

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

1ST Group Limited

ABN

25 138 897 533

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,028	1,028
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(379)	(379)
(c) advertising and marketing	(284)	(284)
(d) leased assets	-	-
(e) staff costs	(997)	(997)
(f) administration and corporate costs	(479)	(479)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(71)	(71)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,181)	(1,181)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(6)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(6)	(6)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(1,300)	(1,300)
3.7 Transaction costs related to loans and borrowings	(76)	(76)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(1,376)	(1,376)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,273	2,273
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,181)	(1,181)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6)	(6)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(1,376)	(1,376)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	210	210

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	75	295
5.2 Call deposits	135	2,478
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	210	2,773

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	180
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Includes wages for CEO/Managing Director and independent Directors/Chairman remuneration including superannuation as applicable and consulting fees.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	2,000	600
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Key terms of the Standby Convertible note facility

The credit standby arrangements relate to a \$2 million facility with a cornerstone shareholder investor Mr John Plummer.

On 19 August 2019, the Group reduced and extended its previous convertible note loan facility provided by Mr Plummer on new and more favourable terms.

The key terms of the new facility are:

Note extended to 1 August 2021 for drawdown (repayable by 1 August 2022);

Line fee reduced to 1% pa (from 2% pa);

Interest rate of RBA Cash Rate plus 8.5% pa, therefore currently 9.5% per annum, payable quarterly in arrears;

Agreement to renegotiate interest rate further downwards following the Company achieving a cash flow breakeven quarter and an additional rate reduction on delivering three consecutive cash flow positive quarters;

Usual covenants for a facility of this nature and scope including: unsecured obligation, no debt subordination without consent, anti-dilution provisions etc.; and

Facility can be repaid in full or reduced at any time at the election of the Company.

On 19 August 2019, \$1.3 million of the previous convertible note facility was repaid from recent capital raise funds, leaving \$0.6 million drawn and \$1.4 million undrawn and available.

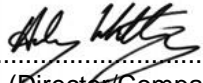
The Company received a further draw of \$350k on 14 October 2019 resulting in a balance of \$950k drawn and \$1,050k undrawn.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	419
9.3 Advertising and marketing	391
9.4 Leased assets	-
9.5 Staff costs	967
9.6 Administration and corporate costs	457
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	2,234

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:  Date: 31 October 2019
(Director/Company secretary)

Print name: Andrew Whitten

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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Quarterly Update

Strong Q1 growth underpins FY20 outlook

For the quarter to 30 September 2019

Q1 Highlights:

- **Strong growth:**
 - Total revenue of \$1,204k - up 42% on Q1 FY19
 - Annual Recurring Revenue (ARR) at quarter end of \$4,884k - up 16% in quarter
 - Sites at 10,079 - up 27% on Q1 FY19
 - Annual Contract Value (ACV) of \$5.9m - up by \$450k in quarter
- **Positive “Core” cash flow** (pre growth investments) turned positive in September
- **Customer retention** 97% in Q1 FY20 - up from 96.2% in Q4 FY19
- **Gross Margin** maintained at 82% - consistent with FY18 to FY19
- **Landmark agreements** – implementations with Medibank, St Vincent’s & Benestar proceeding – revenue ramp up to underpin FY20

1st Group Limited (ASX: 1ST), the Australian digital health group, today announced its results for the quarter ended 30 September 2019. Results presented for the quarter are unaudited.

Klaus Bartosch, Managing Director and Co-Founder said, *“Following our investments in the foundations to support growth and the signing of landmark contracts with industry leaders, we are pleased to have delivered several key milestones. 1st Group now has over 10,000 sites under management. We are positioned to deliver a positive operating contribution margin in Q2. Our SaaS model is proving to be highly scalable, with growing recurring revenues, attractive gross margins and strong customer retention.*

“Our growth reflects the outstanding SaaS platform and propositions we deliver to our clients.

“Q1 delivered strong recurring revenue growth. We are also starting to see the impact of our recent landmark agreements with industry leaders which will underpin future revenue growth as we continue to onboard practices secured through these wonderful partnerships.

“We expect to see the new contracts delivering additional one-off setup fees, and recurring subscription, advertising and usage fee revenues through the remainder of FY20.

“We have started FY20 with increased confidence and momentum. We expect our strong growth will continue in FY20 driven by the implementation of our strategic partnerships, our developing advertising proposition and our organic growth in sites and products per site.”

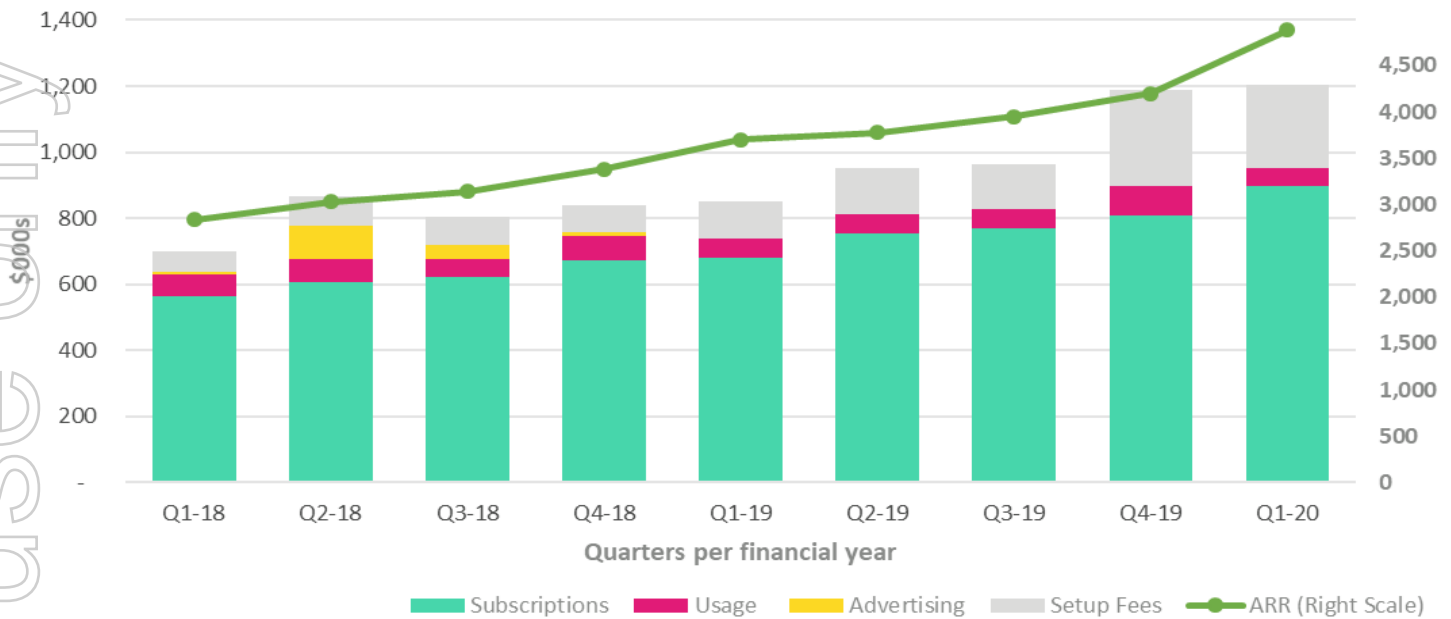
Summary of key performance indicators

OVERVIEW	Q1FY20	Q4FY19	Q1FY19
ARR – Annual Recurring Revenue*	\$4,884k	\$4,194k	\$3,698k
New ACV Added in the Quarter	\$450k	\$320k	\$240k
ACV at end of Quarter	\$5.92m	\$5.47m	\$4.56m
Number of Sites	10,079	9,782	7,931
Annual Customer Retention Rate	97.0%	96.2%	92.2%
Products per Site	1.59	1.51	1.17
Subscription Fees	\$899k	\$809k	\$681k
Usage Fees	\$53k	\$87k	\$57k
Total Revenue (AASB 15 basis)	\$1,204k	\$1,188k	\$850k

*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.

Growth in ARR, the number of sites, products per site and improvement in customer retention rates are leading indicators of potential future revenue growth.

Quarterly Revenue and ARR



Revenue for the quarter was \$1,204k, representing 1.4% growth on Q3 and 42% on the prior corresponding period. Recurring subscription revenue increased by 11% from Q4 FY19. Setup Fees for Q1 FY20 continue to reflect significant new customer activations and paid customisation work.

Advertising revenue commenced in Q2 FY20 following the consumer launch of the EyeHealth1st campaign and growth in the numbers of dental practices on MyHealth1st. We expect advertising will make a growing contribution to future revenues from Q2 and beyond.

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 1 st Group. The solution will simplify and transform processes supporting a seamless and integrated patient experience. We have progressed product and marketing development and have commenced onboarding targeted practices and related specialists in Q1 FY20.	Revenue commenced in Q1 FY20 with implementation fees. Subscription revenues will commence from those practices already onboarded in October 2019. The contract is progressing to schedule.
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 FY20.	Following a short delay caused by issues outside of the control of 1st Group, the delivery work is now in full swing and revenue commenced in October 2019, with revenue ramp up expected to continue into 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.	Revenue has commenced in October 2019 with onboarding of new dental practices continuing in Q2 FY20.

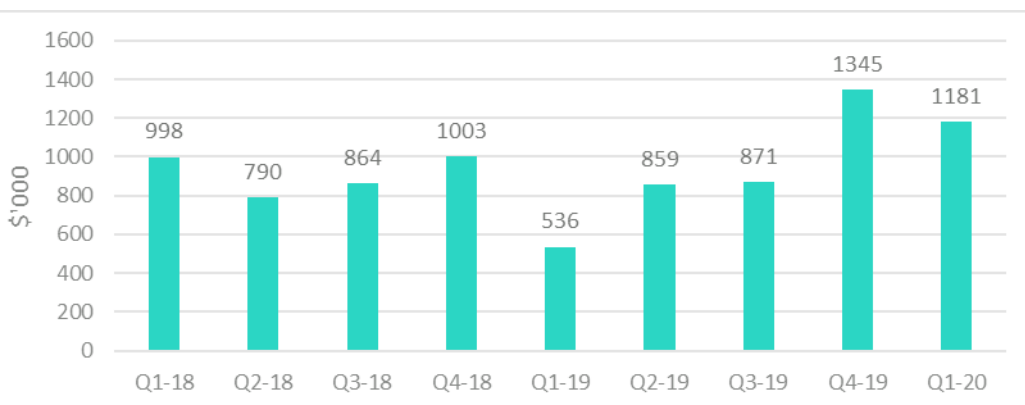
NET CASH FLOWS

Cash receipts for the quarter were \$1,028k, compared to \$1,141k in Q4 FY19 and were impacted by a short delay in respect of the implementation of the Benestar project.

Net cash used in Q1 FY20 was \$1,181k, reflecting operating cash outflows of \$2,138k which were in line with the Q4 FY19 4C estimate and were reduced from the Q4 level of \$2,455k. The closing cash balance as at 30 September was \$0.2 million. In August 2019 the Company paid back \$1.3 million of debt and replaced its standby debt facilities with a new combined facility from cornerstone shareholder John Plummer on more favourable terms. The Company drew down \$350k on 14 October resulting in a balance of \$950k drawn at that date and \$1,050k remaining undrawn.

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. The Board appreciates John's ongoing support for 1st Group.

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



On March 25, 2019, 1st released its 2019 Strategic Roadmap announcement and indicated its goal to achieve cash flow break even in the near term. The Company has continued confidence in the achievement of this goal and of strong ongoing growth in the business following announcements over recent months of its significant new contracts. A key milestone on this journey was the achievement, for the first time in the Company's history of 'core' cashflow positive prior to discretionary growth investments. Due to the current level of activations of customers and activity inside the Company, the Company anticipates that the cash-burn for the next quarter will be lower than previous quarters.

FY20 – Outlook and Priorities

1st Group expects to continue to deliver strong organic growth by:

- bringing on new sites at higher than historical revenue per site achieved through the cross sell and upsell of the Company's technology offerings to existing customers, and
- progressing the recent large partnerships through the design and implementation stages to marketing and onboarding of practitioners.

1st Group is also progressing additional strategic deals in its pipeline, with some expected to be signed in H1 FY20 and others that are expected to close later in 2020.

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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.

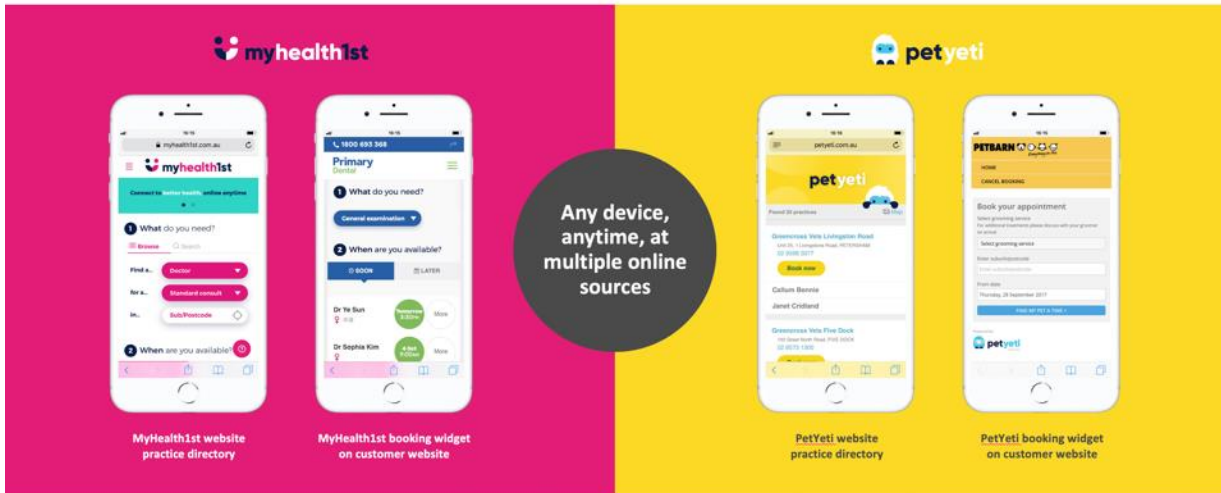
Glossary

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.

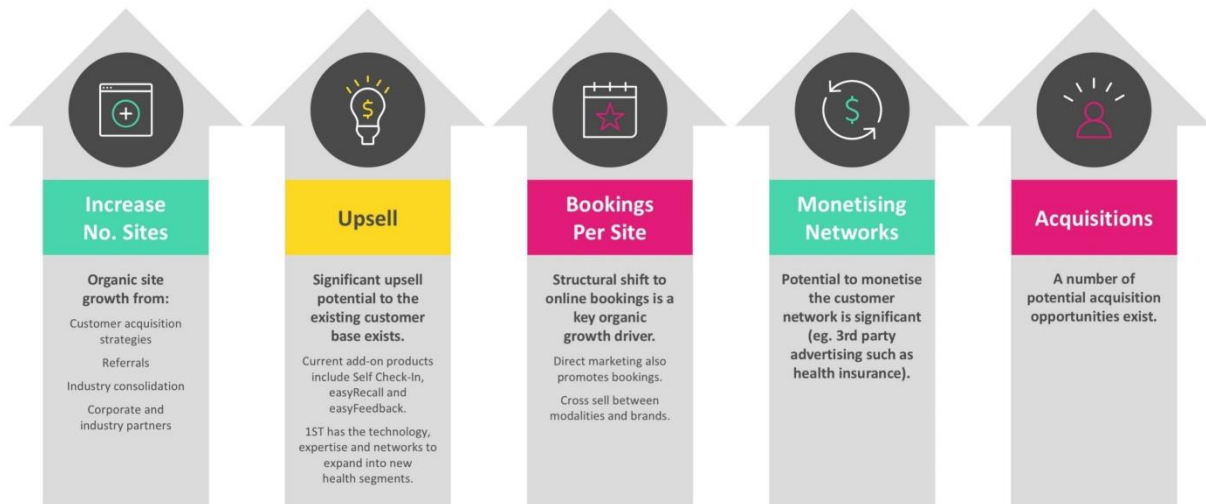
APPENDIX

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, Realstate.com.au and others

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