

ASX RELEASE

VECTION CONTINUES MOMENTUM AND TCV GROWTH

VECTION ACHIEVES 215% QoQ CASH RECEIPTS GROWTH

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 June 2021 and as of 30 July 2021.

Highlights:

- **215% cash receipts growth, compared to the previous quarter, to ~\$1M**
- **Continued strong growth in the month of July 2021, with ~\$1M in cash receipts booked across the Company's divisions (30 June 21 debtors: ~\$3.1M)**
- **FY22 TCV~\$1.8M further validates the Company's Verticalization strategy and FY22 growth opportunity**
- **During the quarter, Vection assumed control of Blank Canvas and JMC Group via M&A activities, and operationally launched its Healthcare & Pharma division**
- **Company strategically positioned to drive unparalleled DX adoption globally with a strong enterprise solutions suite in VR, AR, 3D, Cloud Computing, AI, IoT and ICT technologies**
- **More than 100+ people globally servicing the European, American and Australian market**
- **Advisory Board established with Dr Haasis, former CIO of Mercedes-Benz, as its first member to drive growth in the automotive sector**
- **Company fully funded to deliver on its growth strategy with \$6.3M of cash at bank**
- **Management to host an investor conference call on 4 August 2021 at 12pm AEST**

Overview:

Vection has achieved a 215% growth in cash receipts to ~\$1M for the quarter ended June 2021, compared to the previous quarter (March 2021: ~\$0.3M), re-aligning the Company to its pre-pandemic growth trajectory, further reinforced by ~\$1M in cash receipts received in the period 1 July to 30 July 2021 and ~\$3.1M in debtors at the end of June 2021.

~\$1.8M in FY22 Total Contract Value (**TCV**) at 30 July 2021 further demonstrates the validity of the Company's Verticalization Strategy, announced on 28 February 2021, aimed at expanding Vection's footprint in companies' application landscapes, segmenting industrial markets while capturing new business opportunities, protecting market positions and averting competitive threats.

During the quarter, the Company assumed control of Blank Canvas (ASX:27 April 2021) and JMC Group (ASX:15 June, 30 July 2021) in order to leverage and expand its core technology portfolio across specific industrial sectors (verticals) and geographically expand in the APAC and EMEA regions.

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

Asia Pacific

Address: 642 Newcastle Street,
Leederville WA 6007
Phone: +618 6380 2555

Europe

Address: Via Isonzo 61
40033 Casalecchio di Reno (BO),
Italy

North America

Address: 785 Market Street, #600
San Francisco CA 94103
USA

Media Enquiries

AUpres@vection.com.au
EUpres@vection.com.au



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The Company is today strategically positioned to drive unparalleled Digital Transformation (DX) adoption across companies operating in a multitude of industrial sectors and geographies via:

- Strong enterprise solutions suite in Virtual Reality (VR), Augmented Reality (AR), 3D, Cloud Computing, Artificial Intelligence (AI), Internet of Things (IoT) and Information and Communications (ICT) technologies;
- A global direct presence within the EMEA, AMER and APAC regions; and
- Over 100 people globally.

TCV Sales Update :

Vection has commenced FY22 strongly, securing ~\$1.8M in FY22 Total Contract Value (TCV) across multiple sectors. The Company addresses the **AEC & Real Estate - Fashion, Retail & Consumer Goods - Machinery - Public Sector & Education - Service Agencies - Automotive & Naval - Defence & Military - Media & Communication - Healthcare & Pharma - Sports & Betting** verticals.



Figure 1: Customer Portfolio (selection)

Quarterly Activities Overview:

During the Quarter and up to 30 July 2021, the Company advanced its overarching strategy across its multiple divisions/markets, significantly expanding its growth opportunity for FY22. In particular:

- **AEC & Real Estate Division:**
 - Established in April 2021 via the acquisition of Blank Canvas, it seeks to evolve its leading architectural visualisation offering beyond traditional 3D rendering services into transformative XR products and experiences. (ASX:15 April 2021)
 - Positive feedback from property developers and architectural firms, with first VR sales within the APAC region. (ASX:18 May 2021)
 - Launch of Mindesk for Autodesk Revit, the major player in the BIM market, with a market coverage of about 70% and ~11m AEC users. The commercial launch of the Mindesk Suite 2022 is expected for late Q3 2021, with current and new Mindesk subscribers to have immediate access to Mindesk Suite 2022 preview. (ASX: 1 July 2021)
 - Vertical's FY22 TCV growth to \$1.3M (ASX:26 July 2021).



- **Healthcare & Pharma:**
 - Established in March 2021 by joining forces 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:11,19 March 2021)
 - Completion of the first milestone as part of its public hospital trial, via a solution to enable surgeons to visualise in their field of view (hand-free), in AR, all the data necessary for the surgery, including diagnostic images, surgery checklist, endoscopic video-feed, and more. (ASX: 21 September 2020)
 - First sales to clients including Swedish Orphan Biovitrum (SOBI), an international biopharmaceutical company dedicated to treatments in the areas of haematology, immunology, rare diseases, and Covid-19 drugs. (ASX:28 July 2021)
- **European Expansion:**
 - Acquisition of JMC, a European based technology company and DELL Platinum and OEM partner, designing, developing, and delivering high-level integrated business technology solutions for Industry 4.0, underpinned by a strong knowledge in Virtual Reality and Augmented Reality (**XR**), Internet of Things (**IoT**), Artificial Intelligence (**AI**) and Information and Communication Technology (**ICT**). This acquisition is expected to accelerate Vection's expansion within the Europe, Middle East and Africa (**EMEA**) region while further integrating its XR portfolio with IoT, AI and ICT towards a 360° product suite for Industry 4.0. JMC's strong growth history is expected to provide a more robust foundation for the combined group as it grows within the EMEA region. (ASX:15 June, 30 July 2021)
- **Key Appointments:**
 - Establishment of Vection's Advisory Board with the appointment of its first member, highly experienced automotive executive, Dr Siegmund Haasis, former CIO R&D of Mercedes-Benz

Further developments of key activities and achievements will be announced as applicable.

Company Quarterly Financial Overview:

The quarter ended 30 June 2021 continued to present perduring uncertainty across diverse industries/verticals and geographies, resulting in contract delays and extended payment terms. However, the strategy implemented by the Company, as announced early 2021, has presented early positive results leading to ~\$1.5M in total quarterly cash inflows, including client receipts of ~\$1M and ~\$0.5M from advances on invoices via the Company's commercial bank facilities. (Q3 FY21 Cash Receipts from customers: ~\$0.3M).

A robust cash balance of ~\$6.3M (31 March 2021: ~\$6.2M) continues to provide a strong base to pursue the aggressive 2021 growth strategy, including the delivery of well-executed M&A activities. The increase, compared to the previous period, is attributable to the cash received via M&A activities conducted during the period.

Business activities expenditure totalled \$2.34M for the quarter consisting of operating costs of sale (\$1.02M), research and development (\$140k), administration (\$553k) and staff costs (\$451k) with the balance to advertising and marketing and leased assets (combined \$176k).



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EUpress@vection.com.au

During the quarter, the Company gained control of two companies via M&A activities, Blank Canvas (26 April 2021) and JMC Group (31 May 2021) and operationally launched its Healthcare & Pharma vertical (ASX: 11, 19 March 2021). The Company expects 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 cashflows from operating activities totalled ~\$113k. These payments consisted of Directors' fees and salaries paid to directors. All payments were on normal commercial terms.

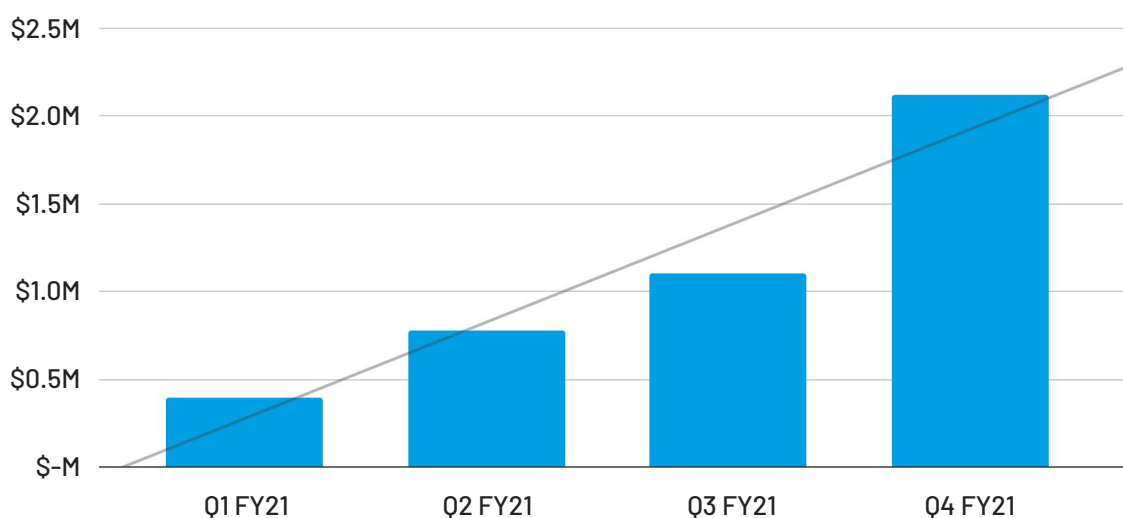


Figure 2: Quarterly Cumulative Cash Receipts from Customers

Outlook:

In 1H FY22, following the launch of its Verticalization strategy, resulted in the establishment of Vection Healthcare & Pharma, and the acquisition of Blank Canvas and JMC Group, the Company is focussing 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;



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.¹

Investor Presentation and Call:

Vection's management will host a conference call on 4 August 2021 at 12pm AEST 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_Bh7MI-PeS_CBa83g0h_5HA

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 June 2021 quarter has signalled early signs of growth, which we expect to continue during the next months supported by a growing FY22 TCV metric. As the newly established divisions are increasingly integrated within the broader Vection ecosystem, we expect to drive further growth opportunities within our core real-time technologies proposition. Vection's management remain fully aligned with the growth strategy and the interest of all stakeholders."

Investor Relations Contact Details:

Gianmarco Biagi - Managing Director (Europe Based)

Email: gianmarco.biagi@vection.com.au

Phone: +39 051 0142248

Gianmarco Orgnoni - Director and COO (Australia Based)

Email: gianmarco.orgnoni@vection.com.au

Phone: +61 8 6380 2555

¹<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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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

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 June 21

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	1,021	2,123
1.2 Payments for		
(a) research and development	(140)	(457)
(b) product manufacturing and operating costs	(1,023)	(1,227)
(c) advertising and marketing	(75)	(223)
(d) leased assets	(101)	(290)
(e) staff costs	(451)	(1,652)
(f) administration and corporate costs	(553)	(2,218)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(31)	(97)
1.6 Income taxes paid	-	(1)
1.7 Government grants and tax incentives	12	356
1.8 Other (provide details if material)	24	14
1.9 Net cash from / (used in) operating activities	(1,317)	(3,671)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(250)	(250)
(b) businesses	-	-
(c) property, plant and equipment	-	(1)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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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	-	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	Cash and cash equivalents acquired from acquisition	1,710	1,710
2.6	Net cash from / (used in) investing activities	1,460	1,477

3.	Cash flows from financing activities		
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	429	1,111
3.6	Repayment of borrowings	(446)	(1,215)
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	(17)	7,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,154	1,585
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,317)	(3,671)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,460	1,477

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

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)	(17)	7,000
4.5	Effect of movement in exchange rates on cash held	32	(79)
4.6	Cash and cash equivalents at end of period	6,312	6,312

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	6,312	6,154
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)	6,312	6,154

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	113
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 <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	4,625	4,438
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	4,625	4,438
7.5 Unused financing facilities available at quarter end		188
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>~\$0.9M invoice financing facility: facility is unsecured, at commercial rates, and proposed to be expanded as the Company progresses its commercial strategy across the European market.</p> <p>~\$3.7M long term financial debts with financial institutions, at commercial interest rates and various repayment terms to 2027.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,317)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,312
8.3 Unused finance facilities available at quarter end (item 7.5)	188
8.4 Total available funding (item 8.2 + item 8.3)	6,500
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.0
<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	
<i>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.</i>	

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 July 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.