

Okay, we're gonna make a start of it.

Everyone. Uh, today our guest is Mike Davis.

He's the founder. He's the managing director of Felix Group.

FLX is the A SX ticker there.

This is the second time we've spoken to Mike, um,

the first being about three years ago.

So this is, this is well and truly overdue.

Now, back then,

Felix was doing about . million in

annualized recurring revenue.

That figure has grown strongly

and consistently in the interim, we're now, uh,

at . million as of the most recent half.

Uh, also noteworthy.

The company has transitioned

to operating cash flow positive exactly

as Mike said they would when we last spoke to them.

In fact, not just operating cash flow positive,

but free cash flow generated over the most

recent half as well.

So it's always nice to see a business continue

to grow while also improving those, those key,

uh, financial metrics.

I do need to back up a little bit.

I know that we've got a lot of new members

since we last spoke to Mike.

Um, I'll, I'll get him to explain it to you in more detail,

but essentially, Felix operates a SaaS supply chain

management platform.

It lets contractors find list higher equipment,

subcontractors, suppliers, uh,

but it does a whole much more than that as well.

So also providing, uh, functionality around compliance, uh,

ESG, risk management, uh, that kind of stuff.

Um, as I say though,

there's a lot more to the business than that.

And the, and the goal today really is to try

and uncover some of these key big picture insights that'll

help you get your head around the business

and the opportunity it is pursuing.

Um, and, uh, to that end,

if you do have any questions along the way,

I can see we've got a bunch already submitted.

Uh, thanks to transfer, he is put a whole bunch

of good ones in here as well.

But if any come up, please let us know

and I'll put them to Mike when we get the chance.

And, uh, the final thing to say, as always is

that this is not financial advice, as you know.

Okay. That's all out of the

way, Mike. Good to see you again.

Good. Thanks for having me, Andrew. Great to be here.

Appreciate it. And the Strawman collective.

Yes. Yes. That, that is us.

So look, I I, I don't want to, I don't want

to go over too much old ground here,

but how did I go with that very big overview here

and how would you sort of fill in, fill in the gaps?

Yeah, no, sure. I, I, you you've set the, the,

the foundations for me to,

to add some color, um, for everyone.

So, a as you alluded to, I mean, we are proper

B2B enterprise SaaS software.

Um, we, uh, deliver effectively

what is a supply chain management and procurement platform.

Um, and we target large capital asset

intensive sectors.

So think big infrastructure projects, uh, mining

and resources players, property

and real estate, big integrated services companies.

Yeah. Um, and we're really sort of sector specific, um, in

who we build Felix for and how it services them.

Um, and the reason I guess

that gives us competitive advantage is often, um,

in a competitive process will come up against the,

the really big behemoth platforms, the likes of SAP's,

Reba platform, Cooper Ikas.

If you look up, um, these, these players,

they're really big sort of global, well resourced, mul,

multi-billion dollar market cap company.

So the way that Felix, um,

really has a competitive edge over these, um, big,

deep pocketed players is how we are built for the ground up

for the services, the sectors that we target.

I'm sorry. So yeah, if you think about be,

Be, before you go on on that, sorry to interrupt Mike,

because I, I made a note here,

and this was in rewatching our last interview.

It was, it was something that really stood out to me and,

and probably is worth underlying here.

You are not in competition necessarily with, with SAP

and Oracle and the, and their ERP platform, rather you try

and integrate into the existing stack, right?

So this is, this is,

and then actually become rather deeply embedded once,

once you've sort of integrated in.

Is that a, a fair statement? Yeah,

That that, that's right. And

thanks for that distinction, Andrew,

because when I mentioned SAP's Ariba platform,

that's essentially their sort

of procurement bolt onto their broader ERP, um,

financial sort of core core systems.

So yeah, essentially you could think of Felix as,

as really a front end bolt-on to that ERP platform.

And that could be sap, it might be Oracle, um,

it could be Workday coins, um, for construction players.

Um, and essentially giving really fit for purpose tools

for these large contracting, um,

and similar businesses to manage

and engage with the thousands of subcontractors, suppliers,

consultants who effectively do all the work constructing

or maintaining their large capital asset

and projects portfolio.

Yeah. Um, it's great to come back, I guess sort

of three years down the track from when we last, uh, met

because Felix has, has really come along night and day.

I mean, you, you mentioned some of the,

the headline a RR metrics,

but I guess as a maturity, as as in growth as a business,

but also how the opportunity landscape has developed since

then will be, I think, really interesting to,

to unpack for the team.

Yep. Um, uh, when you, we've been in business for sort

of years now,

but, um, it, it really is a, a, a tale of two halves.

Um, we started our journey,

I actually under a different name and brand and,

and different business model entirely, um, for those sort

of slews out there, you might wanna sort of backtrack, um,

look into, we, we launched what was known

as plant miner.com at au in, in .

And my co-founder, uh, Michael, he was living the,

the problem firsthand of being a civil engineer

and just needing to compare three quotes side by side

before, um, he could engage any subcontractor or plant

and equipment rental, um, in far north Queensland

and the projects he was working on.

So that was the sort of kernel, um, of, uh, of invention,

um, way back when.

And, and we launched that business model

and raise seed capital.

Um, and effectively that initial model was more akin

to like, I guess a high pages, um, type platform,

but for more heavy industry rather than sort of resi, um,

and home improvement style.

And we had a, a few years of early stage fledgling success

with that initial business model.

But as this is a, as the sort of serendipitous pivot moment

for Felix, as we began to, um, realize, uh,

realize the structural challenges of scaling

that model effectively, what was essentially a a,

a sup a supplier or vendor lead subscription model, um,

and trying to exponentially grow that pay

and supplier base while dealing with a finite pool of leads

to share amongst them, that just sort of started

to present some structural scale challenges.

But as I, as I mentioned, really serendipitously for us at,

at that time, we're talking around sort of , , um,

some of the larger tier one contractors in Australia started

getting in touch with us.

And, and they'd been sort of fledgling users of the,

the plant miner platform.

Um, and, and started giving us sort

of fairly consistent feedback that while this quote sourcing

and quote comparison tool was, you know, a neat

platform when their, their teams needed to price check

or find some extra supply

and quotes on, on packages of work for projects,

they really had a much higher order, um, software

or technology gap

regarding the manner in which their really large contracting

businesses managed and engaged with the thousands of subbies

and suppliers that I mentioned, um, across their enterprise.

Um, and when I say managed,

that's everything from compliance management to, um,

onboarding and prequalification

and performance relationship management.

And when I say engaged project teams, sourcing, um, from

that approved pre-qualified database of suppliers, um,

getting bids and tenders on packages of works, um, managing

that communication stream,

ultimately awarding subcontractors and,

and managing that contract through the project.

So you think about those workflows as a whole gamut of, um,

processes, uh, within that.

And effectively as we were hearing this feedback,

what we saw in the field was the, the age old status quo of,

um, manual processes, paper-based forms, spreadsheets,

everyone working in silos, no governance, no visibility,

everything that, um, your, uh,

in your clubs no doubt heard a million times before

or what, uh, was being sort of fed back to us as kind

of square peg in round hole solutions.

Some of those bigger behemoth procurement platforms

that I mentioned, um, were being rolled out

and just weren't fit for purpose for the use case for, um,

a big, uh, infrastructure contractor building a a billion

dollar bridge or a tunnel or a road,

and colloquially what project teams would call pens

and pencils procurement platforms.

Yeah. So we kind of heard that enough

and, uh, had seen, I guess, the success

of the likes of Aex at the time who had become the, the sort

of defacto document management document

collaboration platform for industry.

Yeah. And we really saw enterprise as a, a,

probably a necessary leap to make, as I mentioned,

we were seeing the, the, the, the, the challenges

of the initial business model.

Um, but we really loved the, the prospect

of the unit economics

of enterprise SaaS deeply embedded in

these large businesses.

As you mentioned, you integrated into their ERP

and other core technology systems.

Yeah. Um, you manage mission critical

processes across the enterprise.

So we felt like as a foundation for scale, um, that

that was a really attractive business model.

What we also loved, and,

and I think what provides some of our secret sauce

for the opportunity scale moving forward is

what didn't really change through that pivot was our

original, um, goal

or target of creating a dual-sided marketplace

of contractors and their vendors at scale.

Yeah. However, in the old plant wine days,

when you think about building the, the vendor side, um, of

that marketplace, we were calling them up one by one,

getting them onto a trial subscription, trying

to then generate 'em a few leads and convert 'em to paying

and a very incremental

and laborious, manually intensive process.

What we'd also loved about that now enterprise kind

of LED model, and if you look through, um,

our recent half one presentation, you'll see the

of this, I guess, um, kind of network effects, um, slide, is

that we could sell a, a subscript, uh, an enterprise

SaaS license to one large contractor

who would then mandate the use of Felix to their say, five

or , vendors.

Um, and then they drive, do the heavy lifting,

driving the adoption

and engagement of the vendor side

of this marketplace for us.

Yep. So if we zoom out from there, um,

and fast forward a few years now, what we've got is ,

just over enterprise customers leading, um,

Australian, uh, names there, but they've driven, uh, growth

and engagement over , vendors in

that vendor marketplace, um, at little

or no acquisition cost to Felix.

So we'll talk about the, the opportunity with that,

that vendor side in a, in a minute.

But, um, you can see, I guess yeah, if we, just

to sort of give further context to that period,

we made the leap, um, in terms of that strategic pivot.

We got our investors and board

and everyone held their deep collective breath while we've,

um, transitioned into this, this brave deal

and perhaps naively at the time,

because what we didn't really have an appreciation

for was the, the, the, uh, the barriers to entry

to truly build robust, um,

resilient enterprise SaaS software.

And, um, we've, uh, over the past number

of years invested a significant amount of time and capital

and resources into getting there.

But enterprise SaaS, um, at that level

to be a turnkey solution

for a a genuine tier one contractor is

just a different league.

Um, no.

So as we sit now, as I mentioned, we've got, yeah,

over contractor leading contractor names

in the domestic market.

Yep. Um, and they, they've driven the growth in the vendors

since during that period of, say, the three years

that we've been, um, since we last chatted to Andrew,

there's probably, uh, just a couple of key thematics

that are generating some structural tailwinds

and momentum for Felix.

And what I'll do is I'll just touch on those

before we take pause

and I'll talk about some of the, the, um,

then we can move into some of the growth perhaps, um,

perhaps yeah, levers moving forward.

But what we've seen is the applicability

of Felix into what we call related

or adjacent sectors, um, outside of our, our DNA and bread

and butter in those big civil infrastructure projects,

I mentioned some of them earlier.

Um, the big sort of property and REIT players, uh, mining

and resources, uh, is, is really hot for us.

Integrated service services, um, players like Downer

and, uh, UGL, um, service stream, um,

another customer.

Um, then you've got big sort of, um, energy,

power and ports.

So the commonality

and common common use case against these, uh,

with these customers, sorry, is, um, the generally large

decentralized, um, operating models.

So they've got big asset bases geographically diverse

or big, big projects that they work on.

They're, they've got a critical dependence on their third

party supply chain to deliver and maintain these assets

and projects that the supply chain is generally concentrated

in subcontractors or services.

Yep. Um, and there's a high threshold for risk

and compliance and an ongoing need to source for 'em.

So what that's done is really as we've, um, had green shoots

and and momentum into some of these, uh, adjacent sectors,

is really increase our, um,

addressable market exponentially when we, um, look at the,

the runway and,

and fertile ground for adoption in those sectors.

So that's been a really exciting development that

that's really come to fruition.

Yeah. Um, in the past three years.

And another one that's really driving, um, momentum

for us, um, and accelerating uptake, uh,

of the system is just the, the general

external operating environment.

This is not limited to our sector,

but, um, just the accountability, um,

um, that our customers

and prospective customers have for, um, accountability,

visibility, and governance

of the supply chain that they're engaging.

Um, and we see that with things like whether it's ESG

or just compliance

and oversight, um, uh, reporting capability to,

to upward stakeholders and their own shareholders.

And, um, yeah, if you want to get granular, you can look

through their, their annual reports

and, um, sustainability reports around what their executive

and and board are accountable for.

And, um, that thematic,

that supply chain sort of thematic.

What it's meant is, is perhaps in the last three years,

what might feel where Felix may have been a nice to have

sort bolt on, um,

and maybe discretionary investment, we're seeing sharply,

um, accelerate into a must have sort of piece

of accountability for large, medium, and large enterprises.

Yeah. Um, again, when we think about the, the feel, uh,

sectors that Felix has optimized for, uh,

we think we've got be global best in class, um,

that those external sort of structural shifts

and dynamics are really placing us into right place,

right platform, right time. Yep.

That's fantastic. And it, you say years,

but gosh, you know, it is, it is sort of generally the case.

It feels like a long time, but it kind of all that time

and now you're kind of at the starting box in a lot of ways

for, for prosecution of that opportunity. Um,

Yeah, that's absolutely, I think the better part of the,

the first decade you really are kind of akin

to just wandering in the desert a little bit,

but a hundred percent what you're doing is,

is you're surviving as a business and advancing,

but really finding out

and establishing where your ideal product market fit is

with the highest ceiling for growth.

And I think that the last few years have really served

to crystallize that for us,

and that enables you to really direct your focus on

where it's gonna give the most payoff and payback

and accelerate into that opportunity.

Yeah, a hundred percent. Um,

there's a couple things I I want to touch on there.

Um, and you talked about sort of, of network effects,

and it's a phenomena that you, I mean, it's, it's, it's one

of the best phenomena you can, you can hope for as,

as a business that that can boast such things.

But one of the, one of the, um, advantages

outside of the typical sort of definition of an,

of a network effect is it's

probably a social proof component to it as well

as it be like, I think when we spoke, we had,

you had about tier one contractors, so it's close enough

to sort of double then, but it means

that when the sales team goes

and knocks on the door, you've got a lot

of reference customers and the, and there's,

and the customers themselves have a lot of reference sites

and examples that they can kind of use, which from a

customer perspective, very much de-risks it.

You know, you are not some small unknown player

that might look good on paper,

but is untested in the real world.

I've, I've, I've done what I normally do,

which is ask a horribly leading question.

But is is that a fair statement

or am I, am I going up the wrong direction there?

No, no, ab absolutely.

I think that we're, it's something

that we've been really focused on internally is that sort

of just trusted voice within industry

and to sort of, um, kind of resonate

with the, the points that you are making.

We're fortunate in a sense that, um, the sectors

that we service, they're often quite

transient, um, industries Yeah.

People move around from project to project and Yeah.

Um, and if, if they've had a great experience and

or a champion of, of Felix or any platform, they'll try

and, um, embed that where wherever they're headed next.

So we're seeing more of that cross pollination of,

of our own sort of, um, pipeline and, and

Just the familiarity I, I imagine too.

Yeah. Because it's just, it's just a pain in the backside

to learn a whole new system. Right.

That, that's completely right.

And, and thinking back, you mentioned network effects

and the sort of, we're we're referencing the, the two,

the dual sided marketplace, what we contractors

and their vendors, and as more

and of each side use, the more connected they become,

vendors become connected to more contractors in platform

and, and contractors to more vendors.

And when you've got that sort of, um, yeah, I guess go to

solution in, in an industry market

or a sector in an industry, one

of the biggest de-risking elements is

that it can be turnkey.

So if we've got, um, a, a new contractor to customer

that comes along and, and they've got, vendors

that they've, as a business enterprise worked

with over the past few years, yeah.

If we can have coverage of % of those already using Felix

when they're thinking about their own risk profile

and change management, not only internally,

but for their supply chain,

that's a big de-risking component there to you.

Yeah. Yeah. A hundred percent.

And I imagine too, part of the value prop is that

these very large projects, are they, one

of the biggest troubles, as I understand it, is, is

what you might call a coordination problem in the sense that

what you really wanna avoid is a bottleneck.

Because if one aspect, one chain,

one link in the chain is delayed for any reason,

you've got a lot of people twiddling their thumbs,

and it can be quite an expensive kind of, uh, uh, experience

to, to kind of have, is is that really part of the,

the pain point that the, the team try to emphasize on,

on selling that is, is it's model not

so much doing anything.

Um, I mean, they've always faced this problem,

but I guess it's an efficiency consideration

and doing it in a better, in a better way.

We can get you up and running nice and quickly.

We can ensure that all the different parts are talking

to each other nice and nice and clearly,

and there's fewer surprises

and fewer of these bottleneck issues cropping up.

Yeah. Uh, you're % correct.

Let, let's just sort of, um, carve out construction

as a a sector just to sort of, kind

of illustrate that point.

I mean, we've, as a sector flatlining

or secular productivity over the past odd years,

raise the thin margins Yep.

Where everyone's seen, you know, cons, the big players

in the news as, as the sort of the crunch, um, hits.

And when you think about a project

that might be valued in the hundreds of millions

or billions of dollars,

and you think about just the time from when they win

that head contract to, um, to sort of delivering

and handing over the keys to the client.

Yeah. Just divide that by the number of days

and that every day can be sort

of millions or tens of millions.

Yeah. So when we think about these big laggard contractors

and enterprises and,

and the, the gamut of processes, um, uh,

granular processes that just to get,

keep things moving that exist in that.

So just to let a contract to market, uh,

approve a contract subcontract to market

to be bid on Yeah.

Can sometimes require up to signatures. Yeah.

Um, in the old pre Felix world,

this might've been in a manila folder with, um, yeah.

Pages that have been couriered from

side office to side office.

So just keeping approval, workflows, moving evaluations, all

of these things, just that, that one value layer

of process efficiency, to your point,

and productivity enhancement can just mean massive savings

off the bottom line when you think about the scale

of these projects.

Yeah. I, I imagine, um, the, the other thing that we,

you touched on last time, and this is, this is one

of the many challenges of sort of growing and,

and feeling your way through

and pivoting where necessary is that,

I know three years ago, you, you, you spoke of there was,

you know, a degree of technical debt with

what the software was and how it was coded.

You know, the, the, the tech stack that was sort of used

and transitioning and laying the foundations up

for the more enterprise kind of grade stuff.

Do you wanna give us a bit of an update on how that's sort

of gone and where, where the sort

of technology sits this at, at this point in time?

It's, it's one of those things

that I think you, you learn very quickly.

The job is never done. Mm-hmm.

But, but where are you in terms of how,

how are you feeling about the, the,

the tech stack, I suppose is the question?

Yeah. Well, it's, it's an ongoing area of, um, you know,

primary focus of the business and not only the tech debt

and the tech stack, but, um, working with a yeah.

A kind of a, a, a lean resource base

and an increasing sort of customer scale.

Probably one of the most important strategic areas for us,

and I guess others in a similar position as a business, is

how you prioritize what you are going to be working Yeah.

Next, so that it delivers a,

it de risks your operational execution, um,

and delivers as much commensurate value to as much

of the customer base.

Yeah. Moving forward. So one

of our philosophies has always long been configuration,

not customization.

Yep. Like to build things once,

and we can configure that for, um, for all customers.

Um, yep. Tech debt will be an ongoing, um,

I just consideration for as, as long as we're going.

And our CTO always reminds me, not all tech debt is bad.

Yeah. We keep moving things quickly and,

and moving, moving to market, um, uh, as well.

So, um, I, yeah, probably in the last three years,

just to answer the question, what we've,

what we've done is added the, uh, a considerable amount
of depth and maturity into those core four Yeah.

Modules that, um, listeners will be able to sort of dig into
and see in our materials or on Anna website.

Mm-hmm. And then as we look towards the,
the future frontiers of the business
and, um, obviously we've, we've been really fortunate
to have the degree of validation
that we have from the domestic market
and leading players here.

Yeah. Getting Felix, um, you know, while we're ensuring
that we're focused enough on continuing to add maturity
and depth where necessary
to keep all our existing customers happy

and having a great experience with Felix,

but preparing us for that next frontier of growth, um,

we've got, we're being sort of the green shoots

of international expansion coming in with Cornerstone, um,

customers, um, in, in larger international regions.

There is that, that a, as I sort of alluded

to at from the outset, that really burgeoning opportunity

with the, the vendor side

and looking at, you know, adding value to,

to our vendors in platform

and the opportunity to sort of have nominal subscriptions

and upsells, um, for that.

Yep. Well, so yeah, it, it's really multifaceted in terms

of the, just the payback of the debt of what you've built,

um, you know, going back over a decade now and,

and that legacy piece Yeah.

Ensuring that you've got enough robustness, maturity,

s scalability, and your security posture is strong enough

to represent, um, the quality

and scale of tier one customer base that we have.

Yeah. And then that we've got adequate foundations

for future expansion.

So just to give some, um, context to that,

when we think about international expansion,

we've added our multilingual capability

in the most recent quarter.

Um, we've had to do a, a database restructure, um, piece

of work so that larger international contractors can have a

localized instance of their AWS data.

'cause if they're working on big government work,

having sovereign data is gonna be a, a sort of a,

a must have requirement.

So just that, that state of readiness

for future growth, um, yep.

Threading all of those together, um,

or keeping all the balls in the air is always the

challenge. And that doesn't stop.

Yeah. It doesn't, I, I, here's another challenge, which I,

I bet you are very aware of the, the market,

the market mood changes rapidly and,

and also the demands of, let's face it, often very impatient

and, um, trend driven investors.

So where I'm getting at here, I mean, we went

and you, you guys lived this, we went through this,

this phase of very cheap access to capital

with the share market that only really

cared about top line growth.

And then all of a sudden everyone pivoted to, no,

we want profitable growth.

And it's very difficult for an earlier stage sort

of growth company, because on one hand, you know,

investment precedes revenue, right?

You've gotta build it before you can, you,

you can kind of sell it.

And when, when the capital is, is easy and flowing and,

and cheap, you can do all, you can front load a lot more of

that stuff when, when the dynamic shifts your,

your hamstrung a little bit there, maybe in a good way,

may maybe not, but it means that you've, you've kind

of gotta balance these sort of, this tension here

of there's a lot to build and, and, and,

and ideally we, we are building it

'cause we think we're gonna get a good return on investment

on it versus, pandering might not be the right word,

but pandering to a, a, uh, a, a shareholder base

that might sort of be shifting in terms

of its priorities and and focus.

How do you, how do you balance that?

Is it, is it something about more just saying, listen,

this is our plan, this is what we're gonna do.

You're either on board

or you're not, and that's, that's fine.

You can vote with your money or, or do you try

and sort of balance those demands even if sometimes they can

be a bit myopic?

Yeah, it's a, it's a great question.

I think that, um, the, the market journey

of the past three years, we at times have felt like we've

been on seat one a of that rollercoaster.

Yeah. Um, and ultimately we try

and be respectful of every dollar of invested capital

that we've had from shareholders over the journey.

But if we go back to, we were listed in January of ,

pretty frothy time on the markets,

high multiples at the time, and others were listed into,

and we've always been pretty frugal as a business.

We had a great saying, early days we could take care

of our pennies and the pounds will take care of themselves.

So true. But what we did at listing was some necessary sort

of front loading of investment into our scalability

and, um, security team structure to, to be

what we felt like was at a state of readiness

for proper tier one global scale.

Yeah. Um, so that meant that we did have that sort of kind

of increasing cash burn

or level from, uh, listing time to, in

and around, I think it was about March ,

may , we did a placement.

It felt like the next week

after that placement, the door was just shut on the market

and it like shut downturn.

And to your point, you know, the, the old growth,

growth growth, uh, mindset was quickly out the window.

Yeah. And we just needed to be really adaptive to that.

And as a micro cap, um, listed technology, um, stock,

uh, uh, as a board and

and management, the is singular focus quickly became

accelerating our, um, our path

to cash flow break even as quickly as we responsibly could.

Yeah. To just ensure the long term sustainability

of the business and our ability

to stand on our own two feet.

Yeah. Um, now when I say responsibly,

while we had some cost-based restructures along the way,

we were really cognizant

that we were grow growing quite quickly.

And if we, if we cut too much, um, to the point that

that execution restyled up, we always wanted

to be comfortable that we could adequately service,

you know, our existing and growing customer base, um,

and doing the right thing by that.

So we sort of, kind of really diligently measured

what we felt like that timeframe was.

As you mentioned, Andrew, we sort of hit that, um, on time

and on schedule.

And the feedback that to sort of wrap all of that up

that we're getting from the market now is

we're getting resoundingly positive feedback from sort

of existing and perspective institutional funds

who are looking at the business and comparing.

Yeah. Um, what was a lot of businesses

and hot money coming in around that time.

If we think about the vintage where we listed

and then viewing Felix as a really real business.

Yeah. Um, that's high quality

and servicing, you know, really strong customer base

with a significant future growth prospects and,

and opportunity moving forward.

That feels like there's a really sustainable business model.

And when you look at our end of the market

and tech, uh, micro cap, you know, we here

and I observe, I think there's just a, a lack

of really high quality companies.

And if we can be Yeah.

One of those with real sort of large cap potential, um,

in us, then it's, it's about execution and, and planning

and strategy moving forward.

But I think we've got that opportunity.

Yeah. Look, the numbers are absolutely speak

for themselves over time, and I'm really glad to hear you.

You sort of say that you, you, you,

you didn't take your foot off the pedal too much.

This is something that I, I don't think a lot of investors,

uh, uh, appreciate.

I mean, you can do all kinds of clever things as a,

as a board and management team in the short term that'll

very quickly change the cash flow calculation.

Uh, but if it undermines you, to your point, your ability

to deliver for customers the quality of the product,

all you do is short shoot yourself in the foot.

So it it, there's a balancing act, right?

It's not like just throw every spare dollar,

you can earn more at investment.

And it's not about put, you know, pull pull the neck in

and do nothing, but you certainly don't wanna pull back too

far because that, that also has consequences.

Um, particularly, particularly when you,

when you're pursuing an opportunity that is, that is,

that is so vast and,

and when you've got a bit of momentum underway.

So I'll just, I'll just put that out there for, you know,

to, to add, to add to the, the, the,

the comments that you might hear.

I, I hope that people aren't pushing too far,

pushing back too much on the, you know, Mike,

give us cashflow, give us profitability.

'cause like yes, that's nice

and you must have that inevitably,

but it is a balancing act, I guess is my point.

Yeah, no, absolutely. We wanna strike the right balance

of growth and profitability.

I think we're sort of, we've clocked three years

of keeping opex effectively flat.

Yeah. We've maintained what is, yeah, I think a pretty sort

of, um, decent top line clip, um, over that time.

But, you know, again, I think we were fortunate

that we just didn't have a lot of fat in that,

that opex to begin with.

It is what, it's not, we're not one of those tech business

that is sort of sort of like oozing perks Yeah.

Everywhere. And I think that makes it a,

you're a little bit better position when

that turn belt tightening, you know,

event inevitably comes that Yeah.

There's not a culture of just sort

of expectation of those sort of things.

Yeah. Awesome. Look, so there's a, there's a bunch

of stuff we haven't even got to yet,

but what I, what I might do if I, I can, Mike,

is I'll just flick to some questions

because I do have a habit of crapping on

for too much, and then we run out of time.

So I'm gonna get to them now if I can and,

and then we'll, we'll go from there.

Um, third party risk is increasingly challenging

for businesses in finance compliance

with APRO two is coming in July.

And separately, businesses are more

and more concerned about modern slavery

and other associated risks in their supply chains.

How is Felix adjusting to support this?

Yeah. Alli's just super to, it's one of our sort

of leading thematics really, um, in terms of sales cut

through to the market is third party sort

of risk supply chain risk management.

Yep. Um, if you look through our materials online,

we actually did a, a, an in-depth white paper a couple

of years back called Building in the Dark,

which was all about supply chain, uh,

risk management in sort of construction, um, industry

and, um, modern slavery.

Um, was, was mentioned there, I think sort

of scope three emissions reporting.

Another one, we just think about infrastructure project.

Um, we've got big contractors who not only bid on these up

to billion dollar contracts with their price.

Um, and one of the challenges is industry is a race

to the bottom on price often, which is linked to problems.

But, um, they're competing on their, um, sort

of social sustainability targets like indigenous

participation, female participation and contract.

So local supply.

Um, so what in terms of risk management in, in that context,

what Felix does is when they sign up to these big targets

to hit, we give them a platform

that provides them visibility

and governance on how they're going, sort

of mid-flight project on, on achieving those targets.

So, um, effectively when we think about

the, the supply chain that are actually being engaged, um,

by these businesses, the more information

that we provide them at their fingertips when they're making

fast business decisions.

And we'd like to say, you know,

informed business decision making.

Yep. That is sort of, kind of, yeah.

Managing and mitigating risk at all

of these different touchpoint along the way just

by giving them visibility, um,

and sort of decision making governance at all

of those touch points along the way.

And another one of the characteristics

of the supply chain management of our sectors

that we target is that often those

who are on the frontline on project teams

or asset teams that are actually doing the engagement

and the sourcing with the vendors

and the supply chain rather than big centralized

procurement expertise teams.

So giving them the right tools

to have this information on hand,

I think collectively speaks to it,

but ultimately the core of what we do, um, and,

and our sort of, uh, reason for being at Felix is around

that supply chain risk management theme.

Yeah. Nice. Um, whilst procurement

and vendor management policies are similar from company

to company, they're not the same.

This makes it difficult

to simplify pre-engagement questionnaires.

How is Felix simplifying this in its ecosystems

and has it been able to reduce supplier slash buyer

effort in this space? And if so, how?

Yeah, absolutely. Again, one of the core tenets, um,

of our platforms are great questions.

Whoever is asking these. Thank you.

Um, the prequalification

questionnaires, just to be able to green tick as a supplier

to be able to work with a large contracting business is a

really cumbersome and manually intensive age old

problem in industry.

Those who, yeah. You know, everyone's an investor here,

so you'll notice even working with a, a broker just

to get your compliance checked work there,

they're increasingly administratively burdensome

as compliance regulation and white tape dials up.

Um, having said that, what we do really is we digitize

and streamline these processes, um, and,

and even make them contextual.

So if you think about, um, a, a vendor base

of a thousand vendors for a particular contractor, um,

se segmenting those vendors by risk

or category allows us to shrink ramp that questionnaire

or expand it depending on, um, their risk profile

as a business, even if they just answer yes

or no to a question that unfolding, you know,

upload a document as evidence

or those sorts of things really speed up the process.

So, um, what we do, again, that configuration,

not customization, um, thread, is that we, um,

basically provide an environment

for each contractor customer to be able to, um,

configure their own questionnaires

and we assist them with best, best practice, um, in doing

that, where we see future opportunity now is leveraging

obviously the advances of AI

and the like to be able to automate, um,

these processes for vendors.

So say if they answer, um, a, a bunch of questions

for contractor, client A, client B comes along, if they,

they're asking % the same questions,

we can just use their previous answers.

Yeah. We already centralized their insurances and licenses

and documents for them.

Yeah. So just getting all of those,

I guess just administrative, the prequal

and compliance is one area, but just keeping our vendors

and our contractors, their human resources focused on

productivity enhancing tasks

and just automating these processes as best we can.

Well, just a follow up from me on that, Mike, I, it feels

as though, I mean, compliance

and regulation is just a burden That is a reality

that businesses have to have to deal with

and whatever the ideological view is,

that's just the reality of it.

But is it fair to say that it's actually, it's, it's a,

it's maybe a counterintuitive kind of comment

and maybe completely wrong,

but I would imagine

that a increasing compliance slash regulatory landscape is,

is good for you guys in that,

and that it makes a solution that makes that pain go away

or minimize it a little better.

Uh, it, it certainly plays into our hand

because as it becomes more, um,

burdensome administratively

and, um, human resources are just drowning in, um, the,

the sort of compliance and,

and prequal related staff, then their hand is forced

to be able to try

and look for, um, fit for purpose tools to str, you know,

automate and streamline those processes.

Yeah. The risk that still exists just

by digitizing processes is that it becomes,

it stays a box ticking exercise for big business.

And because that's not really helping them deliver a big

project on time

and on budget, it's helping ensure that they stay compliant.

Um, they're gonna race through it.

So if we can leverage increasingly leverage tools such as AI

to actually kind of do the heavy lifting on, okay,

I've got the answers, where are the risks?

Where are the key risk areas here? What do we need?

What should we be dialing into a bit more so

that we can make sure that the compliance information

that we've gathered remains and delivers valuable insights?

Not that we've just collected it, um, screened it quickly,

I think from is is the challenge moving forward.

Nice. Okay. Next question.

There are many strategic sourcing practices with some

of the large consulting firms like the accounting

Big Four and Accenture.

There are also some niche players in this space, like ISG.

Does Felix support a managed service model

for its technology technology solutions?

And if so, how many partners do you have?

We have a, a handful of partners, um,

who are leveraging Felix on bids

and yeah, they are sort of procurement services out sort

of managed service providers,

but again, they're gonna look to leverage a system, um, in,

in concert with what they do.

We're increasingly seeing that on some big, um,

mining project bids, um, um, international ones as well.

We've flirted in and around with the big four, um, prior

to listing Deloitte an invested shareholder, um, yeah.

In Felix, um, that fund wasn't structured to hold listed

equities, so, um, they had to divest at the time of listing.

But what we kind of find with the big four is

they really love the e big ERP implementations

because they take years and they attach to them,

and it's just like, it's, it,

they can milk that for all its worth.

Yeah. Whereas Felix is a pretty lean implementation in terms

of enterprise software,

and it just doesn't probably have the, the meat on the bones

that those big big four are looking for,

but the, the, the procurement specialists sort of advisories

and consultancies, we see them as, as more of a sweet spot.

Yeah, that makes a lot of sense.

Um, so you mentioned AI

before, so this is always going to gonna come up.

Um, the, the question here is generative ai,

could foreseeably play a role in commercial contract review

detecting the inclusion

and the mission of key contract, uh, key commercial terms,

both generally, uh, including, for example,

most favored nation clauses, but also industry specific.

Where is Felix on the journey in terms of harnessing AI

Early? Um,

we launched our first kind of what we call

what we, at the time were, we're happy to call ai, um,

embedded into the platform, which was automated, um,

li uh, document reading.

Um, so licenses

and certifications to transpose that metadata, um,

and save humans manually transcribing it.

Yeah. Um, at the time of launch, we were proudly declaring

that out, uh, initial step into ai, then all the LLMs, um,

came out and generative AI

and was sort of a little bit embarrassed about

seeing from the rooftops.

So that's ai. So yeah, I think we're, we're early stage

and to sort of put that in the contract, um, sort of, uh,

applicable, um, applicability was mentioned

and if we think about our four modules, if,

if readers are interested, uh,

listeners are interested to take a look.

Our last one in that sort of, um, linear sequence

of modules is our contracts module.

And in current form that's more

of a contract repository centralization,

it's got some key dates and reminder value adds,

but, uh, one of the next greenfields projects for us is

to develop that into a fully fledged contract management,

um, and contract lifecycle management module.

And we think that there's real opportunity

to leverage, yeah.

Risk management in contracts, um, uh, down

to clause level, um, um, for customers within that

and to, to the point leveraging, um, AI in

that I mentioned AI opportunity in Yeah, pre-qual

and just automating responses based on previous responses.

Um, we think that there's opportunity in providing, say,

our vendors benchmarking

where they stack rank against peers in terms

of sustainability offerings, pricing offerings,

all sorts of things.

So given that the, just the compelling breadth

and depth of data that we are collecting as a platform, um,

there's a, um, a world of opportunity to, to kind

of leverage that with AI moving forward.

But yeah, to sort of circle back to the original point,

I think we're early in that journey.

I, I'm, I'm, yeah, I'm really glad you, you made

that mention of ai.

I, I'll, I'll put this to you as a, as a comment and,

and keen for your reaction,

because look, I can tell you from where I sit, Mike, we,

we do a lot of these interviews

and AI is the new black like guarantee, you know,

everyone is talking about it, but it was really interesting

looking at your latest, uh, results presentation, no mention

of it that I, that I could see there,

which firstly I commend you on in, in resisting the, uh,

the, uh, urge to sort of be inside the hype bubble.

But I think what was really interesting

what you said there is, is that,

and this is, this is my view,

and I really hope you can push back on this if, if possible,

but AI is an off the shelf kind

of technology increasingly these days.

So for someone to say, Hey, we use ai,

it's going well, great.

I mean, I use ai, right?

And I'm not a, certainly not a \$ million listed company.

Um, but

where the edge lies is in giving it something to feed on,

which is the data, right?

Like, that's, that's the thing that no one can easily

steal from, from Felix

and will always need to be playing catch up on.

Is that a fair comment? And is there any,

anything you would elaborate there?

Yeah, I, I think you're absolutely right.

I think, uh, it's obviously the shiniest new badge to,

to slap on, and everyone's probably looking

for a slight multiple uplift by saying that they're an ai,

um, forward company, no doubt.

Um, in terms of, uh, you mentioned you are using it, but,

and increasingly individually

and internally, our teams, uh, are sort of using it.

So as we being, I guess kind of considered, um,

and really deliberate in our thinking around

how are we gonna leverage it

as a customer facing platform Yep.

Um, moving forward. Yeah.

It's about considering where's the value in the data lie

and how can we execute so that it's not just AI

for AI's sake, just to be able to, you know, say that,

you know, we're a AI led yeah.

Now AI agent led,

but how can we really save meaningful time to users,

core users of our platform

and deliver value, um, to them

to make them more productivity, uh, enhanced away from Felix

in terms of, yeah, our own sort of reporting.

Now, it's not that there's, there's nothing to talk about,

but I can see Harry from vesparum on the line as well, who,

um, works with us on our, all of our ai,

but I, sorry.

Um, but we're really sort of, I think, um, kind

of conservative in what we, um, communicate to the market

and it's gotta be really real and, and here

and now for us to be, to be talking about it.

And I think, um, that's important

reputationally for us with the market.

Yeah. No, well done.

Um, last question I've got from, from the group here.

Uh, who are your major technology competitors in this space,

and how do you feel you differentiate?

There's a second part to it, but I'll pause there.

Yeah. Um, the, the first one's not gonna be overly sexy,

but that's the biggest competitor is

what we call the do nothing approach, right?

And the organization sticking with, um, emails,

spreadsheets, um, point, little point solutions, um, in,

in parts of the, the processes that Felix covers.

And, um, again, to the point more

and more we're seeing sort

of just like this structural winds forcing change, um,

and forcing, uh, companies to evolve and adapt.

And, um, that's playing into our hand.

I, I, I would say across the breadth of our sectors

that we target it is those larger, um,

big pro bigger procurement platforms.

Um, because when you think about the sort

of the vendor management piece plugging into source

to contract functionality, which Felix brings together,

they're the platforms that cover that sort

of functional footprint.

Um, they don't have the sectority that Felix does.

So those names, again, to just recap, like SAP's, Reba

platform, cuss, S-Y-C-U-S, there's Jagers, um,

JA double GAER platform,

and maybe Cooper, COUP is another one.

They're just big well-known names,

but they just sort of very sector agnostic. Yeah.

Yeah. The second part to the question here was, uh,

in technology procurement, there's a niche UK player called

Vertice, I think I pronounced that right?

V-E-R-T-I-C-E.

Do you have a perspective on their approach at all?

And is that an area you'd moved into

or is the focus more on key Australian industries?

Uh, they're a name familiar to us

because we're a customer of vertes, so we love them.

Okay. Um, and I say, yeah, there's a,

there's a distinct nuance in the, um, in, in the

model, I guess, uh, business models of the two

and, uh, vais aren't built for managing the sort

of vendor, vendor management

and procurement practices of our type of customer.

Um, they suit us very well

because not only do they manage, I guess, um, vendors

that we have as a business and contracts that we have,

but they actually come in and do negotiation on your behalf.

So say we're coming up to a, a Salesforce, um, renewal,

who's our CRM, they'll use benchmarking data

that they've got across other similar use cases

and actually come in and,

and sort of be that kind of plugin, um, expertise

to negotiate with the, the tech vendor.

So it's as much their, their database of sort of con um,

you know, similar peer contracts.

Um, yeah. So we, we love them,

but it would never be a sort

of crossover in terms of competitiveness.

Um, last time we, we chatted Mike, there was, um,

you made the comment that over time you felt

that the international revenue would be the lion's share o

of revenue, and obviously, you know, Australia's %

of the global economy, so that, that absolutely tracks.

And I, I do note that you signed your first international

customer, uh, relatively recently.

So do you want to, do you wanna walk us through, um,

a whether that's still, you know, is, is your view and,

and, um, and, and focus still there and,

and just an update on

and on terms of the international side of things?

Yeah, sure. Um, it, it is certainly the sort of the,

the bigger picture view.

I think that remains, um, yeah, true as, as strong as ever.

Um, we've been slower, I think, to get

to meaningful progress than probably anticipated.

Um, the, the kind of counter effect

to our really disciplined focus on being lean in the cost

base and cashflow profitability,

profitability has come at the investment of, of sort of,

um, greenfield's growth opportunities

and international expansion being, being one of those.

So we've been really opportunistic, um,

with how that's coming about.

We're certainly not, I guess, raising tons of cash

and going over into a new market

and sort of setting up shop with a big sales

and marketing budget and saying, Hey, we're here.

Yep. Where we, um, again, this is sort

of outlined in our materials,

but another part of the secret source

of Felix when we think about

that international expansion is given the scale and profile

and nature of some of our domestic customers, they often,

they're often part of a larger global group.

Um, they're often the APAC subsidiary

or an Australian subsid.

They've got a larger international parent company.

And what we're increasingly seeing is what we are doing

with the domestic, um, entity here is being seen

as best in class in terms of vendor management and yeah.

And procurement. And we're almost being dragged upstream

into these bigger, larger international

opportunities as a result.

So effectively that's akin to expansion selling, really.

It's sort of from the inside

and that's a lot easier than selling new to getting new

logos, um, landed.

So we're really, um, buoyant about how that's progressing.

Yeah, you mentioned DRA global, which is

our first headline in, um, international contract.

They following a month pilot with South Africa renewed

for three years and expanded that

to the broader AMEA region.

Uh, we're now working with them on expanding that

to their other international regions.

So capacity would be a fully global contract for us.

Um, if, uh, keep, keep your eyes out on um, announcements,

um, in the near future we'll have some future updates, um,

as well, um, all going well.

So yeah, I think it's just been incremental in progress,

but conviction of, um, Felix to be a global leader

and the global thematic that global supply chain

and risk management thematic has increased if,

if nothing else in that period.

Interesting time is fast running out.

So I'll, I'll have one more question

and then I'll, I'll pass to you

for some closing comments, Mike.

But the, the, when I look over the last three years,

as I mentioned, it's, you know, in excessive % compound

for the recurring revenue element to it,

but it, it is very much been driven by the contractor, uh,

a RR with the vendor, a RR, just more

or less steady o over that period.

But it's something that the business continues to sort

of highlight in terms of a lot

of latent earnings capacity there.

Talk us, talk us through that.

What, what, why, why, why that latency there and,

and when do you feel, I'm not, I'm not being hyper specific,

I don't want you to put a date on or anything like that,

but just generally when do you feel as though

that will start to sort of put its shoulder

to the wheel in terms of the overall group? A RR?

Yeah. No, I thought you'd never ask

Andrew, so thanks for that.

You're welcome. Really exciting part when you think about

bigger picture opportunity here, um, something

that insto funds are really keen to, to dig, dig into and,

and understand what the landscape looks like as well.

And, um, I always like doing back

of the envelope calcs when you sort of, um, naval gaze in,

if you think about, um,

potential a hundred mil a RR summits in this business

and think about both sides of the, the ecosystem we've got.

If we're averaging a hundred thousand k, um,

a RR per customer on our enterprise side,

you gotta get a thousand customers to get to that, um,

uh, a hundred mil mark.

If you think about the vendor side,

and you can sell them at a bucks a month, which is, yeah,

a thousand dollars a year, that's a hundred

thousand on the vendor side.

So we've already got a hundred,

, plus vendors locked in just from our first

enterprise customers.

If we can continue to accelerate on that contractor side,

um, and, and execute on the international opportunity,

you can see a line of sight, I certainly can to getting

that ,

or now up to a million vendors globally in the ecosystem

over the coming years.

If you can convert , % of them to paying,

you're at a hundred more a RR.

So what that, just in a really bigger picture sense,

you can see that some of the, the real pot of gold in this,

um, uh, in this, in, in within Felix lies in our ability

to commercialize what's real already in terms

of the hard work already being done,

a captive audience in terms of platform ecosystem

because it's being mandated by the,

the contractors who are adopting it.

So again, why aren't we there yet?

Bandwidth limitations, working

with a really lean engineering team

and not wanting to drop the ball on servicing.

What's our pillar, one of making sure

that we're servicing existing customers well,

so we're being very, I guess, deliberate

and kind of patient in that strategy.

But to circle back to an earlier point, the more contractors

that get, uh, connected with more vendors in platform.

We're threading knitting those network effects more

and more, which makes you sort of capacity

to turn on monetize, add value,

and monetize at, at a later stage, um, even greater.

So, um, yeah, just to sort of round it out,

we've got internal projects already happening

around our sort of foundations to be able to, now

that we've sort of, kind of achieved those cash cashflow,

um, break even catalyst quarters consistently.

Okay. Where's the, the, the, um, the growth, the step change

for growth opportunities moving forward?

We've been consistent in that growth rate, as you've said,

but if I think if we wanna

achieve what's possible within this business, we need

to be looking at step changes in growth rate as well.

And that's, I think that's an exciting, um, part

of the opportunity moving forward.

Awesome. Um, yeah, as I said, I want,

I want to be respectful of your time.

I'll let you go, but you know, what, what are your,

what's the one, I guess, key message you'd, you'd want

to convey to, to shareholders

or potential shareholders in regard to the business

and its, and its prospects?

Yeah. I, I think if you just look out, zoom out from, um,

when we were listed to now,

and even going back to those initial sort of, um,

IPO presentations, the business has, um, matured

and grown night and day towards then.

And I think the, the opportunity landscape now

and our ability to capitalize on that is greater than ever.

I think that there's been a general sort of lack

of awareness of Felix and,

and the strides that we're making, um, in the business.

So I think it's just a, a great time to sort of be on

that journey and sort of get to understand more

of the business, uh, the, the business deeper.

Um, it's B2B, um, procurement, not the things

that normally jump off the page, but some investors.

But, um, one of the great things about marketplace

and enterprises, they can be really sticky, uh, revenues

and annuity streams if you execute well.

Yeah. Yeah, mate, it, it's, um, it's been,

as I said at the start, it's been fascinating to watch the,

the business grow and evolve over those three years.

We won't leave at three years

for the next, uh, uh, catch up.

Um, but look, mate, thank you so much for your time

and, and keep up the great work.

I appreciate the interest, uh, Andrew and,

and everyone who's dialed in. Thank you.

Excellent. Thanks Mike. Bye. Cheers.