

## Quarterly Cash Flow and Summary of Activities

### HIGHLIGHTS

- **Announced new and extended contracts**
- **> 80% increase in Total Contract Value since listing in early September**
- **Further expansion of distribution in Latin America. Clients now in five countries, over 200 sites in 71 hospitals and 180 clinics. Over 4.5m images per annum**
- **Filed FDA premarket application**
- **Extension of ISO 9001:2015 Certification**
- **Development of the Board**

**Thursday, 31 January 2019:** Australian medical imaging company **ImExHS Limited (ASX:IME)** (“**ImExHS**” or “**the Company**”) is pleased to release its quarterly cash flow and activities summary for the period ended 31 December 2018.

### **New Contracts and Extensions**

As highlighted in the previous quarterly activity summary, the company’s Platform as a Service (PaaS) model continues to attract major interest.

On 15 October 2018, the company announced a major increase and extension of its contract with Congregación de las Hermanas de la Caridad Dominicás de la Presentación de la Santísima Virgen (“**Clínica Palermo**”), a large Hospital in Bogota, Colombia, extending the contract until September 2023. This increased the total contracted value by ~A\$698k. This represents an important increase in the footprint of the HIRUKO RIS/PACS solution with one of ImExHS’s oldest customers, who perform more than 70,000 studies per year.

On 22 October 2018, ImExHS entered into what was at the time its largest ever RIS/PACS contract. This five-year PaaS contract is with Caja Colombiana de Subsidio Familiar (“**Colsubsidio**”) – the healthcare division of one of Colombia’s largest conglomerates. The implemented operating system will integrate the diagnostic imaging network across all of Colsubsidio’s sites and provides Colsubsidio with a more efficient working environment, allowing Colsubsidio to increase productivity and costs. This new system will incorporate the ImExHS HIRUKO RIS/PACS Solution, Speech Recognition, Patient portal, EMR integration, CRs systems, Film Printers, CD Burners, Technician Computers, and Diagnostic Workstation. The system will support around 600 users. The total contracted value of this contract is valued between ~A\$2.1 - ~A\$2.8m.

On 30 November 2018, the company entered into a contract with **AI-RAD S.A.S.** which is more than double the size of its Colsubsidio contract. This seven-year PaaS contract is for the HIRUKO suite including RIS/PACS, HIRUKO TLRAD, DICOM modalities, and operation of the facilities for AI-RAD’s three sites. The contract increased the company’s total contracted value by ~A\$6.4m.

These contracts, plus some other smaller new contracts, have lifted the Total Contract Value (“TCV”) to ~A\$20m, up from A\$11m as reported at listing in September 2018.

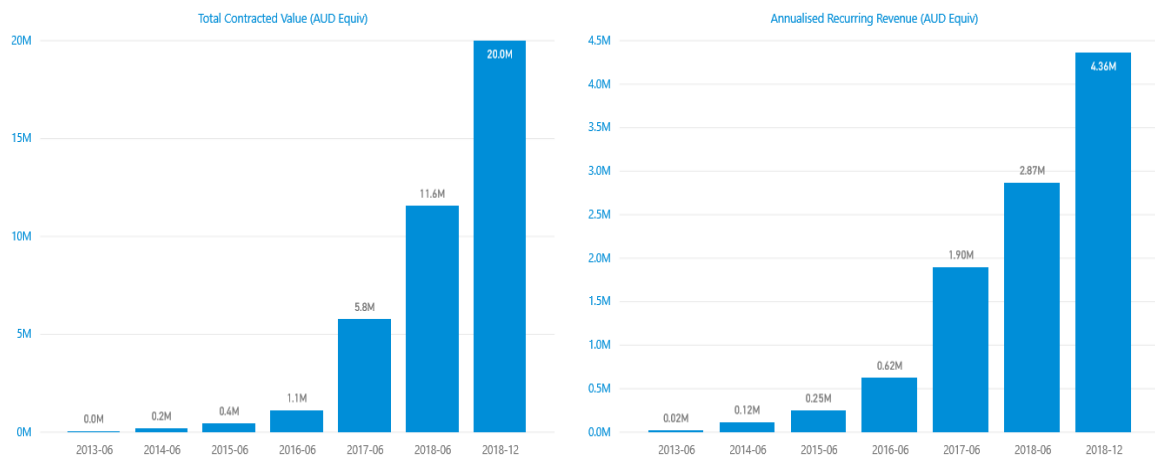
### **Important Performance Metrics**

As previously advised, the company has three main revenue models: SaaS, PaaS and one-off equipment sales. Like many other SaaS companies, ImExHS has adopted (and previously reported) its metrics for Total Contract Value (“TCV”) and Annualized Recurring Revenue (“ARR”). Please see the definitions below in Notes. Both metrics exclude the impact of one-off sales.

Some of the SaaS and PaaS contracts require a period of project implementation in order to tailor solutions for each client circumstance, which could include: migration from incumbent systems, new hardware and systems, multiple locations, and periods for trials and training. Accordingly, depending upon each client situation and commercial agreement, there can be a period between the ASX announcement of a new contract and the receipt of the first monthly payment from these long-term contracts. As the Company scales up over time, the cumulative contracts and strong margins in our model will lessen the apparent impact of each additional contract.

These contract wins and extensions during the quarter have led ImExHS to reaching a Total Contracted Value of ~A\$20m with Annualised Recurring Revenue of over ~A\$4.3m at 31 December 2018.

The graphs below illustrate the rate of growth in these metrics.



#### Notes:

- TCV is the measure of the total future remaining revenues due to ImExHS under existing recurring revenue contracts. It does not include any allowance for assumed contract renewal, growth in study volumes over minimum customer commitments or increases due to inflation.
- ARR is the value of monthly revenues on recurring revenue contracts multiplied by twelve. The calculation provides a 12 month forward view on revenue; implying all contracts expiring within the next twelve month period will renew at the same rate, and steady FX rates and variable payment receipts (if applicable).

#### Cash Utilisation During the Period

ImExHS outlined in the Prospectus its planned use of funds for key business activities. During the quarter the Company has used funds against key activities outlined below, in particular:

- Sales and Marketing – including the growth of the team and expansion into new territories;
- FDA approvals – specialist consultant used to prepare and submit our premarket application (see below);
- Research and Development – Announced the release of innovative new web tools in January 2019. Additional work has been completed on a suite of innovation tools for Anatomic Pathology Laboratory Information System (APLIS). The Company's policy is to fully expenses

all its 'R&D' and product development costs, with a benefit that future revenues will have a stronger flowthrough to net profit.

- Australia soft launch – ongoing work to complete the localisation and evaluation of our platform with our trial partner, and
- Corporate and administration costs – with the development of the Board (see below).

As discussed herein and in the previous 4C, our PaaS solutions involve the supply by ImEx of hardware as well as software and hence require upfront capital expenditures (quickly recovered over the life of the contract). Activity in the Company's PaaS business in Colombia has been stronger than expected through the period, with three significant contracts coming to fruition this quarter which required ~\$1.1m of capital expenditure as reflected in the Appendix 4C. A similar amount is indicated for this upcoming quarter. Whilst the Company considers PaaS financing not a part of its intrinsic cash burn, the great opportunity provided by these contracts has resulted in an extraordinary use of funds, which could be backstopped, while these contracts quickly move into cash generative mode for the Company.

These capital expenditures arising from PaaS require growth financing either by the Company or by external third-party financiers directly to our client. During the quarter, the Company has made significant progress and is in advanced discussions with several potential banks and specialist financiers which will provide the Company with a range of financing solutions (available to the Company and/or its clients) to support these and future contracts.

#### **FDA Submission**

In December 2018, ImExHS submitted its application for premarket approval for the HIRUKO Essential product suite to the United States Food and Drug Administration (FDA).

The purpose of the submission is to demonstrate that the device to be marketed is at least as safe and effective as, and is substantially equivalent to, other approved devices. This is required when introducing a product into commercial distribution in the United States for the first time and represents an important hurdle to entering the significant US market. There is a notional 90 day timeline for the approval process, but this depends upon the extent and nature of any follow up questions and submission of additional detail, and whether any further US Government shutdowns, so we cannot provide a target date for approval.

#### **Australian Trial**

ImExHS completed the localisation of its Australian pilot in the Quarter, with further work continuing on additional scope requirements requested by our trial partner. The pilot installation is a full end to end RIS/PACS solution which has been designed to replace the incumbent system. ImExHS is currently assessing its opportunities and specific market entry strategy for the Australian market on the back of this successful implementation.

#### **Quality Management Systems Certification**

On 29 November 2018, ImExHS SAS extended its certification under ISO 9001:2015 to now include its management of design and development. This now means that the Company is fully certified for the marketing, design and development, delivery, and after-sales service of medical equipment and devices for diagnostic imaging services.

## Development of the Board

During the quarter and as indicated in the Prospectus, the Company repositioned its board with the inclusion of two new members with relevant commercial backgrounds:

### Mr Tom Pascarella

Mr Pascarella was appointed Chairman on 25 October 2018.

Mr Pascarella is a Partner with Allen Partners in Sydney, a boutique advisory firm which specialises in raising institutional capital for local and offshore fund managers, as well as providing Corporate Finance and M&A advisory services to SMEs, fund managers, start-ups and scale-ups.

The majority of Mr Pascarella's career has been in various relationship management, transaction origination and senior leadership roles in Corporate & Investment Banking; most recently as CEO and Managing Director of Bank of America N.A. Sydney Branch / Bank of America Merrill Lynch Australia. Prior to Bank of America, Tom was a Senior Banker in Media, Telecoms & Entertainment with Banque Paribas (Sydney and Singapore). Tom has qualifications from Princeton University and Oxford University, and is a Fellow of FinSIA, and a Member of the Australian Institute of Company Directors.

Mr Pascarella has been the President of the American Chamber of Commerce in Australia, a Board Member and Chairman of the dual-Government entity the Australian-American Fulbright Commission and Chairman of the ASX listed Agricultural Land Trust during its successful restructuring from Elders Ltd.

### Dr Doug Lingard

Dr Lingard was appointed as a non-executive director on 10 December 2018.

Dr Lingard is an experienced Radiologist and Nuclear Physician who has worked in various leadership roles in Auckland, Washington DC and Sydney. In Australia he was a co-founder of Pittwater Radiology Partners, which after a series of mergers and acquisitions, listed on the ASX in mid-2000 as Medical Imaging Australasia Ltd (MIA) and became the largest supplier of radiology services in Australia and a major supplier of diagnostic imaging to the NHS in the United Kingdom. In mid-2004, MIA was acquired by DCA Group Ltd for A\$700m to become one of the world's largest radiology businesses, and the leading practice in Australia known as I-Med.

Dr Lingard has a medical degree MB.ChB from Otago University, NZ, and was a National Institutes of Health Fellow in Washington DC. He is presently a Fellow of the Royal Australia & NZ College of Radiologists, a Senior Associate of FinSIA and a member of the Australian Institute of Company Directors. He is the founder and present Chairman of the Mito Foundation, the peak charity in Australia for people with mitochondrial disease.

**ImExHS Managing Director, Dr German Arango:** "We have continued to build on the momentum since our listing in early September last year. In addition to bolstering our leading product capabilities, we are working closely with our distributors and direct sales teams to build up our pipeline of future client relationships."

### **About ImExHS Limited**

ImExHS Limited [ASX: **IME**] is a leading imaging Software as a Service (SaaS) and ancillary service provider in Latin America. Founded in 2012, ImExHS has become one of the leaders in the Latin America imaging services market, offering flexible and scalable imaging solutions via its HIRUKO branded suite of solutions for next generation Picture Archiving and Communications System (PACS) and integrated Radiology Imaging System (RIS). The HIRUKO system is completely cloud based, vendor neutral and zero footprint with no need for installed software. Enhanced features such as fully web-based voice recognition option and a zero footprint DICOM viewer are some of its advanced features. In addition to PACS and RIS, imaging technology and management systems can be provided on a Platform as a Service (PaaS) basis. The ImExHS products are designed to save money for the users, with a scalable platform that is configured for the future, while enhancing patient outcomes. Please see [www.imexhs.com](http://www.imexhs.com)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

IMEXHS LIMITED

**ABN**

60 096 687 839

**Quarter ended ("current quarter")**

31 DECEMBER 2018

<b>Consolidated statement of cash flows</b> (See Note 1a below)	<b>Current quarter \$A'000</b>	<b>Year to date Twelve months \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	790	1,171
1.2 Payments for		
(a) research and development	(21)	(34)
(b) product manufacturing and operating costs	(172)	(356)
(c) advertising and marketing	(17)	(42)
(d) leased assets	(6)	(6)
(e) staff costs	(756)	(1,099)
(f) administration and corporate costs	(611)	(1,665)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	23
1.5 Interest and other costs of finance paid	(21)	(29)
1.6 Income taxes paid	(284)	(303)
1.7 Government grants and tax incentives	-	498
1.8 Other – GST Received	93	133
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,002)</b>	<b>(1,709)</b>

Note 1a: Cash flows for Imaging Experts and Healthcare Services Pty Ltd are included from the date of acquisition, being 28 August 2018 to date.

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,112)	(1,212)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(350)
2.4	Dividends received (see note 3)	-	-
2.5	Other – cash acquired in acquisition (item 10)	-	97
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,112)</b>	<b>(1,465)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	5,501
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	18	(352)
3.5	Proceeds from borrowings	-	9
3.6	Repayment of borrowings	(347)	(540)
3.7	Transaction costs related to loans and borrowings (including Joint Venture Costs)	(131)	(137)
3.8	Dividends paid	-	-

3.9	Other	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(460)</b>	<b>4,481</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,845	964
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,002)	(1,709)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,112)	(1,465)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(460)	4,481
4.5	Effect of movement in exchange rates on cash held	166	166
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,437</b>	<b>2,437</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,445	4,847
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (credit cards)	(8)	(2)
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,437</b>	<b>4,845</b>

**6. Payments to directors of the entity and their associates**

6.1	Aggregate amount of payments to these parties included in item 1.2	Current quarter \$A'000	110
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3		NIL

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payment of Director fees to Non-Executive Directors and salary payments to executive director.



<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	44
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	NIL
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payments for services to Crosspoint for office services and to RIMAB for operating radiology facilities.

<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	144	144
8.2	Credit standby arrangements	NIL	NIL
8.3	Other (please specify)	NIL	NIL
8.4	The loan facilities are all unsecured loans from: 2 x Banco Davivienda (\$18k) average 15.8%; and Banco Colpatria (\$126k) @ 17.9%		

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	22
9.2	Product manufacturing and operating costs	186
9.3	Advertising and marketing	18
9.4	Leased assets	-
9.5	Staff costs	816
9.6	Administration and corporate costs	960
9.7	Other (Refer note below)	1,335
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>3,337</b>

9.7: Other Estimated cash outflows include Cash flows from Investing Activities, which includes payments for PaaS capital expenditures required to support long term client receivables. Other also includes payments for taxes and loan repayments.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 31 January 2019

Company Secretary

Print name: Peter Webse

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.