ASX Announcement

24 January 2024

FY24 Guidance Update: Subscription Transition Accelerates

PRELIMINARY UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

- Sales Orders of A$49.5M (TCV)[1], up 92% on H1 FY23 (A$25.8M)
- Contracted Annual Recurring Revenue (CARR) of A$26.8M, up 30% on 30 June 2023 (A$20.6M)
- Annual Recurring Revenue (ARR) of A$18.6M, up 9% on 30 June 2023 (A$17.0M)
- Total revenue of A$13.3m, down 19% on pcp[2]; recurring revenue of A$9.9m, up 21% on pcp
- Cash on hand of A$22.7M, up 10% on 31 December 2022 (A$20.6M) and marginally lower on 30 June 2023 (A$23.4M)
- FY24 guidance revisions: Sales Orders to exceed A$60M; Revenue of A$27M-30M
- Reiterate guidance for Mach7 to be operating cash flow positive in FY24.

Mach7 Technologies Limited ("Mach7" or the "Company") (ASX:M7T), a company specialising in innovative medical imaging software solutions, today provides a trading update based on unaudited management accounts for H1 FY24 and revises FY24 guidance.

Mach7 CEO Mike Lampron said: "The first half has been a record-breaking period for Mach7 as we achieved our FY24 target for sales orders of A$48m in the first six months of the year. Continued loyalty from existing customers was evident with the bulk of sales orders representing contract renewals. Many of these customers as well as new customers have opted for subscription rather than capital licences. This is a trend that is gaining momentum and is also reflected in the composition of our sales pipeline.

"Our upgraded FY24 guidance for sales orders reflects our renewal program and strong interest in our product suite. The sales orders secured this half have translated to a 30% increase in Contracted ARR to A$26.8M compared to June 2023 which represents future revenue once First Productive Use[3] is achieved for new customers as well as additional revenue from existing customers from the effective date of renewal.

"We are extremely pleased to have locked in this high quality, recurring future revenue, although note that our transition to a subscription model has a short-term revenue impact given the 12 to 18 month lag to reach FPU and recognise this revenue. Consequently, we have revised our FY24 revenue guidance downward due to the changing customer preference for a subscription model and the different timeframes for recognising revenue under a subscription versus capital model. Ultimately, the transition from a capital to subscription model means that we will have higher quality recurring revenue that will provide greater earnings reliability and less volatility."

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[1] Total Contract Value
[2] Previous corresponding period
[3] First Productive Use (FPU) is usually achieved 12-18 months after contract is signed.

FY24 GUIDANCE REVISIONS

Given the strength in sales orders and dramatic shift toward subscription sales that has occurred during H1 FY24, Mach7 has revised its FY24 guidance as shown in Table 1 below.

TABLE 1: REVISIONS TO FY24 GUIDANCE

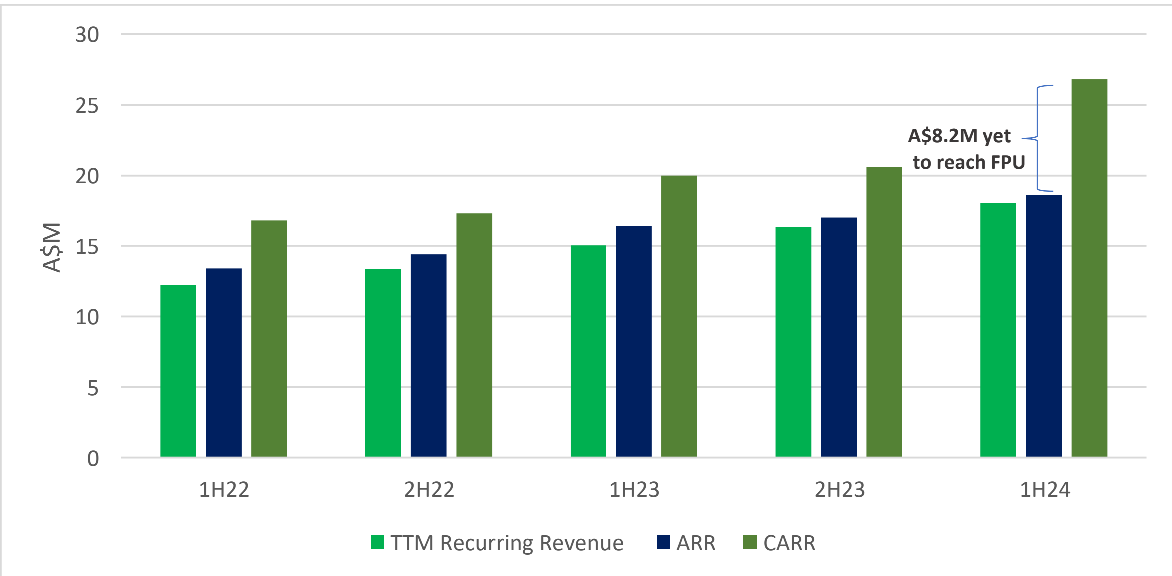
Previous FY24 Guidance	Revised FY24 Guidance*
• 20% sales order growth, A$48M for the year • 15-25% revenue growth • Lower opex growth than revenue growth	• Sales orders >A$60M • Revenue of A$27M-$30M • Opex growth < 15%
FY24 Guidance Reaffirmed	
• Cashflow positive in FY24	

*** Revised FY24 guidance is based on an average exchange rate: AUD/USD = $0.65**

Sales orders are expected to exceed A$60M in FY24. This builds on the strong performance in H1 FY24 with a record A$49.5m in sales orders of which 87% is related to Subscription and Maintenance and Support sales. H1 FY24 was unusual due to the high level of renewals which represented 58% of sales orders. This large renewal program highlights the sticky nature of Mach7's customer base which has delivered some additional revenue by way of price growth, add-ons and expansions, highlighting the success of Mach7's land and expand strategy.

Chart 1 shows that the strong H1 FY24 sales order result led to a 30% increase in CARR from 30 June 2023. This is an important metric because it provides an indication of future ARR once FPU is achieved, usually 12-18 months after contract signing. The gap between CARR and ARR was approximately A$8.2m on 31 December 2023.

CHART 1: CONTRACTED ARR (CARR) LEADING INDICATOR OF FUTURE RECURRING REVENUE (A$M)[4]

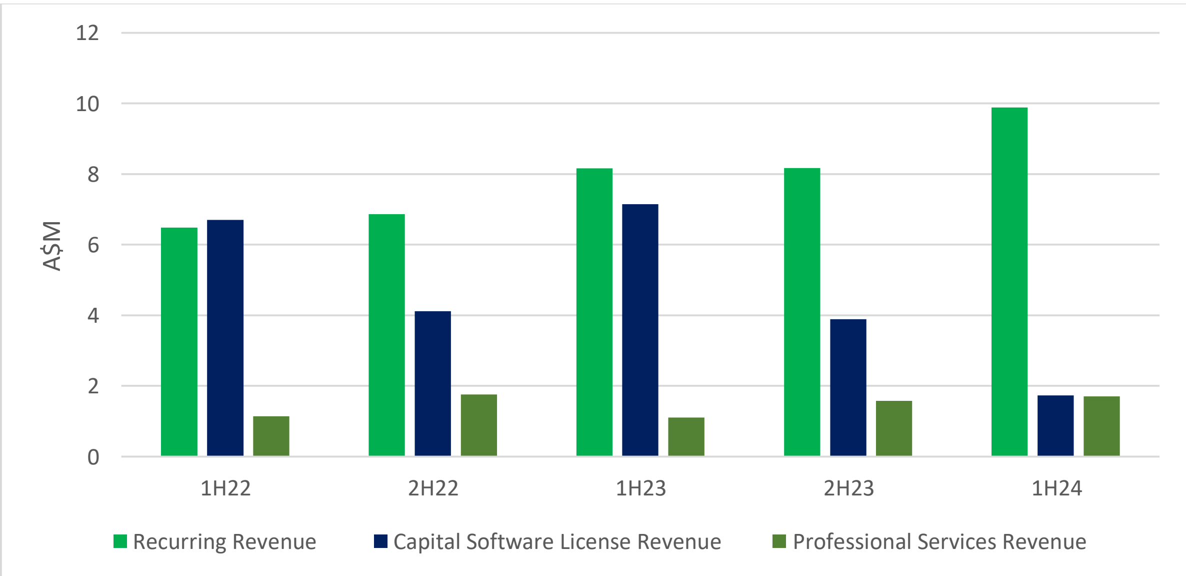


[4] CARR and ARR are compared against Trailing Twelve Months (TTM) Reported Recurring Revenue.

FY24 revenue is now expected to be between A$27M-30M. This reflects the short-term impact of the transition occurring in the composition of sales orders from predominantly capital software licences to subscription contracts (Refer to the section below for key differences between capital and subscription licence models). The transition to a subscription model will result in high quality recurring revenue that provides greater predictability and less volatility around future earnings and cash. Importantly, this will reduce the "lumpiness" in revenue and cash that is inherent in a capital licence model. The expectation is that Mach7 will continue to have some component of capital licences, especially for customers in the APAC region, but that the transition to a subscription payment model will continue.

Chart 2 shows that Mach7 has driven consistent growth in recurring revenue half on half. In H1 FY24, recurring revenue which comprises Subscription Revenue and Maintenance and Support Revenue (for capital contracts) increased by approximately 21% compared to pcp.

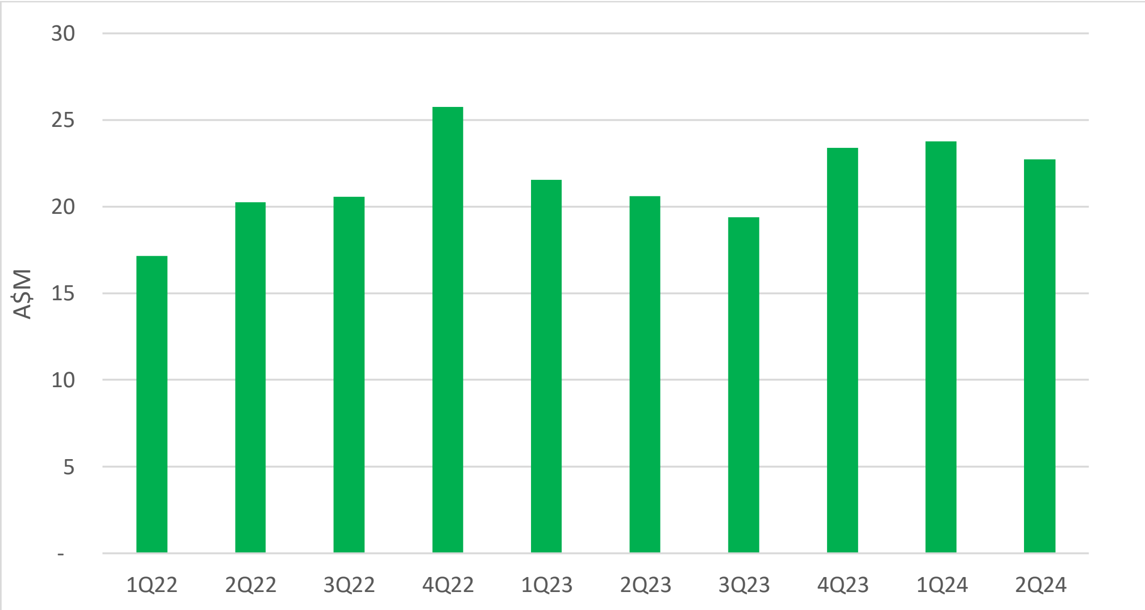
CHART 2: STRONG GROWTH IN RECURRING REVENUE IN H1 FY24 (A$M)



Mach7 continues to expect to be cashflow positive in FY24. Despite the first six months of the fiscal year traditionally being the more expensive half for the Company due to the timing of trade shows and certain labour costs, the A$22.7M cash balance at 31 December 2023 was up 10% on 31 December 2022 (A$20.6M) and only marginally lower on 30 June 2023 (A$23.4M)

The transition to a subscription payment model is expected to have a limited impact on short-term cashflow. Mach7 expects to be cashflow positive for FY24 due to careful cost management, increased fees for licence renewals and improved receipts predictability for subscription contracts. Chart 3 shows that despite the decline in total revenue in H1 FY24, there has been little impact on the Company's cash balance at 31 December 2023. Mach7 is in a strong financial position and has no debt.

CHART 3: LIMITED IMPACT ON QUARTERLY CASH BALANCE FROM SUBSCRIPTION TRANSITION (A$M)



KEY DIFFERENCES BETWEEN CAPITAL VS SUBSCRIPTION LICENCE

The main differences in revenue recognition and payment terms for capital versus subscription licences are listed below. Table 2 on the following page provides further detail on the impact of the two licence models on key financial metrics. Professional Services Revenue is recognised on a percent complete basis regardless of whether the customer chooses a capital or subscription model.

Capital Licence Agreements.

- *Recognition of Capital Licence Fees* - 100% of the software licence fee for the term of the contract (usually 5 years) is recognised as revenue shortly after contract signing.
- *Software Licence payment terms* - generally 30% upon contract signing. Remaining 70% generally comprises 3 installments of 30%, 30% and 10% based on certain project milestones.
- Revenue recognition and payment terms for capital contracts are more favorable than subscription contracts but the timing of project milestones being achieved and therefore cash collections, are more difficult to predict.
- *Maintenance and Support fees* - recognised as revenue over the term of the contract once FPU is achieved. Maintenance and Support fee installments begin when FPU is achieved. They are invoiced in advance, either annually, quarterly or monthly depending on the contract terms.

Subscription Licence Agreements.

- *Recognition of Subscription Licence Fees* - recognised as revenue over the term of the contract (usually 5 years) once FPU is achieved.
- *Payments terms* – Subscription fee installments begin when FPU is achieved. They are invoiced in advance, either annually, quarterly or monthly depending on the contract terms.
- *Maintenance and Support fees* - included in subscription licence fees.

TABLE 2: DIFFERENCES IN REVENUE RECOGNITION FOR CAPITAL AND SUBSCRIPTION LICENCES

Equivalent Contracts:		**Capital Licence**		**Subscription Licence**	
Activity/ Timing	**Fee Type**	**Revenue Recognition**	**Contribution CARR/ARR**	**Revenue Recognition**	**Contribution CARR/ARR**
Sales Order Signed/ Software delivered	Licence Fee	100% eg: $1M	CARR eg: $0.2M p.a.	0%	CARR eg: $2.4M over 5 years =$0.48M p.a.
Implementation/ Migration /Training	Professional Service Fee (one-off)	Milestone related eg: $0.3m	0%	Milestone related eg: $0.3m	0%
Software Live/ First Productive Use (FPU)	Annual Support Fee* (20% of TCV)	20% annually eg: $0.2M p.a. over 5yrs = $1M	ARR eg: $0.2M p.a.	Included in licence fee	
	Licence Fee			20% annually eg: $0.48M p.a.	ARR Eg. $0.48M
Year 1 Revenue	Capital Licence Fee and/or Professional Service Fee	**$1.3M**		**$0.3M**	
Year 2 Revenue (assuming FPU achieved 12 months after Sales Order signed)	Annual Support Fee/ Subscription Licence Fee	**$0.2M**		**$0.48M**	
Total Contract Value (TCV)		**$2.3M**		**$2.7M**	

*Refers to Maintenance and Support fees.

Q2 FY24 INVESTOR RESULT

Mach7 will report its Q2 FY24 result on Wednesday 31 January 2024 with management providing an update on the quarter's activities in a zoom webinar. For more details, refer to the ASX announcement on 23 January 2024.

ASX Announcement

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About Mach7 Technologies:

Mach7 Technologies (ASX:M7T), founded in 2007, is a medical imaging systems provider that develops innovative image management and viewing solutions for healthcare organizations. The core of these offerings is the Mach7 Enterprise Imaging Solution, encompassing Enterprise Data Management, Enterprise Diagnostic Viewing and Departmental 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 Departmental 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 radiologists and 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. With more than 165 customers across 15 different countries, 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.

Forward-looking statements

This announcement may contain forward-looking statements regarding the Company's financial position, business strategy and objectives (rather than being based on historical or current facts). Any forward-looking statements are based on the current beliefs of the Company's management as well as assumptions made by, and information currently available to, the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid.

All data presented in this announcement reflects the current views of the Company with respect to future events. Forward-looking statements are subject to risk, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. To the maximum extent permitted by law, the Company, its officers, employees and agents do not accept any obligation to release any updates or revisions to the information (including any forward-looking statements) in this announcement to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this announcement or its contents.

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