

Quarterly Update

1st Group Quarterly Activities Report January – March 2021

This report accompanies the Appendix 4C Quarterly Cashflow Report and provides an update and explanation of significant events in the quarter ended 31 March 2021 (“Q3 FY2021”).

Q3 Summary

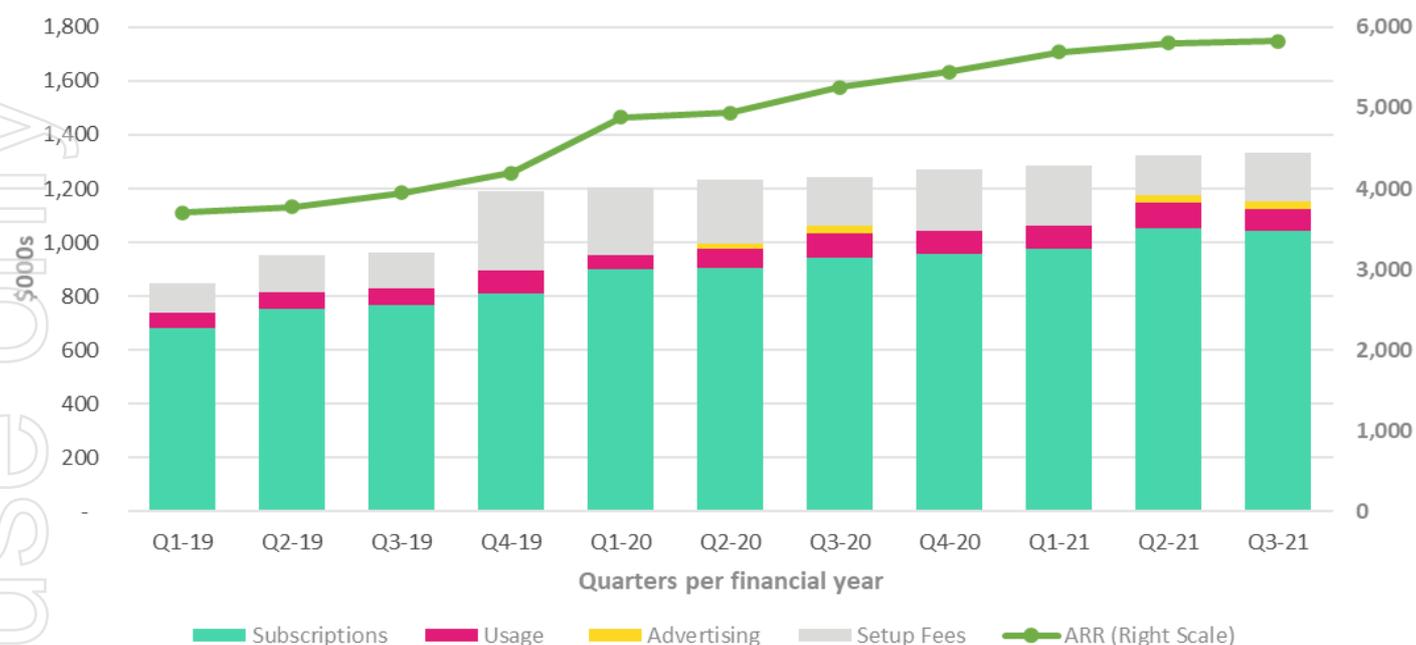
An evaluation of 1st Group performance has indicated the following:

- Several sub-scale, loss-making contracts which had adversely impacted performance have now been exited
- Some past investment decisions have yielded disappointing returns. Growth investments are expected to yield more promising results
- 1st Group is reorganising to focus on core products and services and release capital to increase investment in technology and product enhancements

As a consequence of the above evaluation, 1st has identified opportunities to reduce expenditure. This commenced towards the end of Q3 and will continue into Q4. Cost savings are already delivering benefits including a reduction in cash burn which should enable sustainable cash neutrality by the end of December 2021. In addition, 1st Group has seen growth in revenue for COVID-19 vaccine bookings, including the execution of an interim booking solution for Western Australia for WA Health rollout of Phase 1A and 1B vaccine late in Q3.

- Q3 revenue of \$1.33m, 1% above the previous quarter. Strong sales late in Q3 underpin expected revenue step-up in Q4
- Annual Recurring Revenue (ARR) of \$5.83m, up 0.5% from \$5.80m on previous quarter
- Landmark contracts activity stepped up in Q3 with onboarding of practices with revenue contribution set to grow in Q4
- Cash receipts for the quarter were \$1.45m, compared to \$1.30m in Q2 FY21. Operating cash payments in the quarter were \$2.12m, 11% better than \$2.39m in Q2 FY21
- Cash burn benefited from approximately \$1m in annualised cost savings achieved in Q3 with increasing savings to take effect in Q4, accelerating path to cash flow break even

Quarterly Revenue and ARR



Q3 FY21 included the impact of \$30k lower revenue from unprofitable contracts which were not renewed, as outlined in the half year report.

Key Performance Indicators

OVERVIEW	Q3FY21	Q2FY21	Q3FY20
Number of Sites	12,131	11,575	11,000
Products per Site	1.68	1.71	1.68
Subscription Fees	\$1,045k	\$1,053k	\$944k
Advertising Revenue	\$29k	\$32k	\$28k
Usage Fees	\$77k	\$88k	\$89k
Total Revenue	\$1,334k	\$1,323k	\$1,241k

SaaS Metrics (See Glossary for detailed description and calculation basis)

OVERVIEW	Q3FY21	Q2FY21	Q3FY20
ARR – Annual Recurring Revenue*	\$5.83m	\$5.80m	\$5.26m
New ACV Added in the Quarter	\$228k	\$270k	\$252k
ACV at end of Quarter	\$7.18m	\$6.96m	\$6.36m
Annualised Customer Retention Rate	97%	96%	95%

CAC per new Site	\$1,447	\$1,249	\$1,534k
LTV per Site	\$16.4k	\$12.3k	\$7.9k
LTV/CAC ratio	11.3	9.8	5.2
Portfolio LTV	\$199.0m	\$142.7m	\$87.3m

*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.

Net Cash Flows

- Cash receipts for the quarter were \$1.45m, compared to \$1.30m in Q2 FY21. Operating cash payments in the quarter were \$2.12m, 11% better than \$2.39m in Q2 FY21
- Quarterly net operating cash outflow was \$670k, reduced from \$1,083k in Q2.
- Cash burn benefited from approximately \$1m in annualised cost savings achieved in Q3 with increasing savings to take effect in Q4, accelerating path to cash flow break even
- Available funds of \$1.85m, comprising cash at bank of \$0.3m and \$1.55m undrawn from the increased standby credit facility

During the quarter \$107k in routine payments were made to related parties and their associates, being wages for the outgoing CEO and Managing Director and independent Director and Chairman remuneration including superannuation as applicable.

Outlook

Key activities for Q4 and early FY22 are:

- Booking solutions for COVID-19 vaccine rollout for Government, GP and Pharmacy clients. This includes the execution of an interim booking solution for the West Australian government rollout of COVID-19 vaccine for phase 1A and 1B late in Q3
- Supporting healthcare groups including St Vincent's Health Australia, Benestar, Cabrini and Medibank to grow and manage practitioner networks
- Digital solutions for healthcare groups and businesses in optometry, dental, veterinary, physiotherapy, psychology, pharmacy and General Practice.
- Removing complexity in technology, development and product distribution to generate better operating margins
- Reviewing our product roadmap to ensure it is strategically sustainable

This announcement has been approved for release by the Board of Directors.

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 marketplace, MyHealth1st.com.au, Australia's online pet service marketplace 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, EasyEngage, 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.

CAC	Customer Acquisition Cost (CAC) is all marketing and direct sales costs for new customer acquisition for the year divided by the new sites added in the period. Formula: Last 12 months CAC / no. of new sites added
LTV	Lifetime value (LTV) is the gross margin expected from a customer over the lifetime of that customer. This is calculated by the average customer lifetime (1 divided by churn), multiplied by the ACV and gross margin %. Formula: ACV per site x Gross Margin % / ACV churn rate
LTV/CAC	LTV per site / CAC per new site
Portfolio LTV	LTV per site x no. of sites

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