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Felix Group Holdings Ltd (ACN: 159 858 509)

ASX Announcement **29 April 2022**

Business Update & Appendix 4C – Q3 FY22

Key highlights

- **Signed first strategic sales and collaboration agreement with InEight Inc. ("InEight"), a global leader in construction project management software, with high value opportunities already being presented and progressed**
- **Contractor ARR retention of 106% achieved in Q3 FY22, increasing from 96% in Q3 FY21, further demonstrating the underlying value of Felix's platform and its ability to expand accounts across its highly strategic Tier 1 and leading Contractor base**
- **$2.7m Contractor ARR achieved in Q3 FY22, increasing 64% on pcp, representing 60% of Total Group Contracted ARR (Q3 FY22: $4.6m) in line with Felix's Contractor-led growth strategy**
- **Three new Contractors signed, including leading mining Contractor BUMA Australia and cornerstone diversified real estate customer GPT Group**
- **62,418 Vendors in Marketplace, increasing 30% on pcp, with increasing Contractor sales momentum increasing the value of Felix's Vendor Marketplace**
- **Additional enhancements made to Felix's enterprise platform, specifically its *Vendor Management, Procurement Schedule and Contracts* modules to streamline pre-qualification processes, optimise performance and improve overall user experience**

BRISBANE Australia, 29 April 2022: 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 2022 ("**Q3 FY22**").

Strategic partnership

During the quarter, Felix signed its first strategic sales and collaboration agreement with InEight, a global leader in construction project management software (see ASX announcement, *InEight International Strategic Agreement*, 8 February 2022).

Since signing, the Felix and InEight partnership has delivered 3 significant near-term Contractor opportunities currently in the final stages of Felix's advanced pipeline. These opportunities, which include a leading Tier 1 Contractor, a Government & Infrastructure Contractor and a cornerstone North American Contractor, present potential average ARR opportunities significantly greater than Felix's current average ARR of A$68k.

A further 234 InEight customers have been identified as potential opportunities in the APAC region, with InEight to shortly commence providing Felix with introductions to high-priority targets. These new potential partnership customers are expected to significantly reduce Felix's average sales cycle, accelerating and de-risking the Company's near-term goal of doubling FY21 Contractors (see page 17, *FY22 Half Year Report Presentation*, 21 February 2022).

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

"We are delighted by how well our sales partnership with InEight has been progressing, both in terms of revenue opportunity and how well it has been received by customers, our employees and investors. Pleasingly, we have noted a significant expansion of new Contractor opportunities through the pipeline since signing the agreement in February 2022.

In addition this quarter, we experienced strong momentum in Contractor ARR, driven by the signing of a contract with Felix's first cornerstone diversified real estate customer. Our strong Contractor ARR retention rate of 106% further illustrates the stickiness of our platform and how Contractors continue to see significant value in our integrated suite of modules. We look forward to seeing this momentum continue into Q4 FY22."

Contractor momentum continuing to build

Felix's Contractor ARR retention[1] was 106% in Q3 FY22, up from 96% in Q3 FY21, highlighting the value of Felix's platform and ability to expand accounts across its strategic Tier 1 and leading Contractor base. Felix has signed 7 expansion deals in the past 12 months, highlighting the stickiness of the platform and Felix's ability to grow the value of its Contractor accounts.

With 40 Contractors currently licensing Felix's solution, up from 28 in Q3 FY21, Felix observed continued momentum in pipeline conversion during Q3 FY22 (refer to Figure 1). Three new Contractor customers were signed throughout the period, including:

- **GPT Group (ASX.GPT)**, Felix's first cornerstone customer in the diversified real estate industry, highlighting Felix's broad applicability across sectors with large and complex procurement processes (see ASX announcement, *Felix Secures Cornerstone Customer in Diversified Real Estate Sector*, 27 January 2022)
- **Altrad Group**, a global leader in the provision of industrial services and manufacturing equipment for the construction market.

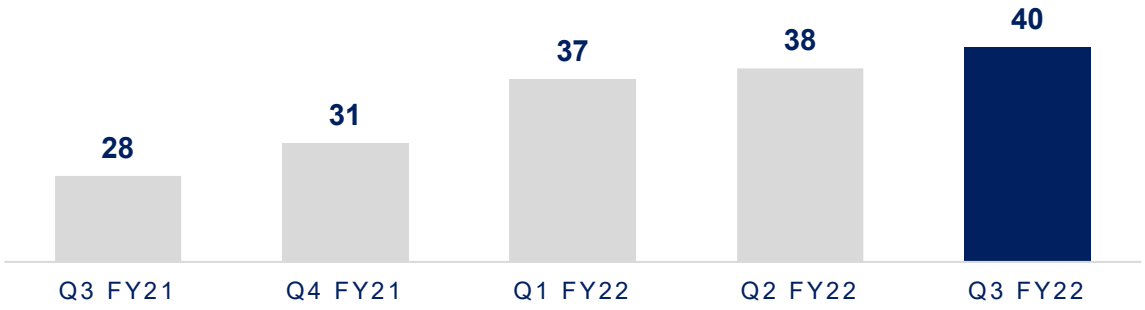
Felix also signed a 3-year contract with BUMA Australia, a leading mining Contractor established in 2021 to acquire the Open Cut Mining business of Downer. BUMA Australia is part of the Delta Dunia Group (IDX:DOID) listed on the Jakarta Stock Exchange. Under the contract, BUMA Australia will licence a number of Felix's modules, including *Vendor Management, Sourcing, Procurement Schedule and Contracts*. Felix's solutions will be integrated with BUMA Australia's wider software ecosystem.

Felix's Contractor MRR[2] for the closing month of the quarter was $177k, an increase of 49% on pcp, demonstrating more Contractor customers signing higher-value contracts with longer terms for additional modules. During the quarter, a local council Contractor churned, representing a small contribution to Group ARR. The local council industry is a low value sector, with Felix focusing on high-value construction and related sectors.

[1] Contractor ARR retention is calculated by comparing the contracted ARR of Contractor customers as at 31 March 2021 with the contracted ARR of the same customers as at 31 March 2022

[2.] Contractor MRR represents the monthly recurring revenue as at the month-end date derived from Contractors

Figure 1. Quarterly Contractor customers



In line with Felix's strategic focus on scaling Contractor customers, Contractor ARR contribution increased to 60% in Q3 FY22, increasing from 46% on pcp (refer to Figure 2). This translates to a material 64% increase in Contractor ARR from $1.7m in Q3 FY21 to $2.7m in Q3 FY22 (refer to Figure 3). During the quarter, the Vendor ARR was $1.9m, remaining stable relative to Q2 FY22.

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

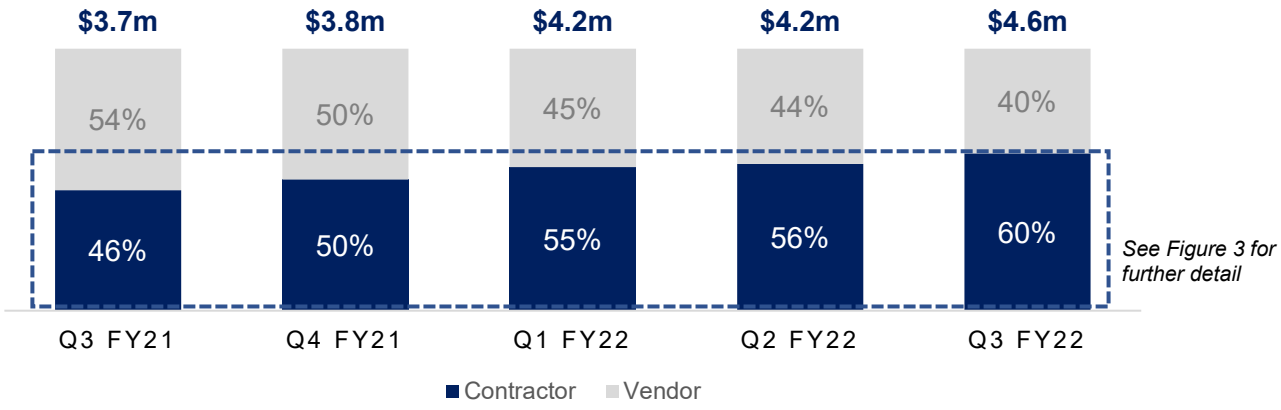
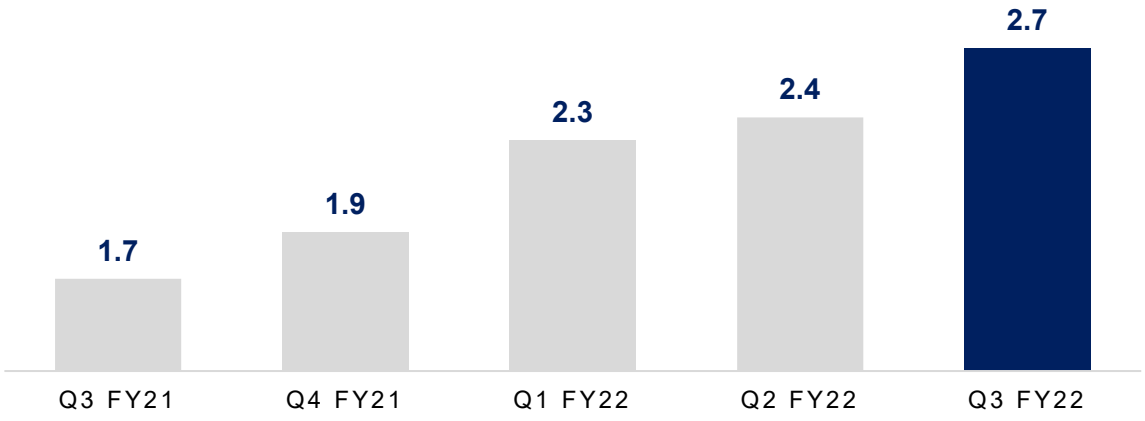


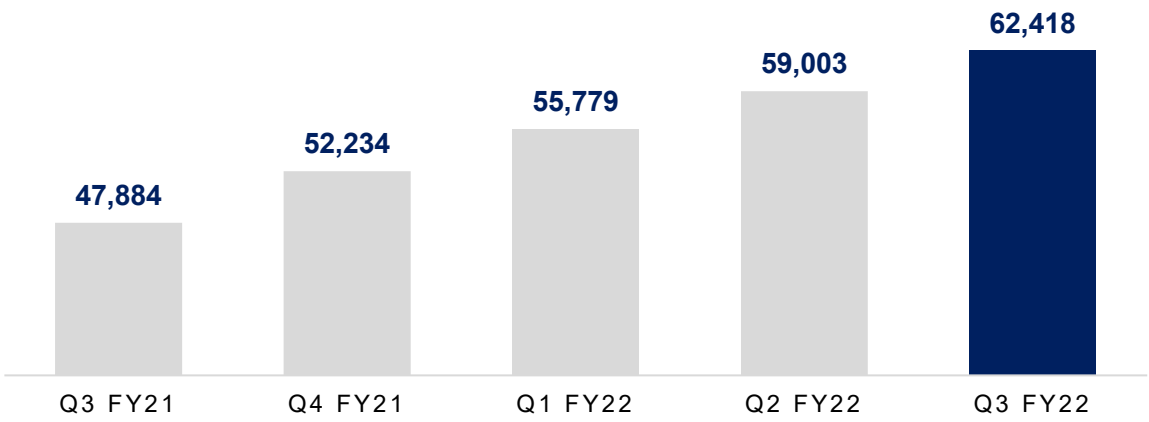
Figure 3. Contracted Contractor ARR ($m)



Vendor Marketplace

Felix has grown the number of Vendors in its Vendor Marketplace from 47,884 in Q3 FY21 to 62,418 in Q3 FY22, representing a 30% increase on pcp (refer to Figure 4), accelerating and reinforcing the impact of network effects. The growing number of Contractors and Vendors on the platform continues to build long-term value underpinned by the significant opportunity to monetise the Vendor Marketplace.

Figure 4. Number of Vendors in the Vendor Marketplace



Enterprise platform enhancements

Felix made several enhancements to its existing suite of modules throughout the quarter. The enhancements were a result of feedback and direct engagement with various stakeholders in Felix's target industries.

As part of its *Vendor Management*, Felix launched the capability to issue tailored onboarding questionnaires that streamline the process of Contractors collecting critical information from Vendors – an important pre-qualification tool for ongoing compliance, HSE and ESG reporting requirements, with wider applicability for other post-registration processes. Felix has already experienced uptake and significant demand from existing clients for this enhanced capability.

In addition, both Felix's *Procurement Schedule* and *Contract* modules have been further enhanced to optimise for performance and user experience, now including expanded importer capability, more granular security features and improved integration across modules. These upgrades have improved the scalability and integration of Felix's solution across some of its major customers.

Key engagement metrics

The continued uptake of Vendor Marketplace in Contractor workflows has contributed to strong growth against key usage metrics (to the period ending 31 March 2022):

- Total active Vendor Compliance Documents: +340% pcp
- Number of Active Projects: +315% pcp
- Requests for Quotations (RFQ) sent by Contractors: +168% pcp
- Total Contractor User Accounts: +67% pcp

Corporate update

In February, Felix was pleased to release its 'Building in the Dark' report, which uncovered a critical industry need for greater supply chain transparency and more effective risk management. The publication leverages Felix Co-Founder and CEO, Mike Davis' over 10 years of experience, with the report findings presenting opportunity for Felix to continue driving momentum in digitising and improving the efficiency of procurement and other processes across the construction landscape.

During the quarter, Felix reported net operating cash outflows of $1.5m, down 31% on pcp (Q3 FY21: $2.2m). This includes receipts from customers of $1.2m, an improvement of 63% on pcp (Q3 FY21: $0.7m). Payments totalling $146k 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 $4.4m in cash and cash equivalents.

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 March 2022.

Use of funds	Total per the Prospectus – for 24 months ($'000)	Actual expenditure 12 Jan 21 to 31 March 22 ($'000)	Commentary
Marketing & growth initiatives	400	367	One off increase investment in marketing initiatives following the InEight and Felix sales partnership.
Platform development	5,700	3,311	In-line with expectations
Research and development	1,200	441	In-line with expectations
Working capital	3,179	1,207	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.
Total	**12,000**	**7,638**	

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

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	**Quarter ended ("current quarter")**
65 159 858 509	MARCH 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	1,207	3,945
1.2	Payments for		
	(a) research and development	(89)	(231)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(109)	(246)
	(d) leased assets	(52)	(138)
	(e) staff costs	(1,880)	(5,681)
	(f) administration and corporate costs	(583)	(1,593)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	10
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**	**(1,504)**	**(3,941)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(14)	(42)
	(d) investments	-	-
	(e) intellectual property	(136)	(531)
	(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)	-	-
2.6	**Net cash from / (used in) investing activities**	**(150)**	**(393)**

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	-	(165)
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**	**-**	**(165)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,085	8,930
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,504)	(3,941)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(150)	(393)

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)	-	(165)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**4,431**	**4,431**

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	1,431	2,085
5.2	Call deposits	3,000	4,000
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)**	**4,431**	**6,085**

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	146
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

6.1. Director's fees and Managing Director's salary.

7.	**Financing facilities** *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.*	**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.

N/A

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,504)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,431
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,431
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	2.95

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.

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

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.

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 April 2022

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.