ASX / Media Release 28 January 2021

Quarterly Update

For the quarter to 31 December 2020

Q2 Summary:

- Q2 results:
    - Landmark contracts reactivated during Q2 following significant Covid disruptions to major client projects - activity levels recovered with revenue contribution expected in Q3
    - Q2 recurring revenues up by 11% QoQ to $1.17m
    - Annual Recurring Revenue (**ARR**) of $5.80m, up 2% from $5.69m on previous quarter
    - Set up revenues in Q2 $149k, below quarterly average, due to expected completions now in Q3
    - Q2 revenue of $1.32m, 4% above the previous quarter
    - Cash receipts for the quarter were $1.3m, compared to $1.25m in Q1 FY21
    - Available funds of $2.5m, comprising cash at bank of $0.5m and $2m undrawn from the increased standby credit facility
    - Cash burn will reduce significantly from Q3 onwards due to approximately $1m in annualised cost savings achieved in Q2, accelerating our path to cash flow break even
- Improving SaaS Unit Economics QoQ underpin growth strategy
    - Portfolio LTV up $34m QoQ to $143m
    - LTV / CAC ratio up from 8.7 to 9.8 QoQ
    - Annualised Customer Retention Rate improved from 95% to 96% QoQ
- Improved 2H Outlook –Increasing contribution from landmark contracts
    - Customer activations/upsells in Q1 were realised in Q2 and underpin momentum for 2H revenue
    - St Vincent's MyHealth1st EasyReferrals phase 2 expansion to QLD specialists commenced in Q3
    - Significant progress onboarding existing Benestar psychologists which now enters phase 2 in Q3 with case allocations to commence to the growing psychology network on MyHealth1st
    - Openpay pilot commenced in Q2 continues in Q3
    - Afterpay pilot scheduled to launch in Q3

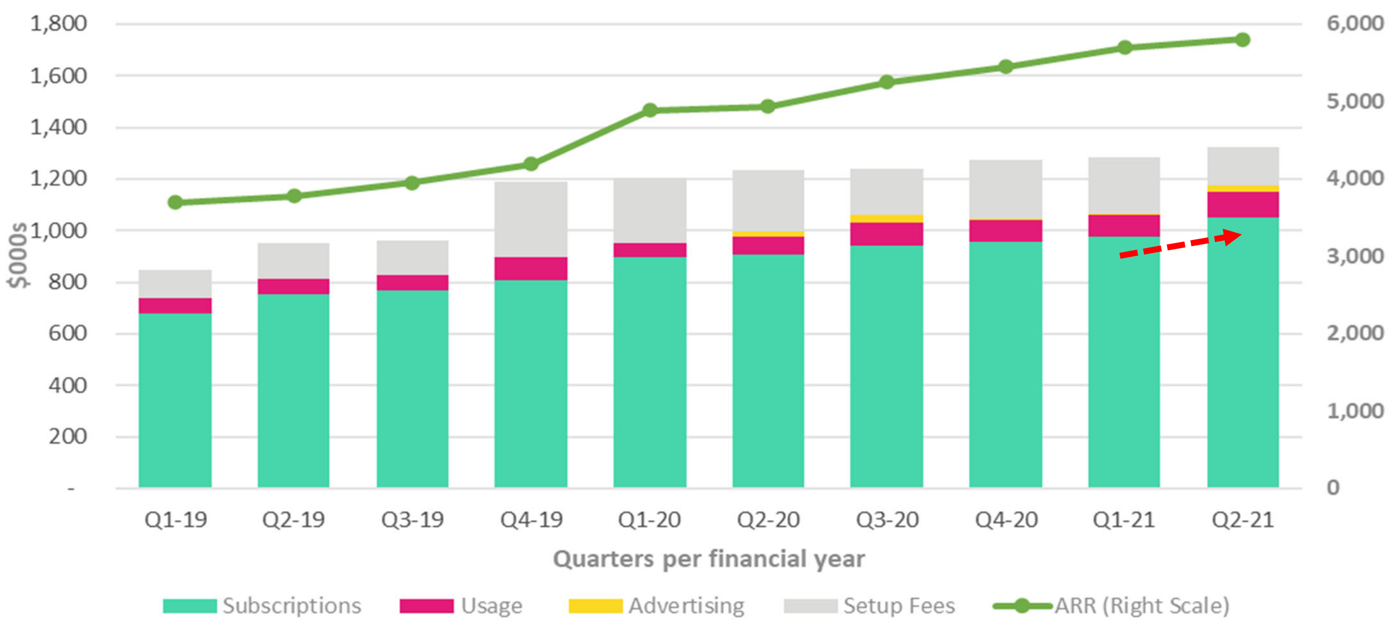
Level 4, 17-21 Bellevue Street, Surry Hills NSW

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

Klaus Bartosch, Co-Founder and Managing Director commented, *"Sales started to recover in September and October, and strong activations since the latter half of Q1 delivered 11% quarterly recurring revenue growth in Q2. Setup fees were lower than typical in the quarter as some projects continue to completion into Q3. We made excellent progress with Benestar and St Vincent's contracts and onboarding of practices continues which now sees both contracts progress to phase 2 in Q3.*

In 2H FY21 our financial performance will be supported by the maturing of these major landmark agreements, uptake of the Company's new products and services and progress with our new partners like Openpay and Afterpay. We prudently restructured our cost base towards the end of Q2 to reduce cash burn from Q3 and accelerate our path to become cash flow breakeven. 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 and shareholders."

Quarterly Revenue and ARR



The Q2 FY21 revenue included the positive impact of sales and onboarding in late Q1 and Q2. Annual Recurring Revenue (**ARR**) of $5.80m, up 2% from $5.69m on previous quarter. Portfolio Life-Time Value (PLTV) up $34m to $143m compared to Q1 FY21.

Key Performance Indicators

OVERVIEW	Q2FY21	Q1FY21	Q2FY20
Number of Sites	11,575	11,406	10,570
Products per Site	1.71	1.71	1.68
Subscription Fees	$1,053k	$976k	$906k
Advertising Revenue	$32k	$3k	$18k
Usage Fees	$88k	$78k	$72k
Setup Fees	$149k	$221k	$238k
Total Revenue	$1,323k	$1,277k	$1,234k

SaaS Metrics (See Glossary for detailed description and calculation basis)

OVERVIEW	Q2FY21	Q1FY21	Q2FY20
ARR – Annual Recurring Revenue*	$5.80m	$5.69m	$4.94m
New ACV Added in the Quarter	$270k	$151k	$186k
ACV at end of Quarter	$6.96m	$6.69m	$6.11m
Annualised Customer Retention Rate	96%	95%	95%
CAC per new Site	$1,249	$1,086	$892
LTV per Site	$12.3k	$9.5k	$9.5k
LTV/CAC ratio	9.8	8.7	11.2
Portfolio LTV	$142.7m	$108.1m	$100.2m

*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.

Net Cash Flows

- Cash receipts for the quarter were $1.3m, compared to $1.25m in Q1 FY21. Cash payments in the quarter were $2.39m, in line with $2.12m in Q4 FY20 after adjusting for an additional payroll cycle and costs relating to recent board changes. Quarterly net operating cash outflow was $1.08m.
- As required to be noted by the recent ASX Compliance Update and included in the Appendix 4C, during the quarter $124k 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.

While the company has a positive outlook going into 2H, and prudent decisions were made in Dec 2020 to reduce costs by around $1m PA, which will accelerate our path to cash flow break even, the directors have decided to increase the size of the convertible note facility with major shareholder John Plummer from $2m to $4m. The facility is a low cost of capital and has the same terms and has been extended to August 2022. The Board appreciates John's ongoing support.

Available funds are $2.5m (comprising cash at bank at 31 December 2020 of $0.5m and $2m in undrawn loan facility). Cash burn is expected to reduce further in the coming quarters through a combination of revenue growth and the impact of cost actions taken at the end of Q2 FY21.

Improved 2H Outlook

1st Group expects to deliver stronger revenue growth in 2H. Since Q1, customers' confidence and activity levels have been recovering, driving an improvement in our sales pipeline. Customer activations/upsells in Q1 were realised in Q2 and underpin a strong 2H.

FY21 growth will be supported by the major landmark agreements reaching scale, uptake of the Company's new products and services and progress with our new strategic partners like Openpay and Afterpay.

This announcement has been approved for release by the Board of Directors.

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

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.

Glossary

Term	Definition
Annualised Contract Value (ACV)	Represents the annual expected revenue from contracted customers for subscription products including Online Bookings, EasyEngage, 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.

CAC	Customer Acquisition Cost (CAC) is all marketing and direct sales costs for new customer acquisition for the year divided by the new sites added in the period. Formula: Last 12 months CAC / no. of new sites added
LTV	Lifetime value (LTV) is the gross margin expected from a customer over the lifetime of that customer. This is calculated by the average customer lifetime (1 divided by churn), multiplied by the ACV and gross margin %. Formula: ACV per site x Gross Margin % / ACV churn rate
LTV/CAC	LTV per site / CAC per new site
Portfolio LTV	LTV per site x no. of sites