

28 October 2022

FIRST QUARTER FY23 BUSINESS UPDATE

Q1 FY23 HIGHLIGHTS:

- ◆ Sales orders of \$3.4M (TCV¹) in Q1 FY23; (\$16.2M in Q1 FY22 or \$17.4M in constant currency²)
- ◆ Contracted Annual Recurring Revenue (CARR) of \$17.9M; (\$17.3M at 30 June 2022)
- ◆ Annual Recurring Revenue (ARR) run rate of \$15.5M; (\$14.4M at 30 June 2022)
- ◆ New partnership with Nuvodia to target outpatient radiology clinics and community hospitals
- ◆ Cash on hand \$21.5M; (\$25.7M at 30 June 2022)

Mach7 Technologies Limited (“Mach7” or the “Company”) (ASX:M7T), a company specialising in innovative medical imaging software solutions, is pleased to provide this quarterly update in conjunction with the release of the Appendix 4C – Quarterly Cash Flow Report.

SALES ORDERS

Sales orders for the first quarter of FY23 were \$3.4 million (TCV), down on the \$17.4M achieved in Q1 FY22 which benefited from Trinity Health and Advocate Aurora Health contract expansions and the addition of St. Luke’s Boise to the customer base.



Total FY23 Q1 sales orders comprised:

- \$2.1 million (or 61%) of Annual Recurring Revenue (ARR) sales (support & maintenance contracts and subscription licenses recognised as revenue upon the customer achieving First Productive Use (FPU)),
- \$0.2 million (or 7%) of capital software sales (immediately recognised as revenue in FY23), and

¹ Total Contract Value (TCV) means capital software license fees, professional service fees, annual subscription fees and annual support fees over the life of the contract.

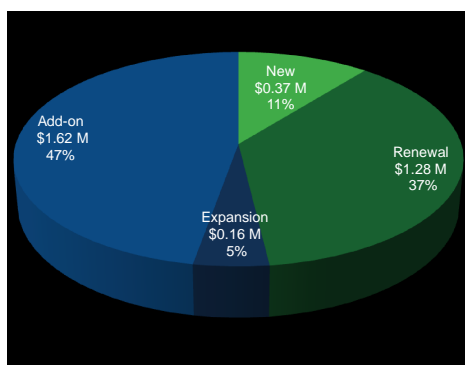
² Normalised exchange rate as at 30 September 2022: AUD/USD = \$0.684

- \$1.1 million (or 33%) of professional services sales (to be recognised over time upon the achievement of implementation milestones).

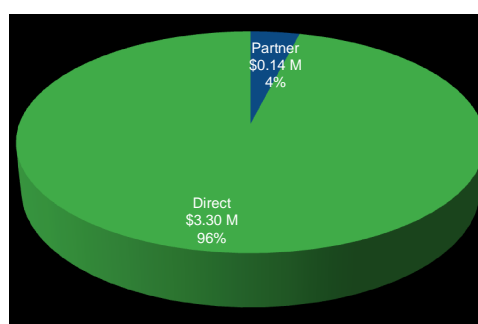
A pleasing trend is the increase in Annual Recurring Revenue (ARR) sales to 61% of total Q1 sales orders from 58% in FY22 and 49% in FY21. This continues to suggest a shift in the procurement preferences of Mach7 customers from term capital software license sales (a capex purchase) to subscription license sales (an opex purchase), as more customers lean towards spreading the cost of software over the usage term rather than paying 100% upfront.

Customer endorsement of the Mach7 product suite was evidenced by the 89% (or \$3.1 million) of Q1 sales orders from existing customers in the form of contract renewals, add-ons of other Mach7 products and volume expansions. This also validates the long-standing land and expand approach and its effectiveness. Mach7's FY23 sales pipeline is weighted toward new customers with the timing of these orders expected in subsequent quarters.

Q1 FY23 Sales Orders By Order Type (TCV)



Q1 FY23 Sales Orders by Source (TCV)



PARTNERSHIP FOCUS

Partnership sales of Mach7's eUnity viewer accounted for 4% of total sales orders in Q1, an improvement on the prior quarter which comprised 100% direct sales. Mach7 expects continued growth in partnership sales and to that end has forged a new partnership with Nuvodia, a US national radiology technology service provider, to target outpatient/ambulatory radiology clinics and community hospitals where the entire Mach7 product suite can be promoted.

Mach7 and Nuvodia will promote the value to healthcare organisations of implementing an independent enterprise-wide solution that empowers clinicians while reducing costs and leveraging existing IT investments. Once deployed, the Mach7-Nuvodia platform will provide a comprehensive universal visualisation and workflow experience combined with a powerful data management platform and Vendor Neutral Archive (VNA) to tie all imaging data together with complete control and flexibility. This independent design will also drive cloud connectivity, Electronic Medical Record (EMR) and Patient Portal image enablement, and interoperability with advanced applications including Artificial Intelligence (AI), business intelligence and analytics.

RECURRING REVENUE GROWTH

Annual Recurring Revenue (ARR)

Mach7 is currently generating \$15.5 million of Annual Recurring Revenue (ARR), a run rate calculated by annualising the sum of revenue earned from support & maintenance contracts and subscription licenses in the month of September 2022. This run rate has increased 7.6% from \$14.4M as at 30 June 2022 and will continue to grow as software is fully deployed to existing and new customers.

Contracted Annual Recurring Revenue (CARR)

Sales orders for the quarter have contributed a further \$0.6 million (since 30 June 2022) to the Contracted Annual Recurring Revenue (CARR) base which now sits at \$17.9 million. Mach7's CARR consists of the \$15.5 million ARR run rate for customers that have achieved FPU of the software, plus \$2.4 million of subscription and support & maintenance fees not yet recognised as revenue because FPU is still pending.

CASHFLOW AND CASH RECEIPTS

Cash receipts from customers for Q1 were \$2.6 million, down \$0.7 million on the previous corresponding period (Q1 FY22: \$3.3 million). Cash receipts in the first quarter are often softer than other quarters due to the cash and collections push at the end of the previous financial year. This combined with the first quarter cash outflows arising from salary actions and Short Term Incentive Plan (STIP) payments resulted in a negative operating cashflow of \$5 million for Q1 FY23. Notwithstanding the historic pattern of negative Q1 cashflows, Mach7 expects to remain operating cash flow positive for FY23 as it has in the preceding three financial years.

The financial position of the Company remains strong, with no debt and \$21.5 million cash on hand, down \$4.2 million or 16% compared with cash of \$25.7 million at 30 June 2022. With positive FY23 operating cashflow forecast, Mach7 expects its cash balance to build over the balance of the financial year.

OUTLOOK

Mach7 remains confident of achieving its FY23 sales order forecast of at least \$36 million, which represents a 20% increase on the FY22 target of \$30 million and +8% on the \$33.2 million achieved.

Ongoing merger and acquisition activity in the healthcare sector, together with the continual technological improvement strategies employed by its participants is creating strong demand for Mach7's products and services. This increasing demand has produced more inbound RFPs and new sales opportunities, and the organic growth and expansion plans of the existing customer base continues to be very positive, as evidenced by the Q1 sales order contribution from existing customers.

The Company expects +20% revenue growth in FY23, underpinned by a healthy pipeline and the recognition of revenue from the Trinity Health and Adventist Health sales orders as Mach7's software progressively goes live to existing clients.

PAYMENTS TO RELATED PARTIES OF THE ENTITY AND THEIR ASSOCIATES

The payments as disclosed in section 6.1 of the Appendix 4C released below related to:

Payment of \$85,317 for Director's fees and superannuation for the quarter; and

Payment of \$318,330 for Executive Director's salary and superannuation for the quarter.

QUARTERLY WEBINAR

The Company will hold a webinar with CEO Mike Lampron and CFO Steve Parkes on, Wednesday, 2 November at 10:30am AEDT, to discuss the September 2022 quarterly results released to the ASX today. Investors can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_nOcx9fXBSseov7_rqQ1Ygg

Investors can submit questions prior to the webinar to Rebecca.Thompson@mach7t.com or can ask questions via the Q&A function during the webinar.

Released on authority of the Board by:

Mike Lampron
Managing Director and Chief Executive Officer

For more information, contact:

Investor Relations:

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About Mach7 Technologies:

Mach7 Technologies (ASX:M7T) is a medical imaging systems provider that develops innovative image management and viewing solutions for healthcare organisations. The core of these offerings is the Mach7 Enterprise Imaging Solution, encompassing Enterprise Data Management, Enterprise Diagnostic Viewing and Diagnostic Workflow applications. Mach7's Enterprise Data Management solution, consisting of a powerful Vendor Neutral Archive (VNA) and data administration tools, allows for the fast storage, access, retrieval and viewing of images across a healthcare network with connectivity to the Cloud. In July 2020, Mach7 acquired Client Outlook and the eUnity Enterprise Diagnostic Viewing technology to augment Mach7's Enterprise Data Management and Diagnostic Workflow applications. eUnity is a zero-footprint, FDA-approved, image viewing solution that makes images accessible on any workstation. This offers healthcare professionals consolidated access to all patient images and data, ensuring clinical staff have timely access to the right information to diagnose and treat patients. Uniquely, the company also gives customers independence to deploy its solutions either on a component basis or in a unified comprehensive platform. Mach7 has built a global network of diverse customers that range from expansive Integrated Delivery Networks, National Health Systems, medical research facilities, and large academic medical institutions to regional community hospitals, private radiology practices, and independent provider groups. Visit [Mach7t.com](https://www.mach7t.com).



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Appendix 4C

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

Name of entity

Mach7 Technologies Limited

ABN

26 007 817 192

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,641	2,641
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(233)	(233)
(c) advertising and marketing	(191)	(191)
(d) leased assets	(52)	(52)
(e) staff costs	(5,949)	(5,949)
(f) administration and corporate costs	(1,268)	(1,268)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	-	-
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	(5,048)	(5,048)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(39)	(39)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(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 (cash acquired in acquisition)	-	-
2.6	Net cash from / (used in) investing activities	(39)	(39)

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	54	54
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	54	54

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	25,748	25,748
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,048)	(5,048)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(39)	(39)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	54	54
4.5	Effect of movement in exchange rates on cash held	831	831
4.6	Cash and cash equivalents at end of period	21,546	21,546

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	14,121	18,323
5.2	Call deposits	7,425	7,425
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)	21,546	25,748

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	404
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>		

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)	(5,048)
8.2	Cash and cash equivalents at quarter end (item 4.6)	21,546
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	21,546
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	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?	
	Answer: N/A	
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?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>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.</i>		

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:28 October 2022.....

Authorised by: ..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.