

ASX RELEASE (ASX: MDR)

## MedAdvisor delivers strong 2Q result as US business executes successful digitisation strategy

### Quarterly Activities Report and Appendix 4C

#### 2Q FY23 highlights (vs 2Q FY22):

- Operating revenue up **89.9% to \$44.1 million**
  - **US up 97.7%** to \$39.4 million, underpinned by expansion of the COVID-19 awareness program combined with increased pharmacy participation in the US digital platform, inMotion
  - **Australia up 42.6%** to \$4.7 million, including three-month contribution from GuildLink of \$1.3 million; excluding GuildLink underlying revenue was up 2.8%
- Gross margin up **164.3% to \$26.4 million**, with an increase of 16.9 pts (59.9% vs 43.1%)
- Strong capital position, with \$32.7 million cash on 31 December 2022, an increase of \$20.8 million cash for the quarter
- Kevin Hutchinson, US health tech executive, appointed as non-executive director (US based)
- Expansion of US digital platform network (inMotion) via a pharmacy software group representing circa 10,000 pharmacies
- COVID-19 awareness program in the US extended to end of 2022
- Two-year pathway to profitability strategy presented at 2022 AGM
- **1H FY23 operating revenue of \$64.1 million<sup>1</sup>**, up 65.8% on 1H FY22 (\$38.7 million)

Melbourne, Australia, 23 January 2023 – World-class medication management platform, MedAdvisor Limited (**MedAdvisor** or the **Company**) is pleased to provide this update on its activities for the quarter ended 31 December 2022 (2Q FY23), alongside the Company's Appendix 4C.

Commenting on the Company's achievements over Q2 FY23, CEO & Managing Director Rick Ratliff, said: "Our strong performance in the reporting period was underpinned by our growing

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<sup>1</sup> unaudited

scale in Australia and the US, and reflects the increased uptake of our digital solutions for medication adherence.

“In the US, we increased our pharmacy network to over 30,000 locations, enabling digital access to 60 million individuals. The network expansion gained momentum via our ability to demonstrate our digital capabilities and service at scale, resulting in a new agreement with a software company providing access to an additional circa 10,000 pharmacies, as well as an increasing number of community pharmacies adopting our inMotion technology platform.

“The significant growth in revenue was well supported by the increased participation by pharmacy as well as the continued success of our US COVID-19 awareness program through to the end of 2022. While these 2Q results are excellent, we recognise that the momentum in the first half of the financial year is now likely to moderate as we move beyond the winter months in the US that provided a seasonal peak for this business.

“In Australia, the integration of our GuildLink acquisition continues to progress well and to plan. During the quarter we have transitioned customers and enhanced the functionality of the MedAdvisor PlusOne platform. GuildLink provided \$1.3 million in revenue for the quarter, increasing our operating revenue growth in Australia to 43%.”

### **Financial update**

- Operating revenue up 89.9% to \$44.1 million
  - US up 97.7% to \$39.4 million
  - Australia up 42.6% to \$4.7 million, including a three-month contribution from GuildLink of \$1.3 million; excluding GuildLink underlying revenue was up 2.8%
- Gross margin up 164.2% to \$26.4 million, achieving a margin of 59.9%, an improvement of 16.9 ppts on pcp (2Q FY22 GM 43.1%)
  - US gross margin was up 206.4% to \$22.4 million, achieving a margin of 56.7%, an improvement of 20.1 ppts on pcp
  - AU gross margin was up 51.0% to \$4.1 million, achieving a margin of 87.1%, an increase of 4.9 ppts on pcp
- Net operating cash inflow of \$21.4 million, an increase of \$24.0 million on pcp:
  - Operating cash receipts totalled \$41.2 million, up 95.3% on pcp
  - cash payments totalled \$19.8 million, down \$3.9 million on pcp, largely reflecting the timing of quarterly pharmacy abatement payments in the US
- Cash at 31 December 2022 was \$32.7 million (30 September 2022: \$11.9 million)

## United States

- 2Q FY23 operating revenue increased 97.7% to \$39.4 million, underpinned by the expansion of the COVID-19 awareness program combined with increased pharmacy participation in the US digital platform, inMotion
- Gross margin was up 206.4% to \$22.4 million, achieving a margin of 56.7%, an improvement of 20.1 ppts on pcp. The significant improvement in gross margin reflects the growth of higher margin digital programs
- The FX impact of Group Revenue attributable to a stronger US Dollar over 2Q FY23 compared to 2Q FY22 was AUD \$3.9 million.

## Australia

- 2Q FY23 saw a continuation of the strong performance delivered throughout 1Q FY23, with revenue up 42.6% to \$4.7 million, including a three-month contribution from GuildLink of \$1.3 million; excluding GuildLink, underlying revenue was up 2.8%
- The integration of GuildLink is progressing well and to plan, focused on transitioning customers and enhancing the functionality of the MedAdvisor PlusOne platform. Integration costs to date, excluding labour, total \$0.3 million
- Gross margin was 87.1% for 2Q FY23, an increase of 4.9 ppts on pcp as a one-off result of re-negotiated supplier terms. Gross Margin is expected to improve once the GuildCare platform has been integrated with the MedAdvisor Plus One platform towards the end of FY23.

## New Zealand

The New Zealand roll out is progressing to plan with 211 pharmacies (60% of the Green Cross Health network) migrated to date, representing 24% of the NZ market.

## United Kingdom

In the UK, we are on target to successfully deliver on our expansion strategy. We are working with business partners and the NPA to rapidly drive sales growth supported by a strong marketing campaign during the first quarter of calendar year 2023.

**During 2Q FY23, the Company made the following payments to related parties:**

- \$39,800 to a related party that provides data services to the Company in the ordinary course of business; and
- \$343,141 in fees and executive remuneration paid to Directors.

## Operational update

### **Kevin Hutchinson appointed as non-executive director (US based)**

Kevin Hutchinson was appointed Non-Executive Director, effective 23 November 2022. Mr Hutchinson is a highly experienced healthcare technology executive with a track record of successfully building innovative health tech companies in the US. Mr Hutchinson's appointment further strengthens the MedAdvisor Board and will bring valuable insights and added guidance as MedAdvisor expands its digital reach and continues to invest in digital innovation.

### **Expansion of the US digital platform network and COVID-19 awareness program extended to end of 2022**

MedAdvisor signed an inMotion agreement with a pharmacy software group representing circa 10,000 pharmacies in the US, for an initial two-year term (followed by automatic one-year renewal terms unless either party opts to not renew). This agreement, in combination with increased uptake of national and regional pharmacy groups supporting inMotion, has increased MedAdvisor's US network from around 20,000 to over 30,000 pharmacy locations with an ability to reach over 60 million individuals via the inMotion digital communications solution.

The MedAdvisor US team has focused on accelerating the digitisation of the US pharmacy network and increasing support by major pharmaceutical manufacturers. The drive behind this strategy has continued over Q2, supporting the revenue momentum over the quarter. Escalating platform use was again evident in Q2, as seen in Q1, positively impacting the Company's results.

In addition, due to the success of the COVID-19 awareness program rolled out in the first half of 2022, that top 10 pharmaceutical manufacturer extended its program across the US through the rest of 2022. This extension was supported by a combination of the expansion of the US pharmacy network, increased support of inMotion, and the 2022 flu season.

### **CEO details two-year pathway to profitability strategy**

Rick Ratliff presented the Company's two-year strategy at the AGM on 30 November 2022. The strategy will move the business toward a more sustainable and profitable future by FY24 through three key initiatives:

- moving to a single global platform to facilitate regional expansion at reduced cost;
- reducing operational expenses across the business by optimising cost structures; and
- increasing revenue and margin through product innovation.

The next-generation global medication adherence platform designed as a single cross-regional platform will facilitate global expansion at reduced cost. This will optimise the cost structure by reducing operational expenses and increase revenue through investing in new products that will establish MedAdvisor as a global digital product leader.

The FY23 rollout in the United Kingdom will be on the newly-developed global platform and the GuildLink integration will move Australia onto the second generation of that platform, followed by New Zealand.

We are investing in the development of a product innovation capability to strengthen our core products while planning for future growth. "Core" products like the GuildLink integration into PlusOne, the global platform and the US digital product roadmap will be deployed in existing markets.

"Adjacent" opportunities that are an expansion into "new to MedAdvisor" business, such as specialty medications are being assessed.

The Company is also examining "transformational" opportunities around behavioural based patient engagement as part of our data and analytics capability.

## **Outlook**

Following another successful quarter of accelerating revenue growth in the US and AU businesses, the Company's 1H FY23 operational revenue is \$64.1 million, an increase of 65.8% on 1H FY22.

"Our focus for the remainder FY23 and beyond, is executing on a pathway to profitability, prioritising initiatives that will move the business toward breakeven and lay the foundation for profitability in FY24." said Mr Ratliff.

- ENDS -

*This document has been authorised for release by the Board of MedAdvisor Limited.*

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**About MedAdvisor**

*MedAdvisor is a world-class medication management platform that empowers patients to more simply manage their medication and improve adherence. MedAdvisor's highly automated and intuitive software system connects patients to tools and education materials from their preferred pharmacy. MedAdvisor works with 32,000 pharmacies in the US to deliver programs to help patients take their medication safely and effectively. In Australia, MedAdvisor has connected over 3.1 million patients through more than 90% of Australian pharmacies. MedAdvisor is on track to become one of the largest players in the global digital adherence market. In 2018 and 2020, MedAdvisor was recognised in the AFR Fast 100. Visit: [mymedadvisor.com/investors](http://mymedadvisor.com/investors)*

## Appendix 4C

## Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

MEDADVISOR LIMITED (ASX: MDR)

ABN

17 145 327 617

Quarter ended ("current quarter")

31 Dec 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows related to operating activities</b>		
1.1 Receipts from customers	41,226	62,232
1.2 Payments for:		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,757)	(15,818)
(c) advertising and marketing	(623)	(1,217)
(d) leased assets	-	-
(e) staff costs	(10,973)	(21,397)
(f) administration and corporate costs	(3,143)	(6,455)
1.3 Dividends received	-	-
1.4 Interest received	19	27
1.5 Interest and other costs of finance paid	(335)	(847)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>21,414</b>	<b>16,524</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2. Cash flows related to investing activities</b>			
2.1 Payment to acquire:			
(a) entities <sup>(1)</sup>	-	(5,257)	
(b) businesses	-	-	
(c) property, plant & equipment	(10)	(147)	
(d) investments	-	-	
(e) intellectual property	-	-	
(f) other non-current assets	-	-	
2.2 Proceeds from disposal of:			
(a) entities	-	-	
(b) businesses	-	-	
(c) property, plant & 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 (provide details if material) <sup>(2)</sup>	-	1,700	
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(10)</b>	<b>(3,704)</b>	

<sup>(1)</sup> Final earn-out payment to Syneos Inc relating to the acquisition of Adheris LLC in November 2020 (USD \$3m) & GuildLink Pty Ltd acquisition costs.

<sup>(2)</sup> Cash acquired as part of the GuildLink Pty Ltd acquisition.

		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>3. Cash flows from financing activities</b>			
3.1 Proceeds from issues of shares	-	14,597	
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	-	(901)	
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 (repayment of lease liabilities)	(364)	(776)	
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(364)</b>	<b>12,920</b>	



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of the period	11,917	7,579
4.2	Net cash from / (used in) operating activities (item 1.9 above)	21,414	16,524
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10)	(3,704)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(364)	12,920
4.5	Effect of movement in exchange rates on cash held	(294)	(656)
4.6	<b>Cash and cash equivalents at end of the period</b>	<b>32,663</b>	<b>32,663</b>

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	32,663	11,917
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>32,663</b>	<b>11,917</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1  
 6.2 Aggregate amount of cash flow from loans to these parties included in item 2

Current quarter \$A'000
383
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

*Payments to related parties of the entity and their associates include: 1) fees paid to NostraData Pty Ltd, an associated party, which provided data services to the Company during the quarter in the ordinary course of operations, and 2) payments made to Executive Directors of the Company.*

**Appendix 4C**  
**Quarterly report for entities subject to Listing Rule 4.7B**

		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<b>7</b>	<b>Financing facilities available</b>		
7.1	Loan facilities	13,284	11,513
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
<b>7.4</b>	<b>Total financing facilities</b>	<b>13,284</b>	<b>11,513</b>

7.5 **Unused financing facilities available at quarter end** **1,771**

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.

*Term loan: US\$5m (secured), Partners for Growth VI L.P., 10.25% IR for 3 years maturing 28 May 2024.  
 Revolving credit facility: US\$4m (secured) of which US\$2.8m is drawn, Partners for Growth VI L.P. 10.25% IR*

		\$A'000
<b>8.</b>	<b>Estimated cash available for future operations</b>	
8.1	Net cash from / (used in) operating activities (Item 1.9)	21,414
8.2	Cash and cash equivalents at quarter end (Item 4.6)	32,663
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,771
8.4	Total available funding (Item 8.2 + Item 8.3)	34,434
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>n/a</b>

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: not applicable*

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: not applicable*

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: not applicable*

**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 does give a true and fair view of the matters disclosed.

**Authorised by:** Board of Directors - MedAdvisor Limited

Date: 23/01/2023

**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.