

3 April 2017

Orion Health FY2017 Update

Orion Health has this morning provided an update on revenue, earnings and cash for the FY2017 financial year. The Company remains committed to reaching profitability during FY2018. The update is as follows:

- A number of contracts that were expected to close before the end of FY2017 did not do so but remain in progress. Forecast FY2017 Operating Revenue is now between \$194 million and \$200 million. Although FY2017 revenue is now forecast to be a decrease on FY2016 in GAAP terms, we still expect to see year on year revenue growth in constant currency terms, albeit modest.
- The full year Net Loss before Income Tax is expected to be between \$32 million and \$38 million, an improvement of approximately \$20 million from FY2016. The Company has carefully managed costs to ensure the impact on the bottom line is minimised. The ongoing management of costs allows Orion Health to continue to target a move into profitability during FY2018.
- The closing cash position is now expected to be \$2 million to \$6 million.

The Company is undertaking a strategic review that focuses on maximising shareholder value. As part of this process the Company has been in discussions with a number of parties over the past quarter that may result in a partnership or minority investment in the Company. These discussions are preliminary and non-conclusive at this stage. Orion Health will update investors of any material developments.

CEO Ian McCrae says, “as the majority shareholder I am directly aligned with all shareholders and this is not the outturn we had targeted. We have been taking, and continue to take, direct measures to right size our costs with our revenue growth and despite the slippage, we remain on track with our profitability objective. The Board and I remain focused on long term shareholder value and will evaluate the merits of any partnerships or minority investments to help Orion Health achieve its potential.”

Questions and Answers

Why is revenue lower than we expected until recently?

Management takes full responsibility for not executing as efficiently on the sales pipeline as had been forecast. The Company’s pipeline remains strong but as contract values move into higher dollar brackets we are finding contracting periods have extended. The delay in the finalisation of contracts is not attributable to a specific factor as every potential customer situation is unique. Improved sales processes and forecasting are core areas of focus.

Despite the disappointing performance in FY2017, the Company has continued to make progress across all regions including the recent signing of a US based network of more than 1,000 independent health care providers and a UK based integrated electronic health and social care record solution to cover a population of over 750,000 people.

Is it a timing only issue, or have you lost customers?

The lower revenue is not due to the loss of customers. A number of the opportunities are still in progress and if finalised will contribute to FY2018.

How will this impact the FY2018 outlook?

The Company has previously provided guidance to the market that it expects to reach break even during FY2018. This guidance remains unchanged.

The Company will issue further FY2018 guidance at the appropriate time.

How has the Company managed costs?

Management has been working to improve margins throughout the business. Going forward, we expect to see an improved contribution from the regions as a result of improving margins. The Company will continue to manage and in certain areas reduce costs in a manner that adequately reflects its financial profile and outlook.

What implications does this have for your R&D programme?

The Company will continue to run the appropriate R&D programme to ensure we are producing innovative and market leading products. The business case supporting our R&D programme focuses on better market positioning and leveraging our large install base. The Company remains confident that its R&D programme has a payoff that merits the investment.

Is the debt facility still available?

Our working capital facilities remain in place with ASB Bank who remain committed to Orion Health.

What parties are you talking to as part of the additional investors?

Current discussions with additional investors are confidential. We will update the market at the appropriate time.

What form will the investment take?

The Company has a number of options available that it will continue to evaluate.

About Orion Health

Orion Health (NZX:OHE) is a health technology company that provides solutions which enable healthcare to over 110 million patients globally. Its open technology platform Orion Health Amadeus seamlessly integrates all forms of relevant data to enable population and personalised healthcare around the world. The Company employs over 1200 people around the world and is committed to continual innovation, investing substantially in research and development to cement its position at the forefront of precision medicine. For more information visit www.orionhealth.com

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