue expansion opportunities with Frasers Property across other divisions in Australia, as well as some of the company's international operations.

In addition to the Fraser contract, other contract wins include:

- Regis Resources (ASX:RRL), an ASX-listed gold producer, licensing the *Vendor Management, Sourcing and Contracts* modules
- Capricornia Energy Hub, a renewable energy project developer owned by Copenhagen Infrastructure Partners, licensing the *Vendor Management* module
- Mid West Ports, a Western Australia-based port operator, licensing all modules and API
- MLG OZ (ASX:MLG), an ASX-listed integrated mining services provider, licensing the *Vendor Management and Contracts* modules, as well as API

The three expansion deals won this quarter were across both long-term and more recent customers. The largest expansion was with an existing Tier 1 Contractor, generating a \$43k ARR uplift to the existing contract, which was driven by the company increasing user tiers. This expansion with the Tier 1 Contractor follows a previous contract expansion signed in Q3 FY23, which saw the customer license Felix's full module suite and an API licence after the completion of an initial pilot contract. This highlights Felix's ability to drive ARR uplift of existing customers beyond initial contracts to generate high margin, low customer acquisition cost revenue. The two other expansions during the quarter were driven by contracted price increases and additional user licences.

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

"Q3 FY24 has been another strong quarter for Felix, with the strong sales further strengthening our pathway towards positive operating cash flow in Q1 FY25 and beyond. We are particularly pleased with the breadth of contract wins, demonstrating both the broad applicability of our platform and building momentum across our target sectors.

As industry transitions from opt-in to mandatory supply chain reporting and compliance requirements, Felix is perfectly placed to be a critical player for Contractors to deliver on their ESG, modern slavery and supply chain transparency obligations.

2024 is shaping up to be a milestone year for Felix as we continue to deliver on our value creation strategy for shareholders."

Contractor MRR

Contractor MRR¹ for the closing month of the quarter was at \$427k, remaining stable relative to December 2023, despite one customer churning (refer to figure 2). This was a result of various customer expansions in Q2 FY24 and new contract wins in Q3 FY24 completing towards the end of the quarter, with the implementations expected to be completed before the end of Q4 FY24.

¹ Contractor MRR represents the monthly recurring revenue as at 31 March 2024 and excludes contracts yet to be implemented

Figure 2. Contractor MRR at close of quarter (A\$'000)



Average ARR per Contractor was \$99k in Q3 FY24, in line with the prior quarter, reflecting the range of contract sizes signed this quarter. However, relative to Q3 FY23, average ARR per Contractor increased 20% in Q3 FY24. This result is consistent with Felix’s strategy of growing average contract sizes over the medium to long term, through the signing of larger Contractor customers and further customer expansions.

Felix recorded Contractor NRR² of 115% in Q3 FY24, a significant increase relative to 99% in Q3 FY23. The strong NRR result was in line with Q2 FY24, reflecting Felix’s ability to maintain consistently positive NRR by retaining and expanding existing customer accounts.

Group financial update

Total Group ARR was \$7.1m in Q3 FY24, increasing 26% on pcp (refer to Figure 3). Of this, Contractor ARR contributed \$5.3m, increasing 45% on pcp, while Felix’s Vendor Marketplace contributed \$1.9m, broadly in line with the prior quarter.

Figure 3. Group Contracted ARR (\$m)

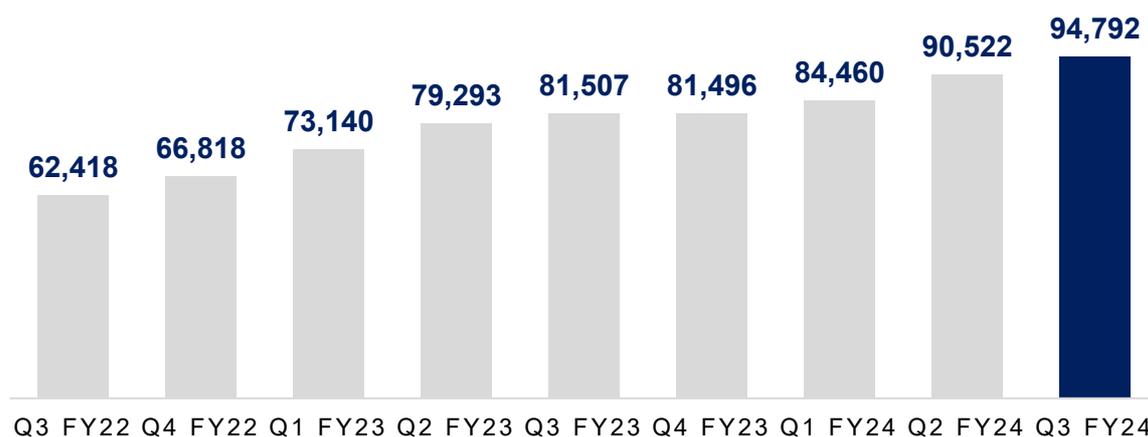


Vendor Marketplace

Felix grew the number of Vendors in the Vendor Marketplace to 94,792 in Q3 FY24, increasing 16% 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.

² Contractor NRR is calculated by comparing the contracted ARR of Contractor customers as at 31 March 2024 with the contracted ARR of the same customers as at 31 March 2023

Figure 4. Number of Vendors in the Vendor Marketplace



Platform enhancement updates

Felix has continued to invest in platform enhancements throughout the quarter. Felix's *Vendor Management* module is now integrated with Eftsure, Australia's market leader in payment fraud prevention. This integration will save platform users' time when validating bank details as part of vendor compliance and fraud prevention practices.

Felix is also progressing towards completing key pillars of its platform internationalisation strategy, which will provide a turnkey solution for large international contractors progressing through the existing sales pipeline. A project to implement multi-lingual capability is under way, with Felix expecting to support a selection of initial languages in FY25 that align to well-progressed international opportunities in Felix's pipeline.

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 March 2024:

- Number of Active Projects: +46% pcp
- Requests for Quotations (RFQ) sent by Contractors: +61% pcp
- Total active Vendor Compliance Documents: +23% pcp
- Total Contractor User Accounts: +1% pcp

Corporate update

Felix reported receipts from customers of \$1.7m and net operating cash outflows of \$1.3m for the quarter ending 31 March 2024. Receipts totalling \$0.4m due in March were received subsequent to quarter end, impacting net operating cash flow this quarter. This timing delay does not impact the Company's target of achieving positive operating cash flow in Q1 FY25 and maintaining a positive operating cash flow position going forward. Felix also delivered \$1.1m in annualised savings from a reduction in operating and investing outgoings.

Payments totalling \$164k 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 \$3.0m 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")

MARCH 2024

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	1,744	6,824
1.2 Payments for		
(a) research and development	(170)	(552)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(39)	(122)
(d) leased assets	(14)	(43)
(e) staff costs	(2,212)	(6,842)
(f) administration and corporate costs	(628)	(1,868)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	40	77
1.5 Interest and other costs of finance paid	(2)	(7)
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	(1,281)	(2,531)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(24)
(d) investments (see section 7)	-	-
(e) intellectual property	(108)	(692)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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 deposits</i>	-	(2,061)
2.6	Net cash from / (used in) investing activities	(123)	(2,777)

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	(30)	(325)
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	(30)	3,497

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,379	2,756
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,281)	(2,531)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(123)	(2,777)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(30)	3,497
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	945	945

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	945	2,379
5.2	Call deposits	2061	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)	3,006	4,440

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	164
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. 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)	-	-
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)	(1,281)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,006
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,006
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.35
<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: 22 April 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.