

# Quarterly Update

For the quarter to 30 September 2022

## Significant change for the company

- CEO leadership transition: following the resignation of CEO and Managing Director, Klaus Bartosch on 4 October, Joshua Munday was appointed as Acting CEO
- A review of operations is well underway, with identified cost reductions, and increased investment in sales and marketing resources to support near and long-term revenue growth opportunities
- Board to be reduced in size:
  - Magali Azema-Barac and Stephe Wilks to step down following the coming AGM
  - a third Director to be appointed in the coming weeks, focused on the Company's growth

## Q1 Financial Summary

- Q1 revenue of \$1.90m, up 23% on Q4 FY22
- Strong Visionflex hardware sales in the quarter reflect orders received during the seasonally high end of financial year order intake period, which have now shipped in Q1
- Receipts from customers for the quarter were \$2.02m, up 7% from \$1.88m in Q4 FY22
- Cash burn was \$1.7m compared to \$0.34m in the previous quarter

**1st Group Limited (ASX: 1ST)**, the Australian digital health group today released its Appendix 4C Quarterly Report for the three months ended 30 September 2022 (Q1 FY23).

On 4 October 2022, following the resignation of CEO and Managing Director Klaus Bartosch, Joshua Munday was appointed Acting CEO.

In addition to leading a review of operations to identify cost reduction opportunities (a process that is now well underway), Joshua is focused on extracting the synergies and increased revenues anticipated from the merger, and reducing costs to be aligned with those revenues.

The short-term revenue focus includes expanding specialist engagement with the MyHealth1st online booking and referrals platform in the existing hospital partner channels. In addition, active discussions are ongoing with our strategic partners in the contact lens sales booster program, to seek continuation of the advertising program beyond the phase 1 period. We intend to continue expanding those opportunities albeit with vastly reduced costs. Increased lead generation activity in our remote medical diagnostic hardware is also a key focus, with larger government and enterprise opportunities expected to support revenue in the coming quarters.

As noted in the previous quarterly update, substantial Visionflex hardware orders received in the end of year period for delivery post 30 June contributed towards revenue growth in Q1FY23. These hardware sales should begin adding to recurring revenue through increased Software Licensing and support fees, and Subscriptions to the Vision and Visionflex Sync software over time.

## Quarterly Revenue



Revenue	Q1FY22	Q4FY22	Q1FY23	Change QoQ
Subscription Fees	\$987k	\$895k	\$833k	-7%
Advertising Revenue	\$48k	\$144k	\$211k	+47%
Usage Fees	\$58k	\$75k	\$71k	-5%
One-off or Setup Fees	\$51k	\$143k	\$32k	-78%
Hardware Sales (Visionflex)	N/A	\$285k	\$750k	+163%
<b>Total Revenue</b>	<b>\$1,144k</b>	<b>\$1,542k</b>	<b>\$1,897k</b>	<b>+23%</b>

## Net Operating Cash Flows

Receipts from customers for the quarter were \$2.02m, up 7% from \$1.88m in Q4 FY22. Operating cash payments in the quarter were \$3.62m compared to \$2.21m in Q4 FY22. Quarterly operating cash outflow was \$1.60m compared to \$0.34m in the prior quarter.

During the quarter, \$180k in payments were made to related parties and their associates, being wages for the CEO/Managing Director and related parties, and independent Director and Chair remuneration including superannuation.

## Recapitalisation Update

The Board confirms that it has now entered into a Debt Facility Agreement with Adcock Private Equity (an entity associated with Directors Brook Adcock and John Nantes) for an additional \$1.2m, to be drawn down as needed. That facility is on materially the same terms as (but subordinated to) the existing Debt Facility Agreement with John Plummer and contains provisions to allow for conversion of the debt to equity at the Company's election. Given the related party nature of the Facility, the Company will seek Shareholder approval for the conversion provisions in the coming weeks. The principal terms of the facility are for the funds to be advanced at the request of the Company with interest at 8.5% above the RBA cash rate (with penalty interest of 15% should the Company be in default under the facility).

In addition, John Plummer has agreed to a \$500k extension of his existing facility, to a total of \$4.5m (the Company anticipates that revised agreement being signed in the coming days). The Company also proposes to convert just under \$1m of the existing John Plummer facility into equity in the immediate future, and will advise the market when completed (utilising existing Listing Rule 7.1 capacity).

As the Company implements a number of cost saving initiatives, and focuses on growing its core revenue streams, it intends to ensure that it is properly capitalised to move to cash flow break even, anticipated around the beginning of the FY24 financial year. The Company will work with both Adcock PE and John Plummer, in addition to others, to ensure that any additional requirements are met.

Once the recapitalisation is complete, the Company intends to ask its Auditors to undertake a special purpose audit - to achieve an unqualified audit opinion - at which time the Company will ask the ASX to terminate the Company's suspension from Listing, and resume normal trading. The Company will update the market as that process is undertaken.

## Board Changes

Given the completion of the merger with Visionflex, and the necessary cost cutting initiatives, the Board has determined that it would be prudent also to reduce the size of the Board, achieving additional cost savings.

To that end, each of Magali Azema-Barac and Stephe Wilks intend to stand down following the coming AGM (and the resolution seeking reappointment of Stephe Wilks at that meeting will be withdrawn). The Company anticipates appointing a third director in the coming weeks, with relevant expertise for the strategic direction of the Company as it moves forward.

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

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**About 1st Group Ltd**

1st Group is an ASX listed digital health group consisting of MyHealth1st.com.au, PetYeti.com.au, GoBookings.com and innovative telehealth platform Visionflex. These integrated platforms provide easy-to-use online search and appointment booking services and offer a range of value-added apps and services that facilitate digital patient and customer engagement.