

Profitable NPAT Result, Cashflow Positive & Triple Digit Revenue Growth

Mach7 Announces FY 2020 Results

Financial Highlights:

- Revenue up 102% to **\$18.9M**
- EBITDA up 181% to **\$3.3M**
- Net profit after tax up 102% to **\$0.2M**
- Positive free cashflows from operations up 225% to **\$4.7M**
- Contracted annual recurring revenue at 30 June 2020 **\$9M**

Melbourne, Australia; 27 August 2020: Mach7 Technologies Limited (ASX:M7T), a company specialising in innovative data management solutions for healthcare providers, today released its full year results for the year ended 30 June 2020 (FY20). This update provides information on what the Company considers to be key financial metrics.

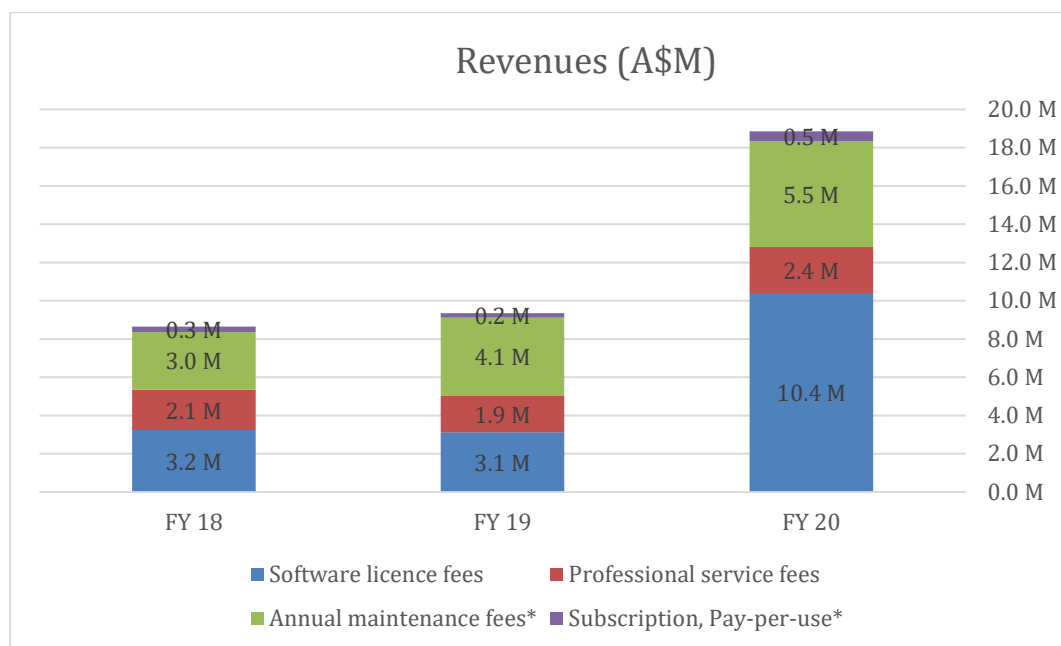
Business Further De-risked

The Company has reported strong revenue growth and its first (since listing) profitable and free cashflow positive result. Together with its cash reserves of \$15+ million after the acquisition of Client Outlook, Mach7 has become increasingly less reliant on investor funding, and has demonstrated the scalability of the business.

FY20 Revenue Growth 102%

The Company has reported revenues of \$18.9 million, growth of 102% over prior year revenue of \$9.3 million. Each category of revenue achieved strong double-digit growth, with the majority being attributable to software license fees. Software license fee revenue is representative of new customers licensing the platform, and existing customer re-licensing at the expiry of their contract term. Software license fees for FY2020 included license fees earned from prestigious US-based Advocate Aurora Healthcare and Hospital Authority HK who purchased two-fifths (2/5) of their contracted licensing volume during this year.

Pleasingly, the Group’s recurring annual revenue of \$6M also achieved strong (35%) annual growth. The Group’s recurring revenue is representative of customers going “live” on the Mach7 Platform and commencing their support or subscription agreement. Notably, Advocate Aurora, Sampson Regional Medical Centre, Adventist Health Tulare (“Tulare”), Colorado Imaging Associates, P.C. (“CIA”), Children’s of Alabama, Sentara Healthcare (subscription) and University of Vermont all achieved go-live during FY20.



* Annually recurring revenue

FY20 Profitability (EBITDA growth 181%; NPAT growth 102%)

In line with corporate goals for FY2020, the Group reports its first positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Net Profit After Tax (NPAT) results of \$3.3 million and \$0.2 million respectively. This achievement is due to the significant increase in revenues as a result of customer take-up and installation progress. Another key contributor to profits was the successful completion of a cost reduction program, a corporate goal that was announced in March 2019 and implemented soon after. The Group’s operating expenses for FY20 were \$13.1 million (including non-cash item share-based payments of \$0.7 million). The profit result also includes an amount of \$2.1 million for reseller expenses incurred in the sale of Client Outlook’s eUnity viewer. With the recent acquisition of Client Outlook, these fees will no longer be incurred, which will significantly increase profit margins going forward. Importantly, these reseller fees are an indicator that there is market demand for complete enterprise imaging solution.

Positive Free Cashflows \$4.7M

The Group has reported its first (since listing) full year of positive free cashflow (cashflows from operating and investing activities). In March 2019, the Company embarked on a change in leadership and a cost reduction program to put in place the foundation for the Company to be financially secure going forward, without limiting revenue growth. At that time, the Company stated it would be cash flow break-even (or better) for the next 12 -months, which it has achieved. Going forward, the Company expects cash flows to be variable from quarter to quarter, but positive across a 12-month rolling period.

Contracted Annual Recurring Revenue (CARR) \$9M

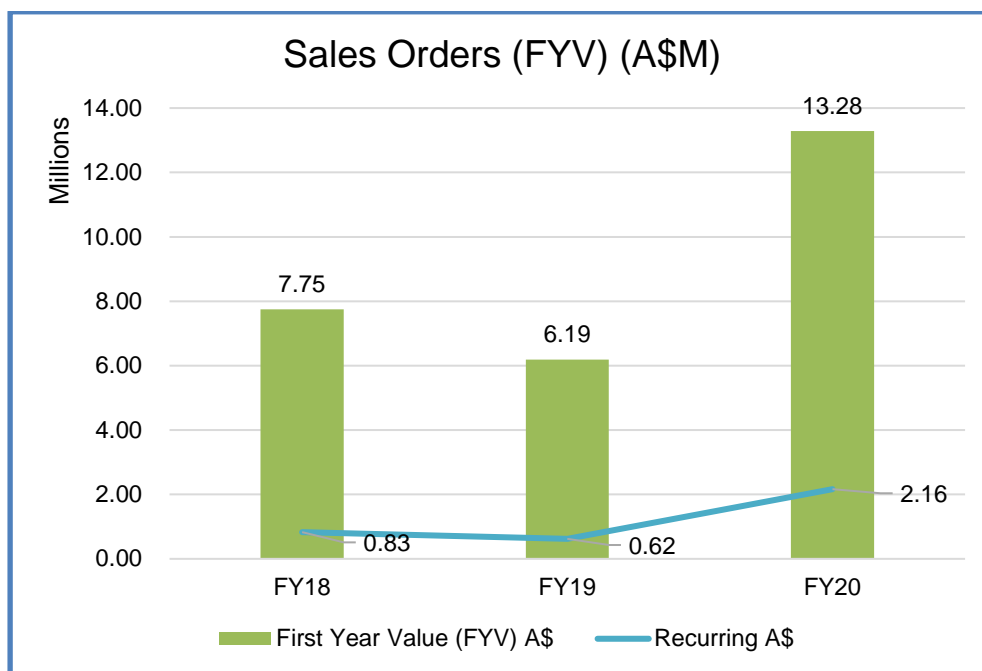
Mach7's contracted annual support and subscription fees have grown to \$9 million at 30 June 2020. This represents 14% growth over the prior year. There has been a delay in buying decisions during the second half of FY2020 as a result of COVID-19, which has meant that the growth of CARR has also slowed. The Company expects this growth to resume and even accelerate during the second half of FY2021 due to expected increased demand in the Mach7 solutions as a result of COVID-19 which is reflected in the sales pipeline

Sales Orders Growth 115%

During FY20, Mach7 executed 29 new sales order contracts from a mix of new customers and existing customers who have ordered license extensions, expansion licenses, or new products. These 29 new sales have contributed \$13.3 million to the Groups' revenues (both current and future), of which \$2.2 million will recur annually for as long as the customer contracts Mach7 to provide support. This result is a significant improvement (115%) on the prior year, despite COVID-19 occurring.

Among these sales orders, were Advocate Aurora Healthcare (US), Strategic Radiology Teleradiology (US), Adventist Health Tulare (US), Hospital Authority (HK) purchases license for 2M procedures, St. Teresa's (HK private sector), and Hamad Medical Centre (Qatar) (new 5-year support agreement).

It should also be noted that during the prior year (FY2019) Mach7 contracted with Hospital Authority Hong Kong (HAHK) to provide licenses to the Mach7 software platform, Client Outlook's eUnity platform, professional services and support. The total value of that contract is \$15 million. However, because HAHK determines when each component of the contract is ordered (which impacts the timing of revenue recognition), the first year sales order values reported in the chart below have been updated to reflect the value of the HAHK contract as and when it is ordered/delivered – rather than including the total first year contract value in FY2019 when the contract was signed.



Product Expansion

FY2020 saw a new release of the Mach7 Platform to the market, version 11.9. The product update adds several new capabilities to the Platform to improve user efficiency and clinical outcomes, such as a first of its kind Cardiology integration with Epic Cupid and the TomTec Cardiology Viewer, the introduction of Universal Worklist Chat features to include physician collaboration tools, overall enhancements to the diagnostic reading workflow, and Mach7’s first full scale cloud deployment.

COVID-19

To ensure the safety of the Company’s employees, all of Mach7’s offices remain closed with employees working remotely from home. Despite the various challenges this has imposed, the Mach7 teams continue to deliver the same high-quality software and support Mach7’s customers have come to expect.

The full impact of COVID-19 on current deal timing is still unclear. It is expected that there will remain some residual effect to deals during the 1st half of FY2021. Visits to hospitals, and travel generally, will remain a challenge for the next few months.

Hospital systems like many other business systems have begun to adapt to the new COVID-19 environment. The Mach7 suite of software is proven to help facilities move their workforce outside the walls of the hospital and Mach7 believes this will lead to new pipeline development over the next six months.

Outlook

The momentum from a successful FY20 and completed acquisition of Client Outlook positions Mach7 well for continued profitable growth in a substantially larger addressable market. Mach7 is now a clear market leader in the provision of a complete enterprise imaging solution encompassing imaging data management (vendor neutral archive and communication workflows), patient worklists, and a powerful enterprise viewer for the viewing of digital images across all healthcare specialties.

Mach7 is in a strong financial position with \$15+ million cash at bank (post-acquisition) and is debt free. Mach7 believes it can continue to deliver strong double-digit revenue growth, EBITDA growth and positive free cash flows into the future.

CEO Comments

Commenting on the FY20 results Mach7 CEO, Mike Lampron, said: "I am proud of what the Mach7 team has achieved this year – from the new customer deployments of our software, the recent acquisition and early integration of Client Outlook, to delivery of profitable high growth earnings and positive free cash flow.

Mach7 is well positioned to continue delivering great outcomes for our customers, employees and investors."

About Mach7 Technologies:

Mach7 Technologies (ASX:M7T) develops innovative enterprise imaging and informatics solutions for image viewing, storage, and workflow management that may be implemented individually, or as a comprehensive end-to-end image management and diagnostic viewing platform. Mach7's solution components are designed to assist healthcare organizations with removing technology limitations to ensure patient information flows easily and can be accessed instantly. Our enterprise imaging platform is industry differentiating in that it guides the journey from legacy unconnected PACS and IT systems to an integrated imaging ecosystem where all technologies work together in harmony. The result is unique flexibility and independence that helps organizations increase efficiency, improve the physician and patient experience, support healthier outcomes and, achieve profound operational cost-savings.

This announcement has been approved for lodgement by the Board.

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