

Q3 FY23 Quarterly Activities Report

intelliHR Limited (ASX: IHR) ("IHR" or "Company") is pleased to provide the Quarterly Activities Report for the period ending 31 March 2023.

Key Highlights

- On 17 March 2023, Humanforce Holdings Pty Ltd ("**Humanforce**") announced an unconditional on-market takeover offer for all of the issued capital of IHR ("**Offer**"), which was unanimously recommended by the Company's Independent Board Committee.
 - Offer consideration of \$0.24 per IHR share ("**Offer Price**"), which is at a 280.95% premium to the undisturbed price of IHR shares on 30 January 2023, which was \$0.063.
 - The Offer is open for acceptance until 4.00pm (Sydney time) on Monday, 1 May 2023.
 - As at 26 April 2023, Humanforce held 67.48% of the issued capital of IHR.
- Contracted Annual Recurring Revenue ('cARR') closed Q3 FY23 at \$9.637m up 6.9% over Q2 FY23
 - Q3 cARR growth of \$0.622m
 - Q3 conversion of 31 new mid-market customers
 - Average ARR per customer across all customer segments of \$25,095
- Operating loss for Q3 FY23 was \$1.262m compared with operating loss in the previous quarter of \$2.198m
 - Q3 employee cost reduction of \$0.571m including the restructuring of UK operations.
 - Q3 office lease cost reduction of \$0.166m from changing head office locations in Brisbane.
 - Q3 marketing program cost reduction of \$0.131m via reduction in digital marketing channels.
- The Company's closing cash balance was \$1.027m with cash burn for the quarter of \$0.680m
 - Q3 Cash Receipts from Customers of \$1.993m a reduction of \$0.226m from previous quarter Q2
 - Net Cash used in operations for the quarter of \$0.740m
 - Proceeds from R&D grant of \$1.238m received during the quarter improved the operating cash result.
- Given the Company's declining cash position in Q3 FY23, the Company is in discussions with MA Moelis Australia Advisory Pty Ltd to advise on a discounted rights issue to be underwritten by Humanforce and in the interim, the Company has established a \$2 million unsecured loan facility with Humanforce.

IHR Independent Non-Executive Director, Tony Bellas said: "Humanforce's unconditional all-cash offer represents a full and significant premium for IHR shareholders. I encourage IHR's shareholders to accept the Humanforce Offer before it closes on Monday."

Humanforce's Offer

On 17 March 2023, Humanforce announced its unconditional on-market takeover offer for all of the issued capital of IHR ("**Offer**"). On 3 April 2023, Humanforce announced it had increased the Offer Price to \$0.24 per IHR share, which represents a significant premium of:

- 300.00% to the closing price of IHR shares of \$0.060 on 18 November 2022, being the last trading day before Humanforce submitted its initial indicative offer; and
- 280.95% to the closing price of IHR shares of \$0.063 on 30 January 2023, being the last trading day before the announcement of the scheme of arrangement with Humanforce.

The increased Offer Price followed the receipt of a proposal from The Access Group (“TAG”) on 3 March 2023 to acquire all of the issued capital of IHR and the announcement on 27 March 2023 that the Company had entered into a transaction implementation deed with TAG.

In response to Humanforce’s increased Offer Price:

- TAG terminated the transaction implementation deed;
- withdrew its proposal to acquire all the issued capital of IHR; and
- the Company’s Independent Board Committee recommended that IHR shareholders accept Humanforce’s Offer in the absence of a superior proposal.

The Offer will close at 4.00pm (Sydney, Australia time) on Monday, 1 May 2023.

As at the close of trading on 26 April 2023, Humanforce has relevant interests of 67.48% in IHR.

Further details are provided in ASX announcement of 24 April 2023, the Supplementary Bidder’s Statement dated 5 April 2023 and the Supplementary Target’s Statement dated 6 April 2023.

Why IHR shareholders should accept the Offer

- The Offer Price is at a 280.95% premium to the undisturbed price of IHR shares on 30 January 2023. It is consequently highly likely that when the Offer Period ends the trading price of IHR shares will fall significantly.
- In addition, as Humanforce holds 67.48% of IHR shares, trading in IHR shares is likely to be highly illiquid. This will likely contribute to the size of the fall in IHR’s share price.
- Accepting the Offer will ensure that IHR shareholders are no longer exposed to the inherent risks and uncertainties of holding IHR shares and remaining as a minority shareholder, including the illiquidity and financing risks and the risks of equity dilution.

cARR and Revenue Growth Update

Contract annual recurring growth of \$0.622m during the quarter. As of 31st March 2023, total cARR was \$9.637m from 91,207 contracted subscribed headcount, a 6.9% QoQ increase. Reported revenue for the quarter of \$2.187m is up 9.5% from the previous quarter (\$1.998m: Dec22).

Capital management and cash flow

IHR had an operating cash burn for Q3 of \$0.740m inclusive of R&D grants of \$1.238m. Operating expenses continue to be significantly higher than incremental revenue added during the quarter. Several cost-saving initiatives are being undertaken by the Company to minimise cash burn.

The Board considers the Company will require additional cash funding in the short term to continue as a going concern. The Company has consequently entered into a loan agreement with Humanforce to fund the Company’s working capital requirements (“Loan”). The key terms of the Loan include:

- Facility limit of \$2 million;
- Unsecured;
- Term of two years;
- Interest rate equal to BBSY +50 basis points; and
- Drawdowns in amounts not less than \$500,000.

In addition, the Company is in discussions with MA Moelis Australia Advisory Pty Ltd ("**Moelis**") to advise on a discounted rights issue to be underwritten by Humanforce. Proceeds from the discounted rights issue would be applied to pay back the Loan with Humanforce and, for general working capital purposes. To the extent that IHR undertakes an equity capital raising in the future, IHR shareholders who do not participate in any such raising will have their equity interests in IHR diluted.

Payments to related parties

A total of \$121,456 was paid to Directors and their associates for salaries, Director fees and superannuation during the quarter ended 31 March 2023. During the quarter, the Group paid \$36,300 for services on normal commercial terms and conditions, to a company of which Ilona Charles is a Director and shareholder.

Changes to IHR's Board

On 23 March 2023, IHR announced the retirement of Mr David Slocomb and Ms Ilona Charles, nominee directors of Colinton Capital Partners ("**Colinton**"), following the sale by Colinton of its holding in IHR.

Subsequent to the end of March Quarter, IHR announced changes to the Company's Board and its leadership team given the acquisition of a controlling interest by Humanforce. The current Board comprises newly appointed Non-Executive Chair, Mr David Pullini (a nominee of Humanforce), Independent Non-Executive Director, Mr Tony Bellas and Humanforce nominee directors, Mr Joe Porten and Mr Clayton Pyne. Ms Belinda Lajoie resigned as a director on 6 April 2023 and Mr Matt Donovan resigned as a director on 13 April 2023.

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

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 March 2023

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	1,993	6,041
1.2 Payments for		
(a) research and development	(1,219)	(3,760)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(246)	(1,057)
(d) leased assets	-	-
(e) staff costs	(1,563)	(4,794)
(f) administration and corporate costs	(929)	(2,068)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	10
1.5 Interest and other costs of finance paid	(9)	(20)
1.6 Income taxes paid	(8)	(49)
1.7 Government grants and tax incentives	1,238	1,262
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(740)	(4,435)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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)	254	290
2.6	Net cash from / (used in) investing activities	254	290

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	1	1
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(197)	(312)
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	(196)	(311)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,707	5,482
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(740)	(4,435)

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

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)	254	290
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(196)	(311)
4.5	Effect of movement in exchange rates on cash held	2	1
4.6	Cash and cash equivalents at end of period	1,027	1,027

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	1,027	1,707
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)	1,027	1,707

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	158
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>		

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

7.	Financing facilities <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>	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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(740)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,027
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	1,027
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.4
	<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?	
	The Company expects to maintain the current level of net operating cash flows.	

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?

The Company has consequently entered into a loan agreement with Humanforce Holdings Pty Ltd (**Humanforce**), pursuant to which Humanforce has agreed to provide a \$2 million unsecured loan facility to fund the Company's working capital requirements (**Loan**). The key terms of the Loan include:

- Facility limit of \$2 million;
- Unsecured;
- Term of two years;
- Interest rate equal to BBSY +50 basis points; and
- Drawdowns in amounts not less than \$500,000.

In addition, the Company is in discussions with MA Moelis Australia Advisory Pty Ltd to advise on a discounted rights issue to be underwritten by Humanforce. Proceeds from the discounted rights issue would be applied to pay back the interim loan facility with Humanforce to working capital and to fund the continuing trading losses of the Company. To the extent that the Company undertakes an equity capital raising in the future, shareholders who do not participate in any such raising will have their equity interests in the Company diluted.

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?

The Company expects to be able to continue its operations and meeting the core business objectives. Additional funding as noted in 8.6.2 will enable the Company to fund ongoing operational activities.

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: 27 April 2023

Authorised by: The Board of Directors
(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.