

23 September 2019

Seeing Machines Limited

Year End Results

[Seeing Machines](#) Limited (AIM: SEE) (“**Seeing Machines**” or the “**Company**”), the leading provider of AI-enabled driver monitoring technology for improved transport safety, has published its audited financial results for the year ended 30 June 2019 (“**FY2019**” or “**the period**”).

Operational Highlights:

- Further validation of Seeing Machines’ Driver Monitoring System (DMS) technology with two new Automotive OEM program awards, one in China and one in North America, both to be delivered via the FOVIO Chip.
- Expanded Automotive program awards confirmed with two existing large Automotive OEM customers, one in North America and, post-period, one in Germany.
- European Parliament voted to mandate driver monitoring technology in all cars, vans, trucks and buses, adding weight to direction from the European New Car Assessment Program (NCAP) which has confirmed it will mandate driver monitoring technology, among other features, to incorporate additional safety features in new cars, starting from 2022.
- Guardian is connected to over 16,000 vehicles globally and, further to the divisional review and subsequent changes, is set to deliver scale benefits to the Company from 2020 with improvements in direct costs, hardware simplification and efficiencies in its delivery of monitoring services.
- The Aviation Division launched its Crew Training System (CTS) using the Company’s eye-tracking technology, and successfully completed two commercial deals to install CTS into Full Flight Simulators for the Royal Australian Air Force and L3 Harris Training Solutions.
- The Guardian Backup-driver Monitoring System was launched to the market and is now being installed into the autonomous fleet of one of the world’s leading self-driving car companies based in North America.

Financial Highlights:

- Revenue increased 4% to A\$31.9m (2018: A\$30.7m)
- Guardian revenue (A\$13.7) for FY19 more than doubled from H1 FY19 (A\$4.2m) to H2 FY19 (A\$9.5m)
-
- Gross Profit increased 246% to A\$18.7m (2018: A\$7.6m)
- Annualised Recurring Revenue of A\$12 million at 30 June 2019
- Total contracted revenue for the Automotive business of approximately A\$200m, with the majority to be recognised in the 2021-2024 period based on projected lifetime OEM volumes
- Completed A\$58.1m (£31.57m) equity placing and open offer in April 2019
- Cash (including term deposits) at 30 June 2019 of A\$64.3m (2018: A\$42.8m)

Strategic Highlights:

- Seeing Machines' strategic focus is on leveraging the value of its expansive Intellectual Property (IP) asset. The Company is now in advanced discussions across a range of transport sectors regarding exclusive licensing arrangements with the aim of expediting mass-market deployment in strategic markets, through industry-leading partnerships.
- Costs associated with the manufacture of Guardian hardware have been closely reviewed and, with the support of Seeing Machines' supply chain partner, the Company expects to deliver a material reduction in costs which will significantly improve the gross profit of Guardian hardware sales. The outcomes of these discussions are expected to be agreed before the end of Q2 FY2020.
- Seeing Machines signed an extended exclusive Agreement with long-standing mining customer, Caterpillar Inc. on 19 August 2019. The Agreement is extended for a further five years and outlines proposal for further development of the Company's IP into the Guardian and mining product (Driver Safety System) to co-develop next generation technology to enhance customer experience. The Agreement has also redefined exclusive Fields of Use for Caterpillar and has opened up a range of Fields now accessible directly by Seeing Machines and its channel and distribution partners.
- Seeing Machines has appointed Naomi Rule as CFO who will commence with the Company on 1 October 2019 as a member of the senior management team reporting to the CEO. Naomi has a strong track record of transforming finance operations and teams and is an experienced CFO.
 - Naomi has worked in Europe, US and Asia with exposure to global and large corporations.
 - Her most recent role was CFO at Blue Sky Alternative Investments (ASX:BLA) where she was engaged to conduct an investigation into the business' financial function and provide the CEO and Board with a comprehensive analysis and transformation roadmap to repair legacy issues and conduct a business turnaround.
 - Prior to this Naomi has held a range of senior finance and operational roles across a range of businesses.
 - Naomi is currently a non-executive director of the 100% Project, an organisation influencing workplace cultures on gender equality in leadership and providing solutions for sustainable change.

Outlook:

- FY2020 Company revenue is expected to be in the range A\$45 to A\$50m, reflecting an increase of over 40% on FY2019
- Connected Guardian units are expected to be in the range 27,000 to 30,000 units by 30 June 2020, reflecting 68% growth on FY2019
- Annualised Recurring Revenue as at 30 June 2020 expected to be in the range of A\$18m to A\$20m, representing growth of 50% on FY2019.

Paul McGlone, CEO of Seeing Machines commented: *"We are very pleased with progress in the business. We have worked hard internally and with our external partners to optimise work processes, minimise costs and seek out new opportunities, which will ensure we turn many years of hard work into value for shareholders.*

"I am delighted to welcome Naomi to the team and I'm confident she will add significant value to the management team. I am optimistic about 2020 and beyond as we harness the growing opportunities for our driver monitoring technology across very engaged transport sectors and bring the advanced discussions

around IP licensing to life, which will underpin our ability to meet the ongoing and growing demands of our customers.”

Enquiries:

Seeing Machines Limited **+61 2 6103 4700**
Paul McGlone – CEO
Sophie Nicoll – SVP, Corporate Communications

Cenkos Securities plc (Nominated Adviser and Broker) **+44 131 220 6939**
Neil McDonald
Pete Lynch

Antenna Group for Seeing Machines (Media Enquiries)

SeeingMachines@antennagroup.com

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.

Seeing Machines has also published its Director's Report on its website. See here: <https://www.seeingmachines.com/investors/financial-reports/>

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 and is set to become a regulatory requirement for all cars, vans, trucks and buses in Europe from 2022, with the rest of the world expected to follow soon after.

Review of Operations

Financial Results

The Company's total sales revenue from continuing operations for the financial year (excluding foreign exchange gains and finance income) was A\$31.9m compared to the 2018 revenue of A\$30.7m.

Product	FY19	FY18	Variance
	\$'000	\$'000	%
Automotive	9,416	8,084	16
Offroad	7,067	3,725	90
Fleet	13,714	17,218	(20)
Aviation	304	189	61
Scientific Advances	1,387	1,500	(8)
Sales Revenue	31,888	30,716	4

Total sales revenue was A\$31.9m, a moderate increase of 4% year-on-year (2018: A\$30.7m) as projected by the Board at the end of the first half of FY2019. Given production and supply chain constraints with the

Company's Fleet product, Guardian, this result is pleasing. Revenue momentum accelerated through the second half of the year with Fleet revenue in H2 increasing by over 300% on H1 results to A\$13.7m (H1: A\$4.2m). Gross profit increased from A\$7.6m in FY2018 to A\$18.7m this year, principally attributable to a greater proportion of total sales revenue being generated by the Automotive and Offroad business segments, which have lower cost of sales and therefore higher gross margins. Fleet margin also improved year-on-year due to the high-margin fleet monitoring Monthly Recurring Revenue ("MRR") from its growing connected customer base.

Automotive sales continue to increase moderately year on year, due to non-recurring engineering payments for newly awarded business and as pre-production technology samples are delivered to customers. Automotive revenue is expected to dramatically increase over the period between 2021 to 2026 where Original Equipment Manufacturers ("OEMs") will start mass production on vehicles under existing Driver Monitoring System ("DMS") awards. As we are now working with an increasing number of automotive Tier 1 customers globally and are actively engaged on programs with six OEMs in North America, Europe and China, we are considered the leader in DMS technology for automotive applications. We are also continuing to develop significant opportunities with global market leaders in the Aviation and Offroad segments.

Revenue from Scientific Advances in FY19 totalled A\$1.4m (2018: A\$1.5m) and represented revenue from research project grants funded by the Australian Government, including the Advanced Safe Truck Concept ("ASTC") program in collaboration with leading fleet operators and OEMs and the CAN-Drive semi-autonomous driving program. This amount has decreased as both programs are in their final stages and due for completion in the 2019 calendar year.

Finance income was A\$0.8m in FY2019, up from A\$0.5m in FY2018. This was due to increased interest revenue on financed Fleet Guardian sales.

Research and development expenses rose from A\$20.2m to A\$35.9m due to increased investment in our capability and resources to commercialise our technology in our global target industries: Automotive, Offroad, Fleet and Aviation. This resulted in increased R&D (mainly staff costs), marketing, facility and corporate services costs. Included in the R&D staff costs is an amount of A\$9.1m which represents the non-cash amortisation of a one off grant of performance rights to certain founders and key engineering staff who have played a critical role in the development of the Group to its current position.

This investment meant the Company made a net loss from continuing operations of A\$41.8m for the FY19 financial year, compared to A\$36.0m for the previous year.

Cash and cash equivalents at 30 June 2019 totalled A\$54.8m (2018: A\$42.8m).

In April 2019, Seeing Machines completed a £27.77m (approx A\$51.3m)(gross) equity placing and an open offer to raise a further £3.8m (approx A\$6.9m) to continue its investment into the Company's driver monitoring platform which will underpin successful execution on existing awarded programs as well as accelerate the development and scale its infrastructure and global footprint in order to meet sustained customer demand for its leading edge Driver Monitoring Systems ("DMS") solutions and maintain its leadership position.

Operational Highlights

The pleasing results, exceeding market expectations in the 2018-19 Financial Year, were underpinned by four program awards in the Automotive business, improved Fleet performance with a significant focus on strategy reset and cost minimisation, inaugural commercial deals for Aviation and a meaningful equity fundraising to underpin ongoing and strategic technology advancement for the Company.

Seeing Machines now boasts over 2.7 billion kilometres of naturalistic driving data, due to its extensive list of Guardian customers globally. This unrivalled data set is critical to the Human Factors research and development and provides the platform from which the Seeing Machines automotive grade driver monitoring technology has been developed and refined. This real world, on road data enables Seeing Machines to offer market leading driver monitoring technology based on highly comprehensive and meaningful information.

The Seeing Machines executive has evolved with confirmed CEO Paul McGlone and management team, a refreshed Board of Directors and Kate Hill recently confirmed as Chair – in place to steer the Company as it leverages the increasing momentum across its focused transportation sectors of Fleet, Automotive, Aviation and Offroad.

Under new leadership, the value of Seeing Machines' Intellectual Property (IP) has been closely examined and ways to better leverage this significant asset across transport sectors and with key customers is now a strategic focus for the Company.

Automotive

Seeing Machines' market position as leader in DMS technology has been further validated by two program awards confirmed with new automotive OEM customers as well as two expanded programs with existing OEM customers (one of the latter awarded post period end) throughout the year. These awards signify the growing adoption of camera-based DMS as trends continue and global regulatory bodies point to mandated technology within the coming years, starting from 2022.

The Company announced its fifth Automotive program award in July 2018, working with a major Tier 1 partner to deliver its FOVIO DMS technology, via its FOVIO Chip, to a Chinese OEM, with mass production scheduled from late 2019. Its sixth OEM program for DMS technology was awarded in February 2019, again via FOVIO Chip for a North American OEM, with production expected to begin in late 2020.

Two expansion programs with existing OEMs were subsequently confirmed, one with a North American customer for additional models to be manufactured from 2020, and one, post period, with an existing German OEM customer for a new generation of DMS technology, targeting requirements yet to be set by Euro NCAP, the European New Car Assessment Program, further indicating OEM acknowledgement of regulatory pressure.

Seeing Machines now boasts nine ongoing programs across six OEM customers and remains in a strong position to support the technology evolution across the automotive industry with safety technology that forms a key part of the Advanced Driver Assistance System (ADAS), leveraging its FOVIO driver monitoring platform.

Projected automotive revenue from this booked business to be recognised from 2019 to 2026 is in the range of US\$170m based on initial models included in the corresponding agreements.

Finally, the Automotive division launched its Guardian Backup-driver Monitoring System (Guardian BdMS) during the year and signed a A\$2.2 million contract with one of the world's leading self-driving car companies, based in North America. Guardian BdMS leverages Seeing Machines' automotive-grade FOVIO driver monitoring technology in a retrofit system for semi- and fully- automated vehicles. It is designed to help the backup driver in autonomous driving stay alert, aware and ready to take control of the driving task as necessary.

Fleet

The Company's Fleet product, Guardian, is now connected to over 16,000 vehicles globally with continued demand expanding across its direct, distributor and channel based networks.

A divisional review of Fleet has resulted in improved direct costs, hardware simplification and cost reduction, as well as efficiencies in monitoring services. Fleet is now on track to deliver scale benefits to the Company from 2020 onwards with renewed focus on installation rates and accelerated generation of recurring monthly revenues. Revenue from monthly services has, over the past 3 years, increased by more than 330% and is now generating over 50% gross margin, a great contributor to the overall Guardian result.

Seeing Machines has largely transitioned its business to distributor and channel sales, working closely with its partners across ten countries. A small number of flagship multi-national accounts are still managed directly. These accounts are mostly focused on passenger transportation, which is higher value and includes major international brands such as Coach USA, Toll Group, National Express, Total and First.

For the first time in its history, Seeing Machines has partnered with NTI, Australia's leading truck insurer, to advocate the use of Guardian in its insured fleets to enhance safety and improve risk management approaches. The NTI-Seeing Machines proposal has been launched to the Australian market and will be

delivered through the large NTI broker network and via the Company's distribution partners. Mutual customers will enjoy significant insurance policy benefits and financial incentives.

Aviation

FY2019 saw the Seeing Machines Aviation division sign two commercial deals for its Crew Training System using the Company's eye-tracking technology.

Working with the Royal Australian Air Force, the Aviation division marked its first commercial program agreement where the technology is currently being installed into two Pilatus PC-21 advanced flight training simulators. The second program was confirmed in December 2018 with L3 Commercial Aviation, now L3 Harris following a major merger, which will see the technology installed into a new Boeing 787 Full Flight Simulator, scheduled to be delivered to a major Australian airline this calendar year.

Further to these commercial programs, the global interest and collaboration in eye-tracking technology for efficiencies and safety outcomes in the Aviation industry continues to increase. Seeing Machines is working closely with a number of key simulator manufacturers, airlines, aviation OEMs and air traffic organisations to shape solutions that will help the industry grapple with the growth and expansion expected across the industry.

Offroad

Seeing Machines continues to work closely with Caterpillar to grow the Offroad market for Guardian and the ruggedised mining product, Driver Safety System (DSS). The Company reports significant growth in revenue over the year and is pleased to see growing demand for fatigue and distraction management technology across the sector.

Both Caterpillar and Seeing Machines intend to extend the collaboration into the future and leverage Seeing Machines' Intellectual Property to co-develop next generation technology that will enhance customer experience, reduce cost of manufacture and leverage the Company's automotive grade Driver Monitoring Engine.

Human Factors

Human Factors has two main areas of focus. The first is the core research performed internally and with research partners to advance understanding of driver state across all transport sectors, using scientific solution design and validation for optimum Human Machine interfaces, generating valuable datasets for use across all industry sectors. The second is around customer-focused research with our automotive, fleet and aviation customers, working with them to design programs that showcase how the Seeing Machines technology can be used to measure operator state in real-world operational settings.

Seeing Machines, in partnership with Monash University's Accident Research Centre and Ron Finemore Transport, was awarded an Australian Government CRC-Project Grant for A\$2.25m over three years to work on a project that builds on the Company's Guardian technology platform. FY19 marked the project's final year. This project (Advanced Safe Truck Concept) will advance Seeing Machines' goal to deliver the next generation of fatigue prevention and driver monitoring technology for the commercial transport sector in Australia and around the world.

Seeing Machines is also leading the world's first automated vehicle trial with a primary focus on the driver - CANdrive. The Australian Capital Territory (ACT) Government has committed A\$1.35m to the trial, which uses the Company's driver monitoring technology to build information on the connection between driver behaviour and automated vehicles. The final phase of the project is being undertaken in conjunction with the University of Canberra to assess behaviour of mature drivers and their interaction with semi-automated vehicle technology.

Consolidated Statement of Financial Position

AS AT 30 June 2019	Note	2019 A\$	2018 A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14	54,808,736	42,786,447
Trade and other receivables	15	15,670,344	19,757,648
Inventories	16	8,212,229	4,300,895
Current financial assets	20	9,560,716	578,575
Other current assets	17	4,759,997	876,131
TOTAL CURRENT ASSETS		93,012,022	68,299,696
NON-CURRENT ASSETS			
Property, plant and equipment	18	3,176,348	3,659,310
Intangible assets	19	2,539,357	3,529,297
TOTAL NON-CURRENT ASSETS		5,715,705	7,188,607
TOTAL ASSETS		98,727,727	75,488,303
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	3,620,382	6,300,402
Provisions	22	2,832,018	2,644,173
Contract liabilities	24	672,590	873,735
Current financial liabilities	25	1,427,335	387,590
Other liabilities	26	289,361	152,830
TOTAL CURRENT LIABILITIES		8,841,686	10,358,730
NON-CURRENT LIABILITIES			
Provisions	22	153,028	29,864
Non-current financial liabilities	25	609,039	575,964
Other liabilities	26	1,044,340	1,197,170
TOTAL NON-CURRENT LIABILITIES		1,806,407	1,802,998
TOTAL LIABILITIES		10,648,093	12,161,728
NET ASSETS		88,079,634	63,326,575
EQUITY			
Contributed equity	27	217,203,578	158,031,370
Treasury shares	27	(1,108,511)	(1,108,511)
Accumulated losses		(137,327,728)	(95,439,981)
Other reserves		9,312,295	1,843,697
Equity attributable to the owners of the parent		88,079,634	63,326,575
TOTAL EQUITY		88,079,634	63,326,575

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 June 2019	Note	2019 A\$	2018 A\$
Sale of goods and licence fees		15,840,057	19,428,991
Rendering of services		14,440,872	9,787,378
Research revenue		1,607,417	1,500,000
Revenue	7	31,888,346	30,716,369
Cost of sales		(13,155,301)	(23,089,204)
Gross profit		18,733,045	7,627,165
Net gain/(loss) in foreign exchange	8	178,040	2,477,518
Net gain/(loss) on disposal of investment	8	39,487	(140,191)
Other income	8	262,793	242,986
Finance income		777,622	456,051
Expenses			
Research and development expenses		(35,894,954)	(20,220,605)
Customer support and marketing expenses		(9,007,213)	(9,851,247)
Occupancy and facilities expenses		(2,964,594)	(6,438,393)
Corporate services expenses		(13,604,633)	(10,024,977)
Finance costs		(264,861)	(109,339)
Other expenses	9	(3,712)	(4,425)
Loss before income tax		(41,748,980)	(35,985,457)
Income tax expense	10	(45,960)	(28,404)
Loss after income tax		(41,794,940)	(36,013,861)
Loss for the period attributable to:			
Equity holders of parent		(41,794,940)	(36,013,861)
		(41,794,940)	(36,013,861)
Other comprehensive loss – to be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		(592,015)	(381,147)
Other comprehensive loss net of tax		(592,015)	(381,147)
Total comprehensive loss		(42,386,955)	(36,395,008)
Total comprehensive loss attributable to:			
Equity holders of parent		(42,386,955)	(36,395,008)
Total comprehensive loss for the year		(42,386,955)	(36,395,008)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
· Basic earnings per share	12	(0.0169)	(0.0221)
· Diluted earnings per share	12	(0.0169)	(0.0221)

Consolidated Statement of Changes in Equity

	Contributed Equity	Treasury Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Total Equity
FOR THE YEAR ENDED	A\$	A\$	A\$	A\$	A\$	A\$
30 June 2019						
At 1 July 2017	96,482,665	(1,191,078)	(59,426,120)	(765,054)	2,472,471	37,572,884
(Loss) for the half year	-	-	(36,013,861)	-	-	(36,013,861)
Other comprehensive income	-	-	-	(381,147)	-	(381,147)
Total comprehensive income	-	-	(36,013,861)	(381,147)	-	(36,395,008)
Transactions with owners in their capacity as owners:						
Shares issued	64,627,100	-	-	-	-	64,627,100
Capital raising costs	(3,078,395)	-	-	-	-	(3,078,395)
Treasury shares	-	82,567	-	-	-	82,567
Share based payments	-	-	-	-	517,427	517,427
At 30 June 18	158,031,370	(1,108,511)	(95,439,981)	(1,146,201)	2,989,898	63,326,575
At 1 July 18	158,031,370	(1,108,511)	(95,439,981)	(1,146,201)	2,989,898	63,326,575
Effect of adoption of new accounting standard (AASB 9)	-	-	(92,807)	-	-	(92,807)
At 1 July 2018 (restated)	158,031,370	(1,108,511)	(95,532,788)	(1,146,201)	2,989,898	63,233,768
(Loss) for the year	-	-	(41,794,940)	-	-	(41,794,940)
Other comprehensive income	-	-	-	(592,015)	-	(592,015)
Total comprehensive income	-	-	(41,794,940)	(592,015)	-	(42,386,955)
Transactions with owners in their capacity as owners:						
Shares issued	61,737,060	-	-	-	-	61,737,060
Capital raising costs	(2,564,852)	-	-	-	-	(2,564,852)
Treasury shares	-	-	-	-	-	-
Share based payments	-	-	-	-	8,060,613	8,060,613
At 30 June 19	217,203,578	(1,108,511)	(137,327,728)	(1,738,216)	11,050,511	88,079,634

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 June 2019	Note	2019 A\$	2018 A\$
Operating activities			
Receipts from customers (inclusive of GST)		33,090,862	24,388,913
Payments to suppliers and employees (inclusive of GST)		(67,068,843)	(66,733,811)
Interest received		230,559	148,597
Interest paid		(264,861)	(109,339)
Income tax paid		(45,960)	(28,404)
Payments received for research and development tax incentive		-	4,700,825
Net cash flows used in operating activities		(34,058,243)	(37,633,219)
Investing activities			
Purchase of plant and equipment		(389,742)	(3,864,280)
Payments for intangible assets		(454,506)	(299,253)
Purchase of term deposits		(8,982,141)	(3,782)
Proceeds on sale of investments		39,487	-
Net cash flows used in investing activities		(9,786,902)	(4,167,315)
Financing activities			
Proceeds from issue of new shares		58,780,558	64,627,100
Cost of capital raising		(2,564,852)	(3,078,395)
Proceeds from borrowings		3,333,194	3,208,348
Repayment of borrowings		(3,015,125)	(2,272,561)
Net cash flows from financing activities		56,533,775	62,484,492
Net decrease in cash and cash equivalents		12,688,630	20,683,958
Net foreign exchange differences		(666,341)	664,464
Cash and cash equivalents at beginning of period		42,786,447	21,438,025
Cash and cash equivalents at end of period	14	54,808,736	42,786,447