1ST Group Investor Briefing

15 May 2017

In this Investor Briefing, Klaus Bartosch, Managing Director & Co-Founder of 1ST Group, discusses the company's markets, business model, and opportunities for growth with financial journalist, Alexandra Cain.

What is the market you are targeting and why are you so confident of success?

Consumers [patients] use our platforms to book appointments and interact with healthcare services online. Healthcare providers use our services to transition more of what they do with patients to online, thereby reducing costs and making their businesses more efficient. Overall, we provide a range of solutions which facilitate digital interaction between patients and healthcare practitioners.

One specific healthcare market segment is the private practice market, which includes GPs, physiotherapists, chiropractors, medical specialists, other allied health services and natural therapists. GPs make up less than 10 per cent of that market.

We also provide services to pharmacies, hospitals, government healthcare agencies, radiologists and pathologists, as well as vets and pet care service providers. So we have a very broad range of customers and market opportunity.

The healthcare industry is one of the slowest to embrace online services and apps – it's probably one of the last industries where fax machines are still regularly used. Booking an appointment over the phone is still frustrating for patients; we know 35 per cent of Australians delay access to healthcare because making an appointment is too hard. This may lead to their conditions worsening, which eventually adds to healthcare costs.

How is the business performing at the moment?

Over the last 12 months we have attracted many healthcare providers to the platform and launched a range of products to help our healthcare providers to automate their businesses. For instance, you can now walk into a GP clinic and check in through a kiosk simply by swiping your Medicare card. We provide the app, tablet and a custom kiosk stand to these businesses.

We're about to launch even more patient-oriented services including Telehealth, which will enable certain consultations to take place online, like a Skype call, but with greater sophistication and security.

So we're 'Uberising' the way you interact with and access healthcare, with one fundamental difference - we encourage you to maintain a relationship with your preferred doctor, rather than choose a different doctor, dentist or other healthcare provider each time you need to be treated.

Others in the market make money by getting you to switch providers. That's disruption of the wrong kind in healthcare because continuity of care is achieved by you seeing the same healthcare practitioners and is recognised as industry best practice.

Can you demonstrate how you are disrupting the healthcare booking market?

One of our products, EasyRecalls, is a great example. Let's say you need to book your biennial appointment to get your eyes checked. Getting you back is called a "recall" in the industry. Traditionally the practice would send you a letter in the post and follow up with another letter if you didn't respond to the first one. If you still don't respond, you might receive a text and finally a call. This costs the practice at least $3.50 per patient excluding labour costs, and the average practice does this 300 times a month, at a 10 per cent conversion rate at best.

EasyRecalls transforms this process. The system automatically retrieves patient details and sends out a smart SMS to a patient that automatically knows who they are and what they are booking. All the patient has to do to make an appointment is click on the smart link provided. They are then presented with a booking form. The patient picks an appointment time convenient to him or her and hits confirm. It adds the appointment to the patient's electronic calendar and in three clicks the appointment is made. Recalls are more efficient and have a great success rate, a win for the healthcare provider and the patient.

We charge a fee for each recall, and the system will automatically follow up patients who did not book online or call the practice. More than 400 practices have now signed up to use EasyRecalls. The cost savings to the practice are significant, and it's really easy and convenient for the patient.

How do you make money?

We make money in four ways. The first is from subscription fees for our SaaS/portal platforms, whose features include online appointment bookings, as well as for add-on products such as in-practice check in kiosks and other custom apps.

We also earn revenue through usage fees, which for example, come from products like EasyRecalls and SMS reminders.

Usage fees are becoming an increasing part of our revenue and I expect they could exceed our subscription fees in the future, particularly as we plan to add more usage fee based products like Telehealth services.

Advertising is our third revenue source. It's early days for our advertising revenue business. We've been developing our advertising platform and strategy over the last six months.

We take a different view of healthcare advertising. Advertising in healthcare needs to enhance the customer's experience; I call it contextual advertising. For instance, we can prompt consumers to consider private health insurance if they don't have it when they make an appointment. It's an unobtrusive way of generating leads. We want to drive value from the ads that we serve up to customers so as not to undermine their trust in our platform.

Set-up, consulting and custom development fees are a fourth source of revenue. They are one-off fees to implement systems for customers and provide training.

How important is PetYeti to your future?

PetYeti is a new product in soft launch. In the same way MyHealth1st enables easier access to doctors, dentists, physios and chiros, PetYeti gives you access to vets and other pet services like dog walkers and washers.

We already have five of the top corporate vet businesses on the platform and many other businesses. About 10,000 appointments a month are made through the platform and that's growing strongly.

PetYeti operates in a market that isn't as sensitive or as regulated as healthcare, but uses all the same underlying technologies and benefits from it. So we're using everything we've learned from MyHealth1st and we are applying that progressively in PetYeti.

We're building content and platform capability, negotiating partnerships and rolling out marketing strategies. We are very pleased with the progress PetYeti has made already and how well the brand has been received by the market.

How much cash have you got in the bank?

As at the end of Q3 we had $3.7 million in the bank. Our significant investors, including John Plummer and the Gandel family, are great cornerstone investors in our business.

Are there any plans to make further acquisitions?

The company continues to remain open to future opportunities to accelerate growth and that includes by acquisition. We've successfully acquired three companies - GObookings, Clinic Connect and DocAppointments - and integrated them into the business. We have demonstrated that we are good at integrating businesses.

There are still significant roll-up opportunities for us to expand our footprint or to move into other service areas that complement our core mission to digitise and simplify consumers' interaction with healthcare.

How are you winning new client groups?

Over the last six months we have targeted specific market segments and we have focused on growing the revenue base from these markets through providing add-on products such as EasyRecalls.

We continue to look for ways to accelerate our market position in key segments. Our online appointment booking platform is our beachhead with the customer. But it's what we offer on top of that, that is really exciting in terms of additional revenue and growth opportunities.

What share of the market do you have?

We benefit from having achieved a dominant position in online bookings in the pharmacy, veterinary and optometry markets and have only a small number of competitors primarily in the GP market.

At the moment the industry is being transformed from a largely analogue approach to bookings to a digital one and we aim to be the dominant player in the market as this transformation takes place.

How important is Big Data and analysis to the long-term future of the company?

We've captured every transaction or patient search from day one of our operations. We keep patient demographic insights into who's searching and booking what, where and when. As a result we have unique insights into the supply and demand for healthcare, the general performance of healthcare businesses and consumer behaviours.

This will increasingly allow us to help healthcare businesses compare and contrast performance across different sites and within clinics. Offering them the ability to benchmark their performance will be an important part of our business in the future.

Our customers will be able to make business decisions using this information; for instance they will be able to get insights into the best location in a suburb to open a new practice. The insights that can be derived from the data are endless. Personal data, of course, is removed from this analysis.

This is potentially the golden egg of our business and where strong future potential for revenue growth lies.

Do you think the equity market appreciates 1ST Group's potential?

With our share price at around 4 cents, 1ST Group is currently valued at 2x revenue, while one of our competitors has recently raised capital at a price valuing the company at 10x revenue. On this basis, it seems that our shares are very undervalued. We hope that investors soon will begin to realise this.

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Further information

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About 1ST Group Limited

1ST Group is an ASX listed media and technology company 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.au. All 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. To find out more visit 1stGrp.com, MyHealth1st.com.au, PetYeti.com.au and GObookings.com.au.