

31 October 2023

## FIRST QUARTER FY24 BUSINESS UPDATE

### Q1 FY24 HIGHLIGHTS

- ◆ Record quarterly sales orders of A\$33.5M (TCV<sup>1</sup>) in Q1 FY24 (A\$3.4m in Q1 FY23, A\$3.6m in constant currency).<sup>2</sup>
- ◆ Contracted Annual Recurring Revenue (CARR) of A\$25.5M at 30 September 2023, up 24% on 30 June 2023 (A\$20.6M).
- ◆ Annual Recurring Revenue (ARR) run rate of A\$18.4M at 30 September 2023, up 8% on 30 June 2023 (A\$17.0M).
- ◆ Cash on hand of A\$23.8M at 30 September 2023 (A\$23.4M at 30 June 2023).
- ◆ Reaffirm FY24 guidance with sales order outlook supported by strong pipeline of opportunities.
- ◆ Board renewal process with appointment of Robert Bazzani as Chair and Rebecca Thompson as Non-Executive Director.

Mach7 Technologies Limited (“Mach7” or the “Company”) (ASX:M7T), a company specialising in innovative medical imaging software solutions, today provides a business update and quarterly cashflow report for the quarter ended 30 September 2023 (Appendix 4C).

Mach7 CEO Mike Lampron said: “Mach7 had a highly successful first quarter as we continue to add new logos and secure significant sales orders both in terms of contract size and market segment. The Veterans Health Administration contract was an important win and is already creating opportunities in the US public health sector. The sticky nature of our customer base was also evident as we move through a large renewal program in FY24. We signed an A\$15.3m extension agreement with the Hospital Authority of Hong Kong, an anchor site for Mach7’s expansion in the Asia-Pacific region.

“This quarter was dominated by subscription sales as we continued to transition to a recurring revenue model which was reflected in a 24% increase in CARR to \$25.5m. We have the strongest and most diverse pipeline in our history with opportunities extending across geographies, care settings and product combinations.”

### SALES ORDERS

Sales orders for the first quarter of FY24 were a record A\$33.5 million (TCV). The majority of sales orders received were for ARR-type sales highlighting the ongoing transition to a subscription revenue model.

<sup>1</sup> Total Contract Value: capital software licence fees, professional service fees, annual subscription fees plus annual support fees over contract life.

<sup>2</sup> Average exchange rate for quarter ended 30 September 2023: AUD/USD = \$0.655.

- **Annual Recurring Revenue (ARR)-type sales of A\$28.6M** (85% of total sales orders) representing support & maintenance fees and subscription licensing fees which will be recognised as revenue over the contract term when the customer achieves First Productive Use (FPU).
- **Capital software sales of A\$0.5M** (2% of total sales orders) which are immediately recognised as revenue upon delivery in FY24.
- **Professional services sales of A\$4.4M** (13% of total sales orders) to be recognised as revenue on a percent completion basis.

Chart 1 provides a summary of the total contract value (TCV) of quarterly sales orders since Q1 FY21 as Mach7 has secured larger customers and expanded into new market segments. Sales orders continue to be the best measure of Mach7’s financial progress as the timing of cash receipts and revenue can be affected by contract milestones, revenue recognition rules and the mix of capital and subscription agreements.

**CHART 1: QUARTERLY SALES ORDERS (\$AM) - TCV IN CONSTANT CURRENCY<sup>3</sup>**

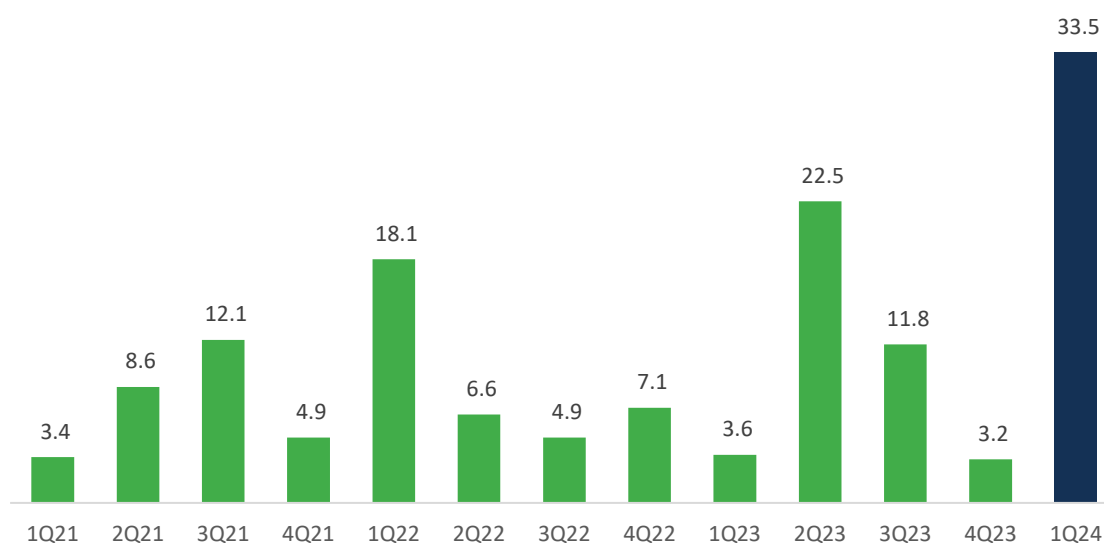
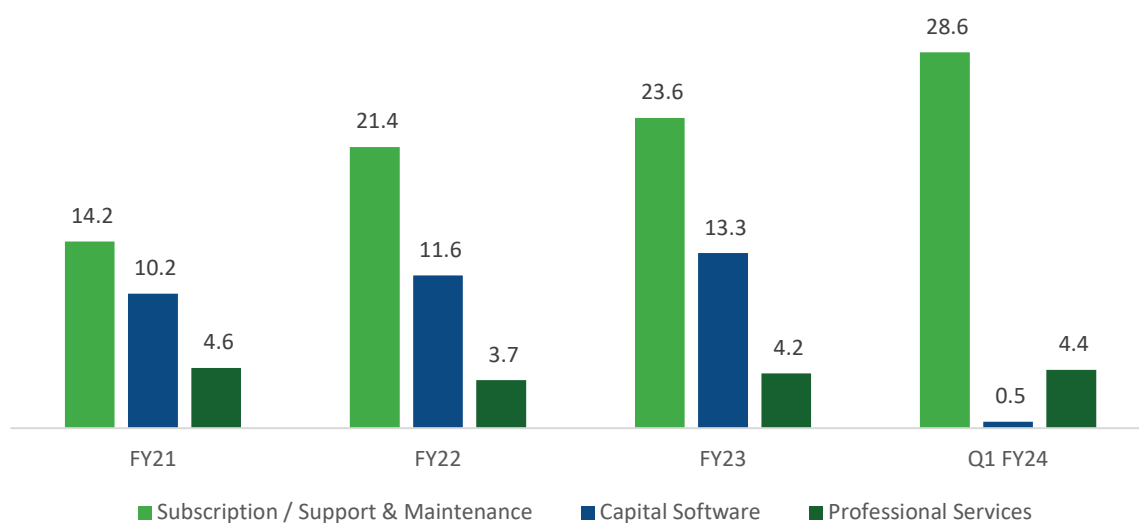


Chart 2 compares the composition of sales orders in the past three financial years to Q1 FY24. It shows the continued growth in subscription and support & maintenance sales as customers increasingly choose this model over capital sales, especially in North America.

<sup>3</sup> Average exchange rate for quarter ended 30 September 2023: AUD/USD = \$0.655.

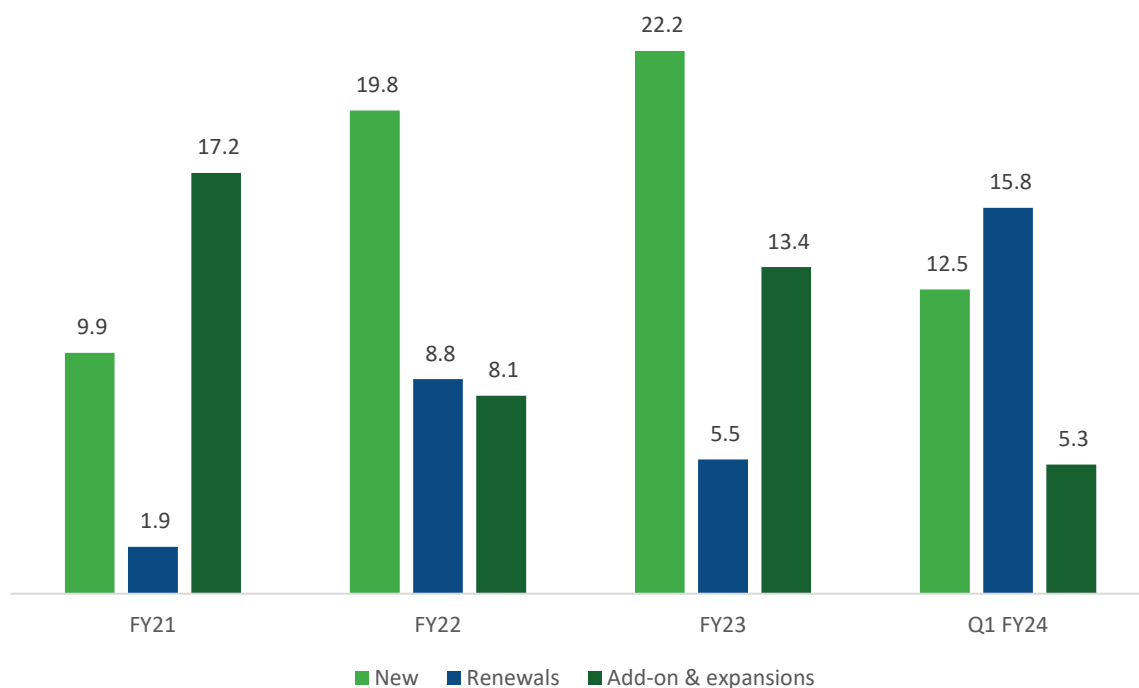
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**CHART 2: SALES ORDER COMPOSITION (\$AM) - TCV IN CONSTANT CURRENCY<sup>4</sup>**



Q1 FY24 was driven by a higher level of renewals accounting for 47% of total sales orders as shown in Chart 3. New customers were also an important contributor accounting for A\$12.5M or 37% in Q1 FY24. Add-ons and expansions represented a further 16% illustrating the “sticky” nature of Mach7’s customers and the success of its “land and expand” strategy.

**CHART 3: SALES ORDER BY TYPE (\$AM) - TCV IN CONSTANT CURRENCY<sup>4</sup>**



<sup>4</sup> Average exchange rate for quarter ended 30 September 2023: AUD/USD = \$0.655.

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## RECURRING REVENUE GROWTH

### Annual Recurring Revenue (ARR)

Mach7 is currently generating A\$18.4M of Annual Recurring Revenue (ARR), a run rate calculated by annualising the revenue earned from support & maintenance fees and subscription fees. This run rate has increased by 8% from A\$17.0M as at 30 June 2023. ARR will continue to grow as existing and new customers achieve FPU.

### Contracted Annual Recurring Revenue (CARR)

Contracted Annual Recurring Revenue (CARR) was A\$25.5M at 30 September 2023, an increase of 24% on the CARR at 30 June 2023 (A\$20.6M). Mach7's CARR consists of the A\$18.4M ARR run rate for customers that have achieved FPU of the software, plus A\$7.1M of subscription and support & maintenance fees not yet recognised as revenue because FPU is still pending (A\$3.6M at 30 June 2023). CARR is based on contracts in hand as at 30 September 2023 and includes the revenue associated with Q1 FY24 contract wins.

## CASHFLOW AND CASH RECEIPTS

Cash receipts from customers in Q1 FY24 amounted to A\$8.3M compared to A\$2.6M in Q1 FY23. Mach7 was cash flow positive in Q1 FY24 with an A\$0.4M increase in cash compared to an A\$4.2M decrease in cash in Q1 FY23.

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

The financial position of the Company remains solid, with no debt and A\$23.8M cash on hand at 30 September 2023 (A\$23.4M at 30 June 2023).

## OUTLOOK

Mach7 is well positioned to take advantage of a highly fragmented market for medical imaging and ongoing shift in demand from acute to ambulatory settings. The Company has a strong sales pipeline which reflects opportunities across multiple regions, care settings and product combinations.

With a strong start to the new fiscal year and a positive sales order outlook, Mach7 expects to return to positive operating cash flow in FY24. Guidance provided in August 2023 for sales order growth of 20% on pcp<sup>5</sup> and revenue growth of 15-25% is reaffirmed. The Company expects the growth in operating expenses to be less than revenue growth. It has a 3-year target for ARR to cover operating expenses.

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<sup>5</sup> Previous corresponding period

## BOARD CHANGES

Mach7 has undergone a process of Board renewal in Q1 FY24 with the Chairman David Chambers announcing his retirement after five years on the Board. Rob Bazzani, who has been a Non-Executive Director since January 2020, will replace Mr Chambers as Chair. Non-Executive Director Philippe Houssiau has also stepped down from the Board to be replaced by Rebecca Thompson. These changes will provide the Company with new and diverse perspectives as well as an appropriate mix of skills and experience.

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

The payments to related parties and their associates as disclosed in section 6.1 of Appendix 4C released below related to salaries, directors' fees, superannuation and bonus payments. The payments comprised:

- A\$85,300 for Directors' fees and superannuation for the quarter
- A\$290,252 for Executive Director's salary, bonus and superannuation for the quarter

## Q1 FY24 INVESTOR WEBINAR

CEO Mike Lampron and CFO Dyan O'Herne will host a zoom webinar including a Q&A session with the investment community at **9:30am (AEDT) today 31 October 2023**.

Please use the link below to register for the webinar.

[https://mach7t.zoom.us/webinar/register/WN\\_7\\_fy6ZMbSISciMdUvRDiqA](https://mach7t.zoom.us/webinar/register/WN_7_fy6ZMbSISciMdUvRDiqA)

Investors can submit questions prior to the webinar to [ir@mach7t.com](mailto:ir@mach7t.com) or 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:

Investor Relations  
Françoise Dixon  
+61 (0) 412 292 977  
[ir@mach7t.com](mailto:ir@mach7t.com)

### **About Mach7 Technologies:**

Mach7 Technologies (ASX:M7T), founded in 2007, is a medical imaging systems provider that develops innovative image management and viewing solutions for healthcare organizations. The core of these offerings is the Mach7 Enterprise Imaging Solution, encompassing Enterprise Data Management, Enterprise Diagnostic Viewing and Departmental 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 Departmental 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. With more than 165 customers across 15 different countries, 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](http://Mach7t.com).

### **Forward-looking statements**

This announcement may contain forward-looking statements regarding the Company's financial position, business strategy and objectives (rather than being based on historical or current facts). Any forward-looking statements are based on the current beliefs of the Company's management as well as assumptions made by, and information currently available to, the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid.

All data presented in this announcement reflects the current views of the Company with respect to future events. Forward-looking statements are subject to risk, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. To the maximum extent permitted by law, the Company, its officers, employees and agents do not accept any obligation to release any updates or revisions to the information (including any forward-looking statements) in this announcement to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this announcement or its contents.



## 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")**

30 September 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,325	8,325
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(228)	(228)
(c) advertising and marketing	(208)	(208)
(d) leased assets	(57)	(57)
(e) staff costs	(6,473)	(6,473)
(f) administration and corporate costs	(1,523)	(1,523)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	87	87
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>(77)</b>	<b>(77)</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	(49)	(49)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(49)</b>	<b>(49)</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	118	118
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>118</b>	<b>118</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	23,395	23,395
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(77)	(77)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(49)	(49)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	118	118
4.5	Effect of movement in exchange rates on cash held	368	368
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>23,755</b>	<b>23,755</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	16,444	16,084
5.2	Call deposits	7,311	7,311
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>23,755</b>	<b>23,395</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	376
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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.*

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)	(77)
8.2 Cash and cash equivalents at quarter end (item 4.6)	23,755
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	23,755
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	309
<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: ....31 October 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.