

June 2019 Investor Briefing Call – Audio link and transcript

1st Group Limited (ASX: 1ST), the Australian digital health group, is sharing here a transcript of the presentation and link to the audio file recording of the investor briefing call on 12th June 2019.

The audio file link can be located at www.1stgrp.com/investors page.

Start of the transcript

Thank you for joining this investor conference call. My name is Klaus Bartosch, I am the CEO and Co-Founder of 1st Group and am also joined by Richard Rogers our CFO on this call.

This is certainly an exciting time for 1st Group given the significant recent announcements that we have made. These landmark contracts are expected to further accelerate our growth going forward. I think it is worth discussing each of these major deals in more detail as I believe they mark the beginning of a step change for our business.

We are now #1 in pharmacy, #1 in independent optometry and #1 in veterinary markets. We are moving to expand rapidly in psychology, dental and specialists' markets through our recent strategic agreements with Medibank Private, Benestar Group and St Vincent's Health Australia. Each of these deals helps accelerate our growth beyond the normal organic growth we have been achieving.

Before we get into the detail of these agreements, and why these industry leaders chose us, let me explain a simple but effective way to think of 1st Group's business model. Our business is fundamentally driven by the number of sites we service. Sites are physical locations where we deliver a digital service. A site can be a GP practice, pharmacy or optometry practice for example. The quantum of sites is growing and will continue to grow sharply. Our revenue per site is also growing, which amplifies our revenue growth.

At the end of Q3 we announced that we had 9,200 sites signed up to our platforms and had earned \$963k in revenue in that quarter. The number of sites has grown by 2,790 sites in the past 12 months or an average of 230 new sites a month.

To understand the average revenue per site we need to adjust the number of sites at the end of Q3 to those now onboarded and billing versus those still in our backlog. This results in an average revenue per site of \$40/month.

We can conservatively apply this ratio methodology going forward. It is worth noting that the new business we sign up today carries a higher average revenue of \$130/month per site. This is because the historical ratio is affected by business we wrote in our early days where we sold at lower prices. We are however moving to bring those older customers up to our newer rates over time.

Within our revenue, we have recurring subscription revenue which forms the basis of the calculation of Annualised Contract Value or ACV. ACV is a meaningful portion of the revenue we earn from a site. On top of these recurring revenues we receive setup fees, usage fees and advertising revenue. We expect to see usage fees and advertising revenues become a more significant proportion of revenue generated per site.

For example, we expect our new EyeHealth1st.com.au initiative to be contributing advertising revenues in future quarters. This initiative will over time gain momentum and reduce the impact of blindness in Australians over 50 years of age, or anyone that is a diabetic, by encouraging them to get regular eye tests with optometrists signed up to the MyHealth1st platform. Those affected are around half of all Australians! So it's a big number we are seeking to attract to EyeHealth1st.

Let me turn now to our new agreements. They are expected to accelerate our growth and demonstrate the value we add to our customers.

A couple of months ago we announced an agreement with Medibank Private, following months of technical review and negotiations. Medibank is now leveraging our platform in a staged rollout.

Phase 1 enables dental practices that are on MyHealth1st to be available to their 2.8m members to book an appointment via the myMedibank mobile app. Phase 1 is targeting around 900 Medibank Members Choice Advantage dental practices. The Medibank team are actively engaging their preferred provider network to sign up to MyHealth1st so these practices can receive bookings from Medibank private members via their myMedibank mobile app. Phase 1 is all about validating the booking experience for their members and value to members before progressing to Phase 2.

Phase 2 will see many more providers come onto the MyHealth1st platform beyond dentistry, growing our market opportunity.

The program is already going very well. It is exciting to see MyHealth1st so strongly supported by Medibank Private too. They have been fantastic to work with.

Second, around a month ago we entered into an agreement with Benestar Group which is wholly owned by Zurich Insurance. Benestar has been a client of 1st Group for a couple of years using our systems for their internal psychology appointments in a really interesting and innovative way.

Benestar is Australia's leading Employee Assistance Provider, which means it provides wellbeing and mental health services to the employees of some of Australia's biggest companies. In addition to the services provided by its own psychologists to employees of the companies they serve, Benestar also allocates several thousand patients a month to external psychologists, meaning psychologists not employed by Benestar directly. The existing process to find and book patients with these psychologists is cumbersome and inefficient.

As a result of our deep understanding of their business we proposed a solution based on MyHealth1st to simplify this whole process. Benestar loved the idea and as a result are now funding the setup fees to bring around 2,600 psychologists onto the MyHealth1st platform with the target to have these signed up by the end of September this year. All new patients booked via MyHealth1st with psychologists will attract a one-time booking fee charged to psychologists, currently \$49.50 (inc GST) and a discounted fee of \$33 (inc GST) for Benestar's patients.

There are around 57,000 psychologists in Australia, so it is a very large market. Those psychologists who also want to take MyHealth1st bookings online through their own websites will need to also subscribe and pay our standard monthly fees. We are already making great progress marketing to this sector and look forward to updating the market in the coming months.

More recently we entered into an agreement with St Vincent's Health Australia. For commercial sensitivity reasons, I can't say too much about the specifics, but I can say that St Vincent's, who have also been working with us for many months in developing this solution, are funding the delivery of our MyHealth1st platform to their significant network. As the project progresses over the coming months, I am also looking forward to sharing more detail with investors about this very exciting and significant project.

So with the organic growth from our existing customers, combined with Medibank Private helping us to grow our dental network and soon other healthcare services, Benestar Group funding our entry into psychology, St Vincent's funding our entry into a new segment and the EyeHealth1st eye disease initiative, we are expecting to deliver accelerated growth in the number of sites over the next 12 months, and hence growing revenues.

We also have other major deals in our pipeline that we have been working on for many months too and these will be announced as they come to fruition.

Our key focus now is on execution. We know exactly what we need to do to support the successful delivery of these major projects. No doubt some will take longer than we expect. We have an excellent team in the company, all extremely dedicated and committed to delivering to our vision of simplifying the way we all interact with healthcare services by moving much of what we do into new digital channels.

We also recently completed a placement of shares which was oversubscribed and raised \$2.6m before costs and we offered a Share Purchase Plan to our existing shareholders which was well supported and raised a further \$1.1m.

We reaffirm our expectation on 2H ACV guidance, although as I have explained that's only a part of the revenue total. We also expect to turn operating cash flow positive in the near term albeit we don't give forecasts so I can't provide you with exact timing.

End of Transcript

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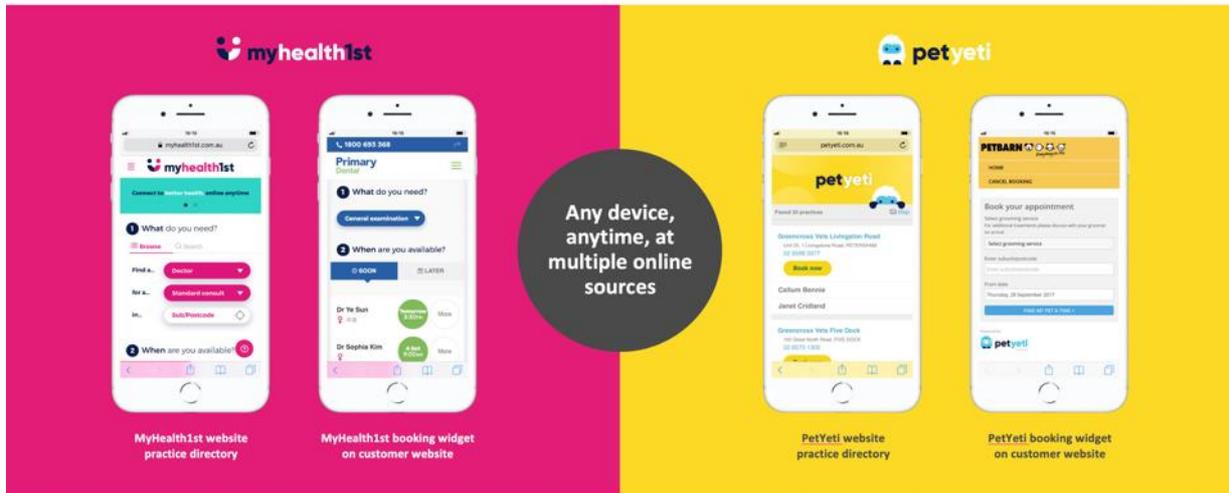
About 1ST Group Limited

1st Group is an ASX listed digital health company building Australia's leading health services portal, MyHealth1st.com.au, Australia's online pet service portal PetYeti.com.au and corporate and government solutions platform GoBookings.com. These integrated platforms provide an easy to use online search and appointment booking service and offer a range of value-added apps and services that facilitate digital patient and customer engagement. We improve lives by connecting consumers to a variety of healthcare services and information anytime, anywhere, so they can get well sooner and stay well longer. To find out more visit 1stGrp.com, MyHealth1st.com.au, PetYeti.com.au and GoBookings.com.

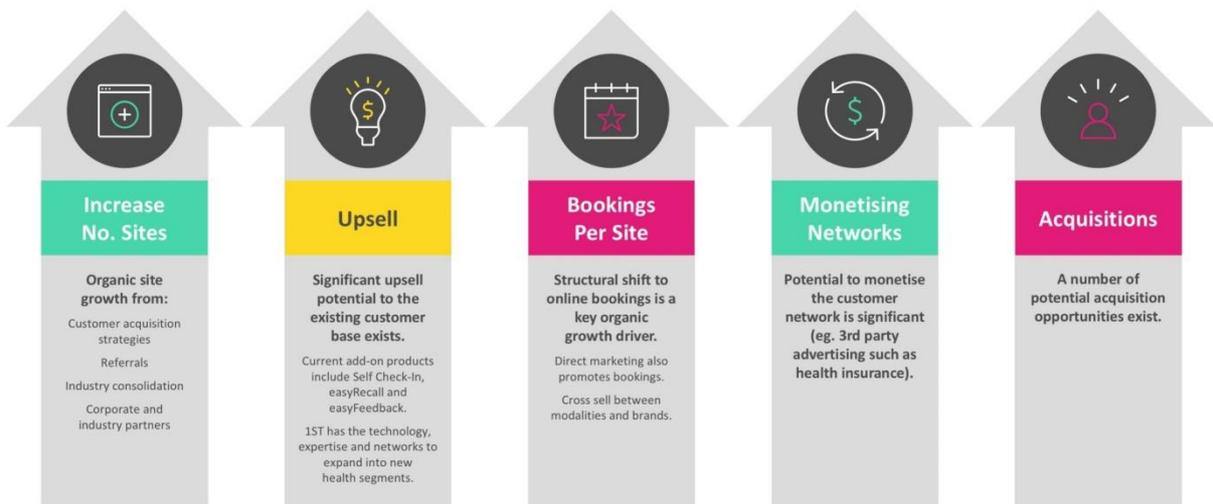
APPENDIX

Our Portals and Web Widgets

Our Solutions in Action



Multiple Growth Options



Key Investment Considerations

