

intelliHR passes \$9m Contracted ARR and marquee customer win

Key Highlights

- Please see separate ASX Release “intelliHR Board unanimously recommends proposal for the acquisition of intelliHR by Humanforce Holdings Pty Ltd and enters Scheme Implementation Deed”
- Annualised Contracted Recurring Revenue ('ARR') closed Q2 FY23 at \$9.014m up 7.7% over FY23Q1
 - o Q2 Contracted ARR growth of \$0.661 million up from FY23Q1
 - o Post Q2 quarter end, further Contracted ARR growth of \$.062m and 1148 headcount
 - o Successful Q2 conversion of 28 new mid-market customers
 - o Average ARR per customer for all customer segments is now \$25,536
- Net Cash (cash burn) used in operations of \$1.449m a significant reduction from FY23Q1 (\$2.25m)
 - o Q2 Cash Receipts from Customers of \$2.22m improvement of \$0.38m from previous record quarter FY22Q4
 - o Net Retained Revenue stands at 116%, and mid-market and enterprise customer churn remains 0.6%
- intelliHR is proud to announce a new marquee customer win with Australia's leading furniture retailer Freedom, who have signed a 2 year deal
- intelliHR has achieved its ISO 27001 and SOC II Type I accreditation (audited by Prescient Security)

intelliHR Limited (ASX: IHR) today announces it has passed \$9m contracted ARR, won a new marquee customer in Australia's leading furniture retailer Freedom, and received its ISO 27001 and Soc 2 Type I accreditation.

Total Contracted ARR and Implementation revenue increased by \$0.93m. As at 31st December 2022, total contracted ARR was \$9.014m from 84,345 contracted subscribed headcount, a 7.7% QoQ increase.

Reported revenue for the quarter of \$1.998m is up from the previous Q1 quarterly record (\$1.86m). The intelliHR platform continues to achieve excellent levels of Net Revenue Retention recorded at 116%, with lost customer revenue (churn) accounting to only 0.6%.

Marquee win

intelliHR announces the signing of Australia's leading furniture retail brand FREEDOM to be their people platform, in a 2 year deal.

“After our recent win, and successful implementation of leading NZ retailer Mitre 10, we are delighted to be chosen by Australia’s leading retail brand Freedom. Retailers love the flexibility that IntelliHR can provide. We look forward to helping Freedom make more intelligent people decisions in the months and years to come”, commented IntelliHR Chair & CEO Matt Donovan.

Direct Channel Performance

The Direct channel won 26 new customers this quarter, and delivered \$0.644m in contracted ARR, and \$0.252m of implementation revenue, including the marquee Freedom win. This now takes IntelliHR over 350 customers and is closing in on 100 global customers.

Other Q2 wins included CG Trade Co, McNab, Exact Contracting, New Hope Group, Seven Peaks Software and Palo IT.

In early Q3, IntelliHR has seen organic growth via expanded and re-contracted new 3-year deals with long standing customers Lander & Rogers and Fujitsu. Early Q3 wins also include four new Cintra HR customers for 1000+ HC, including Learning Disability Network London, FinnCap Group PLC, Basingstoke College of Technology.

Capital management and cash flow

IntelliHR has retained its focus on cash management, with operating cash burn for Q2 \$1.45m at 51% below the FY22 Q3 high. Q2 Cash Receipts from Customers of \$2.22m grew 78% compared to Q2 FY22. IntelliHR retains cash reserves of \$1.71m at end Q2, and received its R&D Tax incentive of \$1.2m in early Q3, and moves into Q3 with a strong WIP pipeline to convert onto the platform consisting of 11,504 paying subscribers. Capital management and a focus on achieving operating cash flow breakeven remain a key focus for FY23.

Security Accreditation

As businesses in ANZ and around the world continue to manage their cybersecurity, IntelliHR has announced today that it has been awarded both its ISO 27001 (audited by Prescient Security) and its SOC Type I (with Type II on track).



“Our commitment to data security and privacy has been a founding principle of IntelliHR. Customers trust IntelliHR to be a secure single source of truth on every employee. Today we have received the international stamp of approval of our policies and practices” said IntelliHR Chief Product Officer Glenn Donaldson.

“Our new security accreditations will allow us to compete in many more RFPs and deals in the UK and US, where lack of these credentials has held us back over the past year”, added Chair & CEO Matt Donovan.

Partnership news

IntelliHR has built a strong ecosystem of partners over the past couple of years that contribute to its ARR growth each quarter.

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In Q3 intelliHR added its first ANZ solutions partner – Tech Talent Solutions. And UK’s Phase 3 has now been officially certified as an intelliHR Partner.

intelliHR is in continuing negotiations in both the global and ANZ regions with multiple firms to expand ideal and enterprise customer implementation capacity along with new lead generation sources.

Additional Information as at 31st of December 2022

| | 1H20 | 2H20 | 1H21 | 2H21 | 1H22 | 2H22 | 1H23 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Customer Numbers | 84 | 109 | 149 | 208 | 280 | 320 | 353 |
| Net Growth | 26 | 25 | 40 | 59 | 72 | 40 | 33 |
| Contracted Subscribers | 11,800 | 14,531 | 29,170 | 37,496 | 52,138 | 71,402 | 84,345 |
| Net Growth | 2,349 | 2,731 | 14,639 | 8,326 | 14,642 | 19,264 | 12,943 |
| Subscribers Invoiced | 8,743 | 9,726 | 22,271 | 32,219 | 40,734 | 54,884 | 72,841 |
| Growth | 3,501 | 983 | 12,545 | 19,674 | 8,515 | 14,150 | 17,957 |
| Subscribers to be Invoiced * | 3,057 | 4,805 | 6,899 | 5,277 | 11,404 | 16,558 | 11,504 |
| Change | -1,152 | 1,748 | 2,094 | -1,622 | 6,127 | 5154 | -6,453 |

Payments to related parties

A total of \$372,427 was paid to Directors and their associates for salaries, Director fees and superannuation during the quarter ended 31 Dec 2022. During the quarter, the Group paid \$61,738 for services on normal commercial terms and conditions, from a Company of which Ilona Charles is a Director and shareholder.

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Authorised for release by the Board of IntelliHR

Further Information

IntelliHR Investor Relations

investor.relations@intellihr.com

About ASX:IHR

IntelliHR is the intelligent people platform empowering business to make more intelligent people decisions, as they create an inclusive, engaging, performing, and aligned working culture. The IntelliHR platform is the cloud-based way to drive deep insight, employee engagement, performance and retention, in today's hybrid working world. Easily implemented, highly configurable, an ecosystem of integrations partners, with powerful data at its core - IntelliHR is the HR software choice for 350+ progressive organisations and over 84,000 users across 20 countries. For more information, visit www.intellihr.com

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Appendix 4C

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

Name of entity

intelliHR Limited

ABN

38 600 548 516

Quarter ended ("current quarter")

31 December 2022

| 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 | 2,219 | 4,048 |
| 1.2 Payments for | | |
| (a) research and development | (1,367) | (2,541) |
| (b) product manufacturing and operating costs | - | - |
| (c) advertising and marketing | (424) | (811) |
| (d) leased assets | - | - |
| (e) staff costs | (1,238) | (3,231) |
| (f) administration and corporate costs | (652) | (1,139) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 4 | 7 |
| 1.5 Interest and other costs of finance paid | (7) | (11) |
| 1.6 Income taxes paid | (8) | (41) |
| 1.7 Government grants and tax incentives | 24 | 24 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (1,449) | (3,695) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |

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| 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) | 36 | 36 |
| 2.6 | Net cash from / (used in) investing activities | 36 | 36 |

| | | | |
|-------------|---|-----------|--------------|
| 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 | 12 | (115) |
| 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 | 12 | (115) |

| | | | |
|-----------|--|---------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 3,109 | 5,482 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,449) | (3,695) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 36 | 36 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 12 | (115) |
| 4.5 | Effect of movement in exchange rates on cash held | (1) | (1) |
| 4.6 | Cash and cash equivalents at end of period | 1,707 | 1,707 |

| 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 | 1,707 | 3,109 |
| 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) | 1,707 | 3,109 |

| 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 | 434 |
| 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.

| 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.</i> | | |
| <i>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) | (1,449) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 1,707 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | 0 |
| 8.4 Total available funding (item 8.2 + item 8.3) | 1,707 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 1.2 |
| <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? | |
| <p>Answer: No. A material R&D tax incentive refund of \$1.2M was received in January 2023 which will significantly reduce the level of net operating cash flow for the March 2023 quarter. Based on total available funding of \$2.9M (\$1.7M cash + \$1.2M R&D refund) and a Q2 burn rate of \$1.449M, the Company has 2 quarters of cash remaining. The net operating cashflow position for future quarters is expected to improve as increased revenue is achieved through software sales and cost reduction measures are implemented.</p> | |
| 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? | |
| <p>Answer: As announced on 31 January 2023, the Company has entered into a Scheme Implementation Deed with Humanforce Holdings Pty Ltd. The Company continues to assess alternative funding options, should the Scheme Implementation Deed not proceed to completion. The Company has no reason to believe any steps taken in this regard won't be successful.</p> | |

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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: The Directors believe there is sufficient cash available for the Company to continue operating until the Scheme Implementation Deed completes. The Directors remain confident that should the Scheme Implementation Deed not complete, that further funding will be forthcoming as the company has a strong history of successful capital raises and the increased revenue now being achieved through software sales.

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: 31 January 2023

Authorised by: Matthew Donovan – Chair and CEO
(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.