

A close-up photograph of a person's eyes, looking directly at the camera. The eyes are a light brown color. The background behind the eyes is a gradient of blue and purple.

VECTION TECHNOLOGIES

Acquisition of Generative Artificial Intelligence (AI) company

29 August 2024

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VECTION TECHNOLOGIES

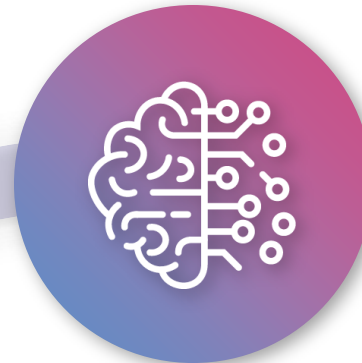


Vection Technologies is a technology company that **enhances operational efficiency**, reduces costs, and **supports sustainability ("ESG")** in the B2B sector.



ESG

Originating in XR technology, **Vection Technologies has expanded** to include hardware, **IoT**, and **3D services**. The company is poised for its next growth phase through an acquisition that introduces **AI capabilities**.



AI EXPANSION

This strategic move will enhance Vection Technologies' product offerings with complete **Spatial Computing solutions** powered by the evolved **SmartXR tech stack**, integrating **AI for smarter, scalable applications**.

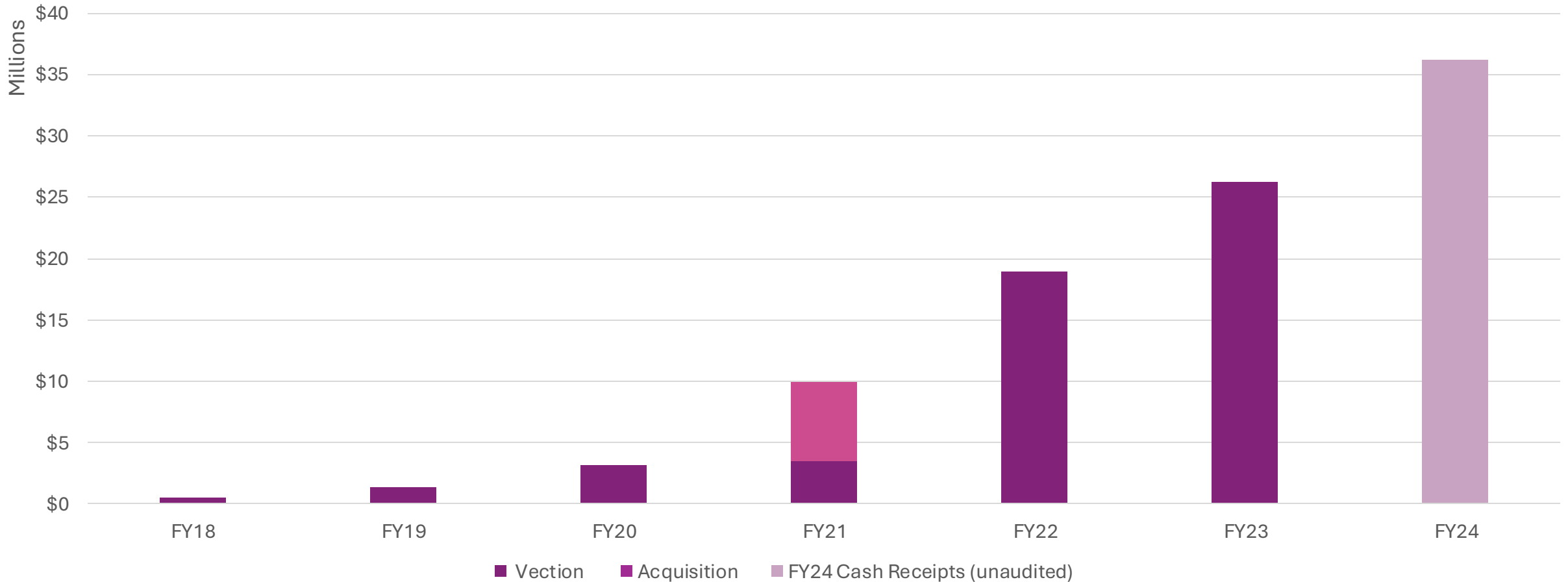


SCALABLE SPATIAL COMPUTING

OUR REVENUE GROWTH



Historical Revenue & FY24 Cash Receipts (unaudited)

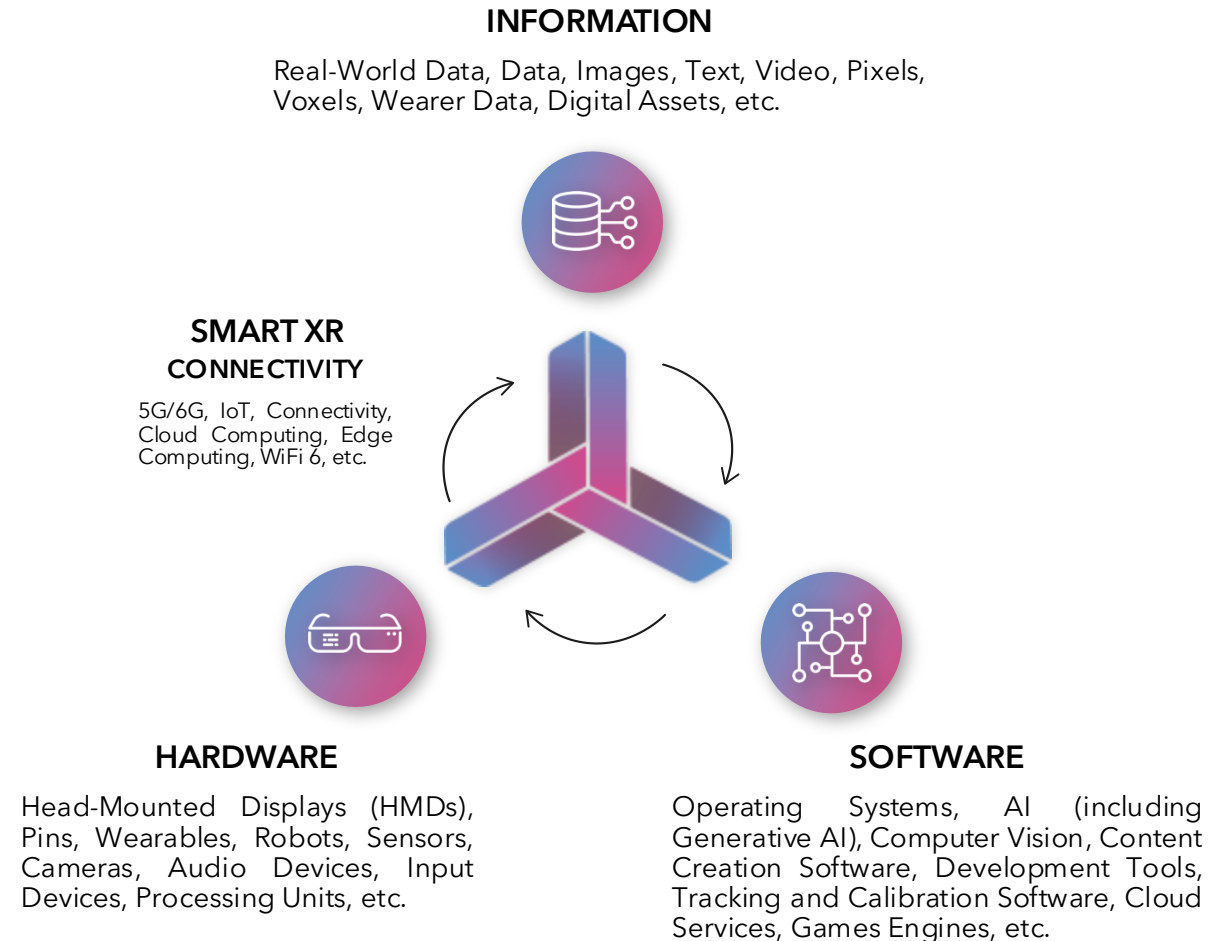


WHY AI AND SPATIAL COMPUTING?

AI and Spatial Computing are pivotal in transforming how businesses interact with digital information and the physical world.

AI enhances our existing XR platforms by enabling intelligent real-time analytics and more personalized user experiences.

Spatial Computing allows for the seamless integration of digital and physical spaces, leading to innovative solutions for complex business challenges.



ACQUISITION OF THE DIGITAL BOX



Proprietary multisensory, **generative artificial intelligence** ("AI") cutting-edge technology.



Market-leading company recognized by Gartner as **one of the top AI Avatar vendors, integrating AI technology** within Vection virtual and augmented reality customer offering.



Established, multi-faceted business with **3,000+ customers and 100+ resellers**.



Former Apple COO, Marco Landi, to join Vection's board, adding significant expertise and credibility.



Adds ~\$10m in revenue and ~\$1m in EBITDA for Vection based on FY24 pro-forma.



Strengthens competitive advantage to **support market growth and opportunities**.

The Digital Box: Acquisition Rationale

Enhancing Human-Machine Interactions

- **Core Vision:** Use AI to improve interactions in various sectors (healthcare, real estate, manufacturing, banking, gaming, and more).
- **Vection's Suite of Technologies:**
 - Not a single product
 - Includes hardware and software solutions
 - Focuses on virtual and augmented reality (VR & AR)
- **Key Features with Acquisition:**
 - AI-powered VR & AR interfaces
 - Facial animation and speech generation
 - Immersive interactions
- **Real-World Example:**
 - Digital human pharmacist
 - Can converse and understand emotions via VR headset or AR glasses
- **Future Vision:**
 - Realistic virtual humans
 - Seamless blend of AI with VR & AR



Vection is building a future where AI and VR/AR transform human-machine interactions.

Potential Opportunities: Health Care & Retail/Fashion

Health Care:

- **Tech Opportunity:** VR+AI global licensing system for doctor and laboratory training; elderly assistance at home; first-level diagnostics 24/7 without language barriers.
- **Market Opportunity:** Healthcare professionals, institutions, and universities globally.
- **Cost-Saving Opportunity:** Leveraging joint human and tech capital to reduce training costs and diagnostic expenses and decrease travel and accommodation expenses for training.



Retail/Fashion:

- **Tech Opportunity:** AI virtual assistant + kiosk for global retail; new e-commerce platforms with AI-driven consumer behaviour analysis.
- **Market Opportunity:** Global retail businesses, including shops, pharmacies, hospitals, schools, and public administrations.
- **Cost-Saving Opportunity:** Utilizing shared AI and XR technologies to reduce staffing costs, enhance inventory management, and optimise marketing strategies.



Potential Opportunities: Space Economy, Gaming & Real Estate

Space Economy & Gaming:

- **Tech Opportunity:** AI-enhanced VR space travel platform; user-created video games in VR with AI support.
- **Market Opportunity:** VR users interested in space travel and gaming.
- **Cost-Saving Opportunity:** Combining AI and XR resources to reduce development costs and create a scalable platform that lowers operational costs.

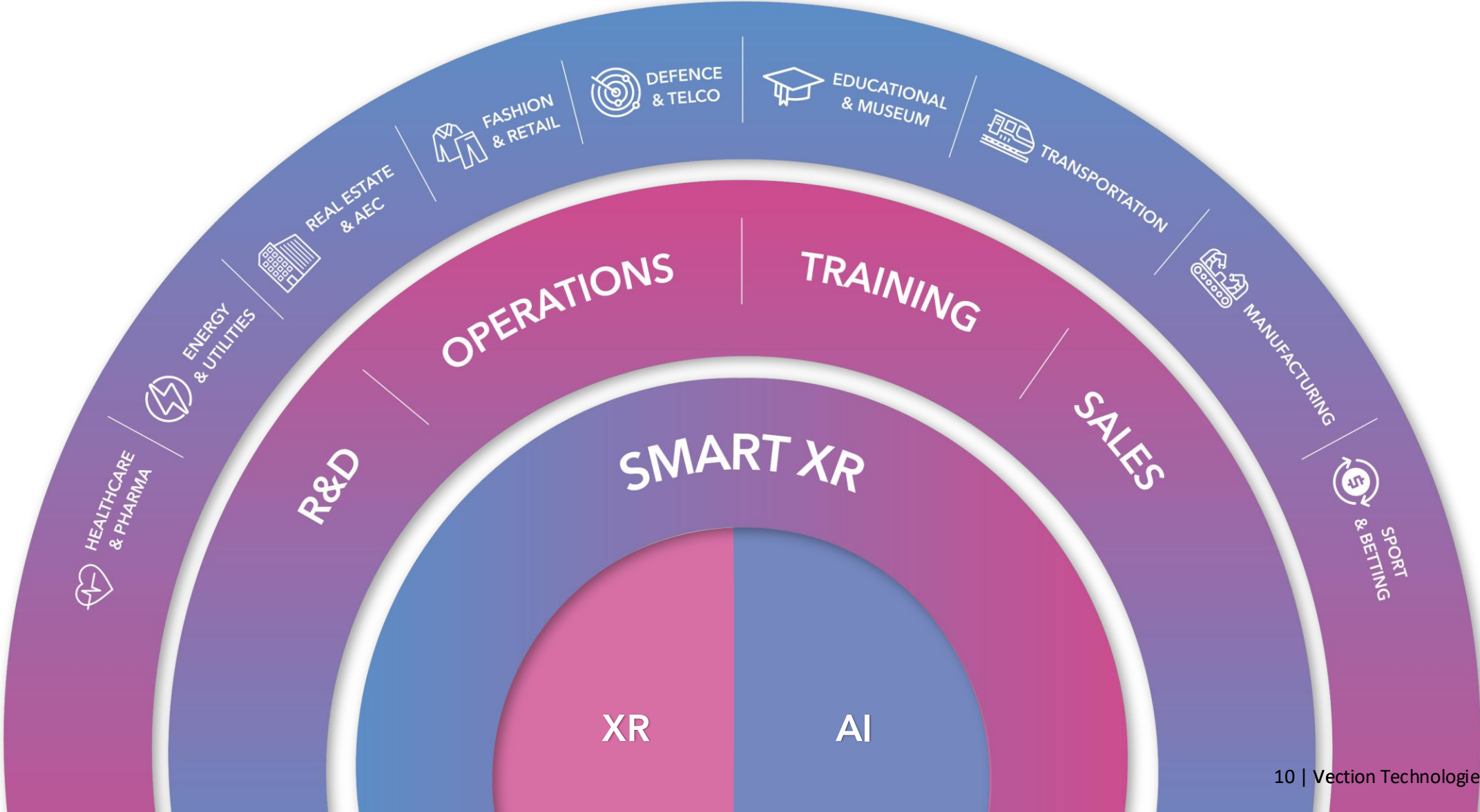


Real Estate:

- **Tech Opportunity:** 24/7 multi-language virtual assistant + kiosk for customer reception; high-performance space sales and training.
- **Revenue & Market Opportunity:** Real estate companies globally.
- **Cost-Saving Opportunity:** Integrating AI and XR technologies to reduce staffing costs, improve customer service and lead management, and enhance training efficiency, thereby lowering turnover.



Empowering a Stronger Ecosystem



Transaction Overview



Transaction

- Vection has entered into an agreement to acquire 100% of The Digital Box Group and its interest in its three subsidiaries (QuestIT 75%, The Digital Box France 100%, The Digital Box Inc 100% and Upmedia).



Transaction Consideration¹

- 157,014,000 VR1 ordinary shares at Settlement
- Up to 54,813,000 VR1 ordinary shares are available, subject to certain financial performance hurdles (revenue, EBITDA, and asset impairment) to be met over the FY25 financial year.



Financial Impact

- The transactions is expected to be underlying EBITDA positive and EBT neutral in FY25, and EBT positive in FY26.
- Addition of \$10.5m in structured long-term debt, expected to be serviced via existing cashflows.



Operating Model

- After completion, the Digital Box's management team will remain a core part of the business.
- Digital Box will operate as a wholly owned subsidiary of Vection while integrating its technology into its portfolio.
- The Digital Box will continue to operate in the market, servicing its current customers while offering the integrated technology suite to accelerate growth and synergies.



Expected Completion Timeline

- Target completion date in Q2 FY25.

¹. Subject to conditions precedent and excluding advisory fees.

About the Digital Box

One of the top AI Avatar Vendors

At a glance:

3,000	Customers
100	Resellers
\$10m	FY24 revenue
\$1m	FY24 EBITDA

Features:

- **Large language models**
- **Sign language** understanding and processing
- **Omnichannel** capabilities
- **Virtual Human** capabilities
- **Emotions** AI detection
- **Voice** cloning
- **100% integrability**

- A European-based, privately owned company founded in 2013 with 100 workforce today.
- Market - leading **natural language processing AI technology** improving business processes (from virtual employees to marketing).
- Existing **integrations with OpenAI** and other open - source libraries.
- Combines **proprietary technology** with an extensive ecosystem of third-party integrations to deliver omnichannel capabilities.
- **SaaS** and service business model.
- Uniquely positioned to **increase adoption of XR technologies** with smart decision-making and conversational AI



The Digital Box introduces critical AI capabilities to Vection

- Multisensory conversational artificial intelligence.
- First Digital Human capable of communicating in Italian Sign Language (LIS).
- No-code platform
- Proprietary technology.
- Empathetic engagement.
- Omnichannel.
- GDPR compliant.



Via the transaction, Vection strengthens its capabilities in AI towards Spatial Computing

SPATIAL COMPUTING ECO SYSTEM:

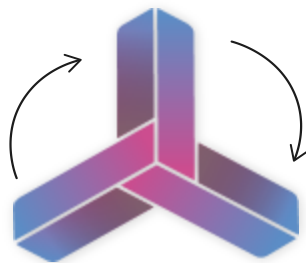
INFORMATION

Real-World Data, Data, Images, Text, Video, Pixels, Voxels, Wearer Data, Digital Assets, etc.



SMART XR CONNECTIVITY

5G/6G, IoT, Connectivity, Cloud Computing, Edge Computing, WiFi 6, etc.



HARDWARE

Head-Mounted Displays (HMDs), Pins, Wearables, Robots, Sensors, Cameras, Audio Devices, Input Devices, Processing Units, etc.



SOFTWARE

Operating Systems, AI (including Generative AI), Computer Vision, Content Creation Software, Development Tools, Tracking and Calibration Software, Cloud Services, Games Engines, etc.

- **AI and Spatial Computing** are pivotal in transforming how businesses interact with digital information and the physical world.
- AI enhances Vection's existing **XR platforms** by enabling intelligent real-time analytics and more personalised user experiences.
- Spatial Computing allows for the **seamless integration of digital and physical spaces**, leading to innovative solutions for complex business challenges.

Via the transaction, Vection Technologies broadens its customer portfolio



EDGE

Blackburne



FINCANTIERI



Walgreens

FERRERO

Coca-Cola



DIESEL



ETH zürich



ARUP

MBDA



STAFF JEANS & Co.

NEXT



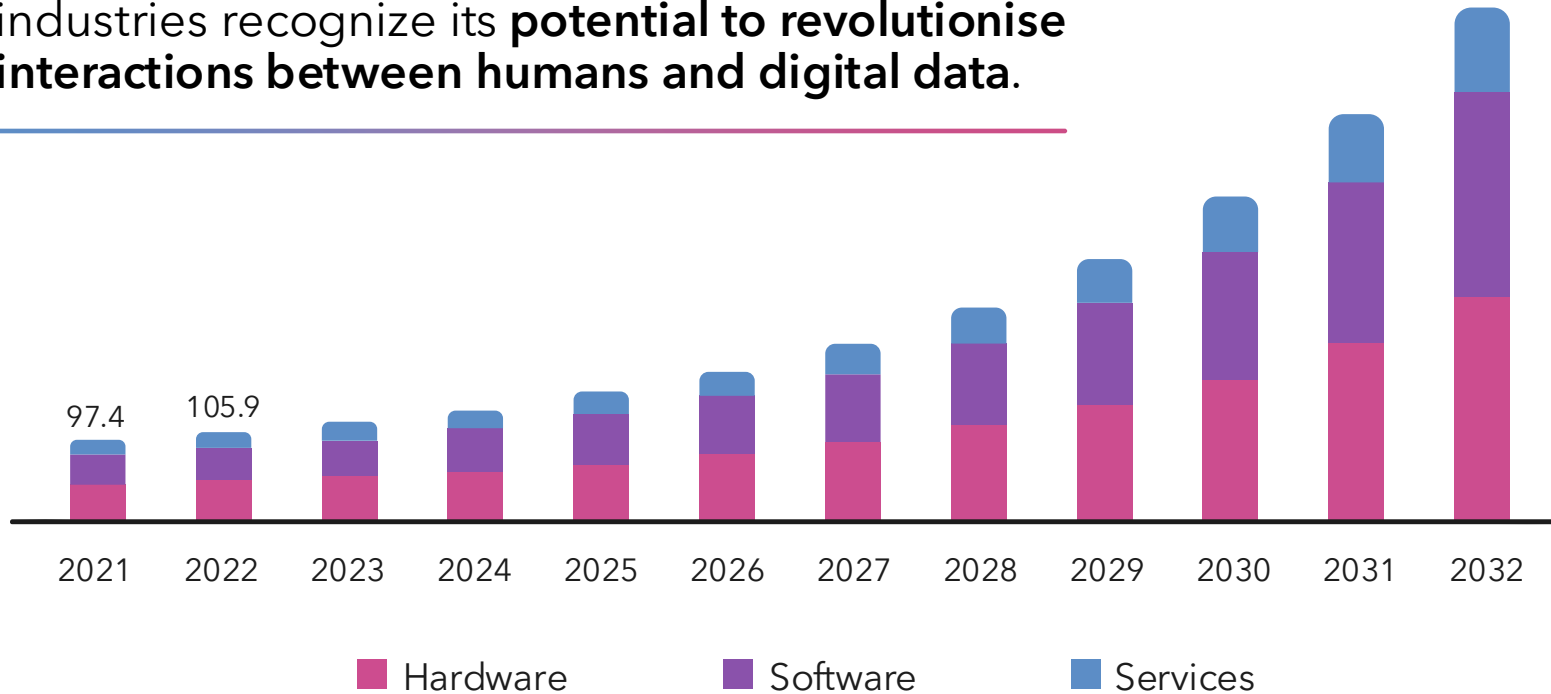
SHAHI



Via the transaction, Vection Technologies strengthens its capabilities in high growing industry



Spatial Computing is rapidly growing as industries recognize its **potential to revolutionise interactions between humans and digital data.**



Spatial Computing Market Size, by component, 2021-2032 (USD Billion)

GLOBAL STATISTICS

Market Value (2022) **\$ 105.9 BN**
 CAGR (2023-2032) **> 19 %**
 Market Value (2023) **\$ 560.9 BN**

SEGMENT VALUATION

Hardware segment Market Share (2022) **45 %**
 Augmented Reality (AR) segment Market Share (2022) **40 %**

REGIONAL ANALYSIS



North America Market Share (2022) **> 30 %**

Corporate Structure

	#
VR1 Shares on Issue	1,126,588,969
Transaction Settlement Scrip	157,014,000
Placement (Issue Price of \$0.01)	200,000,000
Consolidated	1,483,602,969
Pro-forma Market Capitalisation	A\$14.84M

Other securities:

- VR1AA : PERFORMANCE RIGHTS: 85,295,612
- VR1AN : OPTION EXPIRING 03-DEC-2024 EX \$0.25: 32,500,000
- TRANSACTION PERFORMANCE RIGHTS: 54,813,000
- PLACEMENT ATTACHING LISTED OPTIONS 3-YR EX \$0.018: 200,000,000

¹ Including transaction fees.

The Digital Box Acquisition in Summary

- Highly technological **complementary business** with **proprietary AI**.
- Transaction to accelerate evolution of **human to machine interaction via AI**-powered virtual human interfaces.
- **Strengthens Vection's** solutions portfolio, aiming to deliver revenue synergies.
- **Complements Vection's** solutions for end-to-end spatial computing offering.
- Increases' virtual and augmented reality adoption via **smart interfaces**.
- **Former Apple COO**, Marco Landi, addition to Vection's board, **adds significant expertise and credibility**.

Financial Summary

157m shares in upfront consideration.

Up to a further 54.8m shares over 1 year.

Financial Impacts

FY25: EBITDA positive and EBT neutral.

FY26: EBITDA positive and EBT positive.

Forecast Financials Breakdown (Notes)

- **Projected Upsell on Existing Clients of Vection with TDB's AI Technology:**

Vection is anticipated to implement an upsell strategy, targeting its existing client base with the advanced AI technology developed by TDB. This initiative is expected to increase revenue from clients adopting enhanced AI solutions.

- **Expected Cross-Sell of Vection Technologies on TDB:**

The company projects that the cross-selling of Vection's diverse technological solutions on TDB's platform will lead to an increase in sales. This synergy between Vection and TDB is expected to expand the customer base and enhance the overall product offering.

- **Anticipated reduction in COGS and Operating Costs Growth:**

It is anticipated that both the Cost of Goods Sold (COGS) and operating costs will not grow at the same rate as revenue. This is primarily due to the expected expansion of offerings to clients, which includes more long-term solutions with fewer implementation fees. As adoption of these solutions becomes established, the costs associated with initial implementation are projected to decrease.

- **Stable Costs through Utilisation of Existing Departments:**

Vection plans to leverage its existing departments, such as marketing and administration, to maintain stable costs. The efficient use of these established resources is expected to allow the company to manage its expenses effectively despite the expanded offerings.

- **Long-Term Structured Debt for Stable Finance Costs:**

The use of long-term structured debt is expected to enable Vection to maintain relatively stable finance costs over the next two years. This strategic financial management aims to support the Company's growth initiatives without significant fluctuations in financing expenses.

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