

# Quarterly Update

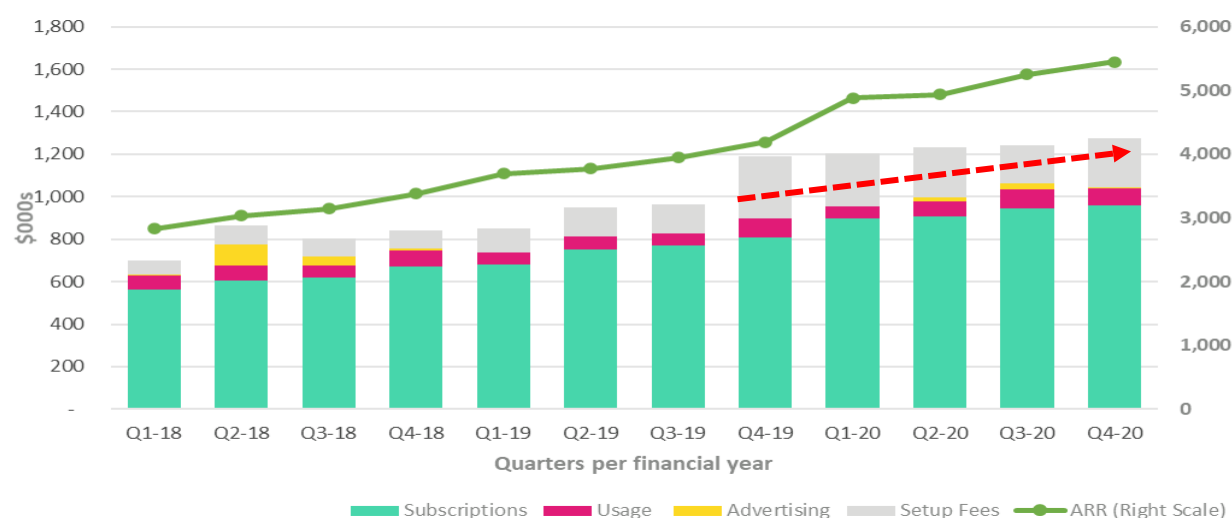
For the quarter to 30 June 2020

## Q4 Summary:

- Q4 results
  - COVID-19 impacted our clients with many closed during lockdown.
  - Annual Recurring Revenue (**ARR**) of \$5.45m, up from \$5.26m on previous quarter.
  - Q4 Revenue of \$1.27m, 2.6% above the previous quarter.
  - 1st's booking fees and advertising revenue were adversely impacted. Subscription revenues were largely unaffected.
  - Cash receipts for the quarter were \$1.32m, compared to \$1.25m in Q3 FY20. The result was less than expected due to COVID related delays on the major projects and reduced customer responsiveness to normal collection activities.
  - Cash payments in the quarter were \$2.12m, a \$0.46m reduction in outlays compared to Q3.
  - The company's standby debt facility from cornerstone shareholder, John Plummer, remains unchanged at \$1.55m drawn and \$0.45m undrawn as at the end of June 2020.
- Project update: Benestar – program to engage their existing external psychologists has commenced. St Vincent's and Medibank - projects put on hold during COVID but expected to restart in Q1 FY21.
- Structural shift to telehealth – positive for 1st Group
  - Covid-19 is bringing forward the adoption of online health – structural tailwind for 1st. Three new products launched to enhance leverage to online health: EasyTelehealth and EasyHealthPayments as well as a new Digital Marketing service for our clients after officially becoming Google and Facebook partners.
  - New revenue sharing partner agreement signed with Openpay (ASX:OPY). MyHealth1st to be used to help practices introduce the Openpay Buy-Now-Pay-Later (B-N-P-L) option to their patients and Openpay to promote adoption of MyHealth1st to its healthcare network.
- FY21 growth will be supported by the maturing of the major landmark agreements, uptake of the company's new products and services and progress with our new strategic partners like Openpay.

**1st Group Limited (ASX: 1ST)**, the Australian digital health group, today announced its results for the quarter ended 30 June 2020. Results presented for the quarter are unaudited.

### Quarterly Revenue and ARR



### Key Performance Indicators

| OVERVIEW                        | Q4FY20   | Q3FY20   | Q4FY19   |
|---------------------------------|----------|----------|----------|
| ARR – Annual Recurring Revenue* | \$5.45m  | \$5.26m  | \$4.19m  |
| New ACV Added in the Quarter    | \$180k   | \$252k   | \$320k   |
| ACV at end of Quarter           | \$6.54m  | \$6.36m  | \$5.47m  |
| Number of Sites                 | 11,334   | 11,000   | 9,782    |
| Annual Customer Retention Rate  | 94%      | 95%      | 96%      |
| Products per Site               | 1.71     | 1.68     | 1.51     |
| Subscription Fees               | \$959k   | \$944k   | \$809k   |
| Advertising Revenue             | \$3k     | \$28k    | \$0      |
| Usage Fees                      | \$83k    | \$89k    | \$87k    |
| Total Revenue                   | \$1,273k | \$1,241k | \$1,188k |

\*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.

While 1st's subscription revenues and usage fees remained largely intact through the COVID restrictions, many of our customers' operations were interrupted. 282 customer sites temporarily suspended their billings in April. This softened the opportunity for new site growth and impacted progress with the

landmark agreements but presented new opportunities for sales of additional products and services to existing customers. Most sites have now re-opened for business.

Total appointment volumes in the quarter (booked online and by phone) were 20-40% below pre-COVID levels for the majority of clients but have now largely recovered.

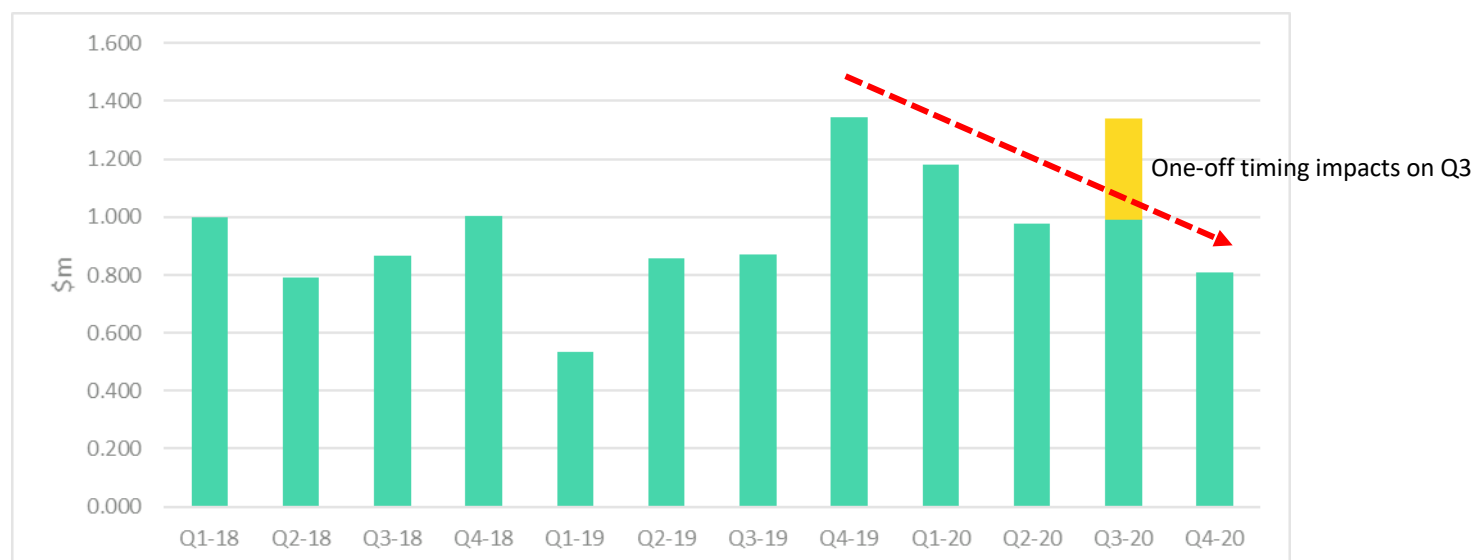
### Revenue Mix

The table below shows the composition of FY20 unaudited revenues:

| Revenue Type                  | FY20     | Typical Unit Fees                                                                                                                                           | Revenue Timing                                                                                           |
|-------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Subscription fees             | \$3,704k | \$50-\$100 per subscription product per appointment book                                                                                                    | Predictable monthly recurring revenue                                                                    |
| Usage fees                    | \$296k   | Charges vary for SMS, EasyTelehealth or EasyRecall usage                                                                                                    | Monthly revenues vary depending on customer usage                                                        |
| Advertising fees              | \$48k    | Digital Advertising Services fees which range from \$200-\$350+ per month per practice, plus new patient fees which range between \$15-\$50 per new patient | New patient fees vary with new patient numbers. Digital Ad Management fees repeat monthly.               |
| Set-up and customisation fees | \$902k   | One off fees that range from \$150 to \$500 for subscription customers. Large corporate projects range from a few thousand to tens of thousand dollars.     | Invoiced and/or paid when the contract is signed, but recognised as revenue when activation is completed |

## Net Cash Flows

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



- Cash receipts for the quarter were \$1.32m, compared to \$1.25m in Q3 FY20. The result was less than expected due to COVID related delays on the major projects and reduced customer responsiveness to normal collection activities.
- Cash payments in the quarter were \$2.12m. We achieved the forecasted \$0.53m reduction in regular outlays compared to Q3, as set out in the Q3 quarterly, however we incurred \$70k of extra one-off COVID -19 related costs. This plus the shortfall in our receipts of about \$30k mentioned above, meant our cash burn was around \$100k short of our target of \$700k. This still represents a significant improvement over the operating cash burn of \$1.3m in the previous quarter.
- During the quarter we continued to invest in the development and launch of three new products and services and progressed several landmark agreements. All of these are expected to generate new revenues in FY21.
- As now required to be noted by the recent ASX Compliance Update and included in the Appendix 4C, during the quarter \$105k in routine payments were made to related parties and their associates, being wages for the CEO/Managing Director and independent Directors/Chairman remuneration including superannuation as applicable.

Available funds at 30 June 2020 were \$2.5m, comprising cash at bank of \$2.05m and \$0.45m of undrawn standby credit facility. Cash burn is expected to continue to fall in the coming quarters.

### *Q4 Projects Update*

COVID-19 caused unexpected delays to previously announced landmark agreements. We have made significant investment in these projects. Encouragingly, momentum has been re-building in recent weeks and we now anticipate these projects to be completed during FY21.

- In July the program to engage the estimated 900 existing independent psychologists associated with Benestar Group's external network commenced.
- Expansion of the St Vincent's project into other regions is expected to re-commence in August having been paused due to COVID-19.
- Discussions are ongoing regarding timing of the expansion of the Medibank project now that dental businesses have re-opened.

### *Structural shift to online health – Positive for 1st Group*

COVID-19 has brought forward the structural shift to online in the healthcare market. For example, during the pandemic patients and healthcare providers increasingly turned to 'telehealth' to deliver easier and improved access to healthcare services. The 'phone' was the predominant telehealth platform due to COVID-19 Medicare measures introduced by government. For example, in May around 30% of all GP consultations (Australia-wide) were conducted via telehealth: 4,255,483 by phone and only 129,045 using video<sup>1</sup>. However, we anticipate an increasing shift to video-based telehealth as consumer preferences mature.

During the quarter 1st launched three new products to enhance our offering to further leverage this structural change. We launched EasyTelehealth and EasyHealthPayments, the latter enabling Medicare, DVA, Health Insurance and credit card payments initially for EasyTelehealth. We also launched a new Digital Marketing service for our clients after officially becoming Google and Facebook partners. Over 800 healthcare providers signed up to the new EasyTelehealth service across Optometry, GP, Dental, Physiotherapy and Psychology markets. Usage fee revenue generated from the new integrated Telehealth service commenced in May and while growing, current volumes are low as providers and patients become more familiar with these new services over time.

1st also signed a strategic revenue share partnership agreement with B-N-P-L company Openpay (ASX:OPY), aimed at assisting clients to introduce this payment option to patients of practices that offer their services through the MyHealth1st platform. B-N-P-L payment options are increasingly being offered by Pharmacy,

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<sup>1</sup> Source: Royal Australian College of General Practitioners press release 15<sup>th</sup> July 2020

Optometry, Dental and Veterinary businesses. The Openpay partnership will commence initially across approximately 60 sites in 1H and will also see Openpay actively driving adoption of the MyHealth1st platform by both consumers and healthcare practices.

Klaus Bartosch, Co-Founder and Managing Director commented, *"We conservatively expect COVID restrictions will continue to create challenges and uncertainty for the next 6-12 months for our customers. While we have resilient subscription and usage revenue streams, these restrictions can impact our revenue growth.*

*Positively, COVID is accelerating the structural shift to online health. 1ST Group's platform investments over the past 8 years are positioning us well to benefit from the accelerated market changes to online and new delivery technologies.*

*In FY21 our financial performance will be supported by the maturing of the major landmark agreements, uptake of the company's new products and services and progress with our new partners like Openpay. We will continue to expand our market presence and start to monetise more of the consumer interactions on our platforms in ways that add significant value to our clients."*

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**Further information****Klaus Bartosch**

Managing Director

+61 414 992 811

**Richard Rogers**

Chief Financial Officer

+61 438 409 482

**Michael Brown**

Pegasus Advisory

+61 400 248 080

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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.

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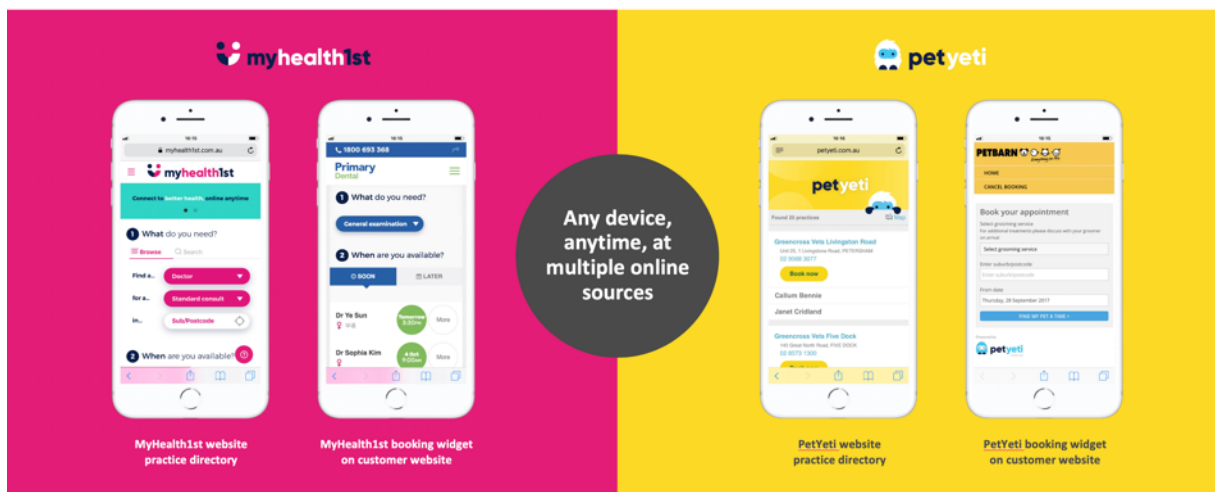
**Glossary**

| 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.                                                                                                     |

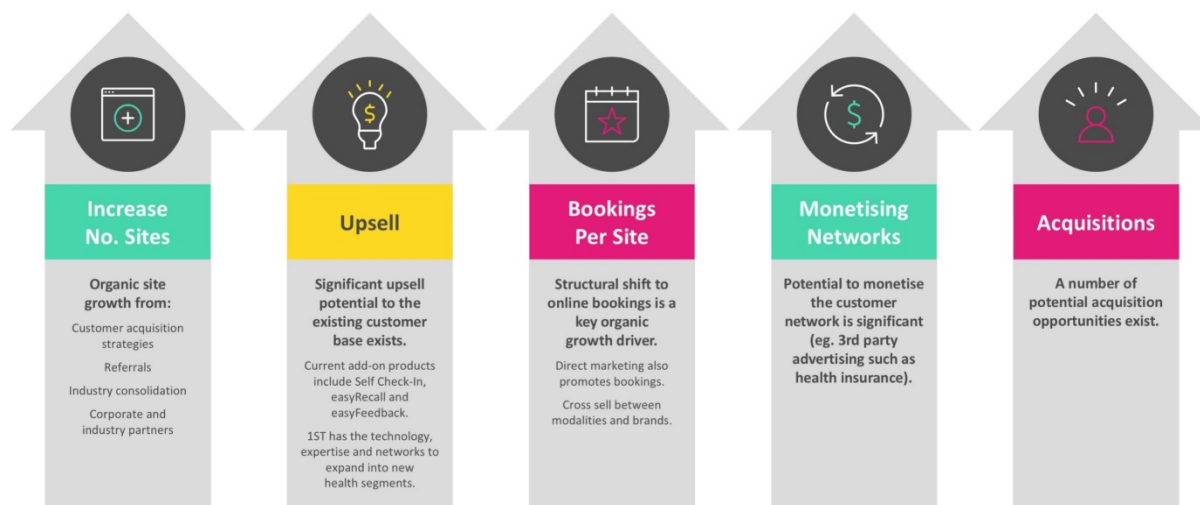
## APPENDIX

### Our Portals and Web Widgets

Our Solutions in Action



### Multiple Growth Options



### Key Investment Considerations

