

ASX RELEASE

VECTION ACHIEVES 79% FY20 CASH RECEIPTS GROWTH DURING CHALLENGING COVID-19 ENVIRONMENT

Real-time software company Vection Technologies Ltd (**ASX:VR1**) (**Vection Technologies** or the **Company**) is pleased to update the market on its activities for the quarter ended June 2020.

Highlights:

- **Vection Technologies delivers record yearly growth of ~79% in cash receipt for the 12 months ended 30 June 2020**
- **Continued growth during the second half of FY20 over the previous year's corresponding period (PCP) despite COVID-19 lockdowns**
- **+97% average FY20 quarterly PCP cash receipts growth**
- **Cash balance of ~\$1.6M at 30 June 2020**
- **Strong performance delivered during the challenging COVID-19 environment**
- **Vection Technologies is operationally and commercially well positioned for the next 6 months, aligned with its overarching growth strategy**
- **The Company is focused on recurring revenue generation for stronger ARR metrics**

Quarter Overview:

Vection Technologies has delivered a solid quarter despite the challenging COVID-19 environment, closing the financial year with a +79% increase in cash receipts over FY19.

During the quarter, the Company successfully completed the all-scrip acquisition of Mindesk, the developer of the first Software as a Service (**SaaS**) real-time 3D design platform that combines Computer Aided Design (**CAD**) with Virtual Reality (**VR**) and graphic engines.

Furthermore, the Company successfully progressed its overarching strategy aligned with its three stated building blocks:

- **Technology**, with the launch of multiple SaaS products and releases (Trainer Creator, Mindesk Suite 2020.1 and the FrameS Events module).
- **Partnerships**, with the expansion of the strategic partner network including Bi-Rex and acceleration of existing partnerships.
- **Growth**, with a strengthened global distribution network now counting 46 partners, and new significant software subscribers including Giorgio Armani S.p.A.

while performing a significant organisational restructuring aligned with the Company's strong focus on recurring revenue generation with the appointment of key professionals focussed on SaaS distribution.

Vection Technologies Ltd (ASX:VR1) ACN: 614 814 041



3D


VIRTUAL
REALITY

AUGMENTED
REALITY

INDUSTRIAL
IoT


CAD

Asia Pacific

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Phone: +618 6380 2555

Europe

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Italy

North America

Address: 785 Market Street, #600
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Media Enquiries

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Company Quarterly Financial Overview:

At 30 June 2020, the Company retains total cash at bank of ~\$1.6M. This strong financial position enables Vection Technologies to continue its strategic core-business operations, research and development activities and its strong progression toward sustained recurring revenue generation activities.

Quarterly cash receipts from sales activities of ~\$577k (Q4 FY19: \$484k) demonstrate the Company's ability to achieve sustained growth during this challenging COVID-19 environment, in particular in the European market. Full FY20 receipts from customers of ~\$2.8M represent an increase of ~79% over the full FY19 period (FY19: ~\$1.6M).

The challenging COVID-19 environment has delayed multiple contracts in strategic industries, which the Company reasonably expects to be achieved in the coming months. Mindesk results are partial considering the acquisition occurred on 29 April 2020.

During the quarter, the Company successfully progressed its Smart Capital Strategy and, specifically:

- R&D Fiscal Credit: ~\$300k in fiscal credits to be offset against a multitude of periodical fiscal obligations. (completed)
- European Commission Grant: ~\$0.5M non-refundable grant disbursed on a working-progress basis over a period of 24 months from the end of October 2020. (completed)
- Commercial Loans: ~\$0.6M with ~44 months weighted average repayment period and ~4.4% weighted average interest rate per annum. (completed)
- Italian Government Loan: up to ~\$2M with 30% non-repayable and 70% repayable after 10 years at nil interest. The Company has received in-principal acceptance and is now finalising documentation. (pending)
- Strategic unsecured rolling facility: up to ~\$0.4M proposed to be expanded as the Company progresses its commercial strategy and platform adoption. The facility advances funds to the Company upon the issue of invoices to clients, based on requirements. (ongoing)

The aggregate amount of payments to related parties and their associates included in the current quarter cash flows from operating activities totalled ~\$100k. These payments consisted of Directors' fees and salaries paid to directors. All payments were on normal commercial terms.

Furthermore, the Company incurred one-off legal and advisory costs related to the acquisition of Mindesk that have impacted the quarterly underlying results.



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Outlook:

During the following 6 months, Vection Technologies will continue its strong proactive commercial and operational activities to ensure continuity of its growth objectives for all stakeholders, underpinned by its three stated building blocks (technology, partnerships and growth), and, in particular:

- Strong focus on advancing the Company's solutions across the healthcare, education and automotive sectors and entry into new verticals including the defence industry.
- Strong acceleration of recurring revenue sales initiatives aligned with the Company's goal to achieve 50% Annualised Recurring Revenue (**ARR**) by June 2022.
- Accelerating the North American and Australian market development.
- Continued growth in the European market segment.
- Executing commercial partnerships with existing and new Tier-1 global technology companies.
- Focus on development of the existing technology suite, with renewed emphasis on cloud and LAN collaboration.
- Integration of Mindesk suite with leading CAD and BIM software.
- Launching new products and third-parties software integrations towards the stated objective of building a 360° product suite.
- Further expanding and consolidating the global sales infrastructure and footprint to further advance the global client outreach.
- Finalisation of smart capital initiatives and pursue of continued growth from a position of financial strength.

Gianmarco Biagi, Managing Director of Vection Technologies, commented:

"Vection Technologies' strong commercial strategy has enabled the Company to grow during the COVID-19 environment. We have remained committed to the shifting requirements of our customers supporting them during this uncertain time while working remotely, and have achieved our growth goals for the full FY20 year.

COVID-19 has marked a paradigm shift for businesses globally, setting the grounds for strong acceleration of digitalisation aligned with Industry 4.0, positioning the Company in the front seat for future growth and the achievement of our future goals."

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ENDS

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CAD

About Vection Technologies:

Vection Technologies Ltd (ASX:VR1) is a multinational software company that focuses on real-time technologies for industrial companies' digital transformation.

Through a combination of our 3D, Virtual Reality, Augmented Reality, Industrial IoT and CAD solutions, Vection Technologies helps companies and organisations to innovate, collaborate and create value.

For more information please visit the Company's websites:

vection.com.au

mindeskvr.com

ASX release authorised by the Board of Directors of Vection Technologies Ltd.



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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

VECTION TECHNOLOGIES LIMITED

ABN

93 614 814 041

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	577	2,788
1.2 Payments for		
(a) research and development	(60)	(60)
(b) product manufacturing and operating costs	(76)	(1,088)
(c) advertising and marketing	(18)	(109)
(d) leased assets	(58)	(137)
(e) staff costs	(336)	(1,269)
(f) administration and corporate costs	(317)	(1,487)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	37	37
1.5 Interest and other costs of finance paid	(18)	(30)
1.6 Income taxes paid	(6)	(6)
1.7 Government grants and tax incentives	-	182
1.8 Other (provide details if material)	(5)	(7)
1.9 Net cash from / (used in) operating activities	(280)	(1,186)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(20)	(20)
(d) investments	-	(64)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	1	1
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Cash acquired from acquisition of Mindesk Inc	1,153	1,153
2.6	Net cash from / (used in) investing activities	1,134	1,070

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	641	1,487
3.6	Repayment of borrowings	(178)	(503)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	463	984

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	350	797
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(280)	(1,186)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,134	1,070

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	463	984
4.5	Effect of movement in exchange rates on cash held	(69)	(67)
4.6	Cash and cash equivalents at end of period	1,598	1,598

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,598	350
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,598	350

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

100

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1,050	984
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,050	984

7.5 Unused financing facilities available at quarter end

66

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

~\$0.4M invoice financing facility: ~3.8% interest payable on balance advanced, the facility is unsecured and proposed to be expanded as the Company progresses its commercial strategy and platform adoption.
~\$0.6M Commercial loans: ~4.4% average weighted interest per annum and ~44 months average weighted repayment period.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(280)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,598
8.3 Unused finance facilities available at quarter end (Item 7.5)	66
8.4 Total available funding (Item 8.2 + Item 8.3)	1,664
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.9

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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.

24 July 2020

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.