

ASX RELEASE

Appendix 4C – Q3 FY20 Quarterly Cash Flow Report

Highlights:

- **Cash receipts from customers NZ\$4.5M, up 138% compared to Q3 FY19**
- **NZ\$35.4M cash on hand at end Q3 FY20**
- **Annual Recurring Revenue (ARR) at end Q3 FY20 of NZ\$16.8M, ahead of mid-range forecasts**
- **FY20 Target ARR now increased from NZ\$17.1M to at least NZ\$17.8M**
- **At end Q3, at least one of Volpara’s software products now contracted to 25.9% of US market, tracking forecast**

Wellington, NZ, 28 January 2020: [Volpara Health Technologies](#) (“Volpara,” “the Group,” or “the Company”; ASX: VHT), a SaaS medical technology company whose AI imaging algorithms assist the early detection of breast cancer, has released its Appendix 4C Quarterly Cash Flow report for the quarter ending 31 December 2019.

The Q3 figures reflect another strong quarter for Volpara in the wake of last year’s acquisition of MRS in the key US market as more customers take advantage of Volpara’s enhanced product suite and adopt a SaaS model. Consequently, Volpara is pleased to advise that it will meet and expects to exceed its midpoint guidance for FY20 annual recurring revenue (ARR) guidance of NZ\$17.1M (US\$11.5m).

“Following a stronger-than-expected Q2, we’ve now followed up with another quarter of strong growth which has helped us to expect an increase in our ARR forecast for the year,” said Volpara CEO Dr Ralph Highnam. “I’m particularly pleased we’re starting now to see the combined SaaS orders coming in and the process underway to encourage MRS’s legacy installed base to move from their old service & maintenance agreements onto SaaS.”

Dr Highnam said another highlight of Q3 was the publication of the DENSE* trial results in the New England Journal of Medicine. The DENSE trial results showed a significant drop in interval cancers.

“Trials like DENSE, using Volpara®Density™, provide the evidence that global screening programs need to change,” Dr Highnam said.

Group cash receipts for Q3 FY20 from customers rose 138% (compared to Q3 FY19) to NZ\$4.5M.

Cash on hand at the end of Q3 FY20 was NZ\$35.4M, compared to NZ\$40.2M at the end of the previous quarter. Operating cash outflow was NZ\$4.5M – up from NZ\$4.2M in Q2 – largely as a result of increased outgoings related to the Radiology Society of North America (RSNA) show in Chicago in early December. Operating costs continue to run at budget.

The Group continues to hold no debt.

Group ARR at the end of Q3 FY20 was NZ\$16.8M (US\$10.9M), comprising NZ\$15.92M (US\$10.4M) from breast cancer software sales and NZ\$840K (US\$545K) from lung cancer software sales. Q3 FY20 was Volpara’s second biggest quarter ever for net ARR growth, only exceeded by Q4 FY19.

Volpara remains on track to get close to its mid-range forecast of 27% of US women who undergo screening having a Volpara group product applied on their images and data. This provides a solid foundation from which to upsell Volpara's full suite of products under SaaS pricing, a process that is now underway. At the end of Q3 FY20, approximately 25.94% women being screened (approx. 10.2M women) were covered by at least one Volpara product. That number reflects a significant increase in VolparaEnterprise sites, but a slight reduction in contracted MRS@Aspen™ sites as they come off legacy service maintenance contracts and Volpara attempts to move them onto new SaaS contracts. In a strong start to Q4 FY20, at the end of January, Volpara covered approximately 26.2% of US women screened (approx. 10.3M).

The average revenue per unit (ARPU) generated by women under contract across the Group within breast cancer operations is currently approximately NZ\$1.57 (US\$1.02), up ~5% from NZ\$1.49 (US\$0.97) at the end of Q2 FY20. This covers women screened under service and maintenance contracts employing the legacy MRS software only, through to women benefitting from the full suite of Volpara programs. ARPU continues to steadily increase as Volpara continues to sign up new customers on the existing Volpara product suite. Also, Volpara is starting to convert existing MRS customers over to SaaS. ARPU per woman under Volpara®Enterprise™ software in the US ranged from US\$1.37 to US\$3.49 depending upon deal size and structure.

Additional highlights during Q3 FY20 included:

- Results from the major randomised controlled-trial, DENSE*, were published in the *New England Journal of Medicine*. The trial results showed a significant drop in interval cancers when using Volpara®Density to recommend women for additional screening
- A major public screening program has formally signed up to the Volpara®Enterprise™ software package. As noted in Volpara's December newsletter, more details will follow once the major public screening program has made a public announcement
- Volpara has completed its first combined MRS@Aspen™ and Volpara®Enterprise™ sale and concluded its first MRS@Aspen™ Breast SaaS contract
- GE completed its first Volpara SaaS deal with the VA (Veterans Affairs) in the US, which included both Volpara®Enterprise™ and Volpara®Live™
- MD Anderson upgrading from Volpara®Density to Volpara®Enterprise
- Volpara generated a record number of leads at the world's biggest radiology show, RSNA, in Chicago in early December

*The DENSE trial, which started collecting patients eight years ago and involved about 40,000 women in Europe, is the first randomised controlled study on the clinical utility of breast MRI supplemental screening for women with extremely dense breasts.

Authorisation & Additional Information

This announcement was authorised by the management and Board of Directors of Volpara Health Technologies Limited.

Investor Conference Call

The Company is holding a conference call at 09:00 am AEDT (11:00 am NZST), Tuesday, 28 January 2020 to discuss activity over the past quarter.

If you have not already preregistered via the link below, you may dial in at the scheduled time using the following call details.

Preregistration link: <https://s1.c-conf.com/diamondpass/10003567-invite.html>

Dial-in details: Conference ID – 10003567

Dial-in numbers:

AUSTRALIA:	1800 558 698
ALT. AUSTRALIA:	1800809971
OTHER INTERNATIONAL (METERED):	+61731454010
SYDNEY:	0290073187
NEW ZEALAND:	0800453055
AUCKLAND:	099291687
CHRISTCHURCH:	039742632
WELLINGTON:	049747738
BELGIUM:	080072111
CHINA:	4001200659
FRANCE:	0800981498
GERMANY:	08001827617
HONG KONG:	800966806
INDIA:	0008001008443
INDONESIA:	18030193275
IRELAND:	1800948625
ITALY:	800793500
JAPAN:	00531161281
MALAYSIA:	1800816294
NORWAY:	80069950
PHILIPPINES:	180011101462
SINGAPORE:	8001012785

ENDS.

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About Volpara Health Technologies Limited (ASX: VHT)

VHT is a MedTech SaaS company founded in 2009 on research originally conducted at Oxford University. VHT's clinical functions for screening clinics provide feedback on breast density, compression, dose, and quality, while its enterprise-wide practice software management helps with productivity, compliance, reimbursement, and patient tracking.

VHT's technology and services have been used by customers and/or research projects in 38 countries and are supported by numerous patents, trademarks, and regulatory clearances, including FDA clearance and CE marking. Since its listing on the ASX in April 2016, VHT has raised A\$95 million, including A\$55 million in June 2019. VHT is based in Wellington, New Zealand.

At the end of June 2019, VHT acquired MRS, a company based in Seattle, WA. MRS provides mammography reporting systems to over 1,600 breast clinics and hospitals, and to VHT a much stronger US presence, experienced local headquarters, and accelerated sales through cross-selling opportunities.

For more information, visit www.volparasolutions.com

VHT uses the following definitions:

Total Contract Value (TCV): The value of contracts signed in the specified period. The revenue from these deals might be recognised over one or many years, and the customer might or might not have a cancellation clause of some kind.

Annual Recurring Revenue (ARR): The normalized amount of cash reasonably expected to be booked for the next 12 months based on the contracts signed previously, and assuming installation upon order.

Churn: The percentage of revenue from customers that either discontinue or reduce their subscription in a given 12-month period.

Gross Margin: Total customer revenue minus cost of goods sold (COGS), divided by total customer revenue, expressed as a percentage. COGS includes commission, cloud costs, hardware costs (if applicable), bank charges on customer payments, and travel costs for onboarding and installations.

Percentage of US women: Approximately 39M a year are imaged in the US, most of them screening. The percentage we give is an estimate of the number of women who are imaged using at least one of Volpara's suite of products. This should be considered indicative and not definitive.

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

Volpara Health Technologies Limited

ARBN

609 946 867

Quarter ended ("current quarter")

Q3 – 31 December 2019 (31 March year-end)

Consolidated statement of cash flows	Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,530	11,770
1.2 Payments for		
(a) research and development	(1,454)	(3,664)
(b) product manufacturing and operating costs	(1,090)	(2,900)
(c) advertising and marketing	(667)	(1,183)
(d) leased assets	(23)	(48)
(e) staff costs	(4,304)	(11,402)
(f) administration and corporate costs	(1,946)	(5,298)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	167	371
1.5 Interest and other costs of finance paid	(12)	(54)
1.6 Income taxes paid	81	9
1.7 Government grants and tax incentives	243	703
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(4,475)	(11,696)

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Quarterly report for entities subject to Listing Rule 4.7B

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(39)	(477)
	(b) businesses (see item 10)	296	(22,686)
	(c) investments	-	-
	(d) intellectual property	1	(49)
	(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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) *	14	763
2.6	Net cash from / (used in) investing activities	272	(22,449)

* The "Other" per section at 2.5 above includes NZ\$1.38M in cash acquired upon the acquisition of MRS, less acquisition costs of NZ\$630K.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	58,032
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	64	533
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(3,118)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(112)	(227)
3.10	Net cash from / (used in) financing activities	(48)	55,220

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Quarterly report for entities subject to Listing Rule 4.7B

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	40,238	14,383
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,475)	(11,696)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	272	(22,449)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(48)	55,220
4.5	Effect of movement in exchange rates on cash held	(546)	(17)
4.6	Cash and cash equivalents at end of quarter	35,441	35,441

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$NZ'000	Previous quarter \$NZ'000
5.1	Bank balances	5,343	7,232
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits >90 days)	30,098	33,006
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	35,441	40,238

6.	Payments to directors of the entity and their associates	Current quarter \$NZ'000
6.1	Aggregate amount of payments to these parties included in item 1.2	217
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
N/A		

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Quarterly report for entities subject to Listing Rule 4.7B

7. Payments to related entities of the entity and their associates

	Current quarter \$NZ'000
7.1	-
7.2	-

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$NZ'000	Amount drawn at quarter end \$NZ'000
8.1	-	-
8.2	(10)	-
8.3	-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

The credit standby arrangement is with Kiwibank at a base rate of 9.25% and it is unsecured.

9. Estimated cash outflows for next quarter

\$NZ'000

9.1	Research and development	(1,500)
9.2	Product manufacturing and operating costs	(1,100)
9.3	Advertising and marketing	(270)
9.4	Leased assets	(30)
9.5	Staff costs	(4,400)
9.6	Administration and corporate costs	(1,900)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(9,200)

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Quarterly report for entities subject to Listing Rule 4.7B

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

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: 28 January 2020
 Company secretary

Print name: Craig Hadfield

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.