

31 August 2023

## SOLID FY23 RESULT

### FY23 HIGHLIGHTS:

- ◆ Record sales orders of A\$40.3M (TCV<sup>1</sup>), up 21% on FY22 and exceeding the A\$36M FY23 target
- ◆ Record Revenue of A\$30.1M, up 11% on FY22; recurring component up 22% on FY22
- ◆ NPATA<sup>2</sup> of A\$7.2M, up 61% on FY22; NPAT of -A\$1.0M, a 75% improvement on FY22
- ◆ CARR<sup>3</sup> A\$20.6M as of June 2023, up 19% on June 2022; CARR of A\$24.8M in July 2023
- ◆ ARR<sup>4</sup> run rate A\$17.0M as of June 2023, up 18% on June 2022; ARR of A\$17.7M in July 2023
- ◆ Cash on hand of A\$25.9M at 3 July 2023, up on A\$25.7M at 30 June 2022
- ◆ Management restructure confirms CFO and creates COO; Board renewal process commenced
- ◆ Significant contract wins with new customers Akumin, Nuvodia, St Paul's HK, Veterans Health Administration and Diagnostic Imaging Associates signed in the last 12 months
- ◆ Strong start to FY24 with over A\$15.4M TCV of sales orders and a large renewal program

Mach7 Technologies Limited ("Mach7" or the "Company") (ASX:M7T), a company specialising in innovative medical imaging software solutions, is pleased to announce its full-year results for the year ending 30 June 2023.

CEO and Managing Director of Mach7, Mike Lampron, said: *"In the last 12 months the Company has secured the most significant sales orders in its history, both in terms of contract size and market segment with the recent Veterans Health Administration contract providing entry to the US public health sector. As a consequence our contracted annual recurring revenue (CARR) has grown substantially and sat at A\$24.8 million in July 2023. This fiscal year we have a large renewal program which will provide the opportunity to re-price and extend licence terms and generate additional revenue in the case of capital contract renewals. Our sales pipeline is the strongest it has ever been and with the greatest diversity of opportunities in terms of geography, care settings and product combinations."*

### SALES ORDERS

Mach7 has delivered record annual sales orders of A\$40.3 million TCV, up A\$7.1million or 21% on the previous record of A\$33.2 million a year earlier. 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.

Sales orders were weighted toward subscription contracts with an approximate 60/40 split between subscription and capital contracts maintained in FY23, up from 50/50 in FY21. The history and composition of sales orders are shown in Figure 1 with FY23 sales comprising:

1 Total Contract Value: capital software licence fees, professional service fees, annual subscription fees + annual support fees over contract life

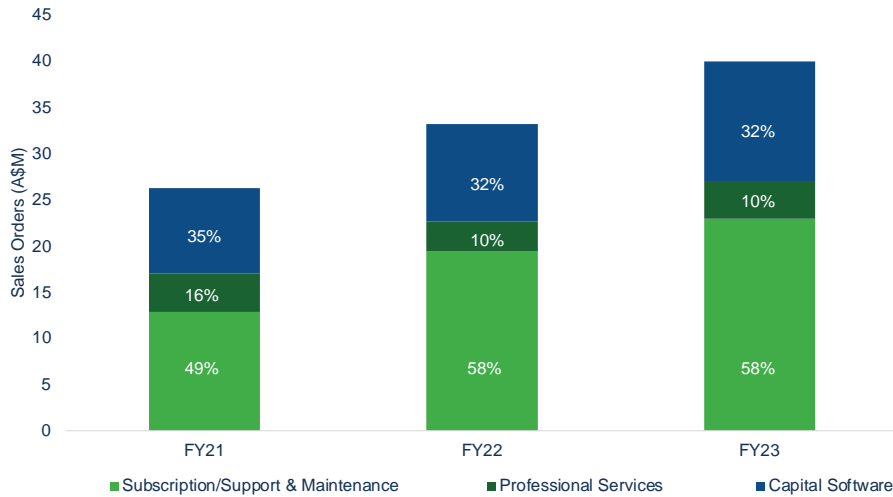
2 NPATA (Net Profit After Tax and before Amortisation) is NPAT adjusted for amortisation of acquired intangibles

3 Contracted Annual Recurring Revenue

4 Annual Recurring Revenue

- Annual Recurring Revenue (ARR)-type sales of A\$23 million (or 58% 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\$13 million (or 32% of total sales orders) immediately recognised as revenue upon delivery in FY23, and
- Professional services sales of A\$4 million (or 10% of total sales orders) to be recognised as revenue over time upon completion of services.

FIGURE 1: SALES ORDER COMPOSITION (TCV IN CONSTANT CURRENCY)<sup>5</sup>



The balance between sales orders from new and existing customers was relatively even in FY23, as shown by the 55/45 split in Figure 2, while the proportion of sales orders generated from partnership relationships grew to 13% as shown in Figure 3, up from 8% in FY22.

FIGURE 2: SALES ORDERS BY TYPE (TCV)

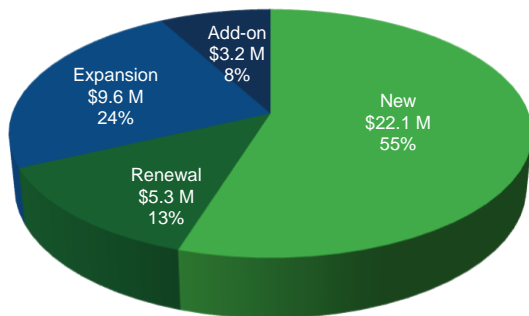
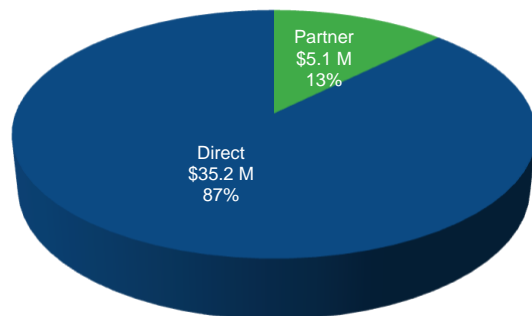


FIGURE 3: SALES ORDERS BY SOURCE (TCV)



- New customer sales orders of A\$22.1million (55% of total sales orders) represented three new logos: Akumin, Nuvodia and St Paul’s Hospital Hong Kong. New customers create a platform for future sales order growth in expansion, add-on and renewal categories.
- Add-ons of extra products or services represented A\$3.2 million (8% of total sales orders) and is evidence of the “land and expand” sales strategy.
- Expansion/fulfilment represented A\$9.6 million (24% of total sales orders). Existing customer, Adventist Health, accounted for approximately 75% of this category having signed sales orders during the period for its remaining 15 (of 22) hospitals that were yet to deploy Mach7’s PACS.

<sup>5</sup> Average exchange rate for year ended 30 June 2023: AUD/USD = \$0.673

- Renewals of A\$5.3 million (13% of total sales orders) represented 19 satisfied customers. Expect a more significant contribution in FY24 with a ~A\$31 million contract renewal program.

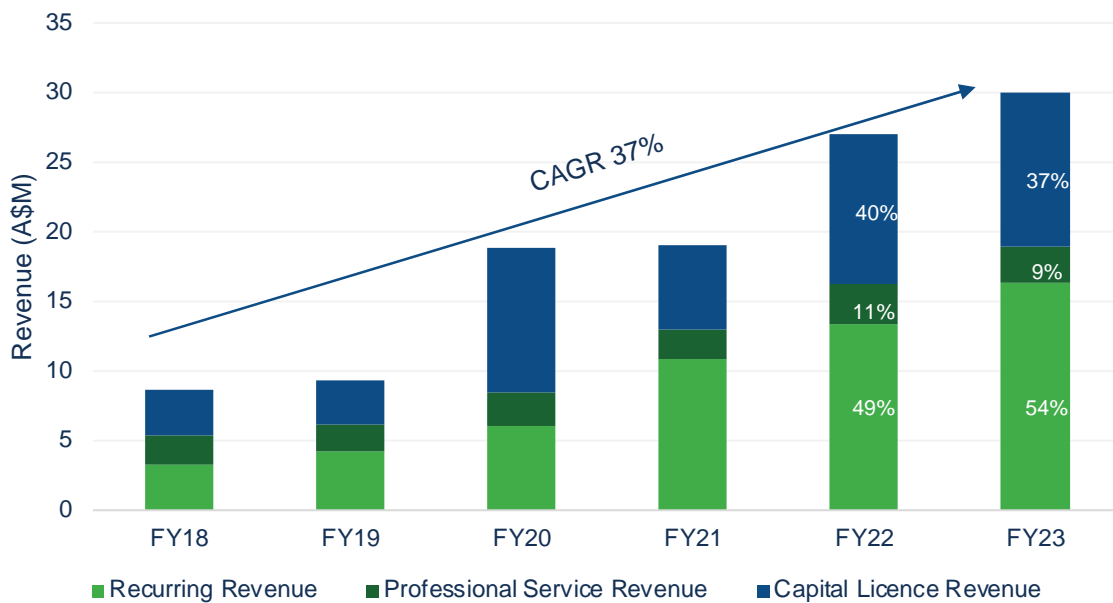
## REVENUE

Revenues for FY23 were a record A\$30.1 million, up 11% from A\$27.1 million in FY22. Revenue growth of A\$3.0 million was impacted by the reclassification of A\$1.7 million Akumin revenue to interest income over the 10-year contract term as well as the A\$3.7 million TCV Diagnostic Imaging Associates contract which was expected to be capital rather than subscription and which fell in Q1 FY24, rather than in FY23.

Revenue growth trails sales order growth as recognition of subscription/support and maintenance components of new orders require First Productive Use (FPU) which can take 6-18 months.

Pleasingly the quality of Mach7's revenue has improved with recognised ARR (Support & Maintenance revenue and Subscription revenue) up 22% over the prior year to A\$16.3 million (FY22: A\$13.4 million), and accounted for 54% of total revenue (FY22: 49%). Capital software licence revenue has increased by 2% to A\$11.0 million (FY22: A\$10.8 million) while Professional Services revenue has decreased by 8% to A\$2.7 million (FY22: A\$2.9 million).

**FIGURE 4: REVENUE COMPOSITION**



### Annual Recurring Revenue (ARR)

At June 2023 Mach7 was generating A\$17.0 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 was up 18% on June 2022 and has further improved to A\$17.7 million as at July 2023 following Trinity achieving FPU in late June. ARR will continue to grow as existing and new customers achieve FPU.

### Contracted Annual Recurring Revenue (CARR)

Contracted Annual Recurring Revenue (CARR) was A\$20.6 million at June 2023, up 19% on A\$17.3 million in June 2022. The June 2023 CARR figure is based on contracts in hand for the month of June 2023 and does not include the revenue associated with the Veterans Health Administration and Diagnostic Imaging Associates contracts that were announced in July 2023. With the benefit of these

contracts, Mach7's CARR improved to A\$24.8 million in July 2023. Mach7's July 2023 CARR consists of the A\$17.7 million ARR run rate for customers that have achieved FPU of the software, plus A\$7.1 million of subscription and support & maintenance fees not yet recognised as revenue because FPU is still pending.

## MARGINS AND PROFIT

Mach7 delivered a solid gross margin of A\$29.1 million or 97% in FY23, up by A\$2.9 million or 11% from A\$26.1 million in FY22. Gross margins have increased significantly since the acquisition of Client Outlook Inc. on 14 July 2020 (FY20 gross margin: 87%) due to the elimination of reseller fees owing to Client Outlook on eUnity solution sales.

EBITDA of A\$1.7 million was generated in FY23, a A\$1.1 million or 39% decline on the prior year. The deterioration was due to operating expenditure growth of A\$4.3 million exceeding revenue growth of A\$3.0 million as well as the exclusion of Akumin interest income. Stripping out net foreign exchange movements and non-cash share-based payments, the Company delivered (adjusted) EBITDA of A\$2.5 million against A\$3.8 million in the prior year.

A net loss of A\$1.0 million was reported in FY23, a 75% improvement on FY22's A\$4.2 million loss. This result was largely driven by a A\$3.4 million increase in income tax benefits over the prior year, reflecting the Company's projections to utilise prior year tax losses against profitable positions soon.

NPATA, the net profit after tax adjusted for amortisation of acquired intangibles, improved by 61% to A\$7.2 million from A\$4.4 million in FY22. All Mach7's amortisation relates to acquisitions and all R&D is expensed rather than capitalised.

## CASHFLOW AND CASH RECEIPTS

Cash receipts from customers in FY23 amounted to A\$24.6 million, down on the A\$28.2 million collected in FY22 which also benefited from capital contract payment milestones. An additional A\$2.5 million electronic funds transfer remitted by a customer on 30 June 2023 was not reflected in Mach7's bank account until 3 July, the first business day of FY24. This A\$2.5 million receipt delay contributed to negative operating cashflow of A\$2.6 million in FY23.

The financial position of the Company remains solid, with no debt and A\$23.4 million cash on hand at 30 Jun 2023 (A\$25.9 million at 3 July 2023). With a strong start to the new fiscal year and a positive sales order outlook, Mach7 expects to have positive operating cash flows in FY24.

## CORPORATE UPDATE

David Chambers will retire as Chair and Non-Executive Director of Mach7 effective from the close of the Company's Annual General Meeting on 16 November 2023. David joined the Mach7 Board in August 2018 as an independent Non-Executive Director, and was appointed to the role of Chair in June 2019. David's retirement marks the five year anniversary of his tenure and is consistent with the planned Board renewal process to ensure the appropriate mix of skills, diversity experience and tenure. The Board thanks David for his significant contribution and service to the Company.

Dyan O'Herne was confirmed as Chief Financial Officer having acted in the role from the beginning of the calendar year. Dyan has been an integral member of the leadership team for many years as global financial controller, and with her deep knowledge of Mach7's customers and cashflows has transitioned seamlessly into the CFO role.

David Madaffri was appointed to the role of Chief Operating Officer. Dave has led Mach7's commercial efforts for the last two years as Vice President of Sales. During that time the Company has seen record sales growth and the evolution of a strong corporate culture. With Dave in this role, cohesion will be further enhanced across the Service, Support, Sales, Marketing and People & Culture teams.

A court date has been set for AI Visualize Inc's appeal of the dismissal of its patent infringement case against Nuance Communications Inc. with the United States Court of Appeals for the Federal Circuit to hear oral arguments on 5 October 2023. The appellate courts do not retry cases nor hear new evidence, and there is no jury. Appellate courts review the procedures and the decisions in the trial court to make sure that the proceedings were fair and that the proper law was applied correctly. The United States District Court for the District of Delaware dismissed AI Visualize's claims of wilful infringement on the grounds that the patents were not eligible for patenting.

## OUTLOOK

Mach7 is well positioned to take advantage of a highly fragmented market for medical imaging with shifting market leadership. As long-time legacy vendors lose market share and demand dynamics continue to skew toward ambulatory from acute care settings, additional opportunities have been created for Mach7's enterprise imaging products which serve both markets.

More complex reading environments are becoming the norm with a consequent increased need to support a remote workforce. Mach7's innovative and interoperable products are the foundation of an enterprise imaging strategy providing hospital networks with a consolidated image management solution and diagnostic viewing from any location. AI, while yet to be widely adopted, will inevitably form part of the future imaging landscape, and a platform to integrate those AI tools into everyday workflow will be key to leveraging these game-changing tools. Mach7 will integrate again with Blackford Analysis in fulfilling its role in the Veterans Health Administration contract. The Blackford platform provides access to over 100 best-of-breed AI applications, enabling tailored best-fit AI solutions to leading healthcare institutions.

In this environment, Mach7 expects sales order growth of 20% again in FY24. Sales orders remain the best measure of financial progress as the timing of cash receipts and revenue recognition are affected by contract milestones and licence fee type. Revenue growth of 15-25% is anticipated this fiscal year and while growth in operating expenses is expected to be at a lower rate than revenue, wage and cost inflation together with new hires are likely to see this growth in the mid to late teens. The Company has been operationally cash flow positive for three of the last four years and aims for ARR to cover annual operating expenses within three years. Mach7's financial position remains solid, with no debt and A\$25.9 million cash on hand at the commencement of FY24.

## INVESTOR WEBINAR

The Company will hold a webinar with CEO Mike Lampron and CFO Dyan O'Herne on, Thursday, 31 August at 9:30am AEDT, to discuss the FY23 results released to the ASX today. Investors can register for the webinar via the following link:

[https://mach7t.zoom.us/webinar/register/WN\\_zgWcNc4GRN2kHTIDC7RK7w](https://mach7t.zoom.us/webinar/register/WN_zgWcNc4GRN2kHTIDC7RK7w)

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

**For more information, contact:**

Rebecca Thompson

Head of Investor Relations

Mach7 Technologies Limited

+61 (0) 416 079 329

Rebecca.Thompson@mach7t.com

**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](http://Mach7t.com).



Mach7 Technologies Limited (ASX:M7T) ABN: 26 007 817 192

Registered Office: Level 4, 96 – 100 Albert Road, South Melbourne, VIC 3205

T: +61 3 9692 7222

[www.mach7t.com](http://www.mach7t.com)