

1st Group to acquire Visionflex; \$2.5m Placement; Rights Issue

Highlights

- Acquisition of Visionflex, an international provider of proprietary integrated clinical telehealth solutions.
- Positions 1st Group to take advantage of the rapidly growing global telehealth market.
- Creates an expanded customer footprint and new opportunities for both 1st Group and Visionflex.
- Placement to Adcock Private Equity to raise \$2.5m.
- Rights Issue at the same price as the Placement.
- **Brook Adcock**, founder of Adcock Private Equity and a seasoned technology investor, and **John Nantes**, the CEO of Adcock Private Equity, will join the 1st Group Board.

1st Group Limited (ASX: 1ST), the Australian digital health group, is pleased to announce its proposed acquisition of Visionflex Limited, a rapidly growing Australian-based international provider of integrated proprietary telehealth software and diagnostic devices that interface with most existing Medical Record and Medical Practice systems.

Klaus Bartosch, Managing Director for 1st Group said today *“our vision is to simplify access to healthcare for all, and especially for special needs groups for whom this access is even more difficult. By combining 1st's digital patient engagement and online appointment booking solutions with Visionflex's video conferencing software and devices we are creating a world-class solution to deliver end to end clinical telehealth services to almost anyone, almost anywhere. The demand for telehealth has grown rapidly due to COVID-19 and has now become permanent feature of healthcare systems globally. A report by McKinsey in July indicated that telehealth had grown by a whopping 38x since pre-Covid-19 baselines.”*

On completion of the Acquisition, 1st Group will also undertake a placement of shares to Adcock Private Equity (the largest current shareholder in Visionflex) to raise \$2.5m to provide growth funding for the combined group.

The Company will also launch a non-renounceable entitlement offer to enable shareholders on the register at 31 January 2022 to subscribe for shares at the same price as the Placement.

Proposed acquisition of Visionflex

Visionflex has specifically developed a video conferencing platform targeted at and optimized for the telehealth sector. Its Clinical Telehealth Video Conferencing platform ('Vision') has been specifically designed to deliver the full suite of capabilities that its own Australian designed, built, and manufactured medical devices have been designed to provide. Visionflex's software and devices have in many cases been designed to meet the specific functional and software interface requests of each of the State Health Departments and other large organizations such as those in Aged Care and The Royal Flying Doctor Service.

Combining Visionflex with 1st Group, 1st would not only coordinate the appointment bookings between patients and providers but also provide the actual video (or even telephone) conferencing connection that facilitates those bookings using Visionflex software and diagnostic devices – raising the level of care capability considerably to standards being sought by all areas of government. It does this in a way we believe that none of the current and much larger competitors can do, and in the comprehensive way that the Federal and State Governments are currently demanding.

Accordingly, the two companies not only complement each other but complete each other. Visionflex has what 1st Group needs to complete its comprehensive end to end telehealth service, and vice versa.

The proposed acquisition of Visionflex will bring substantial operational, financial and strategic benefits to both businesses and synergies for the merged entity that include:

- **Product Expansion** - 1st Group's product portfolio expands to an end-to-end digital patient engagement platform and marketplace to include in-house advanced clinical telehealth solutions.
- **Visionflex Synergies** - Substantial cross-sell and up-sell opportunities – 1st Group offers Visionflex a substantial customer base into which it can offer its telehealth solution and extends the Visionflex solution to include 1st Group's patient engagement and appointment scheduling capabilities.
- **1st Group Synergies** - 1st Group completes the Visionflex offering, enabling the use of 1st Group's platform across an increased base of major health organisations.
- **Expanded distribution footprint** - Immediate expansion of 1st Group's distribution footprint via Visionflex's established distributor networks across the medical industry, including clients such as NSW Health, Queensland Health and Royal Flying Doctor Service.
- **Additional, rapidly growing revenue from a trophy client base** - Visionflex has now secured several contracts with major government departments (in NSW, Queensland, SA, and WA) and large corporate groups into which to deliver its products. Historical revenue is \$2.3m, gross margin exceeds ~70%, and it has established a maturing global network of distributors across Asia, America and Europe.
- **Strengthened Leadership Team** - Visionflex's CEO & Co-Founder Mike Harman will join 1st Group as the Head of Visionflex. Brook Adcock, founder of Adcock Private Equity and a seasoned technology investor, and John Nantes, the CEO of Adcock Private Equity, will join the 1st Group Board.

Overview of Visionflex

Established in 2014, Visionflex designs, manufactures and distributes a range of innovative clinical telehealth devices and software to facilitate remote clinical examinations, so that patients receive the best possible care.

Visionflex's flagship products include the ProEx Telehealth Hub, ProEx Mobile, ProEx Home, and GEIS General Examination Camera HD. The ProEx is a simple to use, multi-functional device capable of facilitating remote medical examinations, through its high-resolution medical-grade examination accessories.

Visionflex also offers a range of innovative medical software solutions such as Vision, a powerful clinical telehealth video conference system and VF Sync software which can connect & integrate multiple ProEx units over wider networks that include Corporations, Industries of all types, such as Government Health Systems, the Military, or Connected Home Care. Each of these products provide an ongoing revenue model derived from recurring Vision platform subscriptions, software licences, or cloud-based synchronisation, and support agreements.

The company employs 16 full-time equivalent staff operating from its office in Sydney, Australia.

Visionflex solutions are currently used by numerous clients across Australia, NZ, USA, UK, India, Vietnam, UAE and Spain. Clients include NSW Health, QLD Health, WA Health, SA Health, Barwon Health, Telstra Health, Royal Flying Doctor Service, Australian Antarctic Division, Exxon Mobile, Kymberly Aboriginal Medical Services, Royal North Shore Hospital, Alaskan Telehealth (USA), Percuvision (USA), Parity Medical (UK) and Vivid Solutions (NZ) and many others.

The shareholders of Visionflex are:

- Adcock Private Equity, a private equity firm founded by Brook Adcock which has an outstanding record of investing in Australian technology businesses
- Michael Harman, Managing Director of Visionflex and co-founder
- Elke Harman
- Peter Shandley, co-founder of Visionflex
- Vanilla Milkshake Enterprises Pty Ltd.

Financial Performance

Visionflex generated \$2.3m of revenue in FY21 and an EBITDA loss of \$1.8m.

Revenue was mainly \$2.1m (~95% of total revenue) from the sale of hardware and peripheral devices. The Vision Telehealth Platform was launched in 2021 and will begin delivering recurring revenue from subscriptions in FY22.

Financial Impact

A pro forma Profit and Loss for FY21 is presented below (note this does not include the potential cost synergies).

FY21 (AUD \$'000)	1st Group	Visionflex	Combined Pro forma
Revenue	5,447	2,266	7,713
Operating costs	(8,532)	(4,106)	(12,638)
EBITDA	(3,085)	(1,840)	(4,925)
EBITDA Margin %	-57%	-81%	-64%

Acquisition Terms and Timetable

1st Group has entered into a share acquisition agreement with Visionflex pursuant to which it will acquire 100% of the shares of Visionflex from the shareholders in consideration for the issue to those shareholders of 484,020,008 shares in 1st Group.

Following completion of the Acquisition, Visionflex shareholders will hold approximately 57% of 1st Group's issued shares (inclusive of the shares issued to Adcock Private Equity under the Placement and assuming \$0.5m is subscribed under the Rights Issue).

These shareholders (excluding Peter Shandley and Vanilla Milkshake, who are two smallest shareholders in Visionflex) have agreed for the shares issued to them to be escrowed for a period of 12 months from the date of the acquisition, with up to 25% of those shares subject to early release from escrow if unanimously agreed to by 1st Group's Board.

Key Conditions of the Acquisition:

- Approval of the shareholders of 1st Group of the Acquisition and the Placement under section 611 item 7 of the Corporations Act and ASX Listing Rule 7.1 (as applicable);
- No material adverse change in the operations of either 1st Group or Visionflex; and
- No prescribed occurrences in respect of 1st Group.

Based on submissions provided to ASX by 1st Group, ASX has confirmed that approval of shareholders will not be required under ASX Listing Rule 11, nor will 1st Group be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules, in respect of the Acquisition. As noted above, shareholder approval will be sought for the purposes of ASX Listing Rule 7.1.

Timetable

A notice of general meeting and explanatory memorandum will be prepared and sent to shareholders in due course, with a view to completion occurring by the end of April 2022. Titan Partners has been appointed independent expert and will prepare a report that will accompany the explanatory memorandum.

Placement and Rights Issue

1st Group has agreed to a placement of shares with Adcock Private Equity to raise \$2.5m (250m shares at \$0.01 each) to provide growth funding for the combined group.

The Placement is inter-conditional with the Acquisition and will only occur if the Acquisition goes ahead.

The Placement shares will be subject to a 12-month escrow from their issue, with up to 25% of those shares subject to early release from escrow if unanimously agreed to by the 1st Group's board.

1st Group will launch a non-renounceable entitlement offer to enable shareholders on the register at 31 January 2022 to subscribe for shares at the same price as the Placement. The Rights Issue will be capped at \$0.5m.

One of 1st Group's substantial shareholders, John Plummer, has committed to subscribe for any shortfall to the extent that funds subscribed to the Rights Issue are less than \$0.5m.

The Company will make an application to the ASX for quotation of the New Shares issued pursuant to both the Acquisition and the Placement.

This announcement has been approved for release by the Board of Directors.

Indicative Timetable for Entitlement Offer

Event	Date
Announcement of the Entitlement Offer	Tuesday, 25 January 2022
Record date for Entitlement Offer (7:00pm AEST)	Monday, 31 January 2022
Entitlement Offer opens and Offer Booklet dispatched	Tuesday, 1 February 2022
Closing date for the Entitlement Offer (5:00pm AEST)	Monday, 14 February 2022
Trading in New Shares commences on deferred settlement basis	Tuesday, 15 February 2022
Announcement of results of Entitlement Offer	Monday, 21 February 2022
Settlement of the Entitlement Offer	Monday, 21 February 2022
Allotment of New Shares issued under the Entitlement Offer	Monday, 21 February 2022
Trading for New Shares under the Entitlement Offer commences	Tuesday, 22 February 2022

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About 1st Group Ltd

1st Group is an ASX listed digital health group building Australia's leading health services marketplace, MyHealth1st.com.au, Australia's online pet service marketplace PetYeti.com.au and corporate and government solutions platform GoBookings.com. These integrated platforms provide an easy-to-use online search and appointment booking service and offer a range of value-added apps and services that facilitate digital patient and customer engagement. We improve lives by connecting consumers to a variety of healthcare services and information anytime, anywhere, so they can get well sooner and stay well longer. To find out more visit 1stGrp.com, MyHealth1st.com.au, PetYeti.com.au and GoBookings.com.