

**ASX RELEASE**

# VECTION CONTINUES SECOND HALF MOMENTUM

## VECTION ACHIEVES ~300% GROWTH IN SECOND HALF CLIENT ORDERS

Real-time software company Vection Technologies Ltd (**ASX:VR1**) (**Vection Technologies, Vection** or the **Company**) is pleased to update the market on its activities for the quarter ended March 2021.

**Highlights:**

- ~300% increase in second half clients orders to date to ~\$2.1M (First half revenue \$740k)
- Second half clients include Volkswagen, Trenitalia, Olivetti TIM Group, Unopiù, CompuGroup Medical (CGM), DELL Platinum and OEM Partner, JMC Group, the Chinese University of Hong Kong and Armani, among others
- Launch of Vection Healthcare & Pharma vertical and strong advancement on overarching building blocks
- Pandemic-led extended E.U. client payment terms resulting in ~\$1M in debtors at quarter end, not represented in the quarterly cash receipts
- Strong cash balance of ~\$6.1M enables the Company to pursue its growth objectives and aggressive M&A strategy from a position of strength
- Strong focus on the Digital Transformation (DX) trend, also supported by the ~\$1.2 trillion NextGen European Recovery plan, including \$51 billion for DX in Italy and ~\$230 billion across Europe
- Investor call to be held on Tuesday 4 May 2021 at 12pm AEST

**Overview:**

Vection Technologies has achieved a ~300% increase in client orders (to ~\$2.1M) in the second half of the financial year compared to first half revenue of ~\$740k, confirming the validity of the Company's strategy during this uncertain time.

The strong signs for growth signalled to the market earlier this calendar year continue with a robust pipeline of commercial opportunities reinforcing the growth projections for the remainder of FY21 and leading into FY22.

Second half of financial year clients orders include, among others:

- **Volkswagen:** a leading global automotive manufacturer.
- **Trenitalia:** one of the leading railway operators in Europe and the primary train operator in Italy, and a subsidiary of Ferrovie dello Stato Italiane S.p.A., owned by the Italian government.
- **Olivetti:** IoT Digital Farm of TIM Group (BIT:TIT), leading telecommunications operator in Europe.
- **Unopiù:** luxury furniture manufacturer.
- **CompuGroup Medical (CGM):** leading global eHealth company.
- **JMC Group:** an end-to-end DELL Platinum and OEM Partner specialising in client, OEM and industrial solutions in all its verticals
- **The Chinese University of Hong Kong:** a top Hong Kong university.
- **Giorgio Armani SpA:** an Italian luxury fashion house.



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During the quarter, the Company significantly advanced its overarching strategy, including the delivery of strong order-book growth, aligned with its three building blocks:

- **Technology**, with:
  - The continued development of the native integration of the Mindesk software with Autodesk Revit. Autodesk is the leading CAD/BIM company with 11 million active users in the AEC industry.
  - The continued development of the latest release of the FrameS software, the XR platform for sales, marketing and presentations, including a breakthrough 3D interface introducing the collaborative “3D powerpoint” and video calling features.
  - The continued development of the Trainer Creator software, introducing a strong portfolio of new features unlocking significant benefits for training, maintenance and collaboration workflows.
  - The development of 3D web technology for the Company’s real-time 3D configurator, delivering unrivalled visual quality via web for real-time product configuration in the sales & marketing market segment.
  - The development of Healthcare specific features for training, pre-op analysis as part of the ongoing public hospitals trials.
  - The launch of an innovative Augmented and Mixed reality (**XR**) interface for Computer Aided Design (**CAD**) software released with the latest Mindesk Suite 2021, during the most influential tech event in the world, the CES® 2021, introducing the integration of Microsoft Hololens 2, Varjo XR1 and Varjo XR3. (ASX: 11 January 2021)
- **Partnerships**, with significant commercial and technological advancements of the agreements with:
  - **Trenitalia**, one of the leading railway operators in Europe and the primary train operator in Italy, and a subsidiary of Ferrovie dello Stato Italiane S.p.A., owned by the Italian government.
  - **Olivetti**, the fully owned IoT Digital Farm of TIM Group (BIT:TIT), leading telecommunications operator in Italy.
  - End-to-end DELL Platinum and OEM Partner, **JMC Group Srl** (JMC Group).
  - **Luiss Business School** - the creator of the Italian Model for Risk Management in Healthcare (Healthcare Model), representing the doorway to the B2G sector for the Company.
  - The execution of an Original Equipment Manufacturer (OEM) agreement with multinational technology company **HP Inc** (HP), with first client sales.
  - **Cisco Italy**, to integrate Cisco’s collaboration platforms with Vection’s real-time XR technologies.
- **Growth**, with:
  - The launch of the Healthcare & Pharma Solutions division to develop unique and highly innovative educational and communication models in the healthcare, pharmaceutical, biotechnological, medical devices, and nutraceutical market segments through the vertical integration of Vection’s current core technology stack with a strong team of professionals led by Dr Carlo Centemeri, a leading healthcare and pharma executive with senior experience in BASF, Knoll Pharmaceuticals, Abbott Laboratories, Bristol-Myers Squibb and AstraZeneca. (ASX: 11 March 2021)
  - Strong advancement of the Company’s XR technology trial within the public hospital sector.
  - Strengthened North American sales team and global distribution network, with over 50 partners globally.



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## Company Quarterly Financial Overview:

Despite continued challenging pandemic-led economic conditions in Europe, resulting in extended client payment terms leading to a ~\$1M debtor balance at the end of the March quarter, cash receipts have continued in trend with previous quarters with total cash inflows of ~\$600k.

A robust cash balance of ~\$6.1M (31 December 2021: \$7.1M) continues to provide a strong base to pursue the aggressive 2021 growth strategy, including the delivery of well-executed M&A activities.

During the quarter the Company progressed significantly its investments in multiple areas, including the expansion of its software development teams across its three global development centres, with the addition of key strategic senior personnel and the expansion in its North American activities and sales team: key investment activities towards the Company's global expansion and verticalization strategy, which have already resulted in a significant increase in client orders.

Total quarterly cash inflows of ~\$600k, including clients receipts of ~\$0.3M and \$0.3M from advances on invoices via the Company's commercial bank facilities, demonstrate the Company's ability to manage its cash flows amid a continued challenging business environment and extended client payments terms. (Q2 FY21 Cash Receipt from customers: ~\$0.4M)

The general, pandemic-led, market uncertainty resulting in contracts delays during the previous quarters is gradually improving with significant pipeline growth during the second half of the financial year, delivering further confidence to management on the delivery of continued growth during the remainder of FY21 and leading into FY22.

The aggregate amount of payments to related parties and their associates included in the current quarter cash flows from operating activities totalled ~\$143k. These payments consisted of Directors' fees and salaries paid to directors. All payments were on normal commercial terms.

## Outlook:

Following the launch of the Company's verticalization strategy, resulting in increased commercial opportunities (overview contained in the Company's operational update presentation, released separately to the market), Vection is focusing on:

- Aggressive continued growth of order generation resulting in robust increased growth, with particular attention to the Business to Government (**B2G**) sector;
- Continued focus on the development of breakthrough technologies to support the Company's global commercial activities;
- Key appointment of seasoned executives to pursue vertical specific strategies;
- Expanded sales and delivery teams in Australia, the E.U, and North America leading into FY22;
- Aggressive M&A activities in the E.U. and North America, following the acquisition of leading Australian Arch. Viz. studio, Blank Canvas (ASX: 27 April 2021), marking the second milestone in the Company's Verticalization Strategy;

underpinned by a Company-wide focus on global Digital Transformation (**DX**) activities, also supported by a **~\$1.2 trillion European-wide digital transformation effort** driven by the NextGen European Recovery Plan, the EU's programme to help repair the immediate economic and social damage brought about by the pandemic, reinforcing the multiannual financial framework for 2021-2027 and expected to come to fruition from December 2021. As part of this plan, **\$51 billion are expected to drive DX in Italy and ~\$230 billion across Europe.**<sup>1</sup>

<sup>1</sup><https://www.idc.com/getdoc.jsp?containerId=prEUR14749182>;

<https://abcnews.go.com/Health/wireStory/italys-draghi-presenting-epochal-virus-recovery-plan-77315004>; €/AUD Exchange rate at 29 April 2021.



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### Investor Presentation and Call:

Vection's management will host a conference call on Tuesday 4 May 2021 at 12pm AEST to discuss the investor presentation (slides to be released separately to the market on Monday 3 May 2021) and to provide an update of the Company's business strategy and financial performance.

Participants must register in advance for the investor call using the following link to receive dial-in details: [https://zoom.us/webinar/register/WN\\_g5cGX5HTTnmXSpWdVVQxWg](https://zoom.us/webinar/register/WN_g5cGX5HTTnmXSpWdVVQxWg)

After registering, you will receive a confirmation email containing information about joining the webinar.

### Gianmarco Biagi, Managing Director of Vection Technologies, commented:

"The second half of the financial year to date has demonstrated the validity of the Company's overarching strategy delivering a strong increase in orders value converting in significant cash inflows growth in the coming months.

Although the macroeconomic environment linked to the pandemic has generated a difficult business environment across all B2B sectors, resulting in significant delays in orders execution and payments from clients, the strong growth signs signalled at the beginning of the calendar year are continuing with a robust positive global pipeline outlook until December of this calendar year.

A larger global footprint, supported by a widened direct sales team, global partner network and an aggressive M&A activity, will enable the Company's growth underpinning our global strategy to establish Vection Technologies as a global technology player with an unrivalled software portfolio in real-time technologies including 3D, VR and AR and within the broader digital transformation (DX) space.

The establishment of Vection Healthcare and Pharma and the acquisition of Blank Canvas during the second half of the current fiscal year have provided the Company with vertical-specific know-how and direct market penetration opportunities within two strategic market segments, the healthcare and pharma, and the AEC and real estate verticals. This strategic approach will enable the Company to create more growth opportunities while also expanding our global sales team and technology portfolio, aligned with the global DX movement (more verticals, more opportunities).

The management team remains fully committed to the global long-term growth strategy, despite the continued global challenging pandemic environment, improving its financial performance, adding seasoned executives and delivering breakthrough technology for our global client base."



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## 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](http://vection.com.au)

[mindeskvr.com](http://mindeskvr.com)

[blankcanvas.studio](http://blankcanvas.studio)

## About the Leading Strategy:

Following the completion of the first two phases of its overarching strategy – namely, Rebuilding (2017-2018) and Transforming (2019-2020) – resulting in the development of its solid core technology stack, the Company has now progressed to the Leading Strategy phase (2021-2023), with "Verticalization" being its first foundational step. The Verticalization approach seeks to significantly expand Vection's footprint in companies' application landscapes, segmenting industrial markets while capturing new business opportunities, protecting market positions and averting competitive threats. As part of this approach, Vection wants to develop highly verticalized extensions to its core technology stack aimed at anchoring its solutions in clients' core processes. The Company will follow a Build / Acquire / Partner strategy where, in each vertical industry, it will analyse the benefits of internally building functionality, working with a partner or acquiring companies.

*ASX release authorised by the Board of Directors of Vection Technologies Ltd. Unless stated otherwise, all values in this release are unaudited.*



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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")**

31 March 21

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	324	1,102
1.2 Payments for		
(a) research and development	(114)	(316)
(b) product manufacturing and operating costs	(60)	(204)
(c) advertising and marketing	(41)	(148)
(d) leased assets	(53)	(189)
(e) staff costs	(350)	(1,201)
(f) administration and corporate costs	(589)	(1,665)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(27)	(66)
1.6 Income taxes paid	(1)	(1)
1.7 Government grants and tax incentives	-	344
1.8 Other (provide details if material)	(6)	(10)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(917)</b>	<b>(2,354)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(1)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	18
	(d) investments	-	-
	(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	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>17</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,104
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	267	682
3.6	Repayment of borrowings	(271)	(769)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(4)</b>	<b>7,017</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	7,095	1,585
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(917)	(2,354)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	17

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4)	7,017
4.5	Effect of movement in exchange rates on cash held	(20)	(111)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6,154</b>	<b>6,154</b>

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	6,154	7,095
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,154</b>	<b>7,095</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	143
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	<b>Financing facilities</b> <i>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.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	1,300	850
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	1,300	850
7.5	<b>Unused financing facilities available at quarter end</b>		450
7.6	<p>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.</p> <p>~\$0.8M 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.</p> <p>~\$0.5M Commercial loans: ~4.4% average weighted interest per annum, ~44 months average weighted repayment period.</p>		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(917)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,154
8.3	Unused finance facilities available at quarter end (item 7.5)	450
8.4	Total available funding (item 8.2 + item 8.3)	6,604
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	7.2
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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	
8.6.2	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	

8.6.3 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

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

### 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.

Date: 30 April 2021

Authorised by: By the Board

### 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.