

30 July 2020

ASX ANNOUNCEMENT

2020 Q2 Activity Report and Appendix 4C

Highlights

- Quarterly revenue of \$2.2m, up 42% vs pcp¹; up 58% on constant currency basis²
- 96% of revenue was recurring (94% in Q2 FY19)
- Annualised Recurring Revenue (ARR³) of \$8.8m, up 5% vs pcp; up 20% on constant currency basis; representing a CAGR of 137% since inception (143% on constant currency basis)
- Strong financial position with closing cash balance of \$6.3m
- COVID-19 Update: No material impact to date on existing business although there has been a noticeable delay to sales decision making
- Chief Sales Officer appointed in April to build out Sales and Service team across South America, Central America, Florida (covering target markets of Florida, Texas and California) and Australia in 2H2020
- First sales of new *Aquila in the Cloud* product targeting small and medium-sized medical practices

IMEXHS Limited (ASX: IME) ("IMEXHS" or "the Company") today provides its quarterly cash flow and activities summary for the period ended 30 June 2020. IMEXHS is an innovative provider of cloud-based multi-tenant medical imaging software to over 270 sites across 15 countries.

IMEXHS CEO, Dr German Arango said: "IMEXHS has had a solid second quarter with annualised recurring revenue 20% higher on a constant currency basis compared to the same period last year. Despite the challenges presented by the COVID-19 pandemic, revenue growth remained strong and was up 58% on a constant currency basis. Our strategic focus on recurring revenue was again evident and represented 96% of total revenue in the quarter.

"During the quarter, we continued to invest in product and technology. Our new *Aquila in the Cloud* offering is generating significant interest across Latin America and the USA, with our first purchase order received from a new customer in Ecuador.

"We have also been able to leverage our strategic contracts, most notably with RIMAB-Colsubsidio, to further develop Artificial Intelligence (AI) tools that address immediate needs created by the COVID-19 pandemic. Using our large image library, we are beta testing promising AI tools that could assist radiologists in the diagnosis of COVID-19.

¹ Previous corresponding period

² Constant currency basis assumes Q2 FY20 results are converted at the average foreign exchange rate for FY19. This removes the impact of changes in currency rates and allows comparison of IMEXHS's underlying operating performance.

³ ARR represents the value of monthly recurring contract revenue multiplied by twelve. It provides a 12-month forward view on revenue; assuming all contracts expiring within the next twelve months will renew at the same rate and at constant exchange rates.

“This quarter, we also entered into a joint arrangement to supply radiology services to the National Police Hospital in Bogotá. This will allow IMEXHS to pursue other large public sector contracts in Colombia.”

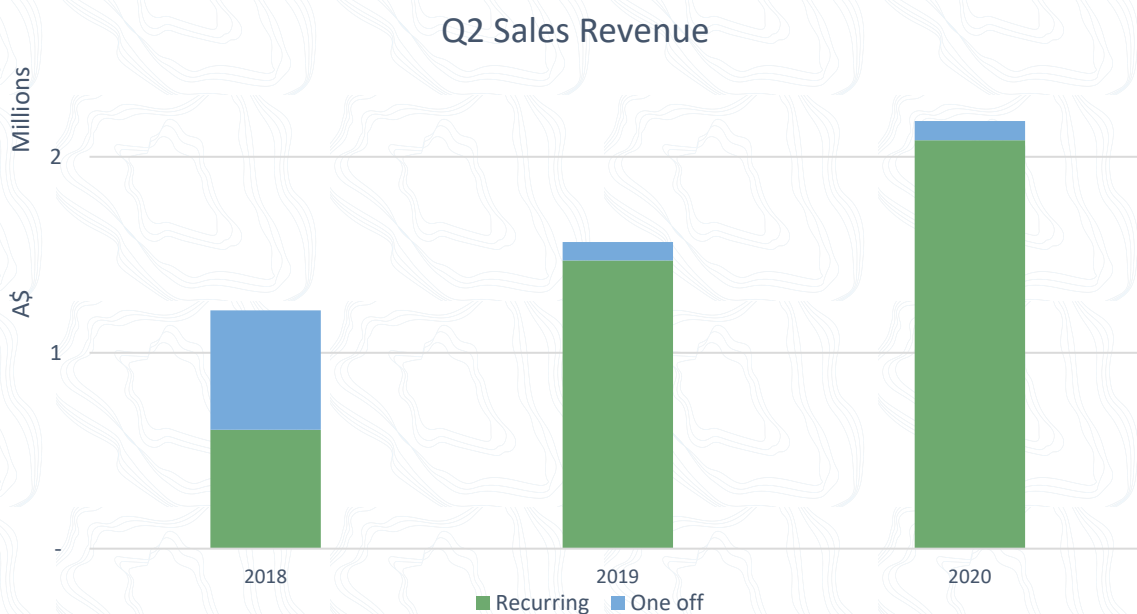
June Quarter Financial Summary

Revenue

IMEXHS had sales revenue of \$2.2m in Q2 FY20, which was 42% higher versus pcp and 58% higher on a constant currency basis.

Of these revenues, 96% of revenue came from recurring revenue contracts, reflecting the strategic focus on driving subscription revenue growth.

In Q2 2018, over 50% of total revenue came from one off sales.



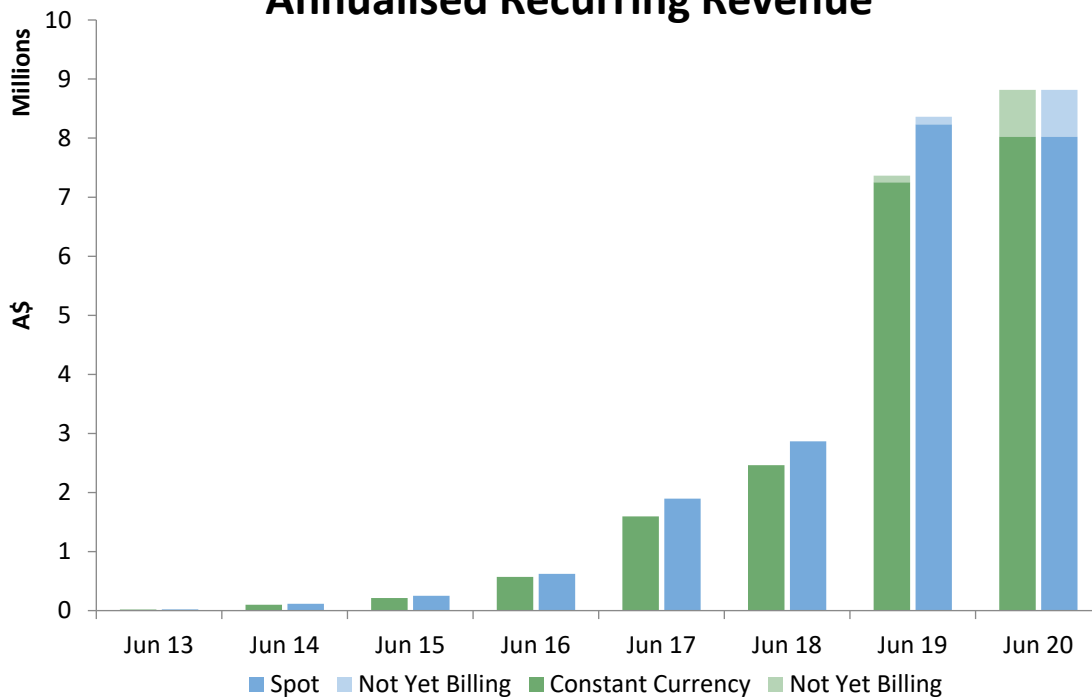
Annualised Recurring Revenue

IMEXHS’s ARR was \$8.8m, which was 5% higher vs pcp and 20% higher on a constant currency basis.

The chart below shows ARR which is currently billing as well as ARR which is yet to commence billing (“ARR not yet billing” shown in a lighter shade on a spot and constant currency basis).

It highlights that total ARR for the 12 months since 2013 which has increased at a compound annual growth rate (CAGR) of 137% and 143% on a constant currency basis.

Annualised Recurring Revenue



Q2 FY20 Cashflow Summary

At 30 June 2020, IMEXHS held cash and cash equivalents of \$6.3m, compared with \$6.9m at 31 March 2020.

Cash receipts for the quarter were \$2.08m, which were 6% higher vs pcp. The variation from Q1 FY20 receipts of \$2.3m was mainly due to the collection in that quarter of four monthly payments for the Colsubsidio contract.

The adoption of a policy effective 1 January to capitalise software development expenses resulted in lower operating outflows for research and development. Payments for intellectual property reflected capitalised development costs of \$173k in Q2 FY20. The year to date results has been restated to reflect this change.

Product manufacturing and operating costs were higher this quarter primarily due to the timing of some payments relating to inventory and PaaS contracts. It also reflected the reclassification of certain costs associated with the provision of radiology services from administration and corporate costs. This adjustment has been made to better reflect the underlying nature of these payments.

COVID-19 Update

IMEXHS has continued to operate effectively during the June quarter and meet its service levels to its customers. Although there has been some delay in decision-making for some of the larger deals in the pipeline, they remain open opportunities. As a result of the pandemic, there has also been increased interest in the teleradiology capabilities of HIRUKO™ which is expected to lead to future sales opportunities.

Sales and Market Update

Aquila in the Cloud

Launched in May 2020, *Aquila in the Cloud* leverages HIRUKO™'s multi-tenancy capabilities to provide small to medium-sized customers with an affordable and accessible RIS/PACS product. Hosted within Microsoft Azure, customers will pay a monthly subscription fee for the product which can be rapidly deployed across multiple geographies.

Aquila in the Cloud has already generated considerable interest with a purchase order from IMEXHS's Ecuadorian distributor, Mobiltelmed and potential clients in the US and Mexico accepting a 'try & buy' option.

In the June quarter, the Company also created the IMEXHS-U platform, delivered via Google Classroom, to assist customers located outside Colombia with online training, installation and support.

Partners Program

IMEXHS has also developed a Partners Program to attract new distributors and further extend the Company's global footprint. Partners receive in-depth training upon joining the program which provides participants with the skills necessary to support the Aquila solution. As a result of the program, IMEXHS has attracted new distributors during the June quarter allowing the company to expand its presence in the US, Mexico and Ecuador.

AG Mednet

IMEXHS continues to strengthen its relationship with leading clinical trial medical imaging specialist, AG Mednet. The clinical research collaboration agreement has been extended to include the addition of a full-time IMEXHS software engineer who will develop new features specifically related to the clinical trials. This additional resource, which will be located at our headquarters in Bogotá, will focus on the expansion of the functionality of IMEXHS's Universal Viewer for research applications.

Radiofam Extends HIRUKO™ Footprint

During the June quarter, one of IMEXHS's oldest and largest customers Radiofam implemented HIRUKO™ at a seventh site. The latest contract addition is for five years and has a total contract value (TCV) of over \$100,000.

Colsubsidio Renews Contract

During the June quarter, Colsubsidio renewed the contract. This contract provides important access to large volumes of images that IMEXHS can leverage for its AI development program. This contract represent has a TCV of over \$3.4m.

Hospital Central Policía Nacional

During the quarter, IMEXHS commenced operations in a joint agreement with RIMAB SAS on a tender it won for the Colombian Ministry of National Defence to supply radiology services to the Hospital Central Policía Nacional (National Police Hospital). This contract has a Total Contract Value of \$2.2m with IMEXHS's share being 30%. The structure of this contact was mandated by the terms of the tender. This contract will facilitate access to public sector tenders in Colombia.

Orthopantomography

Following the success of the initial installation at the Hunter Dental Group, HIRUKO™'s dental radiological solutions have been rolled out at three more sites in the Hunter Valley (New South Wales).

New Markets

Australia

An integration with MDR-Bill Software from MDR-Medical Systems was successfully achieved. It is currently processing online claims at Hunter Dental Group's four sites.

United States

IMEXHS's planned expansion into the US continued this quarter with the appointment of a second distribution partner and the recruitment of local personnel. IMEXHS has received particular interest in its Orthopantomography solution from the orthopaedic and dental sector. To date we have already have generated six firm leads in Florida.

Brazil

Despite the uncertainty created by COVID-19, IMEXHS made significant progress in obtaining ANVISA certification which is expected to be finalised in the third quarter. IMEXHS is also in advanced talks with a local teleradiology company with over 20 sites and 40 radiologists to implement its first proof of concept in the country.

Mexico

IMEXHS is in the final stages of signing an agreement with a Mexican partner to deploy the first proof of concept (POC) for digital pathology (ALULA) in Mexico City at the beginning of the third quarter.

Colombia

IMEXHS maintained its leading market position within Colombia and continued to expand into the small clinic market segment with its *Aquila in the Cloud* product offering.

Product and Software Update

Stella AI

IMEXHS has continued to develop its AI capabilities to facilitate the diagnosis of COVID-19.

COVID CT v1.0: A new service for Stella AI is now in beta testing which identifies potential COVID-19 pneumonia cases from a lung axial CT image. It is integrated with IMEXHS's universal viewer and uses secondary capture to interact with the Stella AI results. The service was trained with positive and negative COVID-19 cases that produced over 9,000 individual slices of the lungs and achieved a sensitivity of over 95% and specificity over 95%.

COVID CT v2.0: As part of the framework agreement for medical research between IMEXHS and RIMAB SAS, a manual segmentation process has been developed to identify areas with lung parenchymal involvement in CT images. The purpose of this agreement is to build a unique service for Stella AI that allows the automatic identification of areas of compromise due to a parenchymal infection possibly associated with COVID-19.

HIRUKO™ Universal Viewer

During the quarter, computational pathology services were integrated into HIRUKO™'s Universal Viewer. This service is capable of visualising and interacting with pyramidal pathological images in the microscopy context. Six different annotation functions have also been included to interact with the image.

Integration with Images from Hamamatsu Devices

IMEXHS has further extended the capabilities of its Universal Viewer so that it can view Hamamatsu digitised microscopy images. Hamamatsu Photonics is a leading provider of products for microscopy images.

Medicare Australia Billing

IMEXHS has continued to work with Countrywide Medical Ultrasound to provide OPG services and has extended HIRUKO™'s functionality to provide Medicare billing at four dental sites in the Hunter Valley.

Corporate Update

New corporate website

IMEXHS launched a new corporate website, with a focus on improved visibility and a client-centric design. It includes additional information about recent initiatives such as the Partners Programme and Investor and Media Centres.

Addressing COVID-19

In response to the current pandemic, IMEXHS has developed and implemented biosecurity protocols to prevent COVID-19 transmission across its workforce and ensure the safety of all employees. An internal communications program has been established to outline preventive actions against COVID-19 and the actions to be taken in case of suspicious and/or positive cases. Most of IMEXHS's employees continues to work remotely with no impact on business operations.

Appointment of Non-Executive Director

On 11 May, IMEXHS announced the appointment of Damian Banks as Non-Executive Director. Mr Banks has had a successful career with leadership roles across the Financial Services, Health and Employment sectors. Most recently, Mr Banks was CEO and Managing Director of Konekt Ltd, an ASX-listed technology-focused health and employment business which was sold to private equity in December 2019.

Appointment of Chief Sales Officer

Following his appointment as Chief Sales Officer in April 2020, Alejandro Varettoni has restructured the sales function into three key areas: direct sales (Colombian market), indirect sales (new and existing distribution channels) and new markets (USA, Australia and Brazil).

IMEXHS has continued to invest in its sales team and in the US, IMEXHS has appointed a country manager as well as a second distributor.

Listing Rule 4.7C3

In Item 6 of the Appendix 4C cash flow report for the quarter, payments to Related Parties of approximately \$920,000 comprised: \$151k of Director remuneration to executive and non-executive directors; \$51k in interest to Domatorisaro Pty Ltd, a related party of Dr Doug Lingard; \$624k for radiology services to RIMAB SAS, a related party of Dr German Arango; \$4k in expenses for office space and IT services to CrossPoint Telecommunications Pty Ltd, a related party of Mr Carlos Palacio; and \$90k in payments due to Dr Arango for PaaS Equipment Financing.

Offsetting the payments to RIMAB SAS was the receipt of \$1,272k for the provision of services by IMEXHS to RIMAB SAS.

Authorised for release by the board of IMEXHS Limited.

-ENDS-

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About IMEXHS

IMEXHS Limited [ASX: IME] is a leading imaging Software-as-a-Service (SaaS) and ancillary solutions provider with 227 customers and distributors in 15 countries. Founded in 2012, IMEXHS is known for its innovation in the 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 medical imaging systems (including a Radiology Information System (RIS), a Cardiology Information System (CIS) and an Anatomical Pathology Laboratory Information System (APLIS)). The HIRUKO™ system is completely cloud-based, vendor neutral and zero footprint with no need for installed software. The IMEXHS products are designed to increase productivity and save money for end users, with a scalable platform that is configured for the future and enhances patient outcomes. For more information, visit www.imexhs.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
IMEXHS LIMITED	
ABN	Quarter ended ("current quarter")
60 096 687 839	30 JUNE 2020

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	2,076	4,401
1.2 Payments for		
(a) research and development	(52)	(293)
(b) product manufacturing and operating costs	(1,213)	(1,269)
(c) advertising and marketing	(31)	(77)
(d) leased assets	-	-
(e) staff costs	(1,044)	(1,963)
(f) administration and corporate costs	(548)	(1,384)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	13
1.5 Interest and other costs of finance paid	(116)	(224)
1.6 Income taxes paid	(135)	(135)
1.7 Government grants and tax incentives	-	-
1.8 Other - indirect taxes	67	(166)
1.9 Net cash from / (used in) operating activities	(993)	(1,097)

Notes

1.2(a) Effective 1 January 2020, the company has adopted a policy with respect to the capitalisation of software development expenses. The YTD result has been restated to reflect this change.

2 Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(170)	(170)
(b) businesses	-	-
(c) property, plant and equipment	(30)	(449)
(d) investments	-	-
(e) intellectual property	(173)	(360)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(373)	(979)

3	Cash flows from financing		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	530	530
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(5)	(6)
3.5	Proceeds from borrowings	338	940
3.6	Repayment of borrowings	(42)	(205)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	821	1,259

4	Net increase / (decrease) in		
4.1	Cash and cash equivalents at beginning of period	6,861	7,143
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(993)	(1,097)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(373)	(979)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	821	1,259
4.5	Effect of movement in exchange rates on cash held	(22)	(32)
4.6	Cash and cash equivalents at end of period	6,294	6,294

5	Reconciliation of cash and	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	5,276	5,849
5.2	Call deposits	1,018	1,012
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,294	6,861

6	Payments to related parties of the entity and their associates	Current quarter
		\$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	920
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
	Note: payments received from related parties and their associates included in item 1 amounts to:	1,272
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		

Financing facilities				Total facility amount at quarter \$A'000	Amount drawn at quarter end \$A'000
7	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>				
7.1	Loan facilities			2,957	2,957
7.2	Credit standby			-	-
7.3	Other (please specify)			-	-
7.4	Total financing facilities			2,957	2,957
7.5	Unused financing facilities available at quarter end				-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.				
	<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Total facility</u>	<u>Amount drawn</u>
	<u>Unsecured</u>				
	Banco Colpatria	17.9	Oct-23	70	70
	Banco de Bogota	13.9	Feb-21	60	60
	Finaktiva	16.2	May-21	39	39
	Banco de Bogota	12.8	Jul-21	137	137
	Banco de Bogota	15.0	Jan-22	19	19
	BBVA	10.5	Mar-21	129	129
	Banco de Bogota	15.0	Jun-21	54	54
	Credito Progression	19.8	Mar-23	515	515
	Banco de Bogota	9.2	Aug-23	349	349
	Qvartz Financial Services	17.0	Jul-22	568	568
	Finesa	21.0	Apr-21	17	17
	<u>Secured</u>				
	Domatorisaro Pty Ltd	20.5	Mar-21	1,000	1,000

8	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(993)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,294
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,294
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6.34
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6 1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: n/a	
	8.6 2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: n/a	
	8.6 3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: n/a	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered</i>	

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.

Date: 30 July 2020

Authorised by: The Board of IMEXHS Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the *[name of board committee – eg Audit and Risk Committee]*". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.