

31 January 2020

intelliHR Increases Rate of Subscriber Conversion to Build Recurring Revenue Base

- 98% increase in receipts from customers over the previous half-year
- Rolling 12-month revenue retention rate increases to 124%
- Significant increase in the rate of monetising subscriber base
- Almost \$4 million of cash reserves on hand

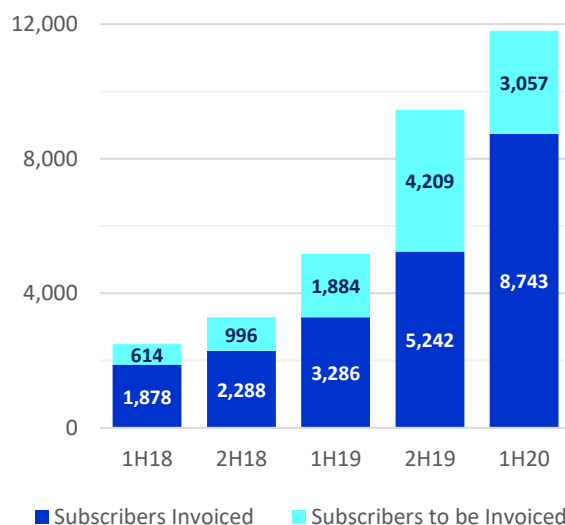
intelliHR Limited (ASX: IHR) is pleased to announce its best half-year operational cash result since listing in January 2018. Net cash used in operations decreased to \$2.04 million from \$2.58 million in the previous half-year and from \$2.72 million in 2H18. These results represent a 21% and 25% decrease respectively. The improvement has been driven by:

- a 98% increase in receipts from customers over the last half to \$0.71 million
- an 8% reduction in operational payments (excluding interest) to \$2.71 million from \$2.94 million over the previous period.

Customer numbers continued to increase with an additional 26 new customers in 1H20 taking the total customer base to 84 at the end of the period. This performance represents a 45% increase from the last half and a 59% increase over the previous corresponding period.

As new customers are acquired their employees need to be onboarded onto the intelliHR software platform, a process which can take some months depending on various technical aspects relating to the business. Consequently, of the 11,800 subscribers in the system, 8,743 generated revenue in the 1H20. The balance of 3,057 are currently in the process of being onboarded with the vast majority expected to commence generating revenue in 2H20. As we continue to expand our customer base, there will always be a percentage, at any given time, of subscribers who are in the process of being onboarded and therefore not yet contributing to revenue. Over the last half-year, there has been a strong focus on converting the subscribers to be invoiced into subscribers who generate revenue. This effort has delivered a reduction in the proportion of subscribers to be invoiced from 45% of contracted subscribers in 2H19 to 26% in 1H20, notwithstanding the larger subscriber base.

Contracted Subscribers



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During this period of intensive growth, the business has retained its tight discipline on costs and has achieved its lowest level of operating cash costs since its listing. Although a significantly larger business, this efficiency focus has delivered a 10% reduction in operating expenses since that period. Equally, quarterly operational cash costs have stabilised across the last two quarters at \$1.02 million per quarter. While this cost base is efficient to service the current level of operations, as the business continues to grow, it is expected that it will need to increase in a measured manner to deliver increased revenue.

Net cash used in operations for the half was \$2.04 million, down from \$2.58 million in the previous half. Cash and equivalents at 31 December 2019 totalled \$1.22 million. This balance has been supplemented this month by capital of \$2.74 million raised from Colinton Capital Partners as announced to the market in late December 2019.

Managing Director, Robert Bromage, said, “With the reduced cash burn rate and the new injection of capital, the business now has almost \$4 million of cash reserves, notwithstanding any positive impacts arising from any conversion of non-revenue generating subscribers to revenue generators, the acquisition of new customers and the receipt of any future research and development tax incentives.

“Similarly, while intelliHR will clearly grow through the acquisition of new customers, the expansion of our customers’ workforces will also deliver growth, as we have seen with the rolling 12-month revenue retention rate of 124%. In 1H20, the business achieved some significant milestones, not least with the investment of Colinton Capital Partners, and is now poised to begin to reap the benefits of its highly scalable model.”

~ ENDS ~

Additional Information

	1H18	2H18	1H19	2H19	1H20
Customer Numbers	19	30	44	58	84
Growth	4	11	14	14	26
Contracted Subscribers	2,492	3,284	5,170	9,451	11,800
Growth	475	792	1,886	4,281	2,349
Subscribers Invoiced	1,878	2,288	3,286	5,242	8,743
Growth	1,096	410	998	1,956	3,501
Subscribers to be Invoiced	614	996	1,884	4,209	3,057
Change	-	382	888	2,325	-1,152

Authorised by the Board of intelliHR.

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Further Information

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About intelliHR

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.com.au



Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

intelliHR Limited

ABN

38 600 548 516

Quarter ended ("current quarter")

31 December 2019

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	366	713
1.2 Payments for		
(a) research and development	(481)	(889)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(89)	(172)
(d) leased assets	(0)	(0)
(e) staff costs	(594)	(1,134)
(f) administration and corporate costs	(199)	(511)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	7
1.5 Interest and other costs of finance paid	(27)	(55)
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	(1,020)	(2,041)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(2)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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)		
Payment for security deposit	-	-
2.6 Net cash from / (used in) investing activities	(2)	(2)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2	1,588
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(95)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(92)	(183)
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	(90)	1,310

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,336	1,957
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,020)	(2,041)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(90)	1,310

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,224	1,224

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	1,224	2,336
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)	1,224	2,336

6. Payments to directors of the entity and their associates

Current quarter \$A'000
121
-

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments to directors include salaries, directors fees and superannuation guarantee.

7. Payments to related entities of the entity and their associates

Current quarter \$A'000
21
-

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

A company of which Robert Bromage is a director provided recruitment services under a client services agreement under normal commercial terms and conditions.


8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	492
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	98
9.4 Leased assets	-
9.5 Staff costs	627
9.6 Administration and corporate costs	226
9.7 Repayment of Borrowings	97
9.8 Total estimated cash outflows	1,540

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:  Date: 31 January 2020
(Director/Company secretary)

Print name: Suzanne Yeates

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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