

MANAGING DIRECTOR'S REPORT

Dear fellow shareholders,

I am pleased to present an update on activities undertaken in financial year 2019 and milestones achieved in our first year of reporting as a combined group.

BUILDING ON A TRANSFORMATIVE ACQUISITION

FY2019 commenced with Alcidion acquiring the combined business operations of the MKM Health group of companies and the associated Patientrack group of companies on 3 July 2018. The acquisitions delivered the complementary electronic bedside observations and early warning score system Patientrack, an established health IT services business in MKM Health, and a significant customer base across Australia, New Zealand and the UK.

These acquisitions have been transformative for Alcidion. In FY2019, Alcidion quadrupled year-on-year revenue, integrated its newly acquired Patientrack platform with Alcidion's existing Miya and Smartpage products, and established a consolidated Alcidion group presence in the UK market. During FY2019, Alcidion's market presence in Australia and New Zealand also expanded. MKM Health's long-term customer relationships are providing opportunities for cross selling the expanded Alcidion suite of products. Alcidion has achieved early success in exploiting these cross-selling opportunities, and this will be an important strategy for continued growth in FY2020.

Alcidion's leadership team and sales capability has also been bolstered as a result of the acquisitions, and this has helped to deliver the strong result achieved in FY2019. All the key executives of MKM Health and Patientrack have remained with the business and this proven management team will drive the further expansion of Alcidion throughout FY2020.

Our customer offering has been strengthened by the systems integration and health data analytics skillset within the MKM Health team. We now have the integration skills required to extract and aggregate the data that feeds the Miya Precision platform. In addition, MKM Health has developed a real time replication capability for one of the leading Electronic Medical Record (EMR) platforms, which allows us to easily



integrate the EMR data to our platform and offer EMR users a mobile EMR experience with clinical decision support available at the point of care.

A YEAR OF SIGNIFICANT NEW CONTRACT WINS

In a year when significant time and focus was required to integrate the acquired businesses, the expanded management team has still been able to grow the business in all of our markets.

The expanded Alcidion group delivered \$16.9M in revenue in FY2019. This is an increase of over 300% on FY2018 revenue of \$4.2M and represents a revenue increase of 33% when compared to the FY2018 unaudited pro forma revenue for the combined entities, which was \$12.7M.

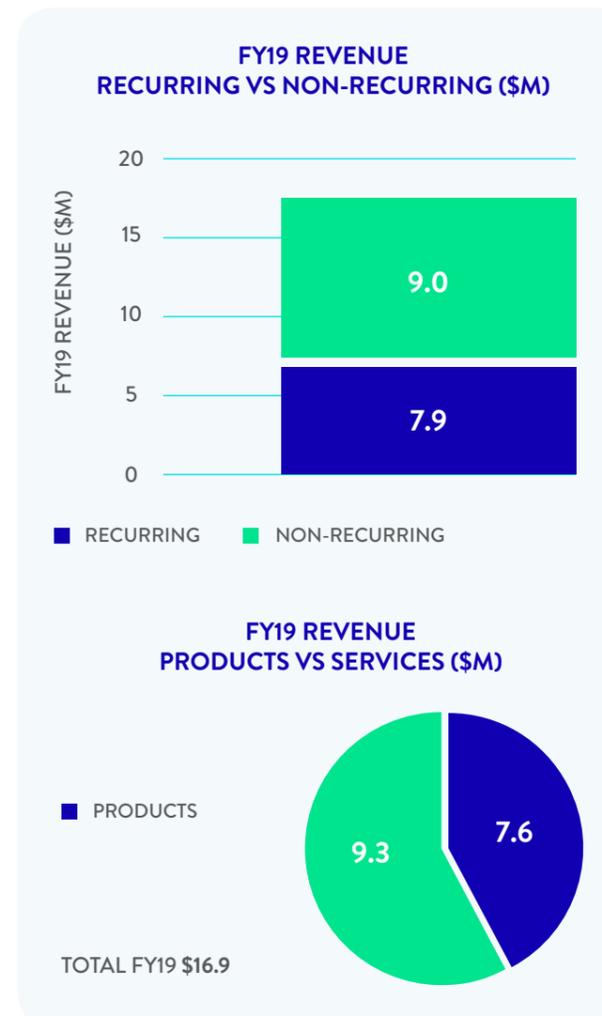
Revenue during the year was boosted by new contract wins for our leading software solutions, including with customers who recognised the value of the combined capability of these platforms. We demonstrated our ability to retain existing customers through the renewal of several recurring revenue software contracts for Miya and Patientrack. We also continued to demonstrate our leadership in the area of health systems integration and data analytics, by signing several large services contracts.

Major new contracts announced during FY2019 included:

- ACT Health (July 2018): a five year deal valued at approximately \$4.8 million with ACT Health to deploy an Electronic Patient Journey Board solution. This represented the first deployment of a fully integrated Miya Flow, Patientrack and Smartpage offering
- NT Department of Health (July 2018): a three year contract extension with value of \$2.6 million over three years for the Miya platform
- Dartford and Gravesham NHS Trust (March 2019): a five year contract worth £1.16 million (~\$2.1 million) for the first fully integrated installation of Alcidion's combined product suite, Miya, Patientrack, and Smartpage, in the UK
- Brighton and Sussex NHS Trust (March 2019): a five year contract worth £574K (\$1.03 million) to implement Patientrack at four hospital sites
- Queensland Health (November 2018): a contract to establish a state-wide Referral Service Directory, which will be the central point of reference for external referrals from General Practitioners across Queensland Hospital and Health Services. This project will be deploying the NextGate Matchmatrix software for which Alcidion is the authorised reseller in Australia and New Zealand. The contract value is approximately \$12 million with a five-year term;
- Alfred Health (August 2018): a strategic collaboration to deliver data management capability (contract terms not disclosed);
- ACT Health (Dec 2018): a two year contract extension for the provision of ongoing IT support services valued at \$1.3 million
- ACT Health (February 2019): a 2.5 year Patientrack licensing and support extension valued at \$711K, for use in two Canberra hospitals
- Western Sussex Hospitals NHS Foundation Trust (June 2019): a five year licensing and support renewal agreement for Patientrack, with a value of \$970K. Patientrack is deployed across 68 wards at the trust's three hospital sites.

Of the total \$16.9M FY2019 revenue, \$7.9M (47%) was recurring and \$9.0M (53%) non-recurring. Services revenue, which includes product implementation as well as integration and data analytics services, contributed \$9.3M (55%) of total revenue with product licensing, support and maintenance generating the remaining \$7.6M (45%).

The new contracts also enabled Alcidion to commence FY2020 with \$11.7M revenue already sold for recognition in FY2020, with a further \$19.5M sold revenue to be recognised through to FY2025.



On 17 September 2019, subsequent to the year-end, Alcidion signed a three-year agreement with Australian private healthcare provider Healthscope to implement a data and analytics solution worth \$895K. This is Alcidion's first implementation of our data and analytics capabilities into a private hospital group.

A TURNAROUND IN FINANCIAL RESULTS

Over FY2019, the expanded Alcidion group has transitioned to a business that has demonstrated it can deliver positive operational cash flow. Alcidion achieved its first year of positive operating cash flow, with a net cash inflow from operating activities of \$2.0M achieved from cash receipts of \$16.5M. This compares to a cash outflow from operating activities of \$1.8M in FY2018 from cash receipts of \$4.3M.



There was an overall cash inflow for FY2019 of \$282k across all sources, after \$1.5M cash consideration was paid as part of the acquisition of MKM Health and Patientrack. This increased Alcidion's available cash reserves from \$2.9M to \$3.2M. This compares to an overall cash outflow of \$2.4M in FY2018. Alcidion also achieved a near break-even earnings result in FY2019. FY2019 EBITDA loss was \$39k compared to an EBITDA loss of \$2.1M in FY2018. The net operating loss before tax of \$110K in FY2019 was a 95% improvement on the FY2018 net operating loss before tax of \$2.1M.

This is a substantial achievement for the company, especially considering the impact of one-off costs associated with the acquisitions of MKM Health and Patientrack, and in a year of investment in integrating the acquired businesses.

INTEGRATING ALCIDION'S EXPANDED PRODUCT SET

The acquired Patientrack software product focuses on improving patient safety and operational efficiency by identifying patients at risk of deterioration and alerting appropriate care givers. Patientrack provides a mobile platform for bedside recording and analysis of vital signs, performing bedside patient assessments and completing other clinical documentation that can trigger and inform appropriate clinical response. By collecting all vital signs and other patient assessments performed in

a hospital, it stores millions of data points regarding patient status throughout the patient journey from admission to discharge. This data provides a hugely valuable platform on which advanced data analytics can be performed to both better understand the impact of clinical care on a patient, as well as detect and even predict issues with patients more quickly, leading to more timely clinical intervention.

Patientrack is therefore highly complementary to the existing Alcidion product Miya Precision, which can perform the advanced data analytics and provide enhanced clinical decision support, and Smartpage which can transmit alerts and provide a team collaboration environment for clinical staff responding to these alerts. The full integration of Patientrack, Miya and Smartpage began in FY2019, and continued enhancement of the combined product suite remains a priority for FY2020.

The market's interest in, and readiness for, our combined solution offering has been demonstrated in FY2019 by the contract signed with ACT Health for the first integrated Miya, Patientrack and Smartpage installation, as well as the first integrated Miya, Patientrack and Smartpage contract signed in the UK with Dartford & Gravesham NHS Trust.

CONTINUED INVESTMENT IN MIYA PRECISION

A significant product development milestone in FY2019 was the successful launch of Alcidion's next-generation Miya Precision platform at New Zealand's MidCentral District Health Board in February 2019. This was the first implementation of the Miya Precision platform, which was fully re-engineered to support SaaS deployment, and for the deployment of Artificial Intelligence capabilities and decision support algorithms to support the transformation of healthcare. This launch was met by very positive feedback from the customer.

During the year NSW Health selected Alcidion and the Miya Precision platform for a Proof of Concept (PoC) with the Murrumbidgee LHD to trial the ability to deploy the mobile EMR capability of Miya along with its clinical decision support capabilities running across the already deployed Cerner EMR. The PoC project is exploring how critical laboratory test results can be shared securely and in real time via mobile devices to support enhanced clinical decision-making. A team of 10 ED clinicians is

trialing mobile notifications of real-time pathology results and risk indicators, via Alcidion's Miya Precision Clinical Decision Support (CDS) tool.

As well as the investment required to integrate Miya Precision with the newly acquired Patientrack software, further investments have been made over FY2019 in developing and integrating natural language processing (NLP) capabilities in the platform to improve detection of critical risks and assist with improved clinical coding outcomes for maximising revenue, along with continued development of the clinical decision support capabilities. With the clinical decision support market projected to grow to \$6.4bn by 2024 according to latest Frost and Sullivan report, Alcidion is focused on enhancing our offering with more complex predictive algorithms and enhanced artificial intelligence capabilities.

BROADENING ALCIDION'S PRODUCT AND SERVICE OFFERINGS

Alcidion continues to expand its portfolio of software products and related services it provides to customers, via reseller agreements with suppliers of complementary solutions. This is consistent with our strategy of delivering end-to-end healthcare IT solutions, services and support to customers who are looking to achieve a well-integrated best of breed technology platform to improve patient care and achieve operational efficiencies.

Alcidion's ~\$12M contract signed in Q2 with Queensland Health to establish a Queensland-wide Referral Services Directory (RSD) using NextGate's Provider Registry is an example of the value added by offering such solutions, and aligns with our strategic focus on partnering with state and territory healthcare agencies to build enhanced ICT infrastructure to support better connected and coordinated health service delivery across multiple agencies.

In FY2019, Alcidion entered into a reseller agreement with Better By Marand to resell its OPENeP medication management solution. Since the start of the FY2020 financial year, Alcidion has announced that Dartford and Gravesham NHS Trust in the UK has awarded Alcidion preferred provider status for this solution, which is yet to be contracted.



OUTLOOK

Over the past year Alcidion has proven it is capable of organic and sustainable growth.

We believe there is tremendous opportunity ahead for Alcidion in its existing Australia, UK and New Zealand markets, with healthcare providers embracing digital solutions to improve care more than ever before. We are ideally positioned to seize this opportunity. Alcidion will continue to invest in scaling up the organisation to ensure we have the capacity to pursue new opportunities and respond to the growing demand for health IT solutions right across the healthcare sector.

Strategically, Alcidion's sales focus continues to be on cross-selling its broad capabilities, including our suite of innovative platforms, reseller solutions and integrated technology services.

We look forward to keeping our shareholders updated as we build on the solid foundation laid this year. We know that there are many long term holders, and we were pleased to also welcome a number of new investors over the past year, and I sincerely thank you all for your support of Alcidion.

Yours faithfully,

Ms Kate Quirke
Managing Director, Alcidion Group Limited