29 February 2024

FIRST HALF FY24 RESULT

H1 FY24 HIGHLIGHTS

- Record sales orders of A$49.5M (TCV[1]), up 92% on H1 FY23. Exceeded initial FY24 guidance for sales orders of A$48M. Sales order guidance revised to >A$60M on 24 January 2024
- Contracted ARR[2] (CARR) of A$26.8M as of 31 December 2023, up 34% or A$6.8M on pcp[3]
- ARR[2] run rate of A$18.6M as of 31 December 2023, up 13% or A$2.2M on pcp
- Total revenue of A$13.3M, down 19% on pcp as subscription transition accelerates
- Recurring revenue of A$9.9M, up 21% on pcp; 74% of total revenue (H1 FY23: 50%)
- NPATA[4] of -A$1.3M (H1 FY23: A$4.3M) and NPAT of -A$4.6M (H1 FY23: -A$0.1M) with decline largely due to short-term revenue impact of subscription transition
- Cash on hand of A$22.7M at 31 December 2023 (31 Dec 2022: A$20.6M)
- Significant contract wins with large renewal program demonstrating high customer retention and new logos including Veterans Health Administration
- Reaffirm FY24 guidance with sales order outlook supported by strong pipeline of opportunities with new and existing customers.

Mach7 Technologies Limited ("Mach7" or the "Company") (ASX:M7T), a company specialising in innovative medical imaging software solutions, today provides its half year result for the six months to 31 December 2023.

Mach7 CEO and Managing Director, Mike Lampron, said: "The first half has been an exciting time for Mach7 as we exceeded our FY24 sales order target of A$48M in six months and saw a dramatic shift to subscription sales. This will provide us with high quality revenue and greater predictability around future earnings and cash. We will continue to have some component of capital licences, especially for customers in the APAC region but expect the transition to a subscription payment model to continue.

"The sales orders secured this half have translated to a 30% increase in CARR to A$26.8M compared to 30 June 2023 which represents future revenue once First Productive Use is achieved for new customers as well as additional revenue from existing customers from the effective date of renewal. We are on track to complete a large renewal program in FY24 which has provided us with the opportunity to generate additional revenue through re-pricing and the extension of licence terms. Our sales pipeline is the strongest it has ever been and reflects opportunities with new and existing customers across multiple geographies and product combinations."

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[1] Total Contract Value: capital software licence fees, professional service fees, annual Subscription fees + annual Maintenance and Support fees over contract life
[2] Contracted Annual Recurring Revenue (CARR); Annual Recurring Revenue (ARR)
[3] Prior corresponding period (pcp)
[4] NPATA (Net Profit After Tax and before Amortisation) is NPAT adjusted for amortisation of acquired intangibles

SALES ORDERS

Mach7 has delivered record sales orders of A$49.5M TCV, up A$23.7M or 92% on pcp. This strong result exceeded our initial FY24 guidance for sales orders of A$48M. This was revised to over A$60M for FY24 on 24 January 2024. Chart 1 provides a summary of the total contract value of sales orders by half since H1 FY21 as Mach7 has secured larger customers and expanded into new market segments. Sales orders continue to be the best measure of the Company's financial progress from year to year, as the timing of cash receipts and revenue can vary over the course of the year. Both cash and revenue can be affected by contract milestones, revenue recognition rules and diversity between capital and subscription agreements.

CHART 1: SALES ORDERS BY HALF (TCV IN CONSTANT CURRENCY)[5]
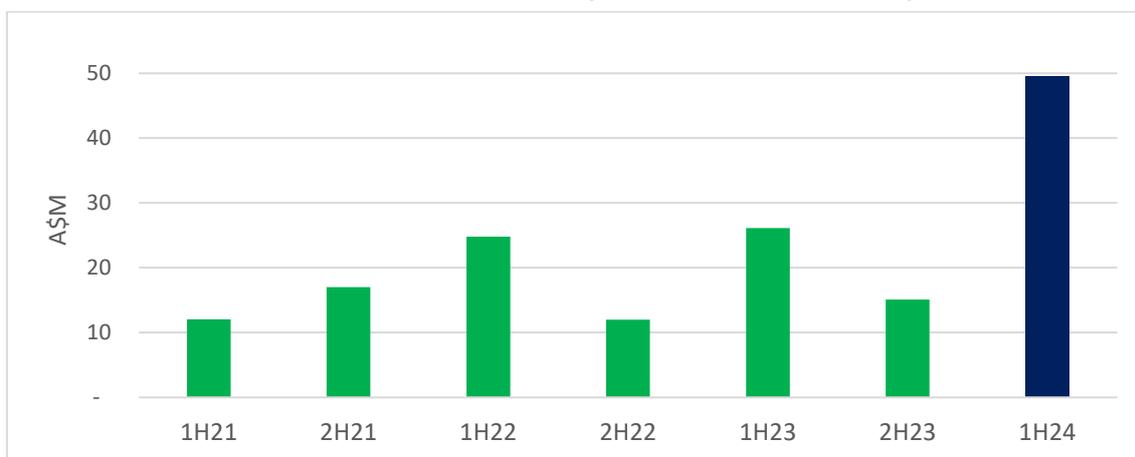

Chart 2 compares the composition of sales orders over the past three financial years to H1 FY24. It highlights the growth in Subscription sales orders during FY21-23 as customers increasingly chose this model over the Capital model, especially in North America. H1 FY24 represents a step change for Mach7 with sales orders even more heavily weighted toward subscription contracts.

CHART 2: SALES ORDER COMPOSITION (TCV IN CONSTANT CURRENCY)[5]

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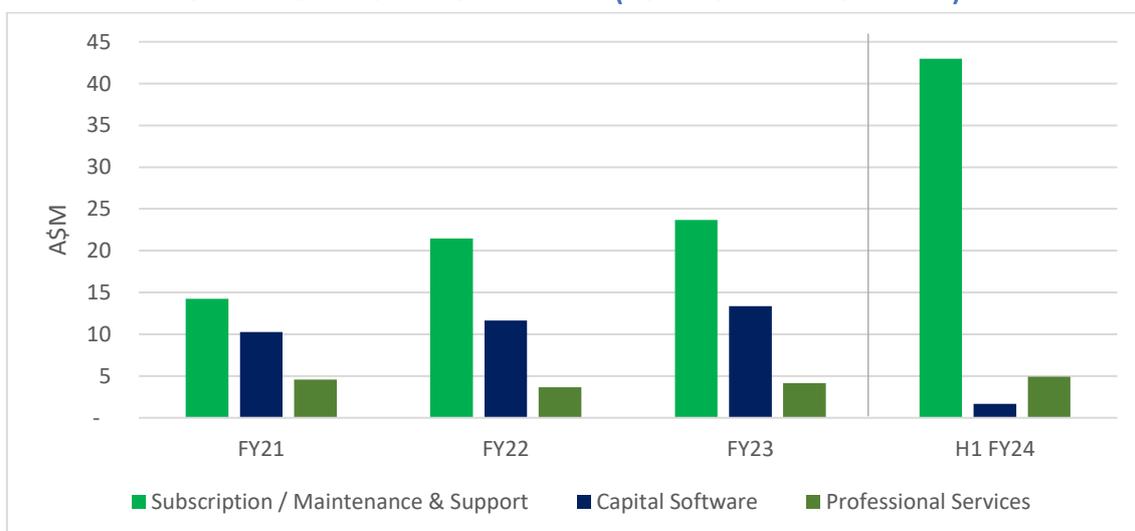
[5] Average exchange rate for H1 FY24 of AUD/USD = $0.653

Sales order composition for H1 FY24 is shown below.

- **Annual Recurring Revenue (ARR)-type sales of A$43M** (87% of sales orders) were significantly higher on pcp (H1 FY23: A$14.8M, 57% of sales orders) and represent Subscription and Maintenance and Support Fees which will be recognised as revenue when the customer achieves First Productive Use (FPU) or from the date of renewal.

- **Capital Software sales of A$1.7M** (3% of sales orders) were significantly lower than 1H FY23 (A$9.0M, 35% of sales orders) as the trend towards subscription accelerated during the half. Capital software sales are immediately recognised as revenue upon delivery.

- **Professional Services sales of A$4.9M** (10% of sales orders) to be recognised as revenue over time upon completion of services.

Chart 3 shows that sales orders in H1 FY24 were driven by a large renewal program demonstrating strong retention among Mach7's existing customer base. Renewals accounted for A$28.7M or 58% of total sales orders. New customers represented A$12.5M or 25% of sales orders and included Phase 1 of the Veterans Health Administration project which expands Mach7's footprint into the US public health sector. Add-ons and expansions represented a further 17% of sales orders illustrating the success of its "land and expand" strategy.

**CHART 3: SALES ORDER BY TYPE (TCV IN CONSTANT CURRENCY)[5]**

REVENUE

H1 FY24 revenue was A$13.3M, down 19% (H1 FY23: A$16.4M) due to the short-term impact from the subscription transition with 87% of H1 FY24 sales orders relating to Subscription and Maintenance and Support Fees. Most of the revenue associated with these contracts will begin to be recognised in 12-to-18 months once FPU is achieved or from the effective date of renewal.

The quality of Mach7's revenue continues to improve with Recurring Revenue of A$9.9M, up 21% on pcp to represent 74% of total revenue (H1 FY23: 50% of total revenue). Capital Software Licence Revenue of A$1.7M was 76% lower to represent 13% of H1 FY24 revenue (H1 FY23: A$7.2M; 44% of

total revenue) as capital licences accounted for only 3% of H1 FY24 sales orders (H1 FY23: 35% of sales orders). Professional Services Revenue of A$1.7M was up 55% to represent 13% of total revenue (H1 FY23: A$1.1M; 7% of total revenue). The split between products was similar to H1 FY23 at approximately 60/40 between the VNA and eUnity Viewer.

CHART 4: STRONG GROWTH IN RECURRING REVENUE IN H1 FY24
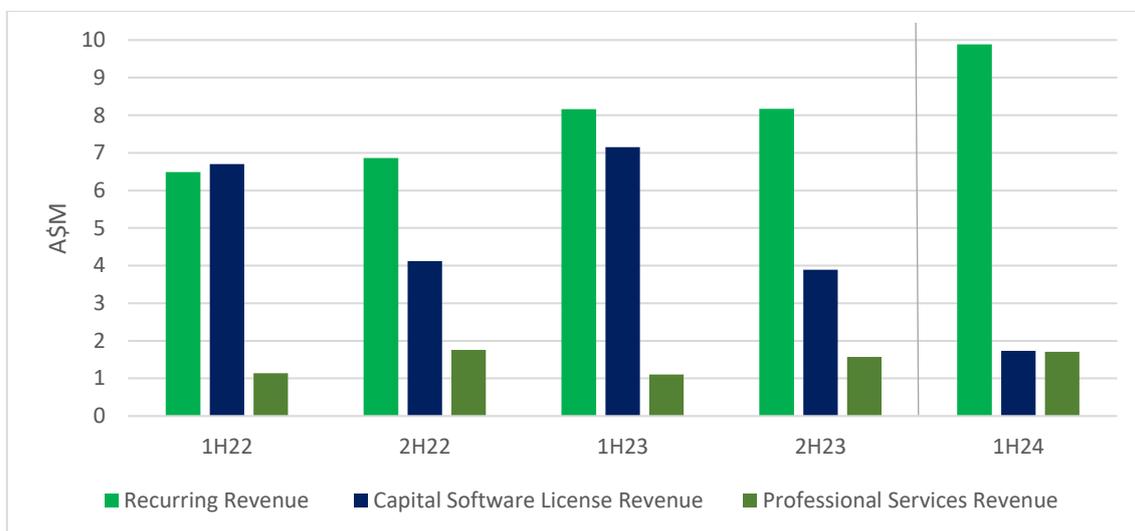
Annual Recurring Revenue (ARR)

At 31 December 2023, Mach7 generated A$18.6M of ARR, a run rate calculated by annualising the revenue earned from Subscription and Maintenance and Support Fees in December 2023. This run rate was up 13% on 31 December 2022. ARR will continue to grow as new and existing customers achieve FPU or additional revenue is recognised from the date of renewal due to fee increases and expansions. An example of this growth is the additional A$1.0M in ARR from the renewal of Sentara Healthcare effective 1 January 2024 which will be reflected in Q3 FY24 ARR.

Contracted Annual Recurring Revenue (CARR)

CARR was A$26.8M at 31 December 2023, up 34% on A$20.0M at 31 December 2022. Mach7's 31 December 2023 CARR consists of the A$18.6M ARR run rate plus A$8.2M in Subscription and Maintenance and Support fees not yet recognised as revenue because FPU or an effective renewal date is still pending.

EARNINGS

EBITDA of -A$2.3M compared to A$3.4M in H1 FY23 and was mainly due to the short-term decline in revenue associated with the subscription transition. Cost growth moderated in the half and was up 9% on pcp compared to 28% in H1 FY23. Mach7 expects opex growth to be less than 15% in FY24.

Adjusting for unrealised net foreign exchange movements and non-cash share-based payments expense, Mach7 delivered adjusted EBITDA of -A$1.6M against A$3.1M in pcp. The net loss of -A$4.6M (H1 FY23: -A$0.1M) and NPATA of -A$1.3M (H1 FY23: A$4.3M) during the half was primarily due to the short-term revenue decline. NPATA adjusts for the amortisation of acquired intangibles. All of Mach7's R&D is expensed rather than capitalised.

CASHFLOW AND CASH RECEIPTS

Cash receipts from customers in H1 FY24 increased by 73% to A$15.5M (H1 FY23: A$8.9M) due to the timing of contract milestones and ARR renewals. The improvement in operating cashflow during the half reflected the strong growth in receipts and careful cost management. The financial position of the Company remains solid, with no debt and A$22.7M cash on hand at 31 December 2023 (A$20.6M at 31 December 2022). Mach7 expects to be cash flow positive in FY24.

OUTLOOK

Mach7 continues to benefit from market dynamics influencing the adoption of enterprise imaging with buying decisions increasingly being made by the C-suite or CIO for the whole hospital system and outpatient practice or enterprise rather than the radiology department.

It is well positioned to take advantage of a highly fragmented market for medical imaging and the 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.

The record sales orders achieved in the first half of FY24 reflected the ongoing shift to subscription sales, especially in North America and a large renewal program, which demonstrated strong retention among existing customers. The changing customer preference for subscription licencing is expected to have a short-term revenue impact but will ultimately provide Mach7 with a more predictable and scalable business model.

In this environment, Mach7 expects sales orders to exceed A$60M and revenue is expected to be A$27M-A$30M in FY24. Operating expense growth is forecast to be less than 15%. 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. The Company is in a strong financial position with A$22.7M in cash at 31 December 2023 and no debt.

H1 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, 29 February 2024**.

Please use the link below to register for the webinar.

https://mach7t.zoom.us/webinar/register/WN_Sp75aTFQQByanS8TA3Bpzg

Investors can submit questions prior to the webinar to ir@mach7t.com or ask questions via the Q&A function during the webinar.

Released on the authority of the Board by Mike Lampron, CEO and Managing Director.

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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.

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.

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Independence through Innovation