

ASX RELEASE

VECTION DELIVERS STRONG START TO FY22

SEPTEMBER 2021 QUARTER (Q1 FY22) ACTIVITIES AND CASH FLOW REPORT

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 September 2021 and as of 29 October 2021.

Highlights:

- **172% cash receipts growth, compared to the previous quarter, to ~\$2.8M - aligned with FY22 growth objectives**
- **Strong growth opportunity in FY22 underpinned by a FY22 TCV~\$5M**
- **Strengthened Advisory Board with strategic appointment of Mr Vittorio Terzi (following first appointment of former CIO R&D of Mercedes-Benz, Dr Haasis)**
- **Strategic agreements underway to position the Company for further growth during FY22**
- **Company fully funded to deliver on its growth strategy with \$6.8M of cash at bank**
- **Management to host an investor conference call on 3 November 2021 at 12pm AEDT**

Overview:

Vection has achieved 172% growth in cash receipts to ~\$2.8M for the quarter ended September 2021, compared to the previous quarter (June 2021: ~\$1M), maintaining strong growth momentum aligned with the Company's FY22 growth objectives, further reinforced by ~\$5M in FY22 Total Contract Value (TCV).

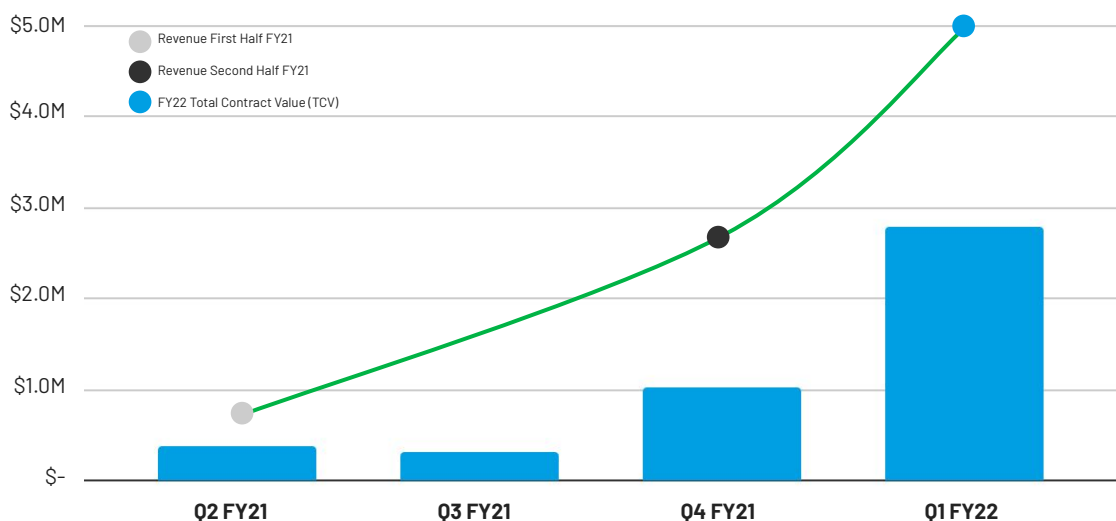


Figure 1: Rolling four quarters cash receipts, audited revenue on a half yearly basis and FY22 TCV.



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1

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TCV Overview:

FY22 Total Contract Value (TCV) has steadily increased during the quarter to ~\$5M. The increase in individual sales to customers was not individually material and are expected to complete with varying dates by the end of December 2021, in addition to subscription and maintenance packages to be invoiced during the current fiscal year with varying payment terms. The Company notes that quarterly cash receipts may vary depending on the solution and/or service provided to the end customer, and any individually material contract award will be separately announced to the market as applicable.

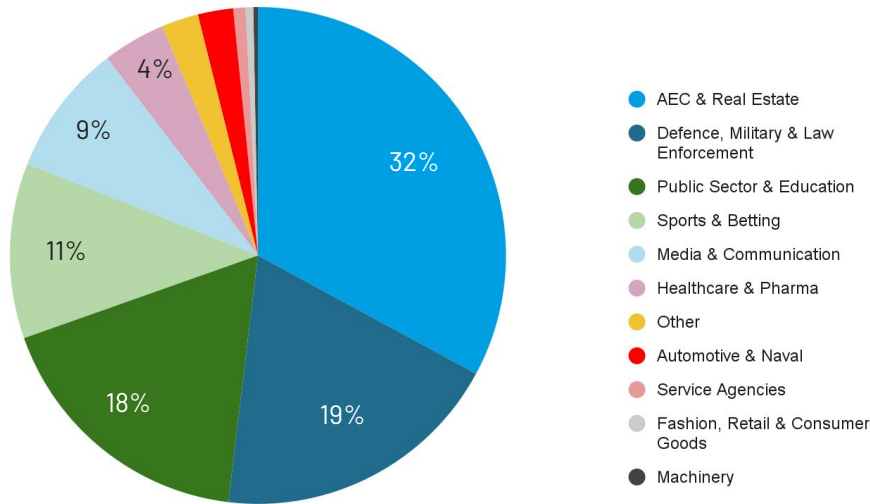


Figure 2: Fiscal Year 2022 TCV by Vertical/Sector (to date).

A strong pipeline of opportunities further underpins the Company's FY22 outlook across its integrated XR, AI and IoT technology suite across diverse industrial sectors/verticals.

The Company looks forward to updating the market on further TCV developments as they

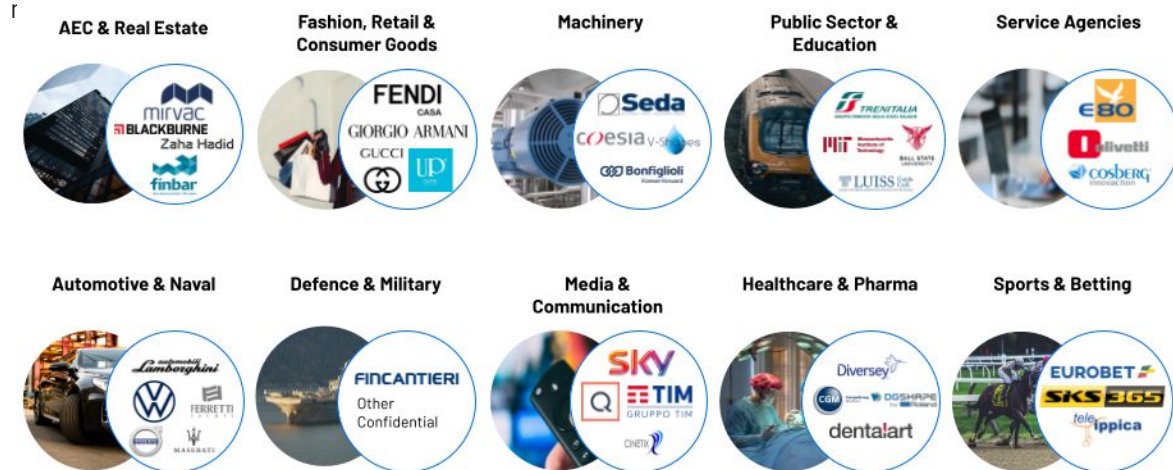


Figure 3: Customer Portfolio (selection)



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Quarterly Activities Overview:

Strategic Focus:

Global Operations:

During the quarter, the Company significantly progressed the integration of JMC Group (ASX: 15 June 2021) within the wider Vection group, restructuring its global management team, administration and sales infrastructure to enable significant cost efficiencies, increased sales opportunities and overall growth outcomes across its European, American and Asia-Pacific geographical divisions.

Advisory Board:

During the quarter, the Company established its Advisory Board to gain a technological advantage in specific verticals, gain wider market recognition and market positioning from a global standpoint and to drive material opportunities and ensure strategy is aligned with required market expectations. As part of this strategic effort, the Company appointed:

- **Dr Siegmar Haasis:** a highly experienced automotive executive with twenty-six years international digitization experience with Daimler/Mercedes-Benz (ASX: 21 July 2021), to assist with the Company's strategy within the global automotive industry.
- **Mr Vittorio Emanuele Terzi:** a renowned global advisor, appointed to assist the Company in its global strategic initiatives to partner with tier-1 consulting, industrial and technological partners focussing on the creation of value for all Vection's stakeholders (ASX: 20 October 2021). Mr Terzi also currently serves as independent director of Banca Generali S.p.A., a bank listed on the Italian bourse with a market capitalization of over \$7 billion.

Vection Technologies is currently seeking to add globally experiences professionals to its advisory board, to strategically position as a global leader in the XR enterprise space.

Vertical Focus:

During the quarter, the Company's verticalization strategy has continued to demonstrate a strong commercial validity, diversifying the TCv metric by industry ([refer to Figure 2](#)) and providing strong opportunities for growth in currently underserved segments, expected to increase during the next quarters. Specifically, Vection has continued to set the foundations for incremental growth within the healthcare & pharma division, media & communication and gain wider market footprint with strategic consultancy partnerships. Further developments of key activities and achievements will be announced as applicable.

Technology Focus:

During the quarter, Vection has significantly progressed its strategic initiatives with technology partners to gain wider market presence and to achieve stronger opportunities for recurring revenue growth. In particular, Vection launched Mindesk for Autodesk Revit (ASX: 1 July 2021) gaining exposure to its ~11m AEC users¹. On 27 October 2021, Vection also announced the launch of its Webex integrated FrameS solution, a 3D collaborative app enabling hybrid workforces and unique 3D workflows directly within the Webex experience, expected for the second half of the 2022 fiscal year.

¹investors.autodesk.com/static-files/56785185-73ca-4b3f-9bb0-80136817c6ac



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- **M&A Update:**

During the quarter, Vection Technologies' management has significantly progressed its strategic initiatives for inorganic growth, identifying multiple opportunities for value accretive acquisitions within the European, American and Asia-Pacific regions. The Company will separately announce any material progression to the market as applicable.

Company Quarterly Financial Overview:

During the quarter ended 30 September 2021, the Company continued its cash receipts growth trend, despite perduring uncertainty across diverse industries/verticals and geographies.

Total quarterly cash receipts from clients for the quarter were ~\$2.8M (Q4 FY21 Cash Receipts from customers: ~\$1.0M).

A robust cash balance of ~\$6.8M (30 June 2021: ~\$7.0M) continues to provide a strong base to pursue the aggressive 2021 growth strategy, including the delivery of well-executed M&A activities.

Business activities expenditure totalled ~\$3.5M for the quarter consisting of operating costs of sales (~\$1.3M), research and development (~\$142k), administration (~\$892) and staff costs (~\$871k) with the balance to advertising and marketing and leased assets (combined ~\$295k).

The Company expects to continue to significantly improve its underlying result in the following quarters as it implements significant efficiencies and grows its cash inflows from operating activities.

The aggregate amount of payments to related parties and their associates included in the current quarter cash flows from operating activities totalled ~\$173k. These payments consisted of Directors' fees and salaries paid to directors. All payments were on normal commercial terms.

Outlook:

In the second quarter of fiscal year 2022, aligned with the previously stated verticalization strategy, Vection Technologies will continue its focus on:

- The **reinforcement of the existing global infrastructure** for the commercialisation of its core technology solutions;
- Continued creation of cross-functional efficiencies, synergies and sales opportunities for its **increasing global presence**;
- Increase its overall sales performance across **EMEA, AMER and APAC**;
- **M&A opportunities** in North America and globally, aligned with its overarching verticalization strategy;
- **Key appointments** of seasoned executives to pursue vertical specific strategies;
- **Expanded sales and delivery teams** in EMEA, AMER and APAC;
- Continued focus on the **development of breakthrough technologies** to support the Company's global commercial activities, within the requirements of Digital Transformation (DX) to support its core technology stack.



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

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Investor Presentation and Call:

Vection's management will host a conference call on 3 November 2021 at 12pm AEDT to discuss the investor presentation (slides released separately to the market) 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://us06web.zoom.us/webinar/register/WN_2oolYMqdRSqgltYOnzNozA

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

Please share your questions in advance to the Company at AUpres@vection.com.au

Gianmarco Biagi, Managing Director of Vection Technologies, commented:

"The integration of the newly established divisions within the broader Vection ecosystem, coupled with organic growth and cross selling, is generating continued quarter on quarter global growth. A stronger and growing FY22 TCv metric enables management to focus on strategic initiatives to support the Company's global strategy during FY22 and in the years to come. Vection's management remain fully aligned with the growth strategy and the interest of all stakeholders."

ENDS

Investor Relations Contact Details:

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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 3D, Virtual Reality, Augmented Reality, Industrial IoT, AI, ICT 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

blankcanvas.studio

jmcgroup.it

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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,786	2,786
1.2 Payments for		
(a) research and development	(142)	(142)
(b) product manufacturing and operating costs	(1,260)	(1,260)
(c) advertising and marketing	(106)	(106)
(d) leased assets	(90)	(90)
(e) staff costs	(871)	(871)
(f) administration and corporate costs	(892)	(892)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(62)	(62)
1.6 Income taxes paid	(10)	(10)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(31)	(31)
1.9 Net cash from / (used in) operating activities	(674)	(674)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	-	-
(c) property, plant and equipment	(5)	(5)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	Cash and cash equivalents acquired from acquisition	-	-
2.6	Net cash from / (used in) investing activities	(5)	(5)

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	805	805
3.6	Repayment of borrowings	(418)	(418)
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	387	387

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,084	7,084
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(674)	(674)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	387	387
4.5	Effect of movement in exchange rates on cash held	22	22
4.6	Cash and cash equivalents at end of period	6,814	6,814

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	6,814	7,084
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details if material)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,814	7,084

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	173
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. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	4,323	3,977
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	4,323	3,977
7.5 Unused financing facilities available at quarter end		346
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.		
<p>Terms of the borrowings:</p> <ul style="list-style-type: none"> • A bank loan by the Company which is unsecured, has a 3 years term with an expiry date of 27 April 2023. The loan has a variable Interest rate of 4.5%. • A fixed-rate bank loan by Vection Italy. The loan has a 6 years term with an expiry date of 19th May 2026. The loan has a fixed Interest rate of 1.25% • A variable rate bank loan by Vection Italy. The loan has a 6 years term with an expiry date of 9th June 2026. The loan has a variable Interest rate of circa 1.75% plus EURIBOR 1m 360. • An Invoice financing facility by Vection Italy. This is a short term liability at an Interest rate of 3.8% • 3 bank loans by JMC Group. The loans have a 6 years terms with expiry date in 2026 and 2027. The loans have a variable Interest rate of 1.4% + EURIBOR 3m 360, 0.45% + EURIBOR 6m 360 and 1.25% + EURIBOR 3m 360. 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(674)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,814
8.3 Unused finance facilities available at quarter end (item 7.5)	346
8.4 Total available funding (item 8.2 + item 8.3)	7,160
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	10.63
<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>	
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: 29 October 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.