

## ASX RELEASE

### Appendix 4C – Q1 FY20 Quarterly Cash Flow Report

#### Highlights:

- **Successful A\$55M capital raise and acquisition of MRS Systems, Inc.**
- **Cash receipts from customers NZ\$2.3M, up 137% compared to Q1 FY19**
- **NZ\$39.9M cash on hand at end of Q1**
- **Annual Recurring Revenue (ARR) at end Q1 of NZ\$14.6M, tracking forecast**
- **Volpara software now contracted to ~25% of US market, tracking forecast**

Wellington, NZ, 30<sup>th</sup> July 2019: [Volpara Health Technologies](#) (“Volpara”, ASX: VHT), a medical technology SaaS company whose AI imaging algorithms assist the early detection of breast cancer, has today released its Appendix 4C Quarterly Cash Flow report for the quarter ending 30<sup>th</sup> June 2019.

During Q1, Volpara raised A\$55M and acquired MRS Systems Inc. of Seattle. The acquisition of MRS provides Volpara with an experienced US office, much greater market penetration and strong cross-selling opportunities. Importantly, it also provides a range of products today and in the future that offer much greater potential ARPU (average revenue per user) for our sales team to sell into the US and other markets. We estimate the combined product range, including with the recently in-licensed ScreenPoint software, could garner up to US\$10 per woman screened.

Group cash receipts for Q1 from customers rose 137% (compared to Q1 FY19) to NZ\$2.3M, of which Volpara’s operations alone contributed NZ\$1.7M, up 72% year-on-year. The remainder comprised MRS customer receipts received in the 18 days post acquisition.

Cash on hand at end Q1 was NZ\$39.9M, that excludes ~NZ\$4.8M of the capital raising funds which were only received in early Q2. Operating cash outflow was under NZ\$3M, up only 3% year-on-year. Operating costs for the quarter were on budget and the Group continues to hold no debt.

Pleasingly, Group ARR at end Q1 was NZ\$14.6M, comprising NZ\$13.6M from Breast sales and NZ\$970K from Lung sales. Our forecast for the year was for Volpara’s ARR to grow 50-80%, and MRS to generate a minimum of US\$4.5M in ARR, resulting in a mid-range Group ARR forecast of US\$11.5M or NZ\$17.1M; we are well on track to achieve that. Group churn remains very low.

We are also on track to achieve our forecast of 27% of US women having a Volpara Group product contracted to be used on their images and data. After careful analysis of customer lists from both Volpara and MRS, we estimate that the Volpara Group now has paying customers covering ~25% of US women who are screened (~10M women).

The ARPU generated by women under contract across the Group within Breast is approximately US\$0.91 – that covers women being screened under service & maintenance contracts for the MRS software only through to women benefitting from the full suite of Volpara programs. Given typical Volpara ARPU to date, the Group now has very significant upsell opportunities as it moves towards selling of the complete product suite to existing customers.

Going forward, we will be reporting the various financial metrics split out only by Breast and Lung, as many of the Breast quotes and orders will soon be for integrated Volpara and MRS products. However, to give an indication of the performance of the original Volpara business during Q1, we are pleased to report that the Breast ARR figure noted earlier includes over NZ\$750K of new Volpara-alone ARR, taking the percentage of women under contract to Volpara software alone to 7.4% - entirely consistent with the original Volpara forecasts prior to the acquisition. RPU during Q1 for a basic version of VolparaEnterprise in the US ranged from US\$1.00 to US\$7.23 - depending upon deal size, exact product mixture and structure. The results are pleasing given the transformational corporate activity during the quarter, and we note Volpara-alone has had a very strong start to Q2 receiving orders providing new ARR in July 2019 very close to the entire new ARR in Q2 last year. Notable deals since the last 4C include one of our biggest Enterprise customers extending for another three years, and the signing of another NZ\$1M order, this time for a site on the US East Coast.

### **Merger & Executive Team Update:**

The merger of Volpara and MRS is progressing smoothly, with the product, marketing and financial teams already effectively operating as one. The service and success, sales and engineering teams are next to merge. Under the new structure, former MRS CEO Mark Morris is now a Senior Vice President of Volpara with a special remit for customers and customer operations.

We are also pleased to announce that we have extended the executive team by appointing a Chief People Officer, Kathryn Greene, formerly of Orion Health, and a Chief Operating Officer, Simon Francis, formerly of Price Waterhouse Coopers.

### **Investor Conference Call**

The Company is holding a conference call at 09:00 am AEST (11:00 am NZST), Tuesday, 30 July 2019 to discuss activity over the past quarter.

If you have not already pre-registered via the link below, you may dial in at the scheduled time using the following call details.

**Preregistration link:** <https://s1.c-conf.com//diamondpass/volpara-10001397-invite.html>

**Dial in details:** Conference ID – 10001397

### **Dial in numbers:**

Australia:	1 800 267 430 +61 2 9008 9006
Japan:	0053 116 1300
New Zealand:	0800 441 525
Singapore:	8001 012 821
United Kingdom:	0800 016 3843
United States:	1 877 642 9125

ENDS.

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**About Volpara Health Technologies Limited (ASX: VHT)**

VHT is a MedTech SaaS company founded in 2009 on research originally conducted at Oxford University. VHT's clinical applications for screening clinics provide feedback on breast density, compression, dose, and quality, while its enterprise-wide practice software management helps with productivity, compliance, reimbursement, and patient tracking.

VHT's technology and services have been used by customers and/or research projects in 38 countries and are supported by numerous patents, trademarks, and regulatory clearances, including FDA clearance and CE marking. Since its listing on the ASX in April 2016, VHT has raised A\$95 million, including A\$55 million in June 2019. VHT is based in Wellington, New Zealand.

For more information, visit [www.volparasolutions.com](http://www.volparasolutions.com)

VHT uses the following definitions:

**Total Contract Value (TCV):** The value of contracts signed in the specified period. The revenue from these deals might be recognised over one or many years, and the customer might or might not have a cancellation clause of some kind.

**Annual Recurring Revenue (ARR):** The normalized amount of cash reasonably expected to be booked for the next 12 months based on the contracts signed previously, and assuming installation upon order.

**Churn:** The percentage of revenue from customers that either discontinue or reduce their subscription in a given 12-month period.

**Gross Margin:** Total customer revenue minus cost of goods sold (COGS), divided by total customer revenue, expressed as a percentage. COGS includes commission, cloud costs, hardware costs (if applicable), bank charges on customer payments, and travel costs for onboarding and installations.

## Appendix 4C

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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Volpara Health Technologies Limited

**ARBN**

609 946 867

**Quarter ended ("current quarter")**

Q1 - 30 June 2019 (31 March year-end)

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$NZ'000</b>	<b>Year to date (3 months) \$NZ'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,343	2,343
1.2 Payments for		
(a) research and development	(876)	(876)
(b) product manufacturing and operating costs	(720)	(720)
(c) advertising and marketing	(284)	(284)
(d) leased assets	(9)	(9)
(e) staff costs	(1,971)	(1,971)
(f) administration and corporate costs	(1,771)	(1,771)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	90	90
1.5 Interest and other costs of finance paid	(7)	(7)
1.6 Income taxes paid	40	40
1.7 Government grants and tax incentives	184	184
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,981)</b>	<b>(2,981)</b>

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<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(42)	(42)
	(b) businesses (see item 10) **	(22,982)	(22,982)
	(c) investments	-	-
	(d) intellectual property	(25)	(25)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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)*	973	973
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(22,076)</b>	<b>(22,076)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	52,974	52,974
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	305	305
3.4	Transaction costs related to issues of shares, convertible notes or options	(2,590)	(2,590)
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)	(30)	(30)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>50,659</b>	<b>50,659</b>

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<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 quarter/year to date	14,383	14,383
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,981)	(2,981)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22,076)	(22,076)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	50,659	50,659
4.5	Effect of movement in exchange rates on cash held	(72)	(72)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>39,913</b>	<b>39,913</b>

\* The "Other" per section 2.5 includes NZ\$1.469M in cash acquired upon the acquisition of MRS, less acquisition costs of NZ\$496K.

\*\* This amount reflects the total cash paid to MRS shareholders including the NZ\$1.469M per section 2.5. The two amounts should be considered on a net basis (NZ\$21.513M) for the actual cash cost of the acquisition.

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter</b> <b>\$NZ'000</b>	<b>Previous quarter</b> <b>\$NZ'000</b>
5.1	Bank balances	5,938	4,112
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits >90 days)	33,975	10,271
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>39,913</b>	<b>14,383</b>

**6. Payments to directors of the entity and their associates**

		<b>Current quarter</b> <b>\$NZ'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	237
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

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

6.1 – Includes those amounts paid to directors only. The amount includes a one-off payment to a director by way of special remuneration for services performed in relation to the MRS acquisition and capital raise.

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<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$NZ'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
N/A	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$NZ'000</b>	<b>Amount drawn at quarter end \$NZ'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	(10)	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The credit standby arrangement is with Kiwibank at a base rate of 9.75% and it is unsecured.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$NZ'000</b>
9.1 Research and development	(2,800)
9.2 Product manufacturing and operating costs	(1,500)
9.3 Advertising and marketing	(500)
9.4 Leased assets	(10)
9.5 Staff costs	(2,500)
9.6 Administration and corporate costs	(1,700)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(9,010)</b>

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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	MRS Systems, Inc.	-
10.2 Place of incorporation or registration	Seattle, Washington, USA	-
10.3 Consideration for acquisition or disposal	US\$14.59M (~NZ\$22.2M) before adjustments for working capital and deferred revenue servicing costs	-
10.4 Total net assets	(NZ\$966k)	-
10.5 Nature of business	Mammography information system	-

**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.

Sign here:  .....  
 Company secretary

Date: 30 July 2019 .....

Print name: Craig Hadfield .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.