

ASX Announcement

29 November 2021

Chairman's and CEO's Address to Shareholders

Address by Chairman – Michael Bushby

Since our successful IPO in January 2021, Felix has continued to establish its position as a leading enterprise procurement management platform and Vendor marketplace, connecting Contractors across construction and related industries with their supply chain of third-party Vendors. The Felix solution digitises and streamlines a range of processes throughout the procurement journey and provides Vendors with a platform to find and discover opportunities as well as maintaining critical compliance documentation.

Felix continues to enjoy strong industry tailwinds which position the Company well for long-term growth. The Company has benefited from a wave of infrastructure spending by governments to stimulate economies post COVID-19, and increased legislative requirements and supply chain complexity resulting in Contractors looking for a streamlined and digitised solution.

Felix has been working to deliver on Phase 2 of its growth strategy, whereby the focus has been on accelerating the uptake of the platform by Tier 1 and leading Contractors, penetration into new target sectors with cornerstone contract wins, continued rapid growth of Vendor Marketplace, and release of new modules to accelerate Contractor adoption. We are pleased by the progress against this strategy since listing, with the Q1 FY21 results a clear demonstration of the step-change in growth across the Company. In addition, we are proud of Tier 1 and leading Contractor names onboarded over the past year, highlighting growing industry adoption of the Felix solution.

Felix's continued focus on scaling the number of Contractors on its platform provides significant strategic benefits for the Vendor Marketplace. As each new Contractor embeds Felix into their organisation, they mandate usage of the platform across their entire third-party supply chain of Vendors. With the 20 Contractors onboarded since IPO, Felix has been able to onboard in excess of 15,000 additional Vendors to the platform. The accelerating scale of Vendors has significantly enhanced the value of the Vendor Marketplace and future monetisation opportunities, underpinning Felix's long-term growth potential.

The year has been marked by significant additions to our Board of Directors as we build capability and expertise. We welcomed Mr Rob Phillpot as an independent non-executive director in January 2021, who has brought enormous experience and knowledge in the construction software industry following his tenure at Aconex. Additionally, we welcomed Joycelyn Morton with her appointment as Chair of the Audit and Risk Committee, who brings extensive corporate experience both in Australia and internationally. As former CPA Australia President, Joycelyn has brought invaluable finance and taxation expertise to Felix.

I would like to take this opportunity to thank our Chief Executive Officer, Mike Davis, my fellow Board directors and the entire Felix management team for their outstanding contribution. I also wish to thank all of our shareholders for your continued support.

Address by CEO – Mike Davis

There is a perfect storm of critical issues driving a wave of digitisation throughout the construction industry. Construction is obviously a very large and growing industry. This is best evidenced locally by the federal government's historic \$110 billion infrastructure pipeline driving the economy post-Covid-19.

Construction businesses are operating in a tightening compliance environment of rising obligations and costs. From legislative requirements such as the Modern Slavery Act through to environmental, social and governance targets on major projects, the cost of compliance has never been higher.

Construction has traditionally been a laggard in terms of IT spend, and this presents a significant opportunity for Felix to capitalise on the wave of digitisation currently happening in construction and in particular the sector focus on vendor management and procurement.

Felix is a cloud-based software as a service platform that connects major contractors and builders with the third-party vendors that build and maintain their capital asset projects. Felix is typically rolled out across the entire enterprise and integrated with other core business software platforms in the Contractors organisation.

Felix digitises and streamlines the entire procurement life cycle for contractors and delivers significant value through reduced costs, reduced risk and increased efficiencies.

Network effects are an extremely powerful value creation mechanism for technology companies. Dual sided marketplaces at scale deliver a very sustainable and defensible business model. However, they can be very costly and difficult to build. One of the unique properties about Felix is the mandated use of its platform by contractors to their vendors. Given the large scale of many contractors and the number of Vendors they work with across all of their projects, this is driving rapid growth in Felix Vendor Marketplace at effectively little-to-no acquisition cost to Felix.

I'll now move to talking about our strategies to drive growth and how we're progressing with these.

Felix has been adopted and validated by Tier 1 and leading names in construction and related sectors. Many of these customers have undertaken significant selection and due diligence processes prior to selecting Felix to manage mission critical data and business processes for their organisation.

Continuing to expand customer accounts through the uptake of additional modules and increased usage is critical to our strategy. As we release new core platform modules and customers further embed Felix in their operations, we are seeing many of our existing Contractor customers expand their licences.

The accelerating uptake of Felix by Contractors in our sales pipeline is our primary growth driver and core focus. In the annual report presentation, we stated a near-term goal of doubling our number of Contractor customers and we are very pleased at the strong start we have had this financial year towards achieving that. Given the strength of the sales pipeline, we expect to see this growth continuing through FY22 and beyond.

Our DNA is in large infrastructure projects and engineering contractors. What has been very pleasing is the applicability of the Felix solution into related sectors with a similar use case of high-risk supply chains and ongoing strategic purchasing requirements. This has increased our addressable market considerably and provides plenty of headroom for growth.

As we continue to rapidly grow our Vendor Marketplace through the Contractor solution, we are creating a significant opportunity to monetise Vendors at a much larger scale. Through the development and release of new Vendor modules focusing on streamlining the prequalification

process to Contractors, Felix has a clear strategy and pathway to monetising the Vendor side of the market in addition to the current high-growth Contractor side.

Felix is continuing to make inroads on its progress to leverage AI to deliver significant productivity gains to the industry through the automation of compliance document reading for Contractors. We are excited about the value this will deliver to the industry and look forward to keeping the market up to date with our progress.

We see a significant opportunity for Felix to expand internationally with a number of significant opportunities progressing through our pipeline already. However, our existing Australian customers through their international projects and global supply chains are already organically building out a global vendor marketplace for Felix. Again, at little to no acquisition cost. This provides a rolling start for us in regions that we will look to sell into directly.

Onto the Q1 trading update. As mentioned, we are really pleased with the strong start to FY22 and significant step change in the growth rate of Contractors, which we expect to continue. This will also continue to drive growth in the Vendor Marketplace. What has been as pleasing as the number of Contractors joining is the quality of names that we are continuing to bring onto the platform. Driving adoption from the industry leading Contractors is crucial to driving further adoption from industry.

It is worth noting that recording a higher level of new Contractor sales in Q1 than the previous full financial year is a significant achievement for the business as we emerge out of the previously Covid-impacted year.

The balance sheet remains strong following a considerable ramp-up of the team following the IPO as we seek to accelerate growth and capitalise on the significant opportunity for growth moving forward.

Prior to the IPO, we outlined three distinct phases in our strategic plan. Phase 1 focused on significant investment into the enterprise technology solution, validation from leading Contractors and driving early stage growth on both sides of our marketplace.

We are now well into Phase 2, where we are continuing to develop and release new core modules on both the Contractor and Vendor side to fuel further growth. As previously stated, our core focus remains on the accelerating uptake of Felix from Contractors and we are pleased with how this is progressing.

Phase 3 will shift into monetisation of Vendors at a large scale following completion and release of the planned new Vendor modules previously described.

As we round out, I just want to touch again on the perfect storm of opportunity that I outlined at the beginning. The compliance and ESG environment in construction is driving the wave of digitisation through construction and in particular the focus on vendor management and procurement. The federal infrastructure pipeline is at record levels and Felix provides investors leverage to this.

Lastly and importantly, our board of directors has been significantly strengthened prior to and following the IPO and management is well supported with significant experience and expertise.

In closing, I would like to thank our amazing team who work tirelessly day in day out in pursuit of our goals and in particular the support of my executive team – CFO James Frayne, CTO Steve O'Keeffe and CRO Dan Wilson.

And to our shareholders, thank you for your ongoing support of Felix. We are at a very exciting juncture for the company and we look forward to sharing this journey with you.

This announcement has been authorised by Felix Group Holdings Ltd Company Secretary James Frayne.

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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.