

Quarterly update

for the quarter to 31 December, 2016

A transformational period for 1ST Group

HIGHLIGHTS

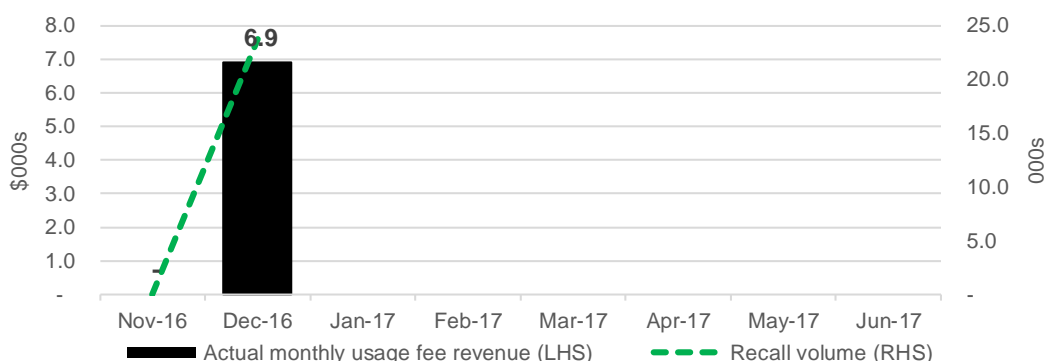
- Transformational quarter with new easyRECALL product delivered and 190 practices signed up for the service
- easyRECALL's revenue complements subscription revenue, with usage growing throughout the quarter and continuing in Q3
- Secured major purchase order from world-leading pharmaceutical company, Alphapharm
- Launch of new pet care market portal, PetYeti
- Change of corporate name to 1ST Group to facilitate multi-brand strategy
- Optical store network, ProVision, selects myHealth1st

1ST Group Limited (ASX: 1ST), the Australian online health portal group, today announced a transformational second quarter of FY2017 with the launch of new products to provide revenue to complement the group's subscription-based revenue from online appointments. This usage-based revenue has the potential to exceed subscription revenue over time, and the new products represent a significant transformation for the group, changing management's focus and future investment plans. As a result, the company's future revenue will combine usage-based revenue with subscription-based Monthly Recurring Revenue (MRR). Over the next year, historical data will assist management to predict future revenue from the new products.

Subscription revenue continued to grow during the quarter, with 1ST Group securing its single largest contract to date, with Alphapharm. The company also launched its pet care portal, **PetYeti.com.au**. After the end of the quarter, the 1stAvailable platform was rebranded **myHealth1st** to align the product name with 1ST Group's vision to provide consumers with a simpler online way to connect with healthcare practitioners, and improve their health, through a range of products.

New USAGE-based product contracts

The second quarter saw the adoption of 1ST Group's usage-based products (eg, easyRECALL) by 190 medical, optometry and dental practices. Revenue began flowing from these products in December, with further customer activations currently underway following sales during the quarter.



easyRECALLS usage fees and recall volume

easyRECALL sends SMS reminders to patients' mobiles and enables them to book an appointment online with three easy clicks through myHealth1st.

As these products are new, management remains cautious about the long-term revenue impact, but early indications are that they have the potential to contribute additional revenue in the second half

2 and potentially, over time, to exceed subscription revenue.

New SUBSCRIPTION-based product contracts

Following the successful completion of a 20 store pilot in November 2016, the largest network of independent optometrists, ProVision, recommended myHealth1st's services to its members to manage online optometrist appointment bookings. ProVision supports more than 440 optometrists, and by the end of December 2016 more than 100 optometry practices had signed up to myHealth1st.

Another significant partnership – and 1ST Group's largest purchase order to date – was Alphapharm's decision in December 2016 to roll out 1ST Group's GObooking's platform. Through this partnership, 410 pharmacy and retail outlets will begin using the platform's services to book healthcare services, beauty and make-up appointments with revenue to flow from this partnership in the second half. While 1ST Group serves approximately 40% of the pharmacy market, this is the first pharmacy customer to use the group's full suite of appointment booking services. Alphapharm is owned by leading global pharmaceutical company Mylan N.V.

In addition, one of Australia's leading listed healthcare companies, which provides a broad range of medical and health-related services, completed its roll-out of myHealth1st's platform to 57 dental practices and began a second phase roll-out to over 100 physiotherapists.

At 31 December 2016, 1ST Group's platforms were installed at more than 4,000 sites. The total number of appointment books managed on the group's platforms is now approximately 10,000.

New portal for pet care services

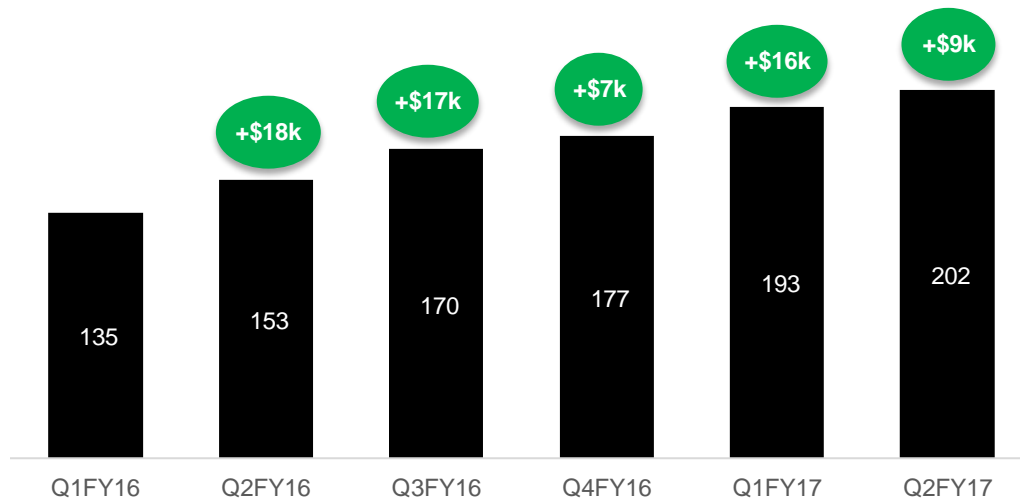
1ST Group launched a dedicated pet portal for pet owners in December 2016, leveraging an exclusive three-year agreement with the Australian Veterinary Association (AVA) to promote PetYeti's service to the AVA's 9,300 members. More than 350 vets have already signed up to the platform, including top corporate veterinarian companies Greencross and National VetCare.

PetYeti saves pet owners time booking appointments and reduces vet practices' administration work. Through the portal, users soon will be able to access apps such as easyFEEDBACK, which allows customers to provide feedback on their experience with the practice, and marketing tools such as easyRECALL. New products and services benefitting both practices and consumers are scheduled for release in Q3 and Q4.

Group Monthly Recurring Revenue (MRR)

The group's monthly recurring revenue ("MRR"), which measures recurring subscription revenue, continued to grow. New subscription sales in the quarter was over \$23k, one of the strongest quarters yet, but was offset by two non-standard events: the transfer of customers acquired through the whitecoat.com.au partnership to booking fee contracts from subscription agreements at the cessation of the partnership; and the strategic decision of a legacy GObookings customer to develop its technology capability in-house.

The net increase in MRR for the quarter was \$9K, bringing the total to \$202k, 5% above 30 September 2016 and 32% above 31 December 2015. Excluding the non-standard events MRR growth was 10% for the quarter or 40% per annum.



MRR excludes one-off fees such as development and set-up fees, usage fees for products (such as SMS and easyRECALL) and variable advertising revenue.

Cash flow and corporate

Cash receipts for the quarter were \$524k, in line with the previous corresponding quarter. The company's focus on developing relationships with larger corporate customers has resulted in longer lead times before revenue is received, impacting growth in cash receipts. Cash outflows in the quarter included investments totaling \$250k for an earn-out payment related to the Clinic Connect acquisition and an initial payment for new intellectual property.

Revenue and cash receipts are usually stronger in the second half due to seasonal factors such as flu injections and, coupled with the encouraging performance of easyRECALL and the activation of H1 sales, this is expected to reduce the monthly cash outflow in the second half.

At 31 December 2016, the group held \$4.4 million in cash, and has received an R&D tax offset of \$0.4 million in January 2017. During the quarter, the group decided to withdraw its proposal to acquire OzDocsOnline based on the results of due diligence.

Outlook

1ST Group Managing Director, Klaus Bartosch, said that based on current information, management expects second half revenue to be stronger than the first half due to the contribution from subscription contracts secured in the second quarter, new usage fees from products like easyRECALL, and new contracts in the coming months.

"Strategically our business is on a much stronger footing today than a year ago. We have developed successful new partnerships in SME and enterprise markets, launched new products contributing usage-based fees, launched the new brand myHealth1st, and launched our PetYeti platform. Our customer base is growing, usage and subscription recurring revenue is increasing, and customers are beginning to use our full range of new products, which we expect to become an increasingly significant source of revenue" said Mr Bartosch.

"We are excited about PetYeti's potential, with customers already booking about 5,000 appointments a month and this number is increasing. Consumers can access services nationally through the PetYeti portal, and we look forward to adding new pet-related service providers such as groomers, dog walkers, trainers, and pet insurance vendors as we help pet owners access everything they want for their pets from one convenient platform."

"As our portals become populated with a broader range of services, we expect that customer numbers and consumer use will continue to grow."

- ENDS -

Further information

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About 1ST Group Ltd

1ST Group is an ASX listed media and technology company building Australia's leading health services portal, MyHealth1st.com.au, Australia's online pet service portal PetYeti.com.au and corporate and government solutions platform GObookings.com.au. All platforms provide an easy to use online search and appointment booking service and offer a range of value added apps and services that facilitate digital patient and customer engagement. To find out more visit 1stGrp.com, MyHealth1st.com.au, PetYeti.com.au and GObookings.com.au.

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