28 August 2024

FY24 RESULT

FY24 HIGHLIGHTS

- FY24 guidance achieved for sales orders, revenue, opex growth and cashflow[1]
- Record sales orders of A$61.3M (TCV[2]), up 52% on FY23. In line with revised guidance
- CARR[3] of A$27.9M at 30 June 2024, up 35% or A$7.3M on pcp[4]
- ARR[3] run rate of A$22.0M at 30 June 2024, up 29% or A$5.0M on pcp
- Total revenue of A$29.1M, marginally down 3% on pcp. In line with revised guidance
- Recurring revenue[5] of A$21.1M, up 29% on pcp; 72% of total revenue (FY23: 54%)
- Opex growth of 13%. In line with revised guidance
- Operating cashflow positive in FY24 and achieved FY24 guidance to be cashflow positive
- Cash on hand of A$26.2M at 30 June 2024 (30 June 2023: A$23.4M)

Mach7 Technologies Limited ("Mach7" or the "Company") (ASX:M7T), a company specialising in innovative medical imaging software solutions, today provides its full-year results for the year ended 30 June 2024.

Mach7 CEO and Managing Director Mike Lampron said: "FY24 has been a transformational year for Mach7 as we laid the foundation for future growth. We achieved our FY24 guidance for sales orders, revenue and opex growth and were also cashflow positive, a significant achievement as we transform our sales model. We also delivered record results and strong growth in CARR and ARR. At financial year end, Mach7 is in a strong financial position with no debt and a cash balance of A$26.2M, its highest level in four years.

"Looking ahead to FY25, our priorities will centre around the addition of net new logos as our pipeline continues to grow and generate opportunities across multiple geographies and product combinations. We will also undertake targeted investment in our people, processes and tools to further differentiate Mach7 from its competitors. This investment will focus on product innovation and reflect a customer-centric mindset.

"It will also reflect our business objectives of providing outstanding enterprise solutions while driving recurring revenue growth and maintaining the focus on our path to profitability. This investment will also enable us to take advantage of opportunities that play to our strengths as the medical imaging landscape continues to evolve."

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[1] In January 2024, Mach7 revised FY24 guidance for sales orders, revenue and operating expenditure. The guidance to be cashflow positive was retained.
[2] Total Contract Value: capital software licence fees, professional service fees, annual Subscription fees + annual Maintenance and Support fees over contract life
[3] Contracted Annual Recurring Revenue (CARR); Annual Recurring Revenue (ARR)
[4] Prior corresponding period (pcp)
[5] Recurring revenue consists of Subscription Revenue and Maintenance and Support Revenue recognised in FY24.

SALES ORDERS

Mach7 has delivered record sales orders of A$61.3M TCV, up A$21.0M or 52% on pcp. This strong result exceeded our initial FY24 guidance for sales orders of A$48M. Sales order guidance was revised to over A$60M for FY24 on 24 January 2024.

Chart 1 compares the composition of sales orders since FY21 as Mach7 has secured larger customers and expanded into new market segments. It highlights the growth in Subscription sales orders during the period as customers increasingly chose this model over the Capital model, especially in North America. FY24 represents a step change for Mach7 with sales orders heavily weighted toward Subscription and Maintenance and Support contracts.

CHART 1: SALES ORDER COMPOSITION (TCV IN CONSTANT CURRENCY)[6]
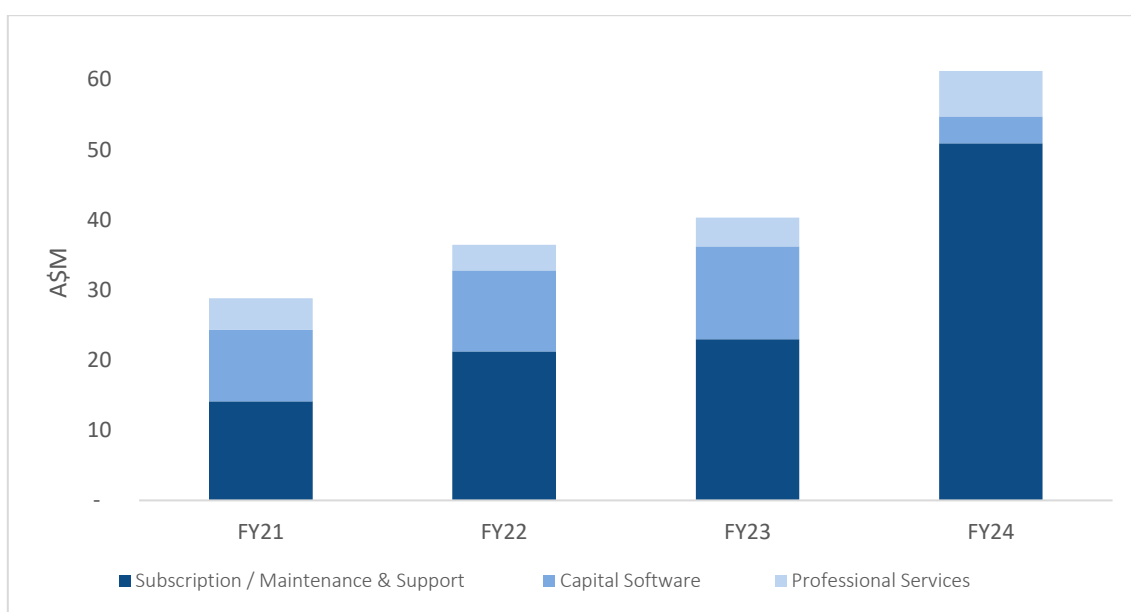

Sales order composition for FY24 is shown below.

- **Annual Recurring Revenue (ARR)-type sales of A$50.9M** (83% of sales orders) were 120% higher on pcp (FY23: A$23.1M, 58% of sales orders) and represents 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$3.9M** (6% of sales orders) were significantly lower than FY23 (A$13.1M, 32% of sales orders) as the trend towards subscription sales orders accelerated during the year. Capital software sales are immediately recognised as revenue upon delivery.

- **Professional Services sales of A$6.5M** (11% of sales orders) were 59% higher on pcp (FY23: A4.1M, 10% of sales orders). These sales are recognised as revenue over time upon completion of services.

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[6] Average exchange rate for FY24 of AUD/USD = $0.656

Chart 2 shows that sales orders in FY24 were driven by a large renewal program demonstrating strong retention among Mach7's existing customer base. Renewals accounted for A$37.5M or 61% of total sales orders, the highest in Mach7's history.

New customers represented A$13.2M or 22% 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 2: SALES ORDER BY TYPE (TCV IN CONSTANT CURRENCY)[6]**
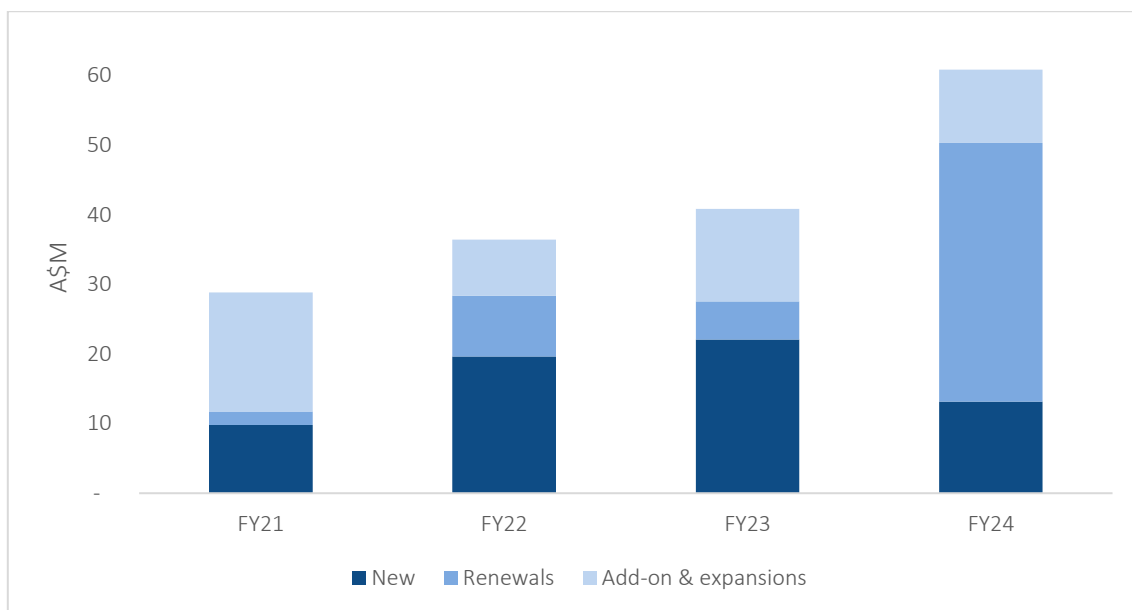
REVENUE

FY24 revenue of A$29.1M, was 3% lower on pcp and at the high end of Mach7's revised revenue guidance of A$27-30M. The marginal decline was due to the short-term impact of the accelerated subscription transition with 83% of 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 when FPU is achieved or from the effective date of renewal.

Chart 3 shows that the quality of Mach7's revenue continues to improve with Recurring Revenue of A$21.1M recognised in FY24, up 29% on pcp, accounting for 72% of total revenue (FY23: 54% of total revenue).

The split between products was similar to FY23 at approximately 60/40 between the VNA and eUnity Viewer.
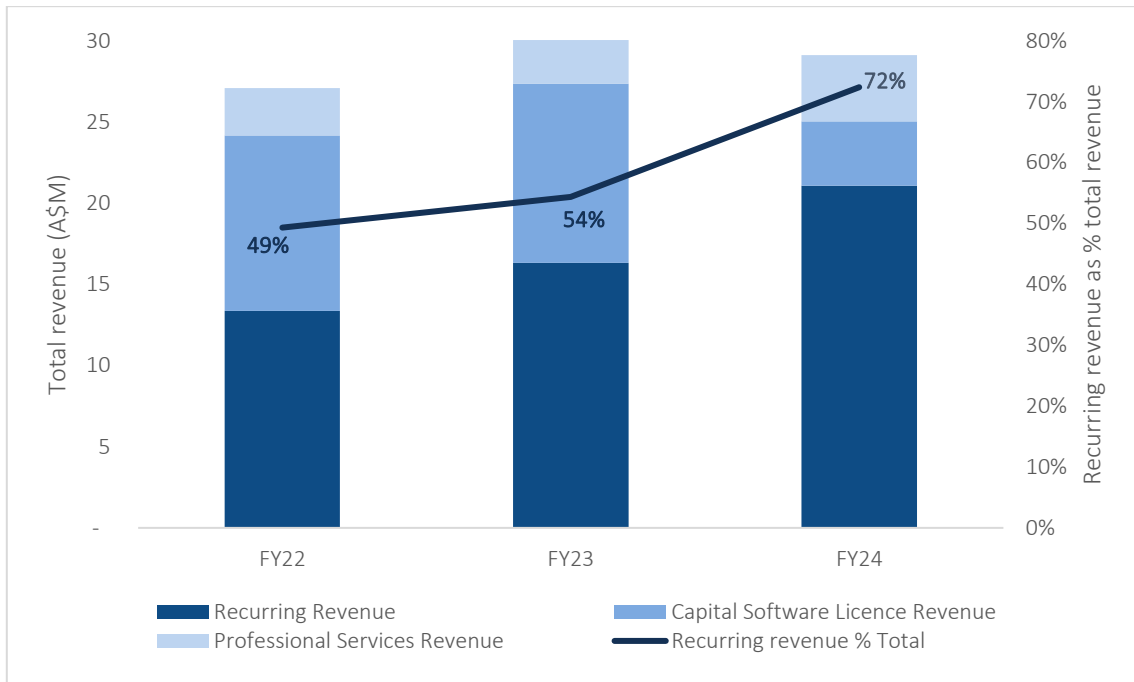
Annual Recurring Revenue (ARR)

At 30 June 2024, Mach7 generated A$22.0M of ARR, a run rate calculated by annualising the revenue earned from Subscription and Maintenance and Support Fees in June 2024. This run rate was A$5.0M or 29% higher when compared to 30 June 2023. ARR will continue to grow as new customers achieve FPU and existing customers renew at increased rates or achieve FPU on add-ons. ARR coverage of operating expenditure increased to 72% in FY24, up from 63% in the prior year.

Contracted Annual Recurring Revenue (CARR)

CARR was A$27.9M at 30 June 2024, up A$7.3M or 35% since 30 June 2023. Mach7's CARR consists of the A$22.0M ARR run rate for customers that have achieved FPU of the software, plus A$5.9M of Subscription and Maintenance and Support fees not yet recognised as revenue.

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 30 June 2024.

EARNINGS

EBITDA of -A$3.3M compared to A$1.7M in FY23 mainly reflected the short-term decline in revenue associated with the subscription transition. Cost growth of 13% on pcp was in line with guidance to be less than 15%. Mach7 delivered adjusted EBITDA of -A$2.0M against A$2.5M in pcp which excludes unrealised net foreign exchange movements and non-cash share-based payments expense.

In FY24, $0.2M in development costs were capitalised following the Board's decision to capitalise development costs associated with an R&D project which commenced in FY24. The project is expected to be completed in FY25.

NPATA[7] of -A$1.2M (FY23: A$7.2M) and NPAT of -A$8.0M (FY23: -A$1.0M) for the year was primarily due to the short-term revenue decline.

CASHFLOW AND CASH RECEIPTS

Cash receipts from customers in FY24 were A$34.9M, up 42% on FY23 (A$24.6M). Mach7 reported positive operating cash flow of A$3.5M for FY24, which is a significant milestone in the context of its transition to a predominantly Subscription sales model.

Mach7's FY24 cashflow positive guidance was also achieved due to disciplined cost management, increased fees for licence renewals and improved receipts predictability for Subscription contracts.

The financial position of the Company remains strong with no debt and A$26.2M cash on hand at 30 June 2024 (A$23.4M at 30 June 2023).

OUTLOOK

Mach7 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 different regions, care settings and product combinations.

In FY25, Mach7 will leverage its capabilities to innovate and create new solutions which will further differentiate the Company from its competitors and increase the scalability of the business. This will involve investment in its people, processes and tools which is expected to be in the range of A$2m-$3m.

Mach7 expects to deliver growth in FY25 of 15-25% on pcp in both revenue and CARR with revenue growth to exceed the growth in operating expenses.

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 (AEST) today, 28 August 2024**.

Please use the link below to register for the webinar.

https://mach7t.zoom.us/webinar/register/WN_W3pMS0ouRGCcTyz-aXagiQ

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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[7] NPATA (Net Profit after Tax and before Amortisation) is NPAT adjusted for amortisation of acquired intangibles.

For more information, contact:

Investor Relations
Françoise Dixon
+61 (0) 412 292 977
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.

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.

MACH7

Independence through Innovation

Mach7 Technologies Limited (ASX:M7T) ABN: 26 007 817 192
Registered Office: Level 4, 96 – 100 Albert Road, South Melbourne, VIC 3205
T: 03 9692 7222
www.mach7t.com

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