

Market Update Including Revised Guidance

Doctor Care Anywhere Group PLC (ASX:DOC, “Doctor Care Anywhere” or “the Company”) today provides an update on the company’s unaudited 1H22 operating performance¹ and a range of other matters. It also provides updated guidance to the market.

Overview

- Continued growth across all key operating and financial metrics in 1H22
- CEO stepping down and appointment of interim CEO
- Review of status and risks in current initiatives and partnerships
- Board initiatives to drive business improvement
- Updated guidance

1H22 Unaudited Performance Overview

The preliminary results below are in the process of being reviewed by the Company’s auditors. The Company’s Appendix 4D and Interim Report for the six months ended 30 June 2022 (“1H22”) will be released before the end of August.

- Growth continued across key operational metrics in 1H22:
 - Activated Lives growing to 756,000, up 12% on 2H21 and 35% on 1H21
 - Consultations growing to 303,000, up 17% on 2H21 and 68% on 1H21
- Key financial metrics demonstrated progress on the Company’s pathway to profitability:
 - Underlying² revenue growing to £15.4 million³, up 12% on 2H21 and 67% on 1H21
 - Underlying² gross profit margin of 42.9%, up 928bps on 2H21 and 155bps on 1H21
 - Underlying² contribution margin of 22.1%, up 1,040bps on 2H21 and 686bps on 1H21
- Progress was made on initiatives to drive the business to net cash generation:
 - Completion of a restructuring process (costing £1.5 million) removed fixed headcount costs of £6.1 million on an annualised basis, noting that additional resources, including

¹ Figures within the update are prepared in GBP in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 (UK).

² The Company uses underlying results to explain its financial performance. Underlying results are prepared to provide a more comparable indication of the Company’s core business performance by removing the impact of certain items including exceptional items (material and non-recurring). In addition, the Company also measures and presents performance in relation to various other non GAAP measures, such as gross margin, contribution margin and EBITDA. Adjusted results are not intended to replace statutory results. These have been presented to provide users with additional information and analysis of the Group’s underlying performance, consistent with how the Board monitors results.

³ AXA service credits in respect of platform downtime in Feb-22 arose after the Company’s 1Q22 Trading Update had been issued, resulting in a reduction to 1Q22 revenue of £0.1 million.

short-term contractors, are likely to be required to aid the delivery of platform stability (see below) and value accretive development initiatives

- Implementation of working capital initiatives, such as the renegotiation of supplier payment terms
- The benefit of these initiatives was evidenced in 1H22, with a 17% reduction in operating cash outflows against 2H21

Business Update

Following the retirement of Executive Chairman Jonathan Baines, and the appointment of Richard Dammary as independent Chairman in April 2022, a fresh review of the Company's operations was commenced by the Board. This coincided with the end of COVID restrictions in Australia and the UK. This review has been ongoing, and has encompassed all aspects of the business as detailed in this market update.

New Operating Model

In December 2021, the Company announced a new operating model to provide the underlying capability and economics to enable the business to scale over time from c. 50,000 consultations (the current level) to over 100,000 consultations per month. As stated at that time, this will be achieved through moving from a single option of 20-minute virtual GP consultations to the provision of multiple options based on a patient's clinical requirement, including:

- A 15- or 20-minute virtual GP consultation via Health Navigator;
- A 20-minute virtual consultation with an Advanced Nurse Practitioner; and
- "QuickConsult", where a patient completes a questionnaire to be reviewed by a prescribing clinician, resulting in written advice or a prescription without the need for a real time video or phone consultation.

Health Navigator

Health Navigator, which streams patients into either 15 or 20-minute appointments based on health concern, went live in late May 2022. The proportion of patients streamed into 15 or 20-minute consultations is in line with internal expectations, and it has delivered the anticipated improvements to operating margins.

There will be a continuing focus across 2H22 on optimising and embedding this workflow into clinician work practices.

Mixed Clinical Workforce (Advanced Nurse Practitioners)

Mixed Clinical Workforce ("MCW") refers to the addition of Advanced Nurse Practitioners ("ANPs") to the Company's current clinical workforce. Advanced Nurse Practitioners are educated at Masters level in clinical practice and have been assessed as competent in practice. They have the freedom and authority to make autonomous decisions in the assessment, diagnosis and treatment of patients. ANP's are regularly used in this capacity within the UK health system.

MCW is expected to improve the Company's financial performance as it should:

- Provide additional clinical capacity to service more patients, contributing to revenue growth; and
- Improve gross and contribution margins relative to the treatment modalities currently available

This service is currently in development, with the launch to be delayed from its target date of September 2022, pending improvements in the performance of the platform (see below), the finalisation of the required platform development, and robust testing of the workflows. The Company is now targeting go-live in the first quarter of 2023.

Quick Consult

QuickConsult is an online questionnaire-based service for routine and lower acuity presentations, which will allow patients to receive treatment without speaking directly to a clinician. The service initially went live to a small number of customers in mid-May 2022. Subsequently, the Company determined that a number of functional changes were required before the service could be provided to the full customer base. These changes are currently expected to be completed in the first quarter of 2023.

Platform Issues

Through 1H22, the Company has experienced platform performance issues, including instability and some outages as result of legacy technology. This follows the rapid growth of consultation volumes in 2021, together with the development of new features to enhance the service offering for clinicians, AXA and other customers.

These issues have also caused the delay of the Company's Mixed Clinical Workforce proposition (as referenced above), and the integrated virtual and in-person primary care proposition with Nuffield Health (further details in Partnerships Update section below).

The Board has committed additional resources and is supporting management to prioritise remediation and improved testing processes. Additional experienced specialists have been recruited.

Beyond these immediate priorities, the Board believes the Company will need to invest further in its platform to scale up to and beyond c. 100,000 consultations a month. Over time, the Company will need to replace the platform's legacy architecture. The Board will evaluate a range of alternative approaches to deliver this long-term solution. At this time, the Company is unable to provide estimates of the likely costs associated with these longer-term changes.

Clinician Capacity

As has been reported extensively in the UK media in recent months, there is a severe shortage of GPs in the UK⁴ and a crisis in primary care. Competition for clinicians is high, with consistently growing demand and decreasing capacity. The challenge of securing sufficient GP capacity to meet patient demand is ongoing. This is a key driver for the Company's Mixed Clinical Workforce initiative.

In 2021, the Company ran a number of financial incentive programmes as the primary lever to increase clinician capacity. In 1H22, the Company did run some incentive programmes, however, these were more limited in scope as the Company sought to balance growth and profitability.

The Company knows that its clinician capacity is currently insufficient to meet patient demand and believes that it could be conducting significantly more consultations if it could secure additional clinician capacity. However, continuing to use remuneration as the primary lever to achieve this would be to the detriment of operating margins and progress towards net cash generation.

⁴ E.g. "Surgeries struggle as 20,000 GPs plan to quit", *The Times* newspaper, 22 June 2022.

The Board is clear that the Company must continue to improve the overall clinician value proposition by creating a strong community of interest, easing pressures on clinicians through a combination of reduced administration time, enhanced platform functionality, professional development opportunities and having competitive remuneration. Delivering this balanced approach continues to be a key priority for management.

Secondary Care (including diagnostic referrals)

The Company has continued to demonstrate progress with its secondary care proposition, which integrates primary and secondary care through the provision of GP consultations, diagnostic tests and review of such tests by specialist consultants. In 1H22, 14,000 patients completed the pathway, up 17% on 2H21.

However, growth in this proposition has not been in line with internal expectations. Improvement initiatives are underway, including by enhancing the technology platform to streamline the referral process and engaging with the GP workforce to drive greater uptake of the service.

Partnerships Update

Below is an update on each of the Company's key partnerships as previously announced:

AXA Health

The Company continues to increase the number of activated lives across AXA's membership base, leading to increased consultation volumes and throughput to its secondary care proposition.

Under the terms of the Company's agreements with AXA, AXA has a right to receive service credits when the Company's platform availability fails to meet agreed service levels. This occurred 1H22. To support the Company's cashflows, AXA agreed not to enforce these service credits immediately with the Company to direct these funds towards platform stability initiatives and other IT integration projects, to the mutual benefit of AXA and the Company.

Service level breaches are taken very seriously by the Company and its Board, given that persistent breaches of agreed service levels can, in certain circumstances, be considered a material breach of the AXA Master Services Agreement, with AXA ultimately having a right to terminate the agreement.

The Board is committed to taking all necessary steps to improve operations to AXA's satisfaction, with the objective being shared value creation and a successful long-term joint venture partnership.

Nuffield Health

The Company announced in January 2022 that it had entered into full contractual terms with Nuffield Health in relation to the delivery of a digitally-integrated virtual and in-person primary care service. Nuffield Health and the Company have been working together towards the launch of this service. However the Company has recently sought Nuffield Health's agreement to delay this until 2H23 given current platform constraints, as referenced above.

Under the Company's contract with Nuffield Health, contractual penalties are payable for project delays, and these penalties have been provided for in the Company's guidance update. The Company notes that, if the technology development has not been completed by January 2023, Nuffield Health is entitled to terminate the contract. The Company and Nuffield Health are in discussions to agree a pathway forward on these matters.

Boots Ireland

The Company announced in September 2021 that it had expanded its service in the Republic of Ireland through offering a self-pay service in partnership with Boots Ireland, part of the Walgreen Boots Alliance. After a disappointing uptake of the service, the Company took the decision to cease marketing its service via self-pay channels in Ireland.

Allianz Partners

The Company announced in December 2020 that it had signed a new channel agreement with Allianz Partners, which would see it provide services to Allianz Partners' International Private Medical Insurance book across Europe. This agreement remains in place, but the revenue generated from this contract has been below internal expectations, with limited uptake outside of Allianz's members in the UK and Ireland. Driving volume and revenue growth through this channel is not a current priority for the Company given the challenges it is currently facing with clinician capacity.

GP2U

In September 2021, the Company acquired Tasmania-based GP2U, to provide virtual primary care and mental health services. Whilst demand for GP2U's services remain strong, growth has been constrained due to capital prioritisation.

Expressions of Interest

The Board has received several high-level expressions of interest from parties expressing potential interest in the Company. There are no ongoing discussions relating to a takeover or other change of control of the Company, at this time. The Board is acutely conscious that engaging with inbound interest is likely to be time-consuming, distracting for management and resource consumptive. The Board will only entertain such engagement where doing so could justify diverting management's attention from delivering their operating commitments set out above.

Board Initiatives

The Board has initiated a number of actions over the last few months to ensure Doctor Care Anywhere can fulfil its potential as the largest private provider of primary care in the UK, and an important ecosystem partner delivering joined-up primary and secondary, patient-centric care.

These include:

- Leadership review and appointment of experienced Interim Chief Executive;
- Clarifying management's priorities, with resources directed to address immediate platform instability issues, resolve legacy technology issues and enable scaling of the platform to support 100,000 consultations per month and beyond; and
- Engaging directly with the most senior leaders of our commercial partners, especially AXA and Nuffield.

Leadership

As separately announced today, Dr Bayju Thakar has stepped down as Chief Executive and from the Board of the Company with immediate effect.

Mark Taylor, a highly experienced leader, has been engaged as Interim Chief Executive while a search for Dr Thakar's replacement is undertaken.

One of Mr Taylor's first responsibilities will be to support and enhance management capability in key areas, and progress the priority actions that the Board has established with the management team over recent months.

Technology

The Board has supported changes of leadership and the engagement of specialist resources to address the technology issues outlined in this market update.

Once the immediate platform stability issues have been addressed – and progress is underway – the next priority will be to deploy the main projects associated with the Company's New Operating Model. The final priority will be to determine the future architecture, systems and funding requirements needed to support the business when it exceeds 100,000 consultations a month.

Commercial Partner Engagement

The Chairman and individual directors have engaged directly with AXA and Nuffield at senior levels. This high-level dialogue will continue as we work constructively to support our partners' objectives in a sustainable way, with the objective being to deliver a high-quality clinical service through innovation.

Balance Sheet

The Company's current cash reserves are expected to sustain its operations until the first quarter of 2023. The Board will seek to secure additional funding to support the Company's ongoing operations and growth.

Updated Guidance

On 28 February this year, with its preliminary FY21 results announcement, the Company provided market guidance for the year ending December 2022 and into 1H23. The previous guidance is summarized in the table below alongside the Company's updated guidance.

	Feb-22 Guidance	Aug-22 Guidance
FY22 revenue	£35-38 million	£28-31 million
Annualised revenue run rate 1H23 end ⁵	£45-55 million	£44-48 million
Gross margin at 1H23 end ⁶	50-60%	50-55%
Contribution margin at 1H23 end ⁷	35-40%	35-40%
Run-rate EBITDA profitability	By 1H23 end	See below
Funding requirement	Sufficient funds to achieve guidance of run-rate EBITDA profitability by 1H23 end	See below

With the issues noted above, the Board now expects it to take longer than 1H23 for the business to achieve EBITDA profitability. It expects EBITDA losses to reduce as consultation volumes grow and new working practices are rolled out to best support patient needs.

This revised market guidance is based on a number of key assumptions and dependencies, as outlined in detail in this market update. To summarise:

- Ongoing demand from the Company's patient base for its services
- New leadership, and the necessary key people in the business to deliver the operating plan over the coming twelve months
- Continued relationships with the Company's key partners, especially AXA
- Stability of the technology platform by no later than December 2022
- Continued growth in the integrated secondary care pathway, growing from its current level of c.10% of eligible patients to c.15% of eligible patients by 1H23 end
- No material changes in the value of diagnostic rebates generated from the Company's integrated secondary care service
- The launch of QuickConsult as outlined above, with c.7% of patients receiving treatment through this service once it has been fully rolled-out
- The launch of the Mixed Clinical Workforce proposition as outlined above, with c.30% of patients receiving treatment through this service once it has been fully rolled-out
- The ability to recruit and retain enough clinicians to meet patient demand, without the need to materially increase rates of pay
- No seasonality-driven increases in demand for GPs in the NHS (e.g. as a result of a bad COVID winter in the UK)
- No material unanticipated increases in non-operating costs.

This update must be read as a whole and is subject to the disclaimer that it:

- Is subject to the assumptions referred to above and, if any of those assumptions are not met, actual results may differ from this guidance;
- Is not a prediction or guarantee of future performance; and

⁵ Annualised revenue run rate 1H23 end means June 2023 revenue multiplied by 12

⁶ Gross margin at 1H23 end means the gross margin in June 2023

⁷ Contribution margin at 1H23 end means contribution margin in the month of June 2023

- Involves known and unknown risks, uncertainties and other factors which are beyond the Company's control, and which may cause actual results to differ from this guidance.

The Company is not liable for the accuracy and/or correctness of this information and any differences between the guidance and actual outcomes.

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

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Investor Webcast

Investors are invited to join a webcast presentation at **8:15am on Wednesday 24 August 2022**, hosted by Chairman Richard Dammary, Audit & Risk Management Committee Chairman John Stier and CFO Dan Curran.

Investors who wish to attend can register using the following link:

https://us02web.zoom.us/webinar/register/WN_eyJkwvDDTm-1MiNjqzqPzg

About Doctor Care Anywhere:

Doctor Care Anywhere Group PLC is the UK's largest private provider of telehealth services. The Company works with insurers, healthcare providers and corporate customers to connect patients to a range of digitally-enabled telehealth services on its proprietary platform. It is committed to delivering the best possible patient experience and clinical care through digitally enabled, joined up, evidence-based pathways on its proprietary platform. Doctor Care Anywhere utilises its relationships with health insurers, healthcare providers and corporate customers to connect with patients to deliver a range of telehealth services.

Forward looking statements

This announcement contains forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "forecasts", "guidance" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, and the directors and management of the Company. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.