

28 April 2023

THIRD QUARTER FY23 BUSINESS UPDATE

Q3 FY23 HIGHLIGHTS:

- ◆ FY23 sales order target of A\$36M exceeded; Q3 FY23 sales orders of A\$11.3M (TCV¹) up 156% on A\$4.4M in Q3 FY22, bringing year to date sales orders to A\$37.1M
- ◆ Contracted Annual Recurring Revenue (CARR) of A\$20.6M; (A\$20.0M at 31 Dec 2022)
- ◆ Annual Recurring Revenue (ARR) run rate of A\$17.2M; (A\$16.4M at 31 Dec 2022)
- ◆ Adventist Health System final sales orders received and deployment phase commenced
- ◆ Cash on hand A\$19.4M; (A\$20.6M at 31 Dec 2022)

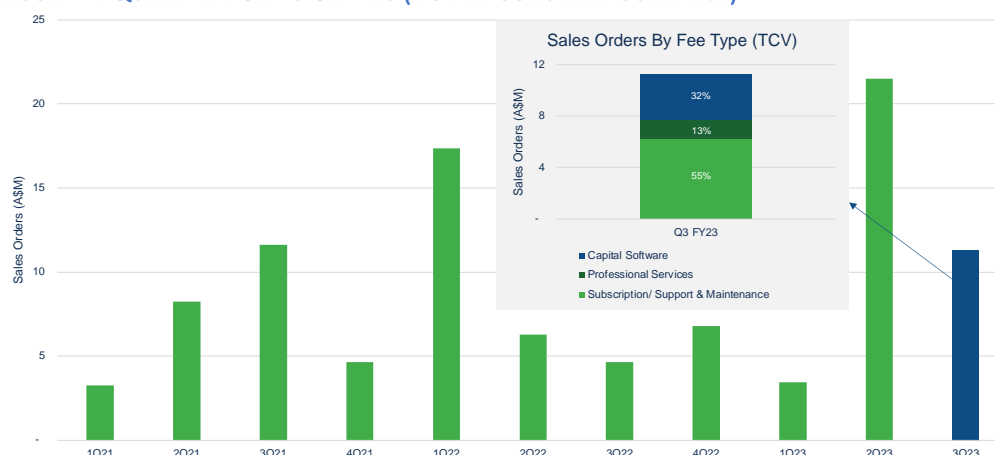
Mach7 Technologies Limited (“Mach7” or the “Company”) (ASX:M7T), a company specialising in innovative medical imaging software solutions, is pleased to provide this quarterly update in conjunction with the release of the Appendix 4C – Quarterly Cash Flow Report.

SALES ORDERS

Sales orders for the third quarter of FY23 were A\$11.3 million (TCV), up strongly on the A\$4.4 million² achieved in Q3 FY22. Sales order history and composition are shown in Figure 1 with Q3 FY23 sales comprising:

- Annual Recurring Revenue (ARR)-type sales of A\$6.2 million (or 55% of total sales orders) representing support & maintenance fees and subscription fees which will be recognised as revenue over the contract term when the customer achieves First Productive Use (FPU),
- Capital software sales of A\$3.6 million (or 32% of total sales orders) which will be immediately recognised as revenue upon delivery in FY23, and
- Professional services sales of A\$1.5 million (or 13% of total sales orders) to be recognised as revenue over time upon completion of services.

FIGURE 1: QUARTERLY SALES ORDERS (TCV IN CONSTANT CURRENCY)



¹ 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.

² A\$4.7 million in constant currency. Average exchange rate for quarter ended 31 March 2023: AUD/USD = \$0.684

Sales orders from existing customers featured in Q3 FY23 with 95% (or A\$10.7 million) of sales generated from healthcare organisations with which Mach7 already has a commercial relationship. Existing customer, Adventist Health, signed sales orders for its remaining 15 (of 22) hospitals yet to deploy Mach7's PACS. These latest orders have a value of A\$7.1 million including scope expansion and comprise the bulk of the Expansion/Fulfilment sales orders set out in Figure 2.

FIGURE 2: Q3 SALES ORDERS BY TYPE (TCV)

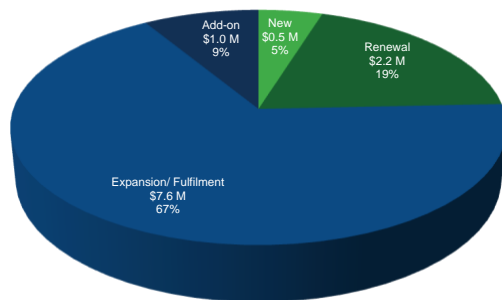
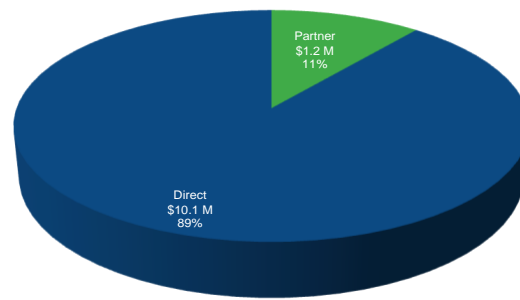


FIGURE 3: Q3 SALES ORDERS BY SOURCE (TCV)



Third quarter partnership sales accounted for 11% of total sales orders as shown in Figure 3, an outcome broadly in line with the prior quarter and up on the 8% achieved in FY22.

RECURRING REVENUE GROWTH

Annual Recurring Revenue (ARR)

Mach7 is currently generating A\$17.2 million 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 4.9% from A\$16.4M as at 31 December 2022 and will continue to grow as existing and new customers achieve FPU.

Contracted Annual Recurring Revenue (CARR)

Sales orders for the quarter have contributed a further A\$0.6 million (since 31 December 2022) to the Contracted Annual Recurring Revenue (CARR) base which now sits at A\$20.6 million. Mach7's CARR consists of the A\$17.2 million ARR run rate for customers that have achieved FPU of the software, plus A\$3.4 million of subscription and support & maintenance fees not yet recognised as revenue because FPU is still pending.

CASHFLOW AND CASH RECEIPTS

Cash receipts from customers for Q3 were A\$5.4 million, down A\$1.0 million on the previous corresponding period (Q3 FY22: A\$6.4 million) which benefited from Hospital Authority Hong Kong sales orders.

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

While there was a net operating cash outflow of A\$1.3 million in the third quarter, 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 A\$19.4 million cash on hand, down 5.8% against A\$20.6 million at 31 December 2022. With positive FY23 operating cashflow forecast, Mach7 expects a significant boost to its cash balance in the fourth quarter.

OUTLOOK

Mach7 has exceeded its FY23 sales order forecast of at least A\$36 million, with sales orders standing at A\$37.1 million at 31 March 2023 and a healthy pipeline from which to add to this number in the final quarter. From a cashflow perspective, the fourth quarter is typically strong for cash collections and the Company continues to expect positive operating cashflows on an annual basis. As FY23 draws to a close, Mach7 remains focused on new customers and the release of new product versions for each of its core products.

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 the Appendix 4C released below related to salaries, directors' fees, superannuation, advisory and consultancy fees paid to directors. The payments comprised:

- A\$211,757 for Directors' fees, committee fees and superannuation for the quarter
- A\$140,077 for Executive Director's salary and superannuation for the quarter

QUARTERLY WEBINAR

The Company will hold a webinar with CEO Mike Lampron and Interim CFO Dyan O'Herne on, Friday, 28 April at 9:30am AEDT, to discuss the March 2023 quarterly results released to the ASX today. Investors can register for the webinar via the following link:

https://mach7t.zoom.us/webinar/register/WN_TKyMo2AgSoaPjKssX9z9lQ

Investors can submit questions prior to the webinar to 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

For more information, contact:

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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).



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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 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,408	14,439
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(127)	(425)
(c) advertising and marketing	(110)	(602)
(d) leased assets	(53)	(159)
(e) staff costs	(5,147)	(16,030)
(f) administration and corporate costs	(1,329)	(3,965)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	38	73
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)	-	-
1.9 Net cash from / (used in) operating activities	(1,320)	(6,669)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(27)	(139)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	-	-
2.6	Net cash from / (used in) investing activities	(27)	(139)
3.	Cash flows from financing activities		
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	-	114
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)	-	-
3.10	Net cash from / (used in) financing activities	-	114
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	20,605	25,748
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,320)	(6,669)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(27)	(139)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	114
4.5	Effect of movement in exchange rates on cash held	137	341
4.6	Cash and cash equivalents at end of period	19,395	19,395

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	12,084	13,321
5.2	Call deposits	7,311	7,284
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	19,395	20,605

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	352
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.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,320)
8.2 Cash and cash equivalents at quarter end (item 4.6)	19,395
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	19,395
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	15
<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:27 April 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.