

28 February 2023

## SOLID FIRST HALF FY23 RESULT

### H1 FY23 HIGHLIGHTS:

- ◆ Record half-yearly sales orders of \$25.8M (TCV<sup>1</sup>); up 17% on \$22.1M in H1 FY22 (+5.4% on \$24.6M in constant currency<sup>2</sup>)
- ◆ Record revenue of \$16.4M; up 14% on \$14.3M in H1 FY22, but lower than the \$18.1M previously disclosed due to the \$1.7M financing component of the 10-year Akumin contract being reclassified as interest income, which will be earned over the contract term
- ◆ Contracted Annual Recurring Revenue (CARR) of \$20.0M; up 19% on \$16.8M at 31 Dec 2021
- ◆ Annual Recurring Revenue (ARR) run rate of \$16.4M; up 22% on \$13.4M at 31 Dec 2021
- ◆ EBITDA<sup>3</sup> of \$3.4M; up 13% on \$3.1M in H1 FY22
- ◆ Cash on hand \$20.6M; (\$20.3M at 31 Dec 2021 and \$25.7M at 30 Jun 2022)

Mach7 Technologies Limited (“Mach7” or the “Company”) (ASX:M7T), a company specialising in innovative medical imaging software solutions, is pleased to provide these first half result highlights in conjunction with the release of the Appendix 4D – Half Year Report.

CEO and Managing Director of Mach7, Mike Lampron, said: “Sales have gained momentum as the year has progressed with new customers Nuvodia and Akumin acquired toward half year end and sales orders beginning to flow this quarter from existing customer, Adventist Health. The Akumin contract was the largest in Mach7’s history by both value and term, with the 10-year contract duration causing us to reevaluate how we account for capital software licence payments over such lengthy periods. Notwithstanding this, we are half way toward our full year revenue target and about three quarters of the way toward our full year sales goal with a strong pipeline of sales opportunities for the remainder of the year.”

### SALES ORDERS

Sales orders for the first half of FY23 were a record \$25.8 million (TCV), up strongly on the \$22.1M achieved in H1 FY22. Notwithstanding the reclassification of some revenue relating to the Akumin contract, the Akumin TCV remains unchanged at \$16.7 million which represents approximately 65% of total H1 sales orders.

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<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

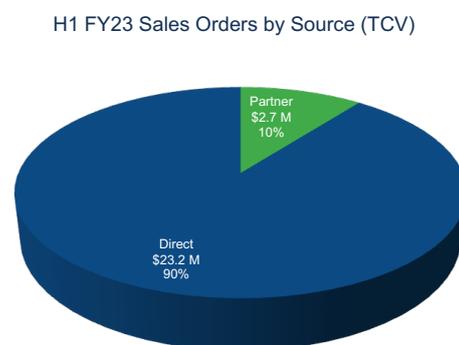
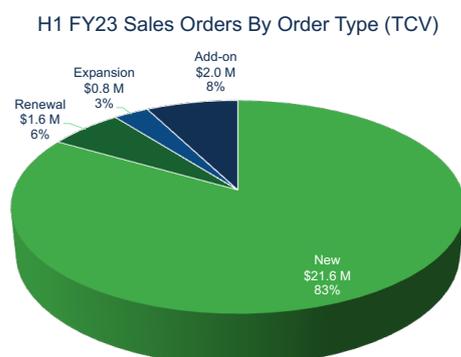
<sup>3</sup> EBITDA is \$3.1M when adjusted for foreign exchange impacts and non-cash share based payments

While the high-value Akumin contract is capital in nature, the composition of total half yearly sales orders is skewed toward Annual Recurring Revenue-type sales (57%). This outcome is due to the annual Support & Maintenance fees in the Akumin contract representing a greater proportion of the contract's total fees given Professional Service fees were only included for initial project stages, with future stages requiring separate contracts.



In constant currency, total H1 FY23 sales orders comprised:

- \$14.8 million (or 57% of total sales orders) representing Annual Recurring Revenue (ARR)-type sales (support & maintenance fees and subscription fees to be recognised as revenue over the contract term when the customer achieves First Productive Use (FPU)),
- \$9.0 million (or 35%) of capital software sales (immediately recognised as revenue upon delivery in FY23), before adjusting for the Akumin financing component that will be recognised as interest income over the contract term, and
- \$2.1 million (or 8%) of professional services sales (to be recognised as revenue over time upon completion of services).



Partnership sales accounted for 10% of total sales orders in H1 FY23, up on the 8% achieved in FY22. 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.

Sales orders from new customers dominated the H1 sales order composition with 83% (or \$21.6 million) of sales generated from newly formed relationships, predominantly those with Akumin, Nuvodia and St Paul's Hospital Hong Kong. In H2 FY23 Mach7 expects additional new customers as well as increased activity from its existing client base with sales orders from Adventist Health starting to flow this quarter.

## RECORD REVENUE AND RECURRING REVENUE GROWTH

Revenues for H1 FY23 were a record \$16.4 million, up 14% on \$14.3 million in H1 FY22. This result differs from the \$18.1 million disclosed at the time of the Company's Q2 FY23 Business Update due to the reclassification of a \$1.7 million financing component associated with the Akumin contract to interest income, which will be recognised as interest income over the contract term. The Akumin contract structure is atypical, with the 10-year term double the norm for Mach7 capital contracts. With software delivered to Akumin in December 2022, but payment occurring over the contract term, the contract was deemed to contain a financing component. Consequently, \$5.8 million of Akumin-related revenue will be recognised in FY23 rather than the expected \$7.5 million referenced in the ASX announcement dated 3 January 2023, with the \$1.7 million difference to be recognised as interest income over the next 10 years. Refer to Note 7 in Appendix 4D for details of this accounting treatment.

### 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 22% over the year from \$13.4M as at 31 December 2021 and will continue to grow as existing and new customers achieve FPU.

### Contracted Annual Recurring Revenue (CARR)

Sales orders for the half year contributed a further \$2.7 million (since 30 June 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.

## EARNINGS

EBITDA of \$3.4 million was generated in H1 FY23, representing an increase of \$0.4 million or 13% on H1 FY22. The improvement was due to an increase in revenue (up \$2.1 million or 14% on H1 FY22), a \$0.8 million reduction in non-cash share-based payments on the prior year primarily due to the forfeiture of options by departing employees, and foreign exchange gains of \$0.1 million.

Stripping out foreign exchange movements and non-cash factors, the Company delivered (adjusted) EBITDA of \$3.1 million, down on the \$3.6 million in the previous corresponding period.

## CASHFLOW AND CASH RECEIPTS

Cash receipts from customers for H1 FY23 were \$9.0 million, down \$3.0 million on the previous corresponding period (H1 FY22: \$12.0 million) which benefited from Trinity Health and Advocate Aurora Health initial sales orders. Higher staff costs together with increased professional fees and travel expenses during the period contributed to a negative H1 FY23 operating cashflow of \$5.2 million. Notwithstanding this mid-year outcome, 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 \$5.1 million on \$25.7 million at 30 June 2022 but steady on the \$20.3 million a year prior. With positive FY23 operating cashflow forecast, Mach7 expects its cash balance to build over the balance of the financial year.

## OUTLOOK

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.

Scale, speed, modularity and interoperability are increasingly sought by healthcare sector participants which is creating strong demand for Mach7's products and services. In the quest for efficiency, economy and excellence, healthcare organisations are disaggregating single-vendor tech stacks and replacing traditional PACS with best of breed enterprise imaging components. Mach7's interoperable Vendor Neutral Archive (VNA) and zero-footprint eUnity Diagnostic Viewer are uniquely positioned to benefit from this phenomena.

Since the advent of COVID 19, remote reading services have become a business as usual requirement to enable clinicians to continue work outside the walls of the hospital. This industry transformation together with the maintenance of eUnity's #2 ranking in the KLAS 2023 Universal Viewer Segment and the associated network effect is bringing new customers and opportunities to Mach7. In addition, the ongoing consolidation of healthcare enterprises and a shift towards outpatient (ambulatory) care and imaging diagnosis continues to cater to the Company's core business.

Excluding any adverse foreign exchange impacts, the Company expects +20% revenue growth in FY23, underpinned by a healthy sales pipeline and the recognition of revenue from the Adventist Health and Trinity 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.

## HALF YEARLY RESULT WEBINAR

The Company will hold a webinar with CEO Mike Lampron and Interim CFO Dyan O'Herne on, Tuesday, 28 February at 9:30am AEDT, to discuss the first half FY23 results released to the ASX today. Investors can register for the webinar via the following link:

[https://mach7t.zoom.us/webinar/register/WN\\_8fj9tTOEQrSpjIHGDVpjsQ](https://mach7t.zoom.us/webinar/register/WN_8fj9tTOEQrSpjIHGDVpjsQ)

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

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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).

