Date 30 April 2025 | **Theme** Company Update | **Sector** Healthcare

WILSONS ADVISORY

Company

Mach7 Technologies (M7T)

3Q25: Sharing the VISN

We maintain our OVERWEIGHT rating but revise our Mach7 PT to $0.85 per share. The company's 3Q25 trading update leaves them well positioned to meet FY25 guidance although there is work to do in the 4Q around signing net new accounts. Conscious that some time has passed since our last update (research coverage transferred in this note to Shane Storey) earnings estimates are revised down. The major component of that change relates to Veterans Affairs NTP implementation; originally slated for mid-24; now (perhaps) FY26 (timing beyond Mach7's control). That remains the major, potentially validating 'set piece' to watch, with an eye to attracting larger customer sets. On the positive side, cost containment should see sustainable OpCF generation from here.

Key Points

3Q25 summary. For Mar 25 FYTD, Mach7 reported an ARR run rate of $24.4m (vs WILSe $25.2m) and CARR of $30.8m (vs WILSe $34.6m). Total TCV for 3Q25 was $5.1m, comprising $3.4m ARR. $0.6m capital software sales and $1.1m professional service sales. In the 3Q25, TCV was driven by renewals (60% of sales orders), and the balance was from add-ons and expansions. No new customers were won in 3Q25. For the FYTD, M7T has +1 net new customers and has maintained its target of +3 net new customers for FY25. 3Q25 cash receipts totalled $11.4m (vs WILSe $12.3m in 2H25e) which reflected the signing of expansion and renewal agreements, in addition to the achievement of project milestones in the period. Cost-out initiatives were completed in 3Q25 which is expected to result in $2-$3m of annualized cost-savings. Management expects FY25 opex growth to be lower than revenue growth (vs WILSe opex growth of 15%, revenue up 19% in FY25e). Mach7 maintained a second successive quarter of positive OpCF of $2.6m in 3Q25, up $0.9m from 2Q25. Management stated that they remain on track to achieve positive OpCF in FY25. Company remains debt-free with a net cash position of $24.9m at 31 March 25 (materially better than WILSe $18.4m at end FY25e).

Loss of a customer. Management shared that they lost one US customer in the 3Q25, attributing it to: 1) customer's strong relationship with that vendor and 2) the vendor's proximity to the customer (within 10 miles). Mach7 did not disclose revenue impacts from the lost contract. However, management reassured that the Trinity contract (TCV of $12.7m) is still intact.

Guidance. The company reaffirmed FY25 guidance of 15%-25% YoY growth in CARR (vs WILSe of 19%) and ARR (vs WILSe 20%). This implies FY25 CARR of $33.5-$36.4m and ARR of $24.2-$26.3m. As the ARR run rate currently stands at $24.4m, to reach the top end of guidance, M7T will need to achieve $1.9m in 4Q25. Additionally, to reach the lower and upper end of CARR guidance, M7T will need to achieve $2.7m and $5.6m, respectively, in Subscription and Maintenance and Support fees in 4Q25.

Forecasts and valuation. Following model review and coverage transfer, FY26-27e revenue forecasts are moderated by 8-12%; slowing the TCV win rate and pushing VA implementation into FY26e (singular impact of ~$3.5M CARR). Revised opex estimates incorporate $2m savings in FY26-27e for cost-out (underlying opex growth of 7-9% in FY26-27e, respectively). DCF valuation is revised to $0.85 per share and we maintain OVERWEIGHT rating.

Recommendation	OVERWEIGHT
12-mth target price (AUD)	$0.85
Share price @ 29-Apr-25 (AUD)	$0.33
Forecast 12-mth capital return	161.5%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	**161.5%**
Market cap ($m)	78.4
Enterprise value ($m)	52.2
Shares on issue (m)	241.2
Sold short (%)	0.2
ASX All Ords weight (%)	0.0
Median turnover/day ($m)	0.1

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12-mth price performance ($)

	1-mth	6-mth	12-mth
Abs return (%)	(11.0)	(37.5)	(54.9)
Rel return (%)	(11.1)	(35.2)	(56.5)

Financial summary (Y/E Jun, AUD)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales ($m)	30.0	29.1	34.6	41.6	50.1
EBITDA norm ($m)	1.7	(3.3)	(1.5)	2.0	5.7
Consensus EBITDA ($m)			(0.9)	2.3	7.3
EPS norm (cents)	(0.4)	(3.3)	(2.7)	(1.0)	0.6
EV/Sales (x)	1.8	1.8	1.5	1.2	0.9
EV/EBITDA (x)	32.4	n/m	n/m	24.4	8.0

Source: Company data, Wilsons Advisory estimate, Refinitiv, IRESS.
All amounts are in Australian Dollar (A$) unless otherwise stated.

Key changes		29-Aug	After	Var %
Sales	FY25E	34.6	34.6	0%
($m)	FY26E	45.3	41.6	-8%
	FY27E	56.7	50.1	-12%
EBITDA	FY25E	(3.3)	(1.5)	54%
norm	FY26E	3.6	2.0	-44%
($m)	FY27E	13.3	5.7	-57%
Price target		1.00	0.85	-15%
Rating		O/W	O/W	

Business Description

Mach7 Technologies (ASX:M7T) is a health technology company specialising in Enterprise Imaging (EI) solutions. Their technology allows healthcare practitioners across all departments and/or specialities to view and store diagnostic imaging. The acquisition of Client Outlook in 2020 for their eUnity viewer has allowed the company to offer the full suite of products to large and small hospitals and outpatient centres with a core focus in the US market.

Investment Thesis

We maintain our OVERWEIGHT rating but revise our Mach7 PT to $0.85 per share. Conscious that some time has passed since our last update, earnings estimates are revised down. The major component of that change relates to VA NTP implementation; originally slated for mid-24 now (perhaps) 2H25. That remains the major, potentially validating 'set piece' to watch, with an eye to attracting larger customer sets. On the positive side, cost containment should see sustainable OpCF generation from now.

Catalysts

a) New contract wins; b) contract expansions; c) improvements in operating leverage; d) M&A activity.

Risks

a) Competitive landscape; b) customer churn/contract erosion; c) patent litigation; d) delay in earnings due to increasing opex.

P&L ($m)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	30.0	29.1	34.6	41.6	50.1
EBITDA norm	1.7	(3.3)	(1.5)	2.0	5.7
EBIT norm	(7.0)	(10.6)	(9.3)	(5.5)	1.7
PBT norm	(6.7)	(9.8)	(8.9)	(5.3)	1.9
NPAT norm	(1.0)	(8.0)	(6.5)	(2.3)	1.3
NPAT reported	(1.0)	(8.0)	(6.5)	(2.3)	1.3
EPS norm (cents)	(0.4)	(3.3)	(2.7)	(1.0)	0.6
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Growth (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	11.0	(3.1)	19.0	20.0	20.4
EBITDA norm	(40.3)	(296.1)	(54.3)	(233.1)	180.0
NPAT norm	(74.6)	660.4	(18.5)	(64.4)	(157.6)
EPS norm (cents)	(74.7)	655.7	(18.5)	(64.4)	(157.6)
DPS (cents)	n/m	n/m	n/m	n/m	n/m

Margins and returns (%)	FY23A	FY24A	FY25E	FY26E	FY27E
EBITDA margin	5.6	(11.4)	(4.4)	4.9	11.3
EBIT margin	(23.2)	(36.3)	(26.8)	(13.2)	3.4
PBT margin	(22.1)	(33.5)	(25.6)	(12.8)	3.8
NPAT margin	(3.5)	(27.4)	(18.8)	(5.6)	2.7
ROA	n/m	n/m	n/m	n/m	2.3
ROIC	n/m	n/m	n/m	n/m	15.4
ROE	n/m	n/m	n/m	n/m	3.0

Interims ($m)	1H24A	2H24A	1H25A	2H25E	1H26E
Sales	13.3	15.8	17.7	16.9	18.7
EBITDA norm	(2.3)	(1.0)	0.5	(2.0)	0.2
EBIT norm	(5.9)	(4.6)	(3.1)	(6.2)	(3.7)
PBT norm	(5.5)	(4.2)	(2.7)	(6.1)	(3.6)
NPAT norm	(4.6)	(3.3)	(1.9)	(4.6)	(2.1)
NPAT reported	(4.6)	(3.3)	(1.9)	(4.6)	(2.1)
EPS norm (cents)	(1.9)	(1.4)	(0.8)	(1.9)	(0.9)
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Stock specific	FY23A	FY24A	FY25E	FY26E	FY27E
Recurring Revenue	16.3	21.1	25.2	31.0	38.3
Capital Revenue	13.7	8.0	9.4	10.6	11.8
Material contracts	17.1	12.5	21.0	28.7	33.1
Immaterial contracts	3.9	4.9	3.8	4.2	5.1
Overage	12.9	16.6	7.4	10.1	9.9
Existing customer revenue	24.4	18.1	27.5	27.3	26.7

Balance sheet ($m)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash & equivalents	23.4	26.2	26.6	29.1	33.3
Current receivables	10.6	6.2	7.2	10.0	12.0
Current inventory	0.0	0.0	0.0	0.0	0.0
PPE	0.8	0.7	1.6	2.2	3.4
Intangibles	35.5	27.8	21.5	14.5	11.1
Other assets	12.0	12.2	14.9	14.9	14.9
Total assets	82.3	73.0	71.8	70.7	74.7
Current payables	3.4	3.3	8.0	6.5	7.6
Total debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	19.2	17.7	16.6	20.4	22.4
Total liabilities	22.8	21.2	24.8	27.2	30.4
Minorities	0.0	0.0	0.0	0.0	0.0
Shareholders equity	59.5	51.9	46.9	43.5	44.3

Cash flow ($m)	FY23A	FY24A	FY25E	FY26E	FY27E
Operating cash flow	(2.6)	3.5	1.4	4.2	6.1
Maintenance capex	(0.4)	(0.1)	(1.1)	(1.1)	(1.2)
Free cash flow	(3.0)	3.3	0.3	3.1	4.9
Growth capex	0.0	0.0	0.0	0.0	0.0
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Other cash flow	0.7	(0.5)	0.2	(0.5)	(0.5)
Cash flow pre-financing	(2.3)	2.8	0.6	2.6	4.4
Funded by equity	0.2	0.2	0.0	0.0	0.0
Funded by cash/debt	2.2	(3.0)	(0.4)	(2.5)	(4.3)

Liquidity	FY23A	FY24A	FY25E	FY26E	FY27E
Cash conversion (%)	(163.0)	(89.3)	7.2	76.8	121.4
Net debt ($m)	(23.4)	(26.2)	(26.6)	(29.1)	(33.3)
Net debt / EBITDA (x)	(13.8)	7.9	17.5	(14.4)	(5.9)
ND / ND + Equity (%)	(64.8)	(101.9)	(130.5)	(201.4)	(304.7)
EBIT / Interest expense (x)	21.3	12.8	21.4	28.2	(7.8)

Valuation	FY23A	FY24A	FY25E	FY26E	FY27E
EV / Sales (x)	1.8	1.8	1.5	1.2	0.9
EV / EBITDA (x)	32.4	n/m	n/m	24.4	8.0
EV / EBIT (x)	n/m	n/m	n/m	n/m	26.7
P / E (x)	n/m	n/m	n/m	n/m	58.8
P / BV (x)	1.3	1.5	1.7	1.8	1.8
FCF yield (%)	(3.8)	4.2	0.4	4.0	6.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Weighted shares (m)	239.4	240.9	240.9	240.9	240.9

Source: Company data, Wilsons Advisory estimate, Refinitiv, IRESS.
All amounts are in Australian Dollar (A$) unless otherwise stated.

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