

Quarterly Update

For the quarter to 31 December 2019

Landmark contract implementations underpin 2H FY20 growth outlook

Q2 Highlights:

- **Growth in all key metrics:**

- Cash receipts for Q2 were \$1.3m, up 30% from Q1
- Annual Recurring Revenue (**ARR**) up 1% to \$4.94m at quarter end, but already up 7% to \$5.2m as at second week of Jan 2020
- Sites at 10,570 - up 491 on Q1
- Annual Contract Value (**ACV**) of \$6.1m - up by \$186k in the quarter

- **Landmark agreements** – implementations are ongoing. Full impact only in 2H FY20

- **Strong financial position** – following recent capital raise; cash outflow continues to reduce

1st Group Limited (ASX: 1ST), the Australian digital health group, today announced its results for the quarter ended 31 December 2019. Results presented for the quarter are unaudited.

Klaus Bartosch, Managing Director and Co-Founder said, *“During calendar year 2019 we secured a number of landmark deals and in December 2019 we launched an Australian first, [StVincentsPriority.com.au](https://www.stvincentspriority.com.au) which transforms the current difficult GP to Specialist referral process into a new digital experience powered by MyHealth1st, delivering significant benefits to referred patients, GP’s and specialists.*

“These major projects are progressing well, other than Benestar which is progressing but continues to experience delays beyond our control. The impact of these deals, in addition to normal organic growth, will positively impact the second half of FY20.”

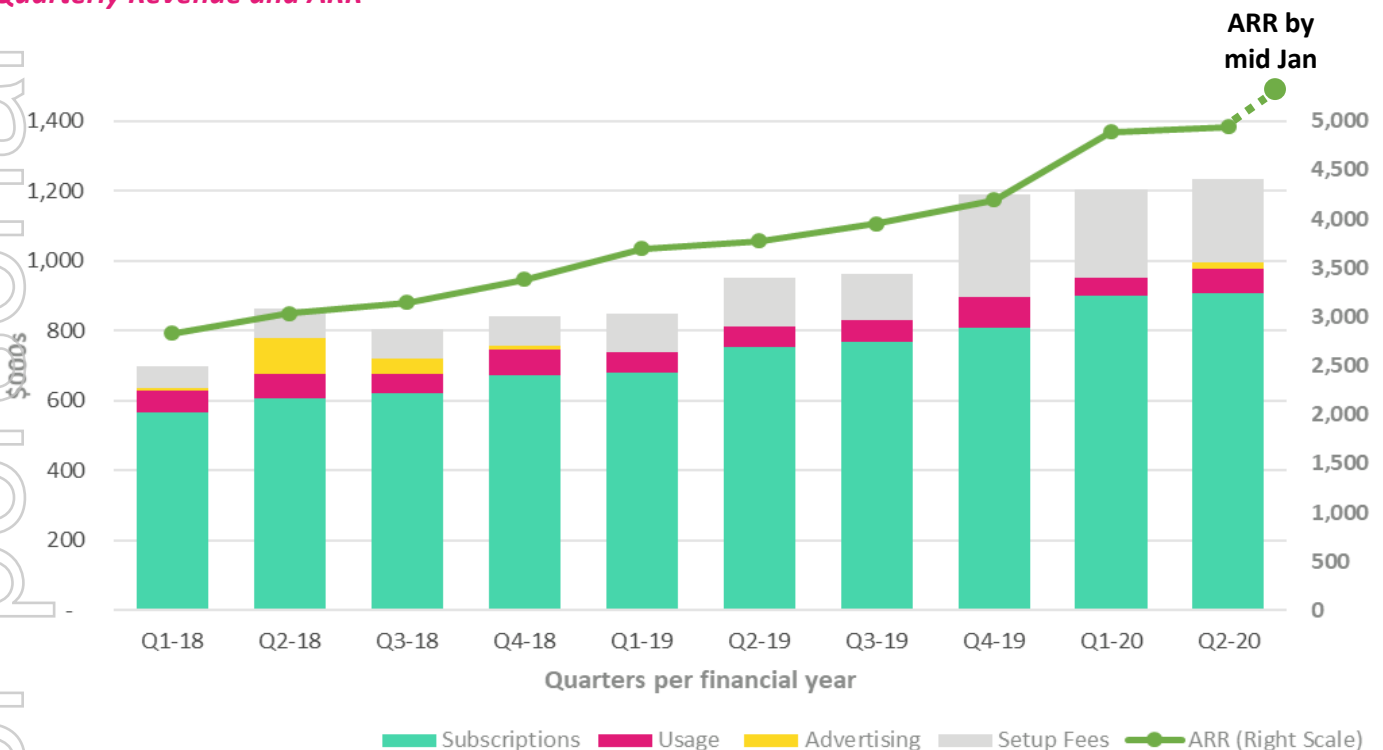
“It is also pleasing to see the return of advertising revenue and growth in usage fees, with further growth expected in 2H.”

Summary of key performance indicators

OVERVIEW	Q2FY20	Q1FY20	Q2FY19
ARR – Annual Recurring Revenue*	\$4,937k	\$4,884k	\$3,776k
New ACV Added in the Quarter	\$186k	\$450k	\$276k
ACV at end of Quarter	\$6.11m	\$5.92m	\$4.84m
Number of Sites	10,570	10,079	8,358
Annual Customer Retention Rate	95%	97%	95%
Products per Site	1.68	1.59	1.17
Subscription Fees	\$906k	\$899k	\$754k
Advertising Revenue	\$18k	\$0k	\$0k
Usage Fees	\$72k	\$53k	\$59k
Total Revenue	\$1,234k	\$1,204k	\$1,004k

*Note: ARR is the value of all recurring monthly revenues at the end the quarter normalised to a one-year period. ARR includes all revenue streams that are reliably recurring on a monthly basis.

Quarterly Revenue and ARR



Growth indicators

Growth in revenue and ARR for the quarter were modest reflecting a lag effect as new business is onboarded and activated including from major projects.

There were significant activations during the 1H that will drive revenue growth in 2H, **as evidenced by the significant increase in ARR to \$5.2m by mid Jan 2020, just 2 weeks into Q3**. This points directly to stronger revenue growth for 2H FY20 with landmark contracts continuing to deliver growth in addition to normal organic growth.

Setup Fees for Q2 FY20 continue to reflect significant new customer activations (which again, will be reflected in 2H growth) and paid customisation work.

The Customer Retention Rate dropped slightly in Q2 due to cancellation of three larger non-healthcare GoBookings customers who no longer require the services and/or have shut down parts of their operations.

The drop in revenue associated with these cancellations is immaterial.

Advertising revenue

Advertising revenue re-commenced in Q2 FY20 and is anticipated to continue to grow in 2H FY20.

Landmark Contract Progress Update

Date Announced	Name	Summary	Revenue Contribution
9 May 2019	St Vincent's Hospitals Australia (SVHA)	SVHA is funding the development of a digitised referral platform in a new specialist health services vertical for 1st Group. The solution will simplify and transform processes supporting a seamless and integrated patient experience. We have onboarded targeted practices and related specialists and have started marketing to relevant referring GPs.	Revenue commenced in Q1 FY20 with implementation fees. Subscription revenues commenced in October 2019. The contract is progressing to schedule with the second phase expansion expected to commence during Q3 FY20.
11 April 2019	Benestar Group	Benestar, Australia's leading Employee Assistance Service provider is funding 1st Group's entry into the psychology market. We have begun marketing and processing the resulting leads. Based on results so far and feedback from psychologists we expect to bring the minimum of 2,600 psychologists targeted onto MyHealth1st in 2020.	Following further delays caused by issues outside the control of 1st Group, the delivery work is now ramping up and revenue is expected in 2H FY20.
15 March 2019	Medibank Private	Strategic pilot with Medibank's Members Choice Advantage initially bringing hundreds of dental practices onto MyHealth1st and enabling the MyMedibank mobile app with online appointments for access by Medibank's 2.8m members. Recently completed practice software integrations which will increase the rate of onboarding in the coming months.	We will continue to add new dental practices in 2H FY20.

Net cash flows

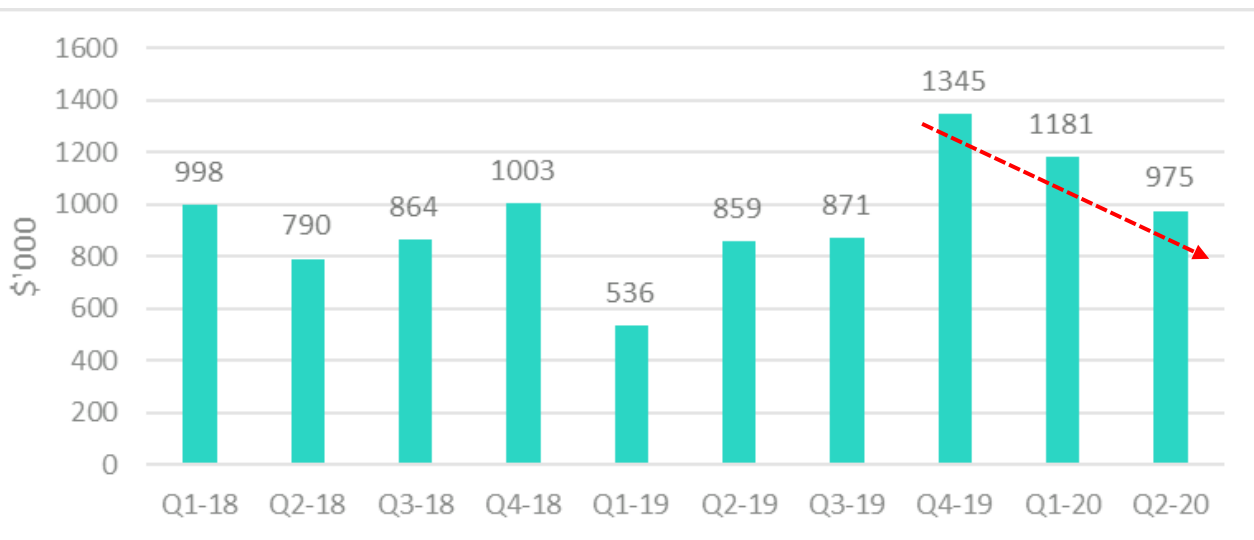
Cash receipts for the quarter were \$1.3m, compared to \$1.0m in Q1 FY20 despite being impacted by a further short delay in the implementation of the Benestar project.

Net operating cash outflow in Q2 FY20 was reduced to \$975k. The closing cash balance as at 31 December was \$4.4m. In August 2019 the Company paid back \$1.3m of debt and replaced its standby debt facilities with a new combined facility from cornerstone shareholder John Plummer on more favourable terms.

Given the company’s growth prospects and progress, John Plummer has agreed to increase the current convertible loan facility from \$2m to \$3m on the same terms should it be required in the future. The terms of the facility to the company represents a low cost of capital on favourable terms to facilitate the growth and development of the business. The Board appreciates John’s ongoing support for 1st Group. As at 31st December, the amount drawn stands at \$1.55m.

A placement in December raised \$4.5m before costs from sophisticated and institutional investors.

Net cash used in operating and investing activities from FY18 onwards is set out in the following table:



1st is cashflow breakeven before taking into consideration the impact of the investment in sales and marketing for growth. In addition, cash burn is falling, driven by growing revenues and the business maintaining its cost base.

Given significant anticipated growth following the delivery of landmark contracts, the Board is committed to continuing to invest in technology innovation, sales and marketing in the pursuit of accelerated ARR

growth. As a result, the previous aspirational goal of pursuing 'cash-flow break in the near term' may be delayed.

FY20 – Outlook and Priorities

The 2H is set to deliver strong growth supported by the implementations of the landmark contracts secured in CY19 which will be delivered in 2H in addition to normal organic growth.

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Further information

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About 1st Group Limited

1st Group is an ASX listed digital health group 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. These integrated 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. We improve lives by connecting consumers to a variety of healthcare services and information anytime, anywhere, so they can get well sooner and stay well longer. To find out more visit 1stGrp.com, MyHealth1st.com.au, PetYeti.com.au and GoBookings.com.

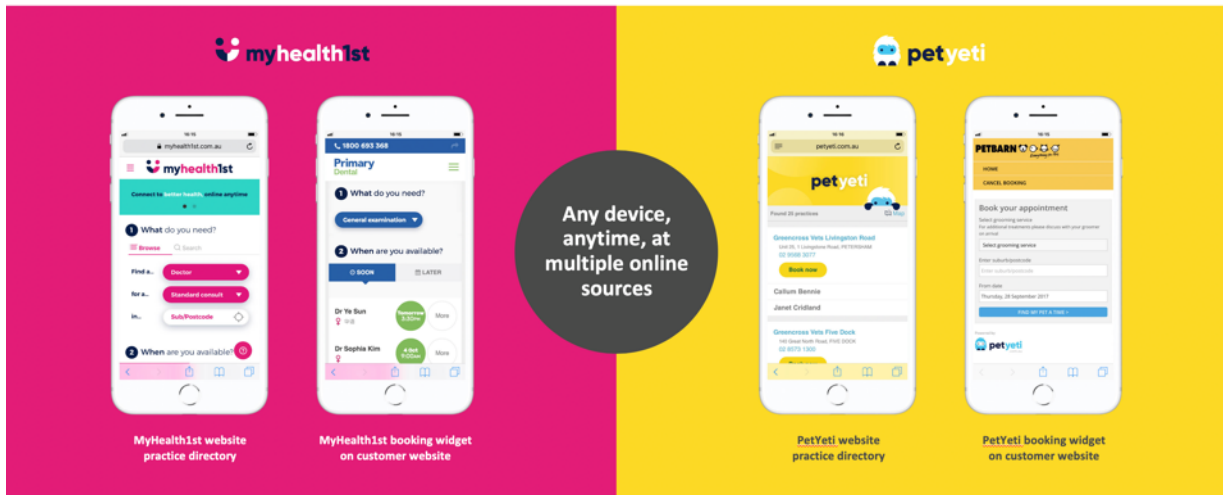
Glossary

Term	Definition
Annualised Contract Value (ACV)	Represents the annual expected revenue from contracted customers for subscription products including Online Bookings, EasyFeedback, EasyCheck-in Kiosks. Excludes potential variable revenue from set up, Usage Fees and advertising.
ACV Churn Rate	ACV Churn Rate is an annualised figure calculated by taking twelve times the average monthly churn rate over the previous twelve months. The monthly churn rate is the ACV from customers who leave 1st Group in a month as a percentage of the total ACV at the start of that month.
Annual Customer Retention Rate (ACRR)	100% – ACV Churn Rate.
Annual Recurring Revenue (ARR)	ARR is the value of all recurring monthly revenues in a month normalised to a one year period. ARR includes all revenue streams that are reliably recurring on a monthly basis.
Gross Margin	Gross Margin is Revenue minus Cost of Services (COS), which includes hosting costs, third party and transaction costs such as cost of SMS messages and credit card merchant fees.

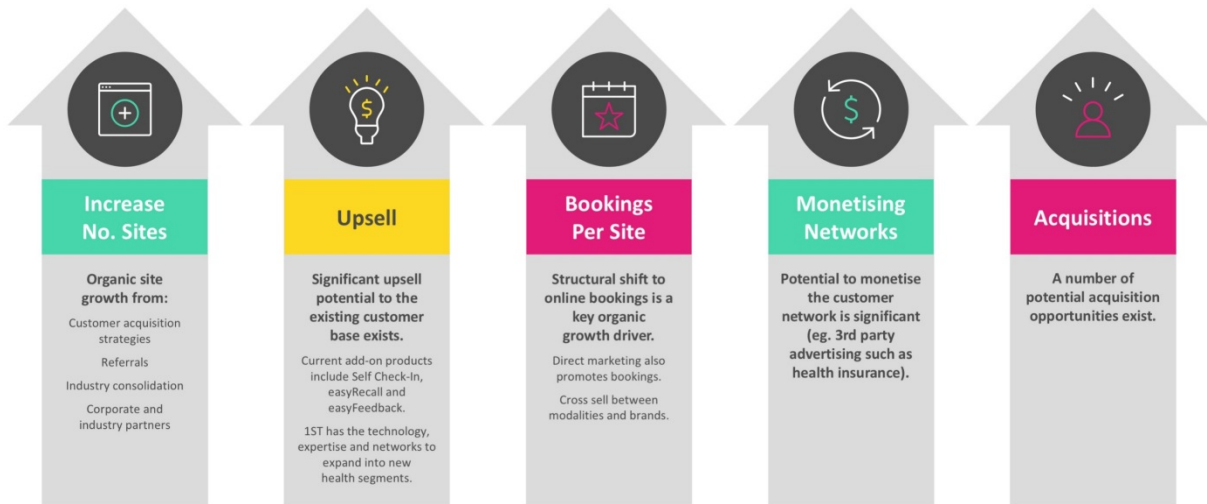
APPENDIX

Our Portals and Web Widgets

Our Solutions in Action



Multiple Growth Options



Key Investment Considerations

- Visible Path to Break-Even Cashflows**
 - Revenue growth momentum
 - Directionally positive KPIs
 - Costs stabilised
- Large Addressable Markets > \$1.9B**
 - Online health services bookings market is > \$1.9b
 - Includes online appointments, add-on products and services, and advertising
- Multiple Growth Drivers**
 - Acquire new customers as they increase their online presence and digital profile through multiple products, including online appointments
 - Upsell revenues as customers purchase additional products & services
 - Booking migration from offline to online increases patient interaction points and monetization opportunities driving broader consumer engagement, cross-sell patients to other services, including PetYeti
- Strong Recent Momentum**
 - Significant quarter on quarter revenue growth
- Significant Upsell Revenue Potential**
 - Upsell revenues are rising off a low penetration base
 - Significant existing upsell customer opportunity
 - Upsell consumer users to complementary services
- Experienced Management Team**
 - Experienced leadership team
 - Significant online experience – SEEK, HotelClub, Concur, Wotif.com, RealEstate.com.au and others

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