Q2FY21 Quarterly Activities Report

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ASX Release

29 January 2021

International expansion strategy delivers record new business growth in Q2

Q2 FY21 Highlights

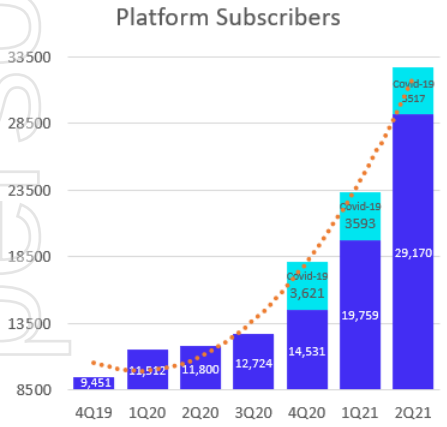
$522k
Record 23% ARR Growth in Q2 FY21

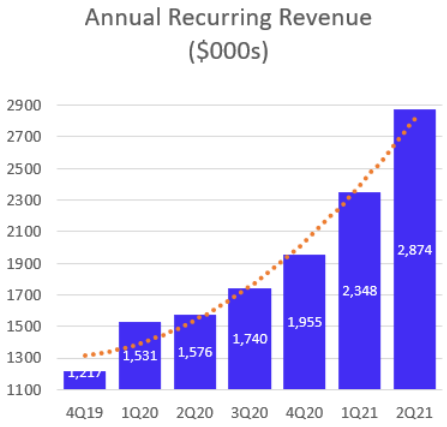
77%
Proportion of New Q2 FY21 Subscribers attributed to Nth America

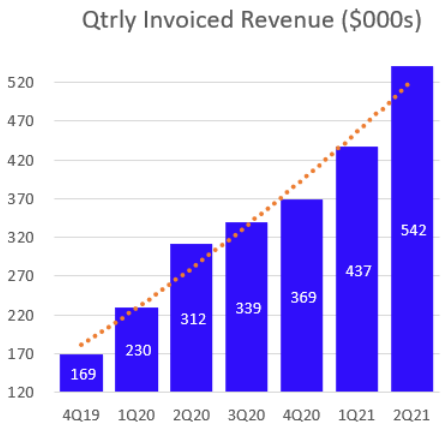
147%
YoY Contracted Subscriber Headcount Growth 47% in Q2 FY21

40%
YoY Net Cash Outflows Reduced by 40%

intelliHR Limited (ASX: IHR) is pleased to report record New Annual Recurring Revenue growth of $522k in the quarter - a 23% increase in Annual Recurring Revenue and a 24% increase in Invoiced Revenue quarter on quarter (QoQ). Q2 FY21 subscriber growth was 47% QoQ and 147% higher YoY – this accelerating growth was driven by our recent North American and UK market expansion where 7 customer Q2 contracts were converted including a major American cornerstone customer. APAC growth remained steady including the addition of a new NZ enterprise customer. In total the number of new contracts in Q2 was 26% higher than the previous quarter which was itself a record. Contracted subscribers grew during Q2 by 47% and have more than doubled in the first half of FY21. Global Subscribers now account for 41% of total subscribers which validates the potential of our global growth ambitions. The business has continued to see strong customer and revenue retention with less than 0.5% of revenue lost in the last 12 months not withstanding the impact of Covid. Customer receipts remain strong with no bad debts. IntelliHR supports businesses across 18 countries and continues to maintain a customer NPS of 70.







Financial Performance – International Expansion Drives Growth

Annual Recurring Revenue increased $522k during Q2 by a record 23% from $2.34 million to $2.87 million. This strong growth was achieved thanks to the acquisition of a record 24 new paying customers, increasing total contracted customers to 151, 26% higher than Q1, which was itself a record.

We were delighted to see our expansion in the North American and UK markets rewarded with 7 new contracts in Q2 and a continued strengthening in our Enterprise conversions with leading North American sales and solution provider OSL Retail Services signing a 2-year contract with a minimum commitment of $335,000 AUD to support their over 7000 team members - with further subscriber growth and upgrade to premium plans expected.

Emerge Aotearoa, a leading mental health services specialist in Auckland, also signed a 36-month agreement on the Strategic HR plan. They join other recent enterprise customers, Penske Australia and New Zealand, My Health, Fujitsu, Contact Energy and DBM Vircon amongst others.

"After viewing over a dozen different Performance Management SaaS products, we've chosen intelliHR to help us achieve our goals and our vision as an organization. We've received nothing but best-in-class service and a willingness to listen and make things happen"

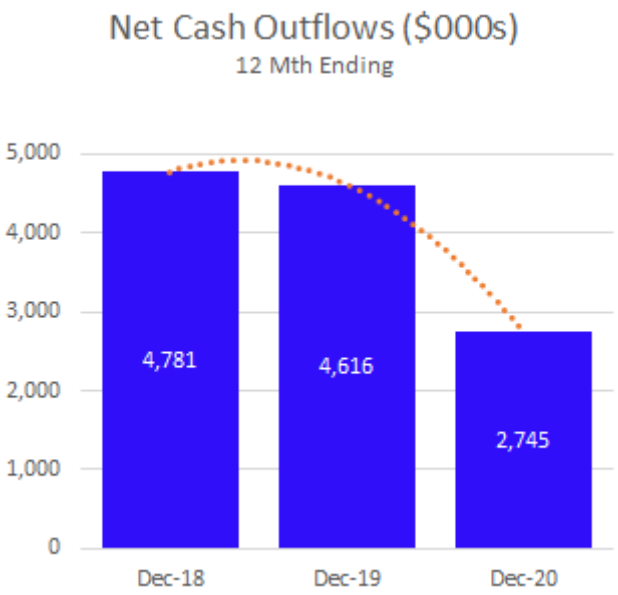
Hassan Farooqi - OSLRS Director of Learning and Development

Financial Performance (cont)

We continue to be encouraged by these enterprise conversions along with a strengthening of our global enterprise customer sales pipeline.

With record contracting growth achieved in both Q1 and Q2 and a YoY 104% increase in professional services revenue in H1 FY21, we have seen stronger invoiced revenue with H1 FY21 up by 81% YoY – this produced improved cash receipts in Q2 – although we note this increase was tempered by an earlier and longer seasonal customer office shutdown through the Festive Season.

Net cash used in operations for the quarter totaled $0.73 million, a 29% improvement on the corresponding period in FY20. During Q2 intelliHR received an additional $102k from investors converting maturing options.



Strong Cash Reserves Maintained

- ✓ At the end of Q2 intelliHR continues to maintain a strong forward cash position of $6.859m.

Strengthening our commitment to International Growth

The continued acceleration in growth confirms that intelliHR is well positioned to support the global shift to 'Work from Home', where organisations can better manage and engage their team using intelliHR's platform tools for continuous feedback, performance enablement and wellness capabilities. Our Net Promoter Score (NPS) continues to be maintained at a 'world class' level of 70 with intelliHR supporting customers across 18 countries.

IntelliHR's strong cash position allows us to continue to expand our international sales and marketing efforts with further investment into key activities including:

- ✓ Appointment of key growth Executive Sales roles
- ✓ Increase in Digital & Event Marketing activities to support global intelliHR brand development
- ✓ Additional global team members to be brought on-line as required to meet growth opportunities

IntelliHR is pleased to announce that Julia Leary has joined our team starting in a newly created role of Regional Director - APAC, taking on responsibility for all Sales & Service in the APAC region. Julia comes from a Senior Leadership position in Flight Centre Travel Group where she was a General Manager Strategy. Julia's responsibilities will also include the strategic expansion from ANZ to the whole of APAC and adapting the sales and customer success approach needed to be culturally effective in new markets.

To support Global Brand development, intelliHR is increasing investment in lead generation opportunities both virtual and in-person – having already committed to presenting at 11 Events in the next 12 months with 8 of these focused upon our targeted global markets in Canada, United States, and United Kingdom. As part of these activities, and as a result of strong initial appetite for the intelliHR performance product in North America, we are proud to announce the launch of our inaugural "Science of Performance Summit" featuring a keynote presentation by the of VP Basketball Operations of NBA team Toronto Raptors.

Finally, intelliHR is increasing investment in both Sales and Support resources in our Americas hub to better leverage the opportunities currently available in the North American and UK markets, along with appropriately on-boarding and supporting these important contract conversions.

Additional Information

Freemium HR Platform Uptake

Freemium Customer Headcount as at 31st of December

	Customers	On Platform Subscribers
Freemium Customers	37	3517

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Additional Information

	2H18	1H19	2H19	1H20	2H20	1H21
Customer Numbers	30	44	58	84	109	151
Growth	11	14	14	26	25	42
Contracted Subscribers	3,284	5,170	9,451	11,800	14,531	29,170
Growth	792	1,886	4,281	2,349	2,731	14,639
Subscribers Invoiced	2,288	3,286	5,242	8,743	9,726	22,271
Growth	410	998	1,956	3,501	983	12,545
Subscribers to be Invoiced *	996	1,884	4,209	3,057	4,805	6,899
Change	382	888	2,325	-1,152	1,748	2,094

* Predominantly new business to be Implemented. Also includes some existing customers' team members currently stood down

Payments to Related Parties

A total of $132,242 was paid to directors and their associates for salaries, director fees and superannuation during the quarter ended 31 December 2020. During the quarter, the Group paid $10,257 for recruiting services and received $505 in revenue on normal commercial terms and conditions, from a Company of which Robert Bromage is a shareholder.

Further Information

Paul Trappett
intelliHR Investor Relations
investor.relations@intellihr.co

intelliHR is an Australian HR technology business developing and currently marketing a next-generation cloud-based people management and data analytics platform. Delivered to customers by a SaaS business model, it is disruptive and advanced technology leveraging AI specifically Natural Language Processing in the application. It is scalable to a global market and is industry agnostic. For more information visit: www.intellihr.co

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Appendix 4C

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

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Name of entity	
intelliHR Limited	
ABN	**Quarter ended ("current quarter")**
38 600 548 516	31 December 2020

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	556	1,082
1.2	Payments for		
	(a) research and development	(475)	(886)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing	(243)	(343)
	(d) leased assets		
	(e) staff costs	(955)	(1,765)
	(f) administration and corporate costs	(247)	(452)
1.3	Dividends received (see note 3)		
1.4	Interest received	12	18
1.5	Interest and other costs of finance paid	(25)	(51)
1.6	Income taxes paid		
1.7	Government grants and tax incentives	627	665
1.8	Other (Government Stimulus)	25	103
1.9	**Net cash from / (used in) operating activities**	**(725)**	**(1,629)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(56)	(57)
	(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 (Release of Security Deposit)		
2.6	**Net cash from / (used in) investing activities**	**(56)**	**(57)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	102	5,901
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	(19)	(72)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(37)	(73)
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**	**46**	**5,756**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,595	2,791
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(725)	(1,629)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(56)	(57)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	46	5,756
4.5	Effect of movement in exchange rates on cash held	(1)	(2)
4.6	**Cash and cash equivalents at end of period**	**6,859**	**6,859**

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	1,959	1,495
5.2	Call deposits	4,900	6,100
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)**	**6,859**	**7,595**

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	$142
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

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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**	0	0

7.5	**Unused financing facilities available at quarter end**	0

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)	(725)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,859
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	6,859
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	9.5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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:

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:

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:

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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 January 2021

Authorised by: 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.

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