

28 November 2017

## Orion Health Announces 1H2018 Interim Results

*Performance at a glance (all figures in NZD)*

- *Operating revenue \$81m*
- *Operating loss \$25m for the period*
- *A 27% reduction in monthly costs from \$22.3m in FY2016 to \$16.3m in Q2 FY2018*
- *\$15m cost improvement compared with the first half of FY2017*
- *Recurring revenue as a percentage of operating revenue increased from 44% to 47%*
- *Strategic review ongoing*

**Auckland, New Zealand** – Orion Health Group Limited (OHE:NZX/ASX) (the **Group**) today announced its interim result for the six months ended 30 September 2017.

The Group achieved operating revenue of \$81m for 1H2018. The decrease in revenue, compared with the same period last year, is in large part due to a significant software licence deal being recognised in 1H2017 which also had a disproportionate impact on contribution margin, due to the low cost of sales associated with the transaction. This was also the primary driver in the increased operating loss for the period 1H2018 as compared with the same period last year.

Partially as a result of the change to the Group's forecasting methodology, the full year revenue guidance is now revised to \$175m - \$190m. This revised guidance is based on a change in the Group's approach to revenue forecasting whereby major opportunities that may unduly influence forecasted revenues are excluded and are now considered to be revenue upside, until there is a high conviction they will be booked in the forecast period. In previous periods, management included these opportunities based on an assessment of whether they could reasonably be expected to be booked in the forecast period.

These cost controls so far have seen average monthly costs fall from \$22.3m FY2016, to \$19.7m FY2017, \$18.2m Q1 FY2018 and \$16.3m in Q2 FY2018. This represents a 27% reduction in monthly costs from FY16 and with further efficiency savings anticipated. The exit monthly costs for FY2018 are expected to be between \$15-16m.

Based on the reduced revenue forecast and the cost reduction programme we expect the Group will operate close to breakeven in the second half of FY2018.

The Board's commitment to accelerate the transition to a recurring revenue model is reflected in the ongoing migration to Amazon Web Services enabling the launch of 'Rhapsody as a Service' to facilitate deployment of the Rhapsody integration solution as a cloud offering and the increase in recurring revenue, to 47% of total revenue, versus 44% in the same period last year.

Successful implementation of cost reduction and control measures has resulted in a \$15m reduction in operating expenses for the period versus 1H2017. This reflects the Group's ongoing focus on costs. R&D expenses remain steady at \$31m and the Group is committed to achieving further cost reductions in 2H2018.

Orion Health CEO Ian McCrae commented that "the result reflects a clear focus on managing costs, while at the same time delivering to the company's global customer base. Orion Health continues to operate a globally significant business at the leading edge of healthcare software, technology and

innovation. The company will maintain its focus on careful management of revenue growth and cost structures to ensure we continue our drive to sustainable profitability”.

The strategic review commenced in April 2017 remains ongoing and is expected to take additional time as the Group continues to evaluate a number of alternatives. Further information will be provided at the appropriate time and the clear focus remains on maximising shareholder value.

The Group’s cash position as at 30 September 2017 was \$16m and the Group’s working capital facilities totaling \$40m were also extended giving the company \$56m of available cash and banking facilities at that date.

The Group today announced the appointment of Michael Falconer as a director of the company. Michael has over 25 years of domestic and international business experience including a 13 year career with investment bank Credit Suisse in New York and Auckland and eight years in senior management roles at Carter Holt Harvey initially as CFO of the NZX listed company and then as chief executive of the Building Products businesses under Rank Group ownership. Over the last five years, Michael has been providing advice and support to owners and founders of a range of businesses including in an advisory and executive capacity in a number of early stage software and technology companies. Michael is a director of a number of private companies and has an advisory role with McCrae Limited. Michael has a Bachelor of Management Studies (First Class Honours) for Waikato University and is a member of the Institute of Directors in New Zealand.

The Board has determined that Mr Falconer is not an independent director in accordance with NZX Listing Rules 3.3.2 and 3.3.3(b).

**Ends**

Documents released today related to the 1H2018 Interim Results:

- Market Release
- Interim Report 1H2018
- Interim Results 1H2018 Presentation
- Results Announcement Appendix

**Orion Health 1H2018 Interim Results Announcement Conference Call**

Orion Health will host an investor conference call at 10.00am NZST on Tuesday 28 November to present its 1H2018 Interim Results. To join the call, please use the dial in details below. Please note that it may take 5-10 minutes for the moderator to take your details and place you into the call.

Toll Free Number: 0800 452 782

If calling from outside New Zealand: +61 2 8038 5221 Conference ID 7398427

Webcast: <http://www.openbriefing.com/OB/2689.aspx>

(note if listening through webcast you will not be able to ask a question)

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**About Orion Health**

Orion Health (NZX:OHE) is a health technology company that provides solutions which enable healthcare to over 110 million patients globally. Its open technology platform Orion Health Amadeus seamlessly integrates all forms of relevant data to enable population and personalised healthcare around the world. The company is committed to continual innovation, investing substantially in research and development to cement its position at the forefront of precision medicine. For more information visit [www.orionhealth.com](http://www.orionhealth.com).