

27 January 2023

## SECOND QUARTER FY23 BUSINESS UPDATE

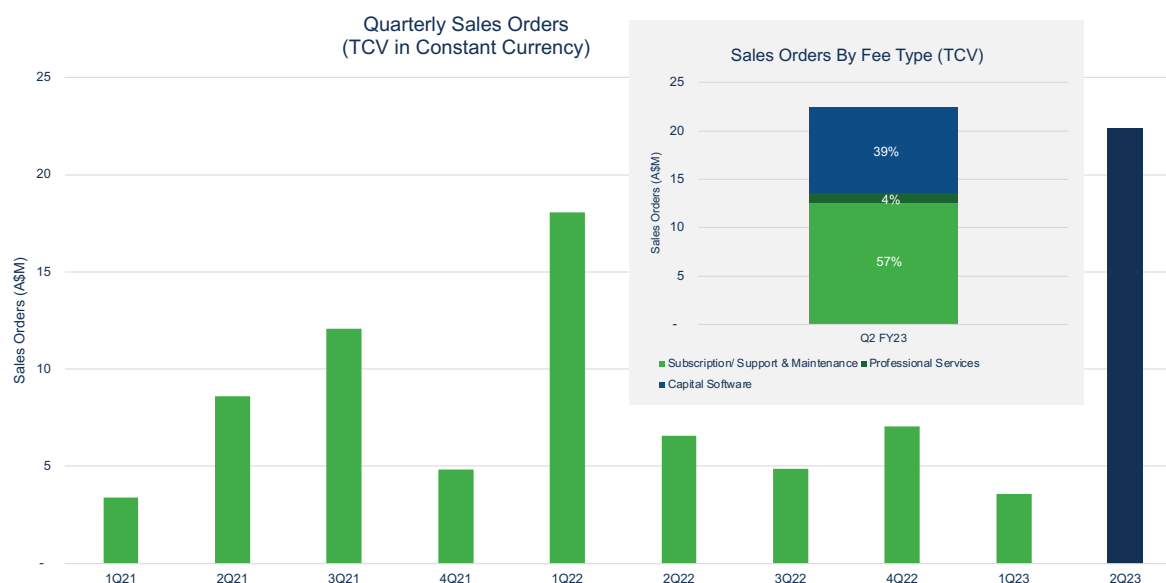
### Q2 FY23 HIGHLIGHTS:

- ◆ Record quarterly sales orders of \$22.4M (TCV<sup>1</sup>) in Q2 FY23; up 280% on \$5.9M in Q2 FY22 (or up 240% on \$6.6M in constant currency<sup>2</sup>)
- ◆ Record revenue of \$18.1M in H1 FY23; up 27% on \$14.3M in H1 FY22; positive EBITDA
- ◆ Contracted Annual Recurring Revenue (CARR) of \$20.0M; (\$17.9M at 30 Sept 2022)
- ◆ Annual Recurring Revenue (ARR) run rate of \$16.4M; (\$15.5M at 30 Sept 2022)
- ◆ Increased exposure to high growth radiology outpatient market with new customers Nuvodia and Akumin
- ◆ Cash on hand \$20.6M; (\$21.5M at 30 Sept 2022 )

Mach7 Technologies Limited (“Mach7” or the “Company”) (ASX:M7T), a company specialising in innovative medical imaging software solutions, is pleased to provide this quarterly update in conjunction with the release of the Appendix 4C – Quarterly Cash Flow Report.

### SALES ORDERS

Sales orders for the second quarter of FY23 were a record \$22.4 million (TCV), up strongly on the \$6.6M achieved in Q2 FY22. While the \$16.7 million Akumin capital contract accounted for much of total Q2 sales orders, the contract only included Professional Service fees for initial project stages, with future stages requiring separate contracts. Consequently, the annual Support & Maintenance fees skew the composition of quarterly sales orders toward Annual Recurring Revenue (57%).



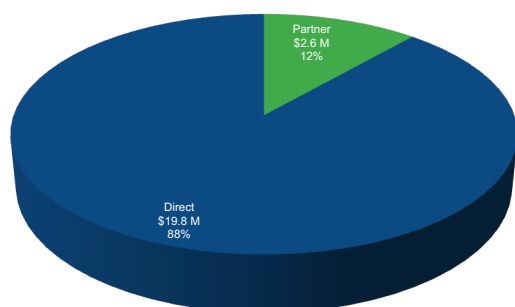
<sup>1</sup> Total Contract Value (TCV) means capital software license fees, professional service fees, annual subscription fees and annual support fees over the life of the contract.

<sup>2</sup> Normalised exchange rate as at 31 December 2022: AUD/USD = \$0.657

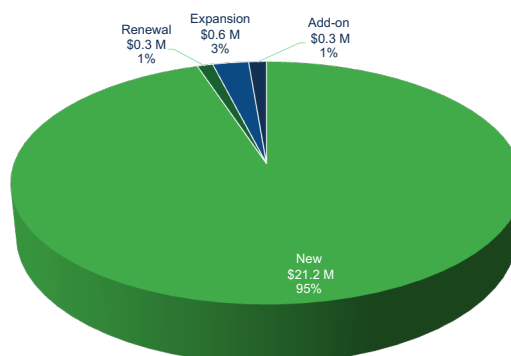
Total FY23 Q2 sales orders comprised:

- \$12.7 million (or 57%) of Annual Recurring Revenue (ARR) sales (support & maintenance fees and subscription fees to be recognised as revenue over the support and subscription period when the customer achieves First Productive Use (FPU)),
- \$8.8 million (or 39%) of capital software sales (immediately recognised as revenue upon delivery in FY23), and
- \$1.0 million (or 4%) of professional services sales (to be recognised as revenue over time upon completion of services).

Q2 FY23 Sales Orders by Source (TCV)



Q2 FY23 Sales Orders By Order Type (TCV)



Partnership sales accounted for 12% of total sales orders in Q2, a significant uplift on the 4% achieved in the prior quarter. The growth in partnership sales is driven by the strength of the recently forged partnership with Nuvodia, a US national radiology technology services provider specialising in outpatient radiology clinics and community hospitals. The entire Mach7 product suite is promoted via this partnership and to that end Nuvodia entered a \$2.5 million, five-year subscription contract for Mach7's complete Enterprise Imaging Platform including its Vendor Neutral Archive (VNA), eUnity Diagnostic Viewer and Workflow applications to provide a true enterprise-wide PACS solution for healthcare providers.

Sales orders from new customers dominated the Q2 sales order composition with 95% (or \$21.2 million) of sales generated from newly formed relationships, predominantly those with Akumin and Nuvodia.

## RECURRING REVENUE GROWTH

### Annual Recurring Revenue (ARR)

Mach7 is currently generating \$16.4 million of Annual Recurring Revenue (ARR), a run rate calculated by annualising the year to date monthly average of revenue earned from support & maintenance fees and subscription fees. This run rate has increased 5.8% from \$15.5M as at 30 September 2022 and will continue to grow as existing and new customers achieve FPU.

### Contracted Annual Recurring Revenue (CARR)

Sales orders for the quarter have contributed a further \$2.1 million (since 30 September 2022) to the Contracted Annual Recurring Revenue (CARR) base which now sits at \$20.0 million. Mach7's CARR consists of the \$16.4 million ARR run rate for customers that have achieved FPU of the software, plus \$3.6 million of subscription and support & maintenance fees not yet recognised as revenue because FPU is still pending.

## CASHFLOW AND CASH RECEIPTS

Cash receipts from customers for Q2 were \$6.4 million, down \$2.2 million on the previous corresponding period (Q2 FY22: \$8.6 million) which benefited from Trinity Health and Advocate Aurora Health sales orders. Soft Q1 FY23 sales orders, adverse foreign exchange movements and higher marketing costs associated with the RSNA conference contributed to a negative Q2 FY23 operating cashflow of \$0.3 million.

Refer to the Appendix 4C accompanying this update for details of the Company's expenditure on its business activities during the quarter.

Notwithstanding financial year to date net operating cash outflows of \$5.3 million, with scheduled cash collections and a strong sales order outlook, Mach7 expects to remain operating cash flow positive for FY23 as it has in the preceding three financial years.

The financial position of the Company remains solid, with no debt and \$20.6 million cash on hand, down \$0.9 million or 4.4% against \$21.5 million at 30 September 2022. With positive FY23 operating cashflow forecast, Mach7 expects its cash balance to build over the balance of the financial year.

## OUTLOOK

At approximately 70% towards its goal, Mach7 remains confident of achieving its FY23 sales order forecast of at least \$36 million, which represents a 20% increase on the FY22 target of \$30 million and +8% on the \$33.2 million achieved.

The desire for scale, cutting edge technology and the rapid deployment of those systems in the healthcare sector is creating strong demand for Mach7's products and services. The trend toward remote reading services, together with the requirement for interoperability is seeing Mach7 gain new customers and market share.

The Company expects +20% revenue growth in FY23, underpinned by a healthy pipeline and the recognition of revenue from the Trinity Health and Adventist Health sales orders as Mach7's software progressively goes live. Approximately 80-85% of the TCV associated with these contracts is yet to be recognised as revenue.

## PAYMENTS TO RELATED PARTIES OF THE ENTITY AND THEIR ASSOCIATES

The payments as disclosed in section 6.1 of the Appendix 4C released below related to:

Payment of \$78,271 for Director's fees and superannuation for the quarter; and

Payment of \$147,857 for Executive Director's salary and superannuation for the quarter.

## QUARTERLY WEBINAR

The Company will hold a webinar with CEO Mike Lampron and Interim CFO Dyan O'Herne on, Friday, 27 January at 9:30am AEDT, to discuss the December 2022 quarterly results released to the ASX today. Investors can register for the webinar via the following link:

[https://mach7t.zoom.us/webinar/register/WN\\_cbATPpEGQ5KqleXtCugBKw](https://mach7t.zoom.us/webinar/register/WN_cbATPpEGQ5KqleXtCugBKw)

Investors can submit questions prior to the webinar to [Rebecca.Thompson@mach7t.com](mailto:Rebecca.Thompson@mach7t.com) or can ask questions via the Q&A function during the webinar.

**Released on authority of the Board by:**

Mike Lampron  
Managing Director and Chief Executive Officer

**For more information, contact:**

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**About Mach7 Technologies:**

Mach7 Technologies (ASX:M7T) is a medical imaging systems provider that develops innovative image management and viewing solutions for healthcare organisations. The core of these offerings is the Mach7 Enterprise Imaging Solution, encompassing Enterprise Data Management, Enterprise Diagnostic Viewing and Diagnostic 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 Diagnostic 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 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. 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](https://www.mach7t.com).



## Appendix 4C

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

**Name of entity**

Mach7 Technologies Limited

**ABN**

26 007 817 192

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

31 December 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		6,390	9,031
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		(65)	(298)
(c) advertising and marketing		(301)	(492)
(d) leased assets		(54)	(106)
(e) staff costs		(4,934)	(10,883)
(f) administration and corporate costs		(1,368)	(2,636)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		31	35
1.5 Interest and other costs of finance paid		-	-
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>(301)</b>	<b>(5,349)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(73)	(112)
(d) investments		-	-
(e) intellectual property		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and 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 (cash acquired in acquisition)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(73)</b>	<b>(112)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	60	114
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>60</b>	<b>114</b>

<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 period	21,546	25,748
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(301)	(5,349)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(73)	(112)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	60	114
4.5	Effect of movement in exchange rates on cash held	(627)	204
4.6	<b>Cash and cash equivalents at end of period</b>	<b>20,605</b>	<b>20,605</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	13,321	14,121
5.2	Call deposits	7,284	7,425
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>20,605</b>	<b>21,546</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	226
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(301)
8.2 Cash and cash equivalents at quarter end (item 4.6)	20,605
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	20,605
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	68
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
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: N/A	
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: N/A	
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: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	



### 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.

Date: .....27 January 2023.....

Authorised by: ..Board of Directors.....  
(Name of body or officer authorising release – see note 4)

### 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.