

# Shareholder Update

from Mike Jackman, CEO



January 31, 2019

Dear Mach7 Shareholders,

As we charge ahead into 2019, I am delighted to share an update on the progress that Mach7 has made in the second half of 2018 and how we will build on this momentum in 2019.

## Strategy For Growth

The growth strategy I shared in my June 2018 CEO letter is being implemented and is driving momentum. The key elements were: 1) developing innovative new solutions, 2) strengthening the commercial strategy, 3) growing the sales opportunity pipeline, and 4) ensuring our customers' success. I will discuss each of these four areas in turn.

### 1. Developing Innovative Solutions

Mach7's solutions expand beyond radiology departments to handle all types of clinical data across the various medical departments in every discipline. Our software can provide doctors with access to videos, photos, reports and the entire clinical record through web browsers and even mobile devices, enabling them to diagnose patients remotely. We make it easy for doctors to have all the information they need about the patient at their fingertips without the need to search for it in different systems.

Mach7 recently released version 11.8 of the Mach7 Platform, our core product and competitive differentiator. Version 11.8 is a major update adding new features and functionality to the system, such as a Smart Worklist and a whole new module, Analytics Studio, to predict operational workloads, track system efficiency metrics and define key performance indicators. Mach7 has incorporated Artificial Intelligence (AI) into the

platform to focus on operational efficiencies. We see Artificial Intelligence as something doctors will use to assist with patient diagnosis by taking advantage of the latest clinical algorithms. We already have clinical connectors which provide our customers with access to more than 75 AI algorithms. These new features were well-received during our customer webinar at the beginning of November 2018 and at the Radiological Society of North America's annual conference.

Mach7 was recently awarded a patent for an update to our mobile image capture application, iModality, by the U.S. Patent and Trademark Office. The application is a powerful tool that allows physicians to easily capture and store media, such as photographs and videos, in an enterprise's archive, moving the point of care closer to the patient and improving workflow efficiency.

Two of Mach7's most innovative solutions are the Modernized PACS and Smart Universal Worklist. The Mach7 Modernized PACS, powered by our advanced AI-enabled data platform, gives radiologists tools and functionality that go beyond their existing PACS. It provides a scalable base that can expand with the enterprise and minimize the cost of future infrastructure upgrades. Our Smart Worklist incorporates weighted priors, load balancing, enhanced hanging protocols, and integrations with viewers, reporting tools, and AI algorithms to drive even greater usability and radiologist efficiency, saving time and money while enhancing patient care.

## 2. Strengthening the Commercial Strategy

In 2019, Mach7 will continue to expand its reach by adding key sales channels while continuing to strengthen its outbound sales team.

To expand the sales pipeline further, Mach7 is continuing to have a presence at key industry trade shows. At RSNA 2018, we had several meetings with radiologists & imaging specialists who specifically wanted to see our new features in action, generating 140 leads to feed our sales pipeline for 2019. In addition to the Mach7 booth, leads at RSNA were also generated by our value-added partners Client Outlook, VasoTechnology and IDS Health. Our marketing is focusing on the concept of “modernizing your enterprise imaging solutions,” and is being well-received by our customers.

Mach7 will also be participating at the annual HIMSS (Healthcare Information and Management Systems Society) conference in Orlando from February 11-15, where we are expecting strong customer and partner engagement. Leading up to HIMSS, Mach7 is working closely with three strategic partners, Client Outlook, IDS Health, and VasoTechnology. These companies have signed agreements with Mach7 to power their clouds with Mach7 software and offer our solution to their respective install bases. The market for Enterprise Imaging continues to gain strength, with organizations becoming aware of the need to improve efficiencies. HIMSS is launching the HIMSS Analytics Digital Imaging Adoption Model for Enterprise Imaging (DIAM-EI), which provides healthcare systems a guide to evaluate themselves and define the opportunities or gaps to achieve the efficiency gains they need. Mach7’s solutions are well-positioned to support organizations in achieving the model.

To bring our solutions to life and highlight the pain points they resolve, we have implemented a marketing campaign around the theme, “Let’s have a conversation.” This theme enables Mach7 to differentiate itself from larger competitors as the vendor that is nimble and can add features and modules to meet customer needs through

customized solutions. “Let’s have a conversation” tells our target audiences that there isn’t a “one-size-fits-all” solution in healthcare, and we have a platform that adapts to their health system’s workflow, modalities, and other specific needs.

## 3. Sales Pipeline Growth and Contract Wins

Sales orders received from new customers this half total more than \$15M over the next 5 years. Our new customers include Mississippi State University College of Veterinary Medicine, Loyola University Health System, RadLink Philippines, and the Hospital Authority of Hong Kong. These contracts represent the increasing regional opportunities that Mach7 is taking advantage of, especially in the Asia-Pacific (APAC) region and the Americas.

In October 2018, Mach7 was selected by the Hospital Authority of Hong Kong (HAHK) to provide its Enterprise Imaging solution to hospitals throughout the entire territory of Hong Kong. This initial five-year term is Mach7’s largest deal to date, with a deal value of HK\$81M (~A\$14.3M) and an option for an additional five-year term. The project has kicked off since selection and is now well underway. Initial purchase orders for the first phases of the project have been received in January in the amount of \$1.8M, which will be recognised as revenue, and cash collected, in the current quarter (Q3 FY19).

Contract expansion orders for existing customers this half total \$574k, with the majority of this amount hitting revenue in the first half. These existing customers include Hamad Medical Center (HMC) in Qatar, which has added on Mach7’s Business Continuity Solution (BCS) for PACS, and Raleigh Radiology, which has added on Mach7’s Quality Control (QC) module and DICOM Modality Worklist (DMWL). In addition to these customers, Mach7 has received orders for software add-ons/services from MaineHealth, University of Vermont Medical Center, Goshen Health, and the University of Pennsylvania.

As shared in a previous announcement, Mach7 has been selected as vendor of choice by Sentara Healthcare to lead their PACS modernization

project. This deal is in the final stages of contracting and we expect to announce the contract win and associated value this quarter. This new contract will be adding to Mach7's existing contract with Sentara for Mach7 VNA and migration tools and services which first commenced in 2014 and is a \$9M deal over 10 years.

We are experiencing real momentum throughout Asia and other nearby regions, likely as a result of the win with HAHK. There are a number of deals, including entire national deals, where Mach7 is in discussion with both customers and partners.

As a result of a focused effort on optimizing current clients and adding new customers, Mach7 is experiencing growth in both annual recurring revenue (ARR), which has increased by \$180k (10%) this fiscal year, and contracted annual recurring revenue (CARR), which has increased by \$1.7M this fiscal year to \$7.2M. ARR represents the recurring revenue which will have been recognized as revenue in the profit and loss, versus CARR which includes contracts that are yet to reach Go-Live and hence have not yet started on their annual support and maintenance plan.

#### **4. Ensuring Our Customers' Success**

Customer implementations are progressing well. Recently, El Camino Hospital, Silicon Valley, has achieved a successful go-live, and MaineHealth and Raleigh Radiology are expected to reach go-live this half. These are significant service milestones for Mach7 as they trigger the start of annual maintenance and support fees (recurring revenue).

El Camino is using Mach7's Enterprise Imaging Platform as the foundation for their modernized PACS solution. MaineHealth is expected to go-live this half; their modernized PACS solution is the marriage of an enterprise imaging strategy with the clinical specialty workflows and departments of radiology and cardiology with other departments to follow. Raleigh Radiology has contracted with Mach7 for our Enterprise Imaging Platform and Clinical Studio to help assist them with challenging workflows; they are currently

testing a new update of the Mach7 Platform and have gone live with image sharing and distribution. The project's scope has been expanded to include Mach7 DICOM Modality Worklist (DMWL) and Quality Control (QC) functionality, which are both currently being tested and will allow Raleigh to retire one of their old PACS systems, saving them time and money on upkeep.

#### **What to Expect for the Second Half of FY19**

- Sentara contract win announcement
- Purchase orders from HAHK for at least \$2M
- Go-lives reached for MaineHealth and more
- Additional contract wins from Asia/Middle East region
- Additional contract wins from the Americas region
- Improvement in operating cash flows over first half, as outline in the Appendix 4C release
- Improvement in revenues over first half due to HAHK win and others

#### **Conclusion**

In 2018, we have built the platform to enable growth, which is reflected in the increased growth of recurring annual revenue and winning clients of every size—small to large—globally. I would like to thank you for your continued support of Mach7 and joining our mission to enable our customers to deliver the best possible patient care.

Sincerely,



Mike Jackman

CEO

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