

# Quarterly Update

For the quarter to 31 March 2020

## Q3 Highlights:

- **Improvement in key metrics:**
  - Annual Recurring Revenue (**ARR**) - up 6.5% on previous quarter to \$5.26m at quarter end (note also comments page 3)
  - Sites - up 430 on previous quarter to 11,000 at quarter end
  - Annual Contract Value (**ACV**) - up 4.1% on previous quarter to \$6.36m at quarter end (excluding advertising and usage fee contract growth)
- **Launched COVID19clinics.com.au:**
  - A single national directory powered by MyHealth1st of COVID-19 and fever clinics to simplify the experience for Australians to find testing services
- **High consumer demand for online services:** online appointments in March exceeded 400k, representing almost 100% growth on pcp, with April continuing the high demand despite reduced operational model for many customers due to COVID-19
- **Sound financial position:** available funds of \$3.4m. Anticipated revenue growth and reducing costs are expected to reduce cash burn for Q4 FY20 below \$700k

## Launch of integrated Telehealth & Telehealthclinics.com.au:

- On 15 April 1st Group launched a single national directory of Telehealth clinics to simplify the experience for Australians in finding and using Telehealth services. The service provides an integrated end-to-end encrypted, clinically validated MyHealth1st Telehealth solution that is available to all 1st Group customers
- Over 400 practitioners have already signed up and trained on how to run Telehealth consults across Optometry, Psychology, Physiotherapy, Dental, GP, Podiatry and Specialists
- Consultations commenced in April and will deliver new usage fee revenue from Q4 onwards

**1st Group Limited (ASX: 1ST)**, the Australian digital health group, today announced its results for the quarter ended 31 March 2020. Results presented for the quarter are unaudited.

Klaus Bartosch, Managing Director and Co-Founder said, *“We are pleased to have developed our Covid-19 patient screening, Telehealthclinics.com.au and our integrated Telehealth service which launched on April 15. We are concentrating on offering a new delivery model for our customers via the integrated telehealth service and helping our customers to be ready for the expected upturn in health appointments when Covid-19 restrictions are relaxed.*

*The Landmark projects secured during 2019 have also been progressing, however, some activity has temporarily slowed due to Covid-19. The good news, however, is that progress recommenced in late April as Covid-19 healthcare restrictions began to ease. The impact of these projects, in addition to normal organic growth, and our Telehealth initiative is expected to have a positive impact on Q4 FY20 and into FY21.*

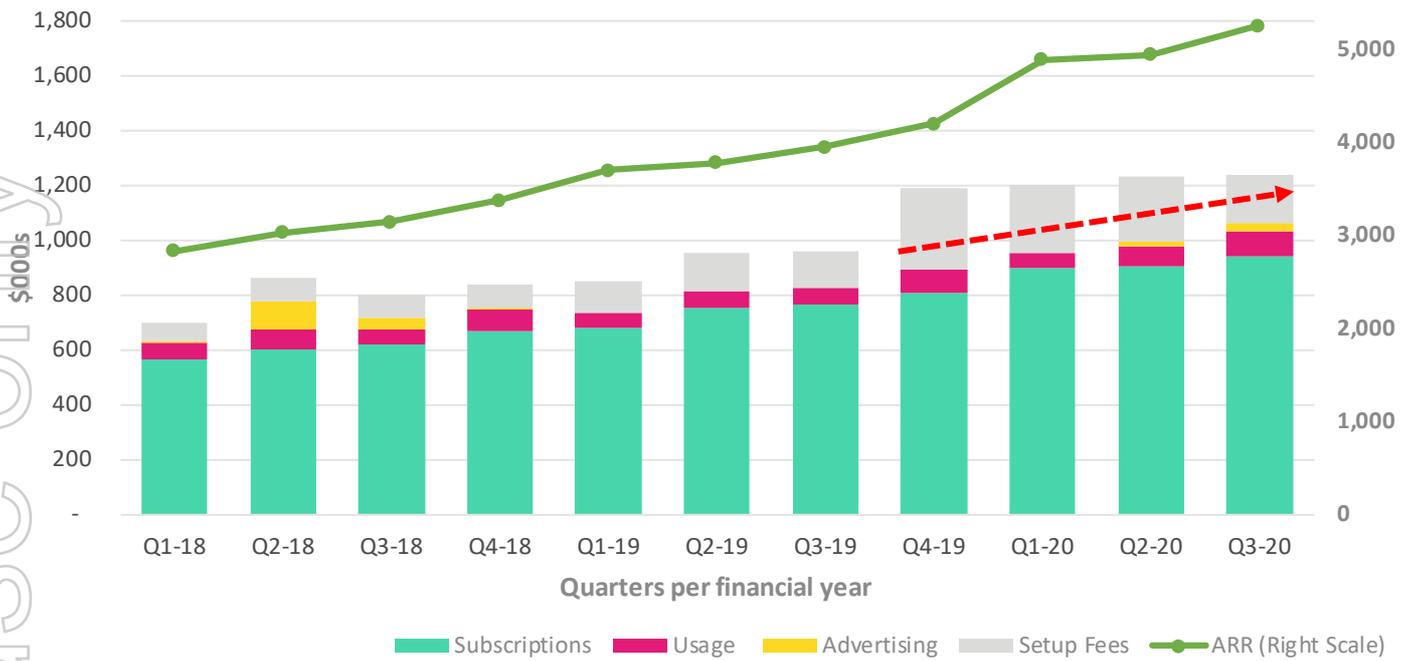
*More importantly for the longer term, the pandemic is transforming how consumers engage with healthcare services in Australia. It is forcing both healthcare providers and consumers online en masse. Such a major event can dramatically change consumer behaviour permanently and I believe that once the pandemic is over both healthcare providers and consumers will remain online, and many of the new services like Telehealth and ePrescriptions, will continue as a permanent and convenient feature of how consumers interact with healthcare services.”*

### Summary of key performance indicators

OVERVIEW	Q3FY20	Q2FY20	Q3FY19
ARR – Annual Recurring Revenue*	\$5.26m	\$4.94m	\$3.95m
New ACV Added in the Quarter	\$252k	\$186k	\$310k
ACV at end of Quarter	\$6.36m	\$6.11m	\$5.15m
Number of Sites	11,000	10,570	9,206
Annual Customer Retention Rate	95%	95%	95%
Products per Site	1.68	1.68	1.24
Subscription Fees	\$944k	\$906k	\$769k
Advertising Revenue	\$28k	\$18k	\$0k
Usage Fees	\$89k	\$72k	\$60k
<b>Total Revenue</b>	<b>\$1,241k</b>	<b>\$1,234k</b>	<b>\$963k</b>

\*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 drivers

There were significant activations during 1H and Q3 that led to the ARR at the end of March 2020 of \$5.26m. Growth in ARR was, however, affected by Covid-19. In particular, Phase 2 of one of our dental agreements was suspended as most dental operations moved to Level 3 restrictions which resulted in them closing down and only accepting emergency appointments. **In the absence of this, ARR would have been \$5.5m for Q3.** From 27 April dental operations moved back to level 2 restrictions and most are now becoming operational again and we anticipate recapturing this deferred ARR in future quarters.

On 15 April 1st launched a new integrated Telehealth service. Since launch, 1st has signed up over 400 practitioners across Optometry, Psychology, Physiotherapy, Dental, GP, Podiatry and Specialists users with consults commencing in April. Usage fee revenue generated from the integrated Telehealth service has already commenced in April. As it is still early days for this new service it is difficult to predict the value of usage fees that will be generated. 1st will, however, provide updates to keep investors informed about the progress of this new exciting service.

Setup Fees continued to reflect significant new customer activations (which will be reflected in site growth in the latter part of 2H) and paid customisation work.

### Advertising revenue

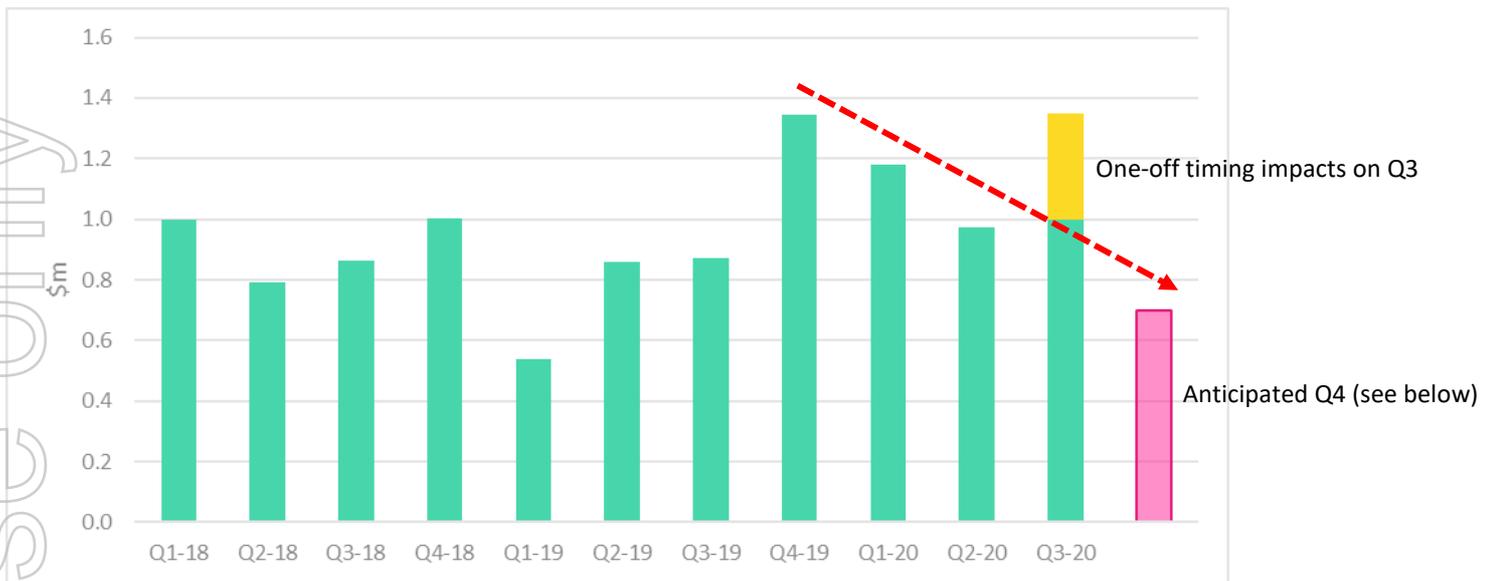
Advertising revenue grew in Q3 from its low base and is anticipated to grow further in FY21.

## 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 second phase of expansion was due to commence in March but has been delayed due to Covid-19 market changes. The good news is that the launch of our integrated Telehealth solution and restarting of some elective surgery announced by government is helping to re-prioritise phase 2 with discussions underway for possible commencement during Q4 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 are processing leads. Based on results so far and feedback from psychologists we expect to bring the minimum 2,600 psychologists targeted onto MyHealth1st in 2020.	Further delays have been caused by issues outside the control of 1st Group, including COVID-19. However, due to the addition of our integrated Telehealth service the onboarding of psychologists has accelerated in April.
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 are expected to increase the rate of onboarding in the coming months.	Adding new dental practices is currently stalled due to Covid-19 but with the dental industry moving down to Level 2 operational restrictions we are anticipating the resumption of dental practice onboarding during Q4.

## Net cash flows

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



Available funds at 31 March 2020, including the bank balance of \$2.94m and \$0.45m of undrawn standby credit facility, were \$3.4m.

## Cash flow results and outlook

- Cash receipts for the quarter were \$1.25m, compared to \$1.29m in Q2 FY20. The result was less than expected due to one major corporate customer delaying payment of \$90k which had been committed to arrive by 31 March.
- Cash payments were \$2.5m, \$0.2m above the forecast in the Q2 Appendix 4C. This was mainly due to a change in supplier payment terms (negotiated to achieve a discount) bringing forward an annual operating fee from Q4.
- During 1H, 1st had made important investments to support the growth and delivery of the landmark contracts with revenue growth from these activities expected in 2H. While the full impact of those investments are expected to see a return in time, in response to the Covid-19 pandemic, the company has reduced expenses including travel, selected marketing and outsourced services. These actions and government assistance measures are expected to reduce cash payments by \$0.5m compared to Q3 FY20, as shown in the Q4 FY20 forecast included in the Q3 Appendix 4C.
- Combining the Q4 FY20 costs as included in the Q3 Appendix 4C, with actual Q3 customer receipts, adjusted for the late payment, net cash outflow is expected to reduce to below \$700k in Q4 with

further selective cost reduction measures currently under review and anticipated revenue growth from Telehealth usage and continued rollout of the landmark projects.

- 1st Group continues to be core cashflow breakeven before taking into consideration the impact of our investment in sales and marketing for growth and net cash outflow is expected to fall from Q4, driven by growth in revenues and further reductions in its cost base.

The company's standby debt facility from cornerstone shareholder, John Plummer, was at \$1.55m drawn and \$0.45m undrawn at the end of March 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](http://1stGrp.com), [MyHealth1st.com.au](http://MyHealth1st.com.au), [PetYeti.com.au](http://PetYeti.com.au) and [GoBookings.com](http://GoBookings.com).

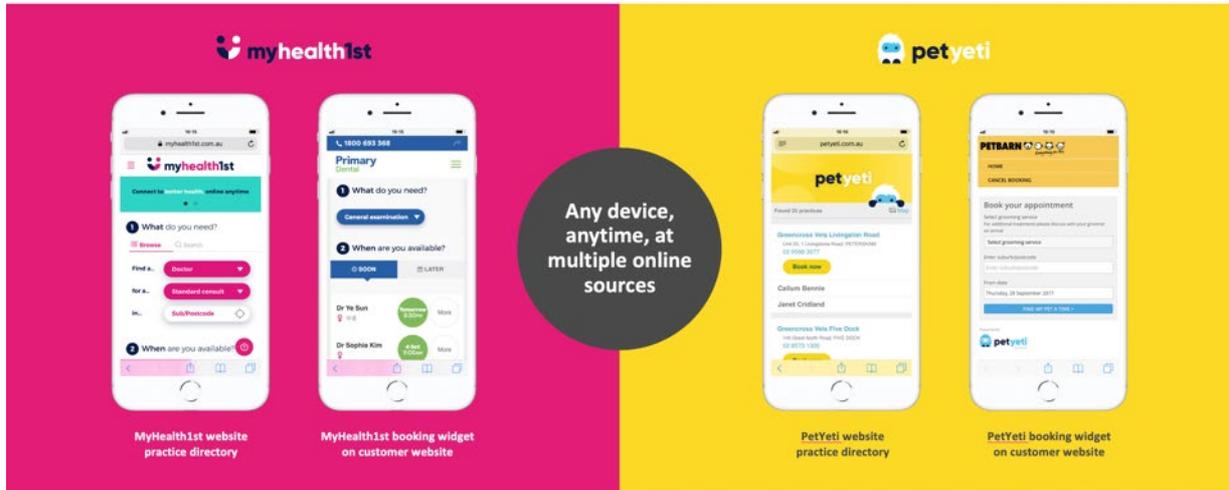
## Glossary

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.

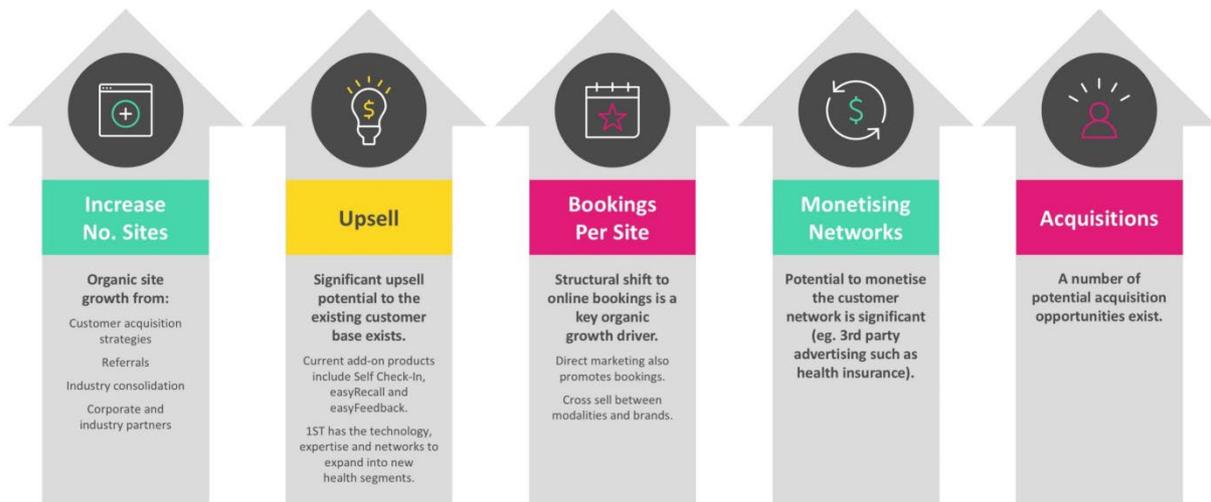
## APPENDIX

### 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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## 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")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,247	3,568
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(655)	(1,497)
(c) advertising and marketing	(353)	(1,066)
(d) leased assets	-	-
(e) staff costs	(1,002)	(2,854)
(f) administration and corporate costs	(554)	(1,543)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	17
1.5 Interest and other costs of finance paid	(38)	(109)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,339)</b>	<b>(3,484)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(38)	(55)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>		
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(38)</b>	<b>(55)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	4,500
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	(126)	(441)
3.5 Proceeds from borrowings	-	950
3.6 Repayment of borrowings	-	(1,300)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(126)</b>	<b>3,709</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,446	2,773
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,339)	(3,484)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(38)	(55)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(126)	3,709

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>2,943</b>	<b>2,943</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	280	508
5.2	Call deposits	2,663	3,938
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,943</b>	<b>4,446</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	106
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.

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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. <b>Financing facilities available</b> <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	1,550
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 8.75% 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 in October 2019, \$350k in November 2019 and \$250k in December 2019 before the successful capital raise, resulting in a balance of \$1,550k drawn and \$450k undrawn.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	491
9.3 Advertising and marketing	324
9.4 Leased assets	-
9.5 Staff costs	894
9.6 Administration and corporate costs	348
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>2,057</b>

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: 29 April 2020  
(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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