

Seeing Machines Limited

16 January 2019

Half year trading update

Seeing Machines Limited (AIM: SEE, "Seeing Machines" or the "Group"), the advanced computer vision technology company that designs AI-powered operator monitoring systems to improve transport safety, publishes a trading update for the six months to 31 December 2018 ("H1 2019").

The Group is expecting to report revenue for H1 2019 of A\$13.5m (H1 2018: A\$14.6m), which is in line with the Board's revised projections following the review of the Fleet business completed in September 2018.

The Board's expectation for FY2019 revenue to be approximately in line with FY2018 remains unchanged.

Ken Kroeger, CEO at Seeing Machines, said:

"The momentum towards mandatory implementation of advanced safety systems in all new models of vehicles around the world has continued to build over the last three months of 2018 and we have seen an increasing interest in our driver monitoring system (DMS) capabilities across all our transport sectors."

"The transformation of our Fleet business is making good progress as we hone our direct sales focus on profitable geographic markets and industry categories. We are leveraging our channel partners to grow the Guardian footprint, focusing on accelerating installation rates to commence service delivery (24/7 monitoring), which remains independently profitable."

"We had a series of productive automotive OEM and Tier 1 meetings at CES in Las Vegas last week. More generally, our positive outlook on the DMS market globally was supported by the significant emphasis and prioritisation at CES of semi-autonomous Level 2 and Level 3 driving technology, whilst the introduction of fully driverless vehicles at Level 4 and Level 5 is now anticipated to be much further away than the industry had predicted. We continue to focus on further strengthening our engineering capability and optimising quality management to meet the expected growth in demand for DMS."

Divisional review

Automotive

The compelling opportunity in Automotive continues to build as Europe and North America both move towards mandatory driver monitoring for cars, vans, trucks and buses. As a result, global demand for camera-based driver monitoring technology is set for continued growth, and industry commentators* anticipate that more than 60% of all light vehicles produced globally will include driver monitoring DMS by 2025. The Board expects to achieve a significant share of this market given the limited competition in DMS technology, the quality of Seeing Machines' technology, our established market position and the formal agreements in place with leading Tier 1 suppliers.

The Group has invested significantly in building further capacity over the past 12 months and has hired more than 40 engineers. These additional resources have de-risked delivery on existing automotive OEM programs, which represent projected revenue of A\$138 million based on OEM forecasted volumes (between 2019 and 2026 with the majority of that revenue to be recognised between 2021 and 2024), and will accommodate the ongoing growth in demand, based on expected near-term program awards.

The Group's five existing automotive programs are on track and at varying stages of development. Seeing Machines' second major OEM program (Germany) has successfully progressed past the production sample phase and is currently on track for a production launch within the next 14 months. The third OEM program (Germany) is moving through the second sample stage software development and promises a volume launch in mid-2021. The fourth (North America) and fifth OEM (China) programs



are both successfully progressing towards second sample stage of FOVIO chip solution, with first production orders expected within the next 12 months.

In addition, Seeing Machines continues to respond to RFQs (request for quote) across North America, Europe and Asia, with a number of the Group's submissions being presented via multiple Tier 1 partners. Seeing Machines is currently engaged in six submitted proposals (representing total additional revenue potential of approximately A\$140 million) with OEM sourcing decisions on the majority of these programs anticipated before the end of FY2019. The Group expects to be active in an additional three to four market RFQs to be issued within the current fiscal half. One of these opportunities is with an existing awarded Tier 1 and OEM to expand Seeing Machines' DMS offering to nine additional vehicle models with start of production in 2021.

Seeing Machines has recently finalised an additional collaboration agreement with one of the largest global Tier 1 automotive parts suppliers, paving the way for more in-depth technology sharing and collaboration toward additional OEM design wins, and demonstrating continued, successful growth of Tier 1 collaborations across the industry.

Guardian BdMS (Backup-driver Monitoring System), the Group's specially designed retro-fitted solution for test fleet semi-autonomous and autonomous vehicles, is currently in active pilots with some of the world's leading autonomous technology developers in the US, and it is expected that these opportunities will crystallise in 2019.

Aviation

In recent months, the Aviation division has entered commercial deals, both of which are world first, with customers including the Royal Australian Air Force, L3 Training Solutions for a major Australian airline to deliver the Group's eye tracking technology to improve training across the industry.

The Board expects these engagements to continue in number and to grow in size as the aviation industry embraces technology to enhance pilot training to better measure, tailor and advance programs that will enable it to cope with expected increases in aviation fleets and subsequent global travel.

Fleet

Following an in-depth review, the Group has established a new leadership team and set in place actions that it believes will stabilise the business in the current financial year and lay a strong foundation for growth and profitability in the medium term.

The short-term focus has been on cost reduction, primarily through the closure of the North American business development and operations teams. This will also help facilitate a greater focus on higher-value potential markets such as UK and Europe, Australasia and Latin America.

The sales effort has been better aligned to ensure improved service and deeper penetration into both the direct and distributor channels. As at 31 December 2018, the Fleet business now has nine well established distribution partnerships across Australia, Asia, Africa, Middle East and Latin America.

Seeing Machines will continue to deal directly with large, global transport and logistics accounts where it has a proven track record delivering its cutting-edge Guardian technology and market-leading service for the safety of drivers and passengers. Some of the more recent examples in this field include customers such as First Group (leading transport operator in UK and North America), major energy operator Total, and Tengizchevroil (TCO), a Chevron company.

Installation rates of the Group's Gen 2 product were impacted in the first half by delays in product availability owing to recent manufacturing issues which temporarily affected the performance of the FOVIO platform technology, now integrated into Guardian. Seeing Machines has worked closely with its manufacturing partners to resolve these issues and expects to be able to satisfy all existing orders and meet continued strong demand in the remainder of the financial year. Discussions with the Group's manufacturing partners are ongoing and are aimed at streamlining ongoing distribution, service and support and improving and optimising the manufacturing arrangements of Guardian hardware.

Customer feedback and user experience will be integral in informing changes implemented to reduce production cost and enhance hardware performance.

The Group will retain the growing subscription SaaS (Software as a Service) delivery model, via its 24/7 Guardian Centre in Tucson, Arizona. This services business is profitable on a stand-alone basis and provides a regular and repeatable annuity style income stream going forward. Improvement of installation rates within customer fleets is a key focus in order to speed up delivery of services via 24/7 monitoring and fast-track profitability of individual deals.

Mining and Rail

Seeing Machines continues to grow its long-standing strategic partnership with Caterpillar and Progress Rail. The Group is currently discussing the consolidation of existing contractual arrangements to simplify product offerings and allow Seeing Machines to provide focused sales and marketing technical support to this established partner.

It is the Board's intention that, in the longer term, any consolidated agreement will provide next generation ruggedized hardware for Rail and Mining operators and Caterpillar-specific semi-rugged truck technology and will also allow Seeing Machines to further expand its Guardian installed base across additional fields of use beyond global rail and mining markets.

Board and operational management

During the last six months, a number of key appointments were made to strengthen Seeing Machines' Board and management capabilities and to address the challenges of today's environment and position the Group to allow it to realise the potential of its unique market position moving forward.

Board changes include the appointment of Jack Boyer OBE as Chairman, Kate Hill as Non-executive Director and Luke Oxenham as Finance Director. Within the senior management team, Ryan Murphy joined as Chief Operating Officer and Paul McGlone was appointed General Manager of Fleet.

The Group expects to publish its half year results in March 2019.

(*Source: Semicast Research)

Enquiries:

Seeing Machines Limited www.seeingmachines.com Ken Kroeger – CEO Sophie Nicoll – VP, Marketing & Communications	+61 2 6103 4700
Cenkos Securities plc (Nominated Adviser and Joint Broker) Neil McDonald/Beth McKiernan/Pete Lynch	+44 131 220 6939
Canaccord Genuity Limited (Joint Broker) Simon Bridges/Richard Andrews	+44 20 7523 8000
Instinctif Partners Adrian Duffield/Kay Larsen/Chantal Woolcock	+44 20 7427 1412

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

About Seeing Machines - www.seeingmachines.com



Seeing Machines (LSE: SEE), a global company headquartered in Australia, is an industry leader in computer vision technologies which enable machines to see, understand and assist people. The Company's machine learning vision platform has the know-how to deliver real-time identification and understanding of drivers through Artificial Intelligence (AI) analysis of heads, faces and eyes. This insight enables Driver Monitoring Systems (DMS), which monitor driver/operator identification and attention and can detect drowsiness and distraction across multiple transport sectors.

Seeing Machines develops DMS for the Automotive, Commercial Fleet, Aviation, Rail and Off-Road markets. The Company has offices in Australia, USA, Europe and Asia, and delivers multi-platform solutions to industry leaders in each vertical.

DMS is becoming a core safety technology integrated into ADAS offerings for the automotive industry, particularly with the development of semi-autonomous and self-driving cars. DMS is also increasingly seen to be an integral safety feature across the Commercial Transport & Logistics industry globally.