

31 January 2024

## SECOND QUARTER FY24 BUSINESS UPDATE

### Q2 FY24 HIGHLIGHTS

- Sales orders of A\$16.0M (TCV<sup>1</sup>) in Q2 FY24 (A\$22.4M in Q2 FY23, A\$22.6M in constant currency).<sup>2</sup>
- Contracted Annual Recurring Revenue (CARR) of A\$26.8M at 31 December 2023, up 5% on 30 September 2023 (A\$25.5M).
- Annual Recurring Revenue (ARR) run rate of A\$18.6M at 31 December 2023, up 1% on 30 September 2023 (A\$18.4M).
- Cash on hand of A\$22.7M at 31 December 2023, up 10% on 31 December 2022 (A\$20.6M) and marginally lower on 30 June 2023 (A\$23.4M).
- Reaffirm FY24 guidance with sales order outlook supported by strong pipeline of opportunities with new and existing customers.<sup>3</sup>

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 31 December 2023 (Appendix 4C).

Mach7 CEO Mike Lampron said: “Mach7 had another strong quarter of sales orders which reflected the ongoing shift to Subscription sales and our large renewal program in FY24. The “sticky” nature of our existing customer base was highlighted once again with Sentara Healthcare signing a new A\$10.2M, 5-year Subscription agreement which will generate an additional A\$1.0M in ARR from 1 January 2024.<sup>4</sup> We finished Q2 FY24 with record CARR of A\$26.8M which includes A\$8.2M in revenue from new customers which will be recognised as First Productive Use is achieved and additional revenue from existing customers that will be recognised from the effective date of renewal.

“The RSNA conference in November was another highlight of the quarter. Product demonstrations and meetings were up significantly on 2022 with much more engagement and in-depth interest in our solutions. Our pipeline is strong and reflects opportunities with new and existing customers across multiple geographies and product combinations. The first half has been an exciting time for Mach7 as we exceeded our FY24 sales orders target in six months and saw a dramatic shift to Subscription sales. This will provide us with higher quality recurring revenue and greater earnings reliability in the future.”

<sup>1</sup> Total Contract Value: Capital Software Licence Fees, Professional Service Fees, Annual Subscription Fees plus Annual Maintenance and Support Fees over contract life.

<sup>2</sup> Average exchange rate for quarter ended 31 December 2023: AUD/USD = \$0.65.

<sup>3</sup> On 24 January 2024, Mach7 updated FY24 guidance due to an accelerated transition to Subscription orders in H1 FY24. For more information, refer to the ASX announcement.

<sup>4</sup> Refer to ASX announcement on 14 December 2023.

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**SALES ORDERS**

Sales orders for the second quarter of FY24 were A\$16.0M (TCV). The majority of sales orders received were for ARR-type sales highlighting the ongoing transition to a Subscription revenue model.

- **Annual Recurring Revenue (ARR)-type sales of A\$14.4M** (90% of total sales orders) representing Subscription fees and Maintenance and Support fees which will be recognised as revenue over the contract term when the customer achieves First Productive Use (FPU).
- **Capital software sales of A\$1.2M** (7% of total sales orders) which are immediately recognised as revenue upon delivery in FY24.
- **Professional Services sales of A\$0.5M** (3% 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**

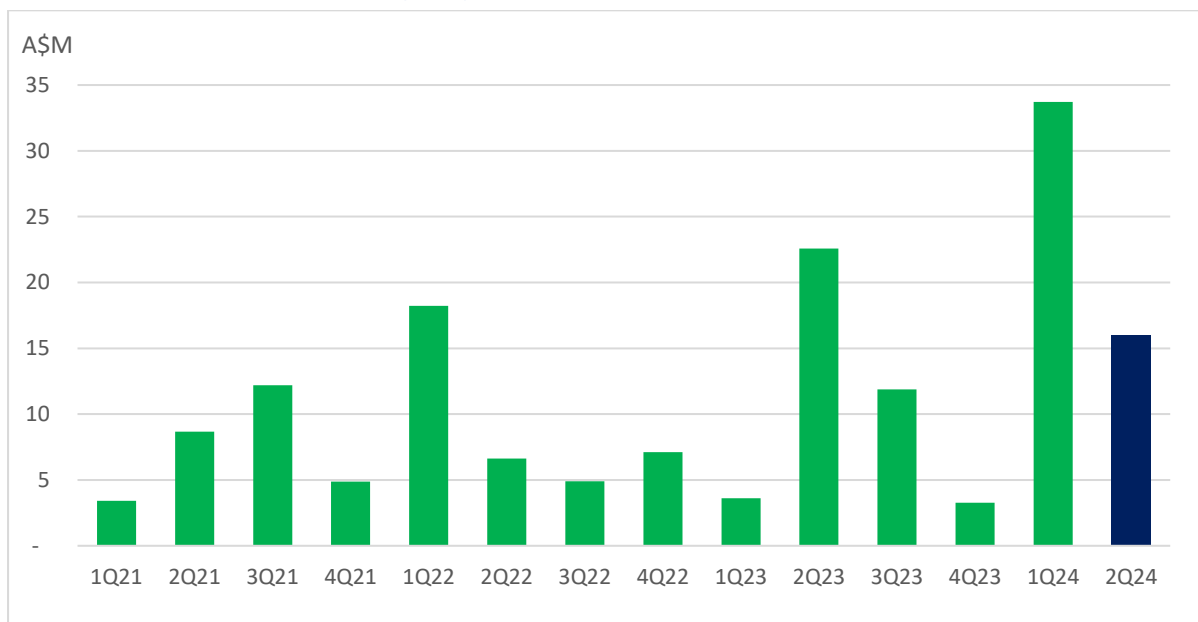
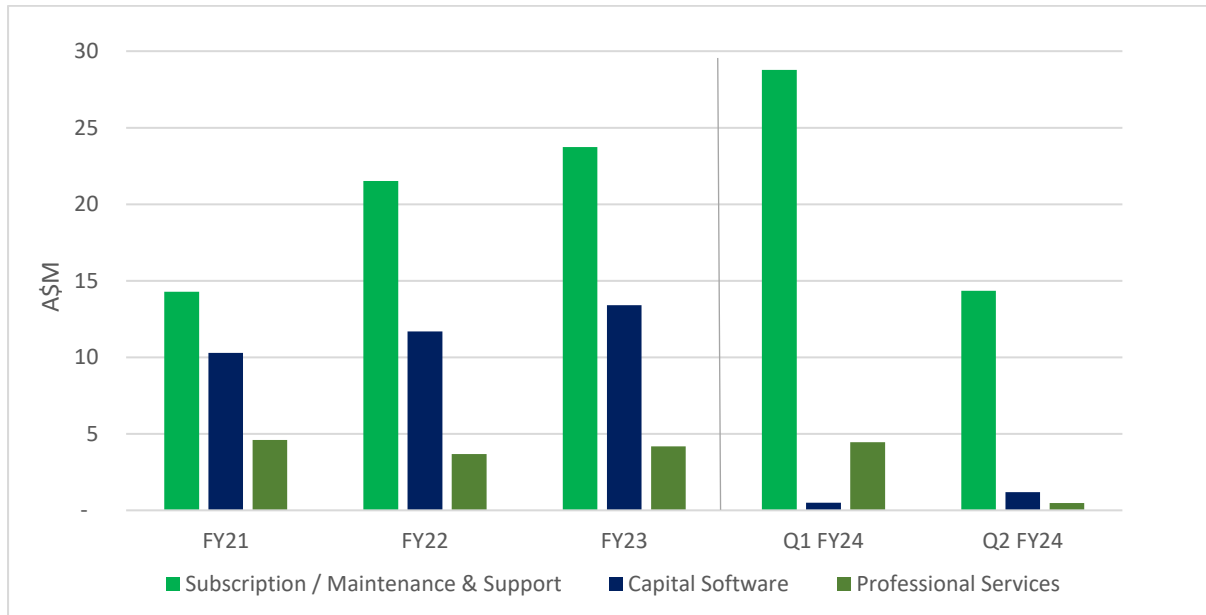


Chart 2 compares the composition of sales orders in the past three financial years to the first two quarters of FY24. It shows the continued growth in Subscription sales orders as customers increasingly choose this model over the Capital model, especially in North America.

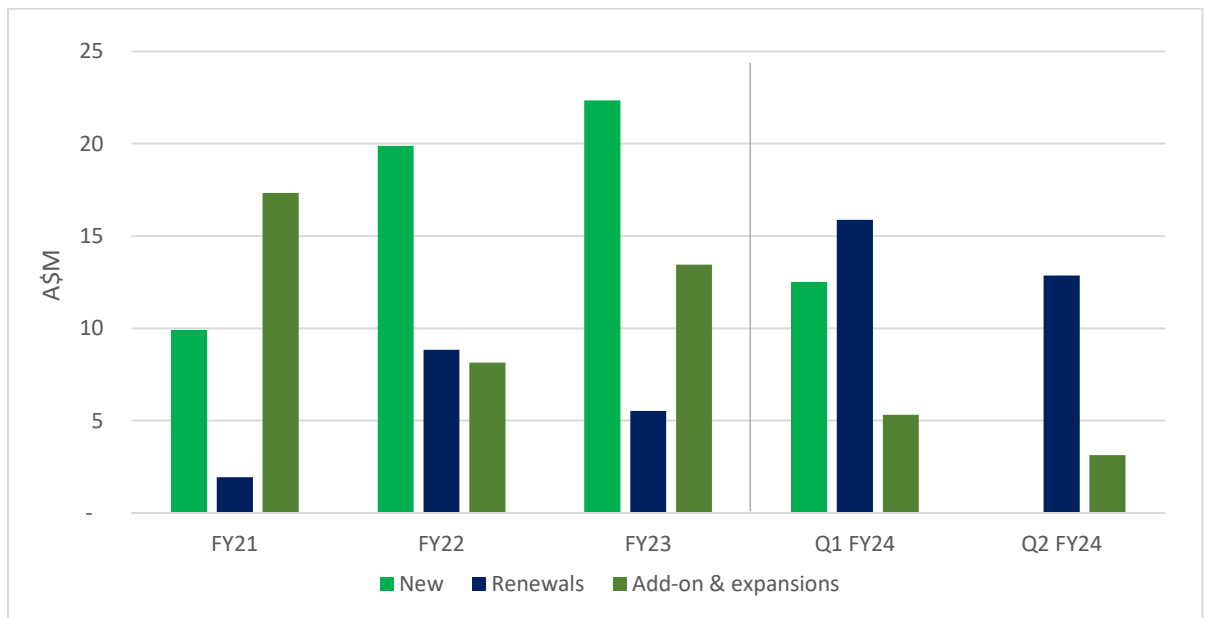
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**CHART 2: SALES ORDER COMPOSITION (\$AM) - TCV IN CONSTANT CURRENCY**



Q2 FY24 was driven by a higher level of renewals accounting for 80% of total sales orders as shown in Chart 3. Add-ons and expansions represented a further 20% 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**



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## RECURRING REVENUE GROWTH

### Annual Recurring Revenue (ARR)

Mach7 is currently generating A\$18.6M in ARR, a run rate calculated by annualising the revenue earned from Subscription and Maintenance and Support fees. This run rate was slightly higher on the A\$18.4M at 30 September 2023. ARR will continue to grow as new customers achieve FPU and existing customers renew at increased rates or achieve FPU on add-ons.

### Contracted Annual Recurring Revenue (CARR)

CARR was A\$26.8M at 31 December 2023, an increase of 5% on the CARR at 30 September 2023 (A\$25.5M). Mach7's CARR consists of the A\$18.6M ARR run rate for customers that have achieved FPU of the software, plus A\$8.2M of Subscription and Maintenance and Support fees not yet recognised as revenue (A\$7.1M at 30 September 2023). The gap between CARR and ARR represents future revenue once FPU is achieved for new customers as well as additional revenue from existing customers from the effective date of renewal or once FPU is achieved for add-ons. CARR is based on contracts in hand as at 31 December 2023 and includes the revenue associated with Q2 FY24 contract wins.

## CASHFLOW AND CASH RECEIPTS

Cash receipts from customers in Q2 FY24 were A\$7.2M compared to A\$6.4M in Q2 FY23. The ongoing transition to Subscription sales and higher marketing costs associated with the RSNA conference in November contributed to negative operating cash flow of A\$0.2M in Q2 FY24.

Mach7 expects to be cashflow positive in FY24 due to careful cost management, increased fees for licence renewals and improved receipts predictability for Subscription contracts.

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\$22.7M cash on hand at 31 December 2023 (A\$23.8M at 30 September 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 with new and existing customers across multiple regions, care settings and product combinations.

On 24 January 2024, Mach7 revised its FY24 guidance and now expects sales orders of over \$60M, revenue of A\$27M-30M and for opex growth to be less than 15%.<sup>5</sup> The guidance for Mach7 to be cashflow positive in FY24 was reaffirmed.

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<sup>5</sup> Refer to ASX announcement on 24 January 2024.

## 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 and superannuation payments. The payments comprised:

- A\$94,557 for Directors' fees and superannuation for the quarter
- A\$155,855 for Executive Director's salary and superannuation for the quarter

## Q2 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 January 2024**.

Please use the link below to register for the webinar.

[https://mach7t.zoom.us/webinar/register/WN\\_EM9fgyAcTjayWvLjYj4Xtg](https://mach7t.zoom.us/webinar/register/WN_EM9fgyAcTjayWvLjYj4Xtg)

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 radiologists and 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")**

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,156	15,481
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(278)	(506)
(c) advertising and marketing	(330)	(538)
(d) leased assets	(57)	(114)
(e) staff costs	(5,514)	(11,987)
(f) administration and corporate costs	(1,206)	(2,729)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	139	226
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(133)	(133)
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>(223)</b>	<b>(300)</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	(14)	(63)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(14)</b>	<b>(63)</b>

<b>3. 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	56	174
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 Net cash from / (used in) financing activities</b>	<b>56</b>	<b>174</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	<b>23,755</b>	<b>23,395</b>
4.2 Net cash from / (used in) operating activities (item 1.9 above)	<b>(223)</b>	<b>(300)</b>
4.3 Net cash from / (used in) investing activities (item 2.6 above)	<b>(14)</b>	<b>(63)</b>

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	56	174
4.5	Effect of movement in exchange rates on cash held	(845)	(477)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>22,729</b>	<b>22,729</b>

<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 \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	15,418	16,444
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>22,729</b>	<b>23,755</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	250
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>		

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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)	(223)
8.2 Cash and cash equivalents at quarter end (item 4.6)	22,729
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	22,729
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	102
<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>	

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**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 January 2024.....

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.