

21 July 2022

# Fourth Quarter & FY22 Business Update

## Mach7 Delivers 30% Sales Order Growth for FY22

### FINANCIAL HIGHLIGHTS:

- Record sales orders FY22 \$33.2M (TCV<sup>1</sup>); up \$7.6M or 30% yoy; Q4 \$6.4M
- Record cash receipts FY22 \$28.2M; up \$7.2M or 34% yoy; Q4 \$9.7M
- Positive operating cash FY22 \$6.7M; up \$5.6M or 493% yoy; Q4 \$5.2M
- Cash on hand 30 June 2022 \$25.8M; up \$7.3M or 40% yoy; \$20.6M at 31 March 2022
- Revenues for FY22 expected to be \$26.5M to \$27.5M
- Annual recurring revenue (ARR) run rate \$14.4M; up 8%
- Patent Infringement litigation case dismissed
- Quarterly investor webinar to be held at 9.00am AEST Thursday, 21 July 2022

**Melbourne, Australia; 21 July 2022:** Mach7 Technologies Limited (“Mach7” or the “Company”) (ASX:M7T), a company specialising in innovative medical imaging software solutions for healthcare providers, is pleased to provide this quarterly update, for the period ending 30 June 2022, in conjunction with the release of the Appendix 4C – Quarterly Cash Flow Report.

### SALES ORDERS

**For the second year in a row Mach7 hit the highest annual sales order on record. Up 30% on prior year with continued low churn.**

Mach7 has produced its most successful year in its history for sales orders of \$33.2 million TCV<sup>1</sup> (FY21 \$25.6 million TCV), showing 30% sales order growth over the prior year. Pleasingly, customer churn remains very low (<2%). Sales orders continue to be the best measure of the Company’s financial progress from year to year, the timing of cash receipts and revenue continues to be varied quarter over quarter. Both cash and revenue can be affected by contract milestones, revenue recognition rules and the continued diversity between capital and subscription agreements.

FY22 Sales Orders of \$33.2 million TCV comprised of \$19.4 million (or 58%) in ARR sales (Support & Maintenance contracts and Subscription licenses to be recognised as revenue upon the customer achieving first productive use (FPU), \$10.5 million (or 32%) in Capital Software sales (immediately recognised as revenue in FY22), and \$3.3 million (or 10%) of Professional Services sales (to be recognised over time upon the achievement of implementation milestones).

FY22 was markedly high in sales orders from existing customers of \$15.3 million (or 46%), demonstrating an increase in usage by existing customers as well as the Mach7 software showing true value to the install base over time. This also validates the long-standing land and expand approach and its effectiveness.

FY23 Sales Orders target is expected to be around \$36 million, which is 20% more than the FY22 target of \$30 million.

<sup>1</sup> **Total Contract Value (TCV)** means capital software license fees, professional service fees, and annual subscription and annual support over the life of the contract.

## New Customers, expansions and renewals Q4 and FY22

Mach7 signed \$6.4 million TCV in sales orders in Q4. This was comprised of \$1.5 million (or 24%) from New customers, and from existing customers a further \$3.2 million (or 50%) in Renewals, \$0.4 million (or 6%) of add-on orders, and \$1.3 million (or 20%) of Expansions. The overall sales orders for the FY were \$17.9 million from New customers (or 54%), and from existing customers a further \$15.3 million (or 46%) being \$8.0 million (or 24%) in Renewals, \$5.2 million (or 16%) of Add-on orders, and \$2.1 million (or 6%) of Expansions, for a total of \$33.2 million TCV in sales orders for FY22, as follows:

<b>SALES ORDERS FOR FY22 TCV</b>	<b>ARR Sales</b> (Support & Maintenance contracts and Subscription licenses)	<b>Capital Software Sales</b>	<b>Professional Services Sales</b>	<b>FY22 TOTAL SALES ORDERS (TCV)</b>	<b>%</b>
<b>New customers</b>	<b>\$8.9 million</b>	<b>\$6.8 million</b>	<b>\$2.2 million</b>	<b>\$17.9 million</b>	<b>54%</b>
Renewals	\$6.0 million	\$1.8 million	\$0.1 million	\$8.0 million	24%
Add-on orders	\$2.9 million	\$1.4 million	\$0.9 million	\$5.2 million	16%
Expansions	\$1.6 million	\$0.5 million	\$0.1 million	\$2.1 million	6%
<b>Existing customers</b>	<b>\$10.5 million</b>	<b>\$3.7 million</b>	<b>\$1.1 million</b>	<b>\$15.3 million</b>	<b>46%</b>
<b>TOTAL</b>	<b>\$19.4 million</b>	<b>\$10.5 million</b>	<b>\$3.3 million</b>	<b>\$33.2 million</b>	
	<b>58%</b>	<b>32%</b>	<b>10%</b>		<b>100%</b>

Over the course of FY22 it remained difficult to meet face to face with new clients. Mach7 instead focused on selling the full portfolio of products to the install base with success. There was additional success with renewals this year (\$8 million or 24%) signing 13 new term license agreements for five (5) year terms to the install base.

## **ANNUAL RECURRING REVENUE (ARR) & CONTRACTED ANNUAL RECURRING REVENUE (CARR)**

### **ARR**

Mach7 is now generating \$14.4 million of ARR – comprised of revenue earned from Support & Maintenance contracts and Subscription licenses on an annualized basis. ARR has increased by 8% since the prior year (FY21: \$13.4 million), and will continue to grow as existing customers become fully deployed (e.g. Trinity and Adventist) and as new customers continue to license the software and purchase mandatory support. ARR is now covering approximately 65% of the Company's annual operating costs.

### **CARR**

Mach7's CARR is comprised of Support & Maintenance fees for Capital Contracts and Subscription fees for Subscription contracts. When customers achieve First Productive Use (FPU) in their production systems, Mach7 begins to recognize the Support & Maintenance and Subscription fees as revenue. Until FPU is achieved, the Support and Subscription fees are included in CARR as "contracted" amounts. CARR is \$17.3 million comprised of \$14.4 million of Annual Recurring Revenue for Customers that have achieved FPU, plus \$2.9 million of CARR where FPU has not been achieved and revenue recognition for the Support/Subscription fees has not yet begun.

## **CASHFLOWS Q4 AND FY22**

### **Cashflows and Cash on Hand**

The company has continued to deliver its highest ever cash receipts from customers this year and has done so every year for the past five years, FY22 \$28.2 million (Q4: \$9.7 million) with 35% growth over the prior year (FY21: \$21.0 million). This is a result of the advance upfront nature of customer payments for software where revenue has yet to be recognised. The Company has also achieved its third consecutive year of positive operating cashflows and a five-fold increase yoy, and forecasts continued positive operating cashflows for FY23 and beyond.

Mach7 maintains a strong financial position, with \$25.8 million (Q3: \$20.6 million) cash on hand and no debt.

## REVENUE Q4 AND FY22

### Revenue and Revenue Growth

As previously noted, revenue is more closely linked to cash receipts than sales orders in a given year. Revenues in Q4 were \$5.9 million and are forecasted to be between \$26.5 million and \$27.5 million for FY22 (FY21: \$19.1 million). This represents approximately 42% growth year over year in revenue. Looking forward to FY23 the Company expects to see strong double digit growth again. This is underpinned by a delay in revenue recognition with the Trinity Healthcare and Adventist West sales orders signed in FY22 and FY21 respectively. At the customer's request, the deployment of the Mach7 solutions at these locations has been staged and is running in parallel with deployments for other customers. Mach7 expects to see more revenue from these customers in FY23.

### LITIGATION UPDATE

On July 8, 2022, Mach 7 received notice from the United States District Court for the District of Delaware that it granted Mach7's request to dismiss all claims asserted by AI Visualize. The Court based its dismissal on a finding that AI Visualize's patents were not eligible for patenting. AI Visualize's claims of willful infringement was therefore dismissed.

AI Visualize has until August 8, 2022, to appeal the dismissal to the United States Court of Appeals for the Third Circuit. Mach7 will continue to defend itself on appeal, if necessary, and inform the market with any additional information regarding this legal action.

### QUARTERLY WEBINAR

The Company will hold a webinar with CEO Mike Lampron and CFO Steve Parkes today, Thursday, 21 July 2022 at 9:00 am AEST, to discuss the June 2022 quarterly results released to the ASX this morning.

Investors can register for the webinar via the following link:

[https://us02web.zoom.us/webinar/register/WN\\_KMBTSfalSoCvTVNbwCwvpg](https://us02web.zoom.us/webinar/register/WN_KMBTSfalSoCvTVNbwCwvpg)

Investors can submit questions prior to the webinar to [simon@nwrcommunications.com.au](mailto:simon@nwrcommunications.com.au) or do so via the Q&A.

### FY22 Result

Mach7 expects to announce its audited full-year results on 29 August 2022 and will advise details of an investor webinar call prior to this date. A full business update and presentation will also be provided at that time.

**This announcement has been approved by the board for lodgment**

### 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 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 150 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.

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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")**

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,729	28,168
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(264)	(834)
(c) advertising and marketing	(87)	(600)
(d) leased assets	(168)	(355)
(e) staff costs	(3,942)	(17,250)
(f) administration and corporate costs	(87)	(2,423)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	23
1.5 Interest and other costs of finance paid	(4)	(30)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>5,189</b>	<b>6,699</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(337)	(444)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(337)</b>	<b>(444)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
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	110	958
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>110</b>	<b>958</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>	<b>20,574</b>	<b>18,363</b>
4.1	Cash and cash equivalents at beginning of period		
4.2	Net cash from / (used in) operating activities (item 1.9 above)	<b>5,189</b>	<b>6,699</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	<b>(337)</b>	<b>(444)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	110	958
4.5	Effect of movement in exchange rates on cash held	212	172
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>25,748</b>	<b>25,748</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	17,953	12,609
5.2	Call deposits	7,425	7,965
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>25,748</b>	<b>20,574</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	215
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.*

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	5,189
8.2 Cash and cash equivalents at quarter end (item 4.6)	25,748
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	25,748
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<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>	

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**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: .....21 July 2022.....

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.