

**Seeing Machines Limited**

24 November 2021

**Year End Results FY2021**

Seeing Machines Limited (AIM: SEE, “**Seeing Machines**” or the “**Company**”), the advanced computer vision technology company that designs AI-powered operator monitoring systems to improve transport safety, has published its audited financial results for the year ended 30 June 2021 (“**FY2021**” or “**the period**”).

**FINANCIAL HIGHLIGHTS:**

- Revenue increased 18% to A\$47.2m (2020: A\$40.0m)
- Underlying revenue has grown 30% when using constant currency\* to A\$47.4 (FY2020: A\$36.5)
- Commencement of OEM royalty license revenue of A\$2.3m (2020: nil) as cars start production featuring the Company’s driver monitoring system (DMS) software. Remainder of OEM revenue was comprised of non-recurring engineering revenue (NRE), licence and hardware revenue, giving total OEM revenue of A\$12.1m (2020: A\$13m)
- Aftermarket revenue increased 30% to A\$35.1m (2020: A\$27.0m)
- Annual Recurring Revenue including royalties increased 23% to A\$17.2m reflecting growth in Guardian installed base to 31,771 units at 30 June 2021
- Gross Profit increased by 44% to A\$20.8m (2020: A\$14.4m)
- Cash at 30 June 2021 of A\$47.4m (2020: A\$38.1m)

**CURRENT TRADING:**

- Unaudited year to date results for Q1 FY2022 revenue are ahead of budget, largely due to strong performance in Aftermarket signalling continued momentum for this industry sector.
  - o Revenue of A\$9.8m (Q1 FY2021: A\$9.5m)
  - o Cash of A\$40.3m (Q1 FY2021: A\$35m)
- Successful fundraise completed on 23 November 2021 of US\$41m to accelerate growth in the rapidly expanding DMS technology market, across all transport sectors globally. Seeing Machines intends to accelerate the development of new core software and system features, acquire additional specialised technology, expand sales channels and its product portfolio to maximise its win rate of automotive programs, scale delivery capability and speed up aftermarket revenue growth.

The Directors continue to see accelerating momentum for the business, with current market conditions presenting a significant opportunity to capture an even greater market share as the market benefits from a number of structural tailwinds. The net proceeds of the recent fundraise will enable the Company to make the necessary investment in order to secure this opportunity and gives the Directors confidence, underpinned by its current ‘active RFQ’ pipeline, that Seeing Machines will have an increased market share by 2025.

## OPERATIONAL HIGHLIGHTS:

### *OEM (Automotive and Aviation)*

- Seeing Machines DMS technology now on roads in more than nine individual vehicle models globally, representing more than 120,000 cars including General Motors' Cadillac CT6, CT5, CT4, Chevrolet Bolt and Escalade and the new Mercedes Benz S-Class and Mercedes Benz EQS sedans.
- The Company is engaged on nine expanding programs with seven automotive OEMs globally to deliver its DMS technology.
- Seeing Machines' leading Occula® Neural Processing Unit was launched to the automotive industry and was successfully licensed to Omnivision Technologies.
- A partnership with Qualcomm Technologies to deliver next-generation ADAS and infotainment technology for intelligent vehicle interiors was announced.
- Post period, in the USA, bipartisan infrastructure legislation was passed through the House of Representatives and subsequently signed by President Biden, which would require DMS technology to stop drunk and distracted driving, signalling increased momentum on regulatory driven tailwinds.
- Aviation division, together with CAE Australia, delivered its Crew Training System into Royal Australian Air Force full mission simulator.
- Post period, the Company signed an Agreement with Airservices Australia to enhance safety in Air Traffic Control.

### *AFTERMARKET:*

- Aftermarket profitable on a standalone basis, supplying near-term revenue for the Company, now working with more than 400 customers globally.
- Guardian installations increased by more than 8,350 units to 31,771 (FY2020: 23,415) globally, despite the ongoing challenges posed by Covid-19 where access to vehicles was limited for periods of time across a range of geographies.
- Guardian sales increased and the Company has a backlog of around 5,000 units sold, awaiting installation.
- Max Verberne, telematics industry veteran, was appointed to lead the Aftermarket business and develop a multi-channel approach to sell Guardian into existing and additional markets.
- Post period, the Company signed a Global Framing Agreement with energy giant, Shell Global Solutions International B.V., for the provision of Guardian to enhance safety across its worldwide operations.

**Paul McGlone, chief executive officer of Seeing Machines**, commented: *“The landscape for Seeing Machines and our technology has taken a dramatic turn with ongoing momentum driven by industry demand and regulatory tailwinds across all of our focused transport sectors. As a result, we are seeing success across all business divisions, and this is very pleasing.*

*“The Aftermarket business is thriving under the new leadership of Max and we are expecting this to continue as the direct and indirect sales channels are bolstered around the world and large multi-national companies recognise the impacts of installing Guardian technology, like Shell. In Automotive, more and more cars are being sold with our DMS technology installed across the world and we look*



forward to talking about more of our globally recognised OEM customers as new models start production over the coming year.

*“Aviation has also advanced significantly and this is emphasised by our post period Agreement with Collins Aerospace, the world’s largest Tier 1 avionics company, who has big plans to work closely with our team to deliver eye-tracking solutions across the industry to deliver training efficiencies and enhance safety. It’s exciting times for the company and we are working hard to ensure we maximise the growing opportunities and deliver value to our shareholders.”*

*\* This refers to underlying growth rates at constant currency or adjusting for currency so business results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of Seeing Machines business performance. To present this information, current period results and comparative period results are converted into Australian dollars at the 30 June 2021 exchange rate.*

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#### **About Seeing Machines**

Seeing Machines (LSE: SEE), a global company founded in 2000 and headquartered in Australia, is an industry leader in vision-based monitoring technology that enable machines to see, understand and assist people. Seeing Machines’ technology portfolio of AI algorithms, embedded processing and optics, power products that need to deliver reliable real-time understanding of vehicle operators. The technology spans the critical measurement of where a driver is looking, through to classification of their cognitive state as it applies to accident risk. Reliable “driver state” measurement is the end-goal of Driver Monitoring Systems (DMS) technology. Seeing Machines develops DMS technology to drive safety for Automotive, Commercial Fleet, Off-road and Aviation. The company has offices in Australia, USA, Europe and Asia, and supplies technology solutions and services to industry leaders in each market vertical. [www.seeingmachines.com](http://www.seeingmachines.com)

#### **REVIEW OF OPERATIONS**

##### **Financial Highlights**

The Company’s total revenue for the financial year (excluding foreign exchange gains and finance income) was A\$47,167,000 compared to the 2020 revenue of A\$40,012,000, representing an 18% increase on prior year results.

**Product**

**2021**

**2020**

**Variance**

	<b>A\$'000</b>	<b>A\$'000</b>	<b>%</b>
OEM	12,088	12,789	(5)
Aftermarket	35,079	27,019	30
Scientific Advances	-	204	(100)
<b>Sales Revenue</b>	<b>47,167</b>	<b>40,012</b>	<b>18</b>

The previously anticipated start of production for our Original Equipment Manufacturer ("OEM") business unit (Automotive) contributed \$2.3m in revenue marking the start of an increasing stream of royalty license revenue that will continue to be received over the model lifetime of awarded OEM programs. FY21 revenue was also boosted by a US\$3,250,000 (2020: USD\$5,000,000) pre-production license deal with a major Automotive Tier 1 partner. The remainder of the revenue in the OEM segment represents NRE revenue which is software development activities undertaken to embed DMS technologies into the specific OEM vehicle configuration prior to the commencement of vehicle production.

The Aftermarket business grew by 30% on the prior year despite a slowdown in installations arising as a result of local and global pandemic-related changes to business conditions. Revenue momentum accelerated through the second half of the year with revenue in H2 increasing by 33% on H1 results to A\$20,039,000 (H1: A\$15,040,000). Hardware and installation revenue increased by 55% over the prior year to A\$18,798,000 (2020: A\$12,130,000) and driver monitoring revenues increased by 13% to A\$11,064,000 (2020: A\$9,812,000).

Gross profit increased from A\$14,433,000 in FY2020 to A\$20,765,000 this year, reflecting increased sales of Guardian units and a 4% improvement in Aftermarket gross margin.

In line with the continued accelerating momentum in automotive safety legislation in both Europe and more recently in the US, the Company continued to invest in its core technology development across global OEM and Aftermarket industries. As a result, Seeing Machines has reflected a portion of development expenditure attributable to future revenues as an intangible asset amounting to A\$8,311,000 (2020: A\$nil). The remaining research and development costs have been expensed and amount to A\$9,876,000. The total investment in research and development for the current year amount is A\$18,187,000 (2020: A\$24,736,000).

All cost categories across the business have reduced in line with a sustained focus on business performance and cost optimisation and reduced expenditure on tradeshow and travel that has been heavily impacted by COVID restrictions.

Australian Government COVID-19 Grants, JobKeeper and PAYG subsidy reduced other income to A\$1,664,000(2020: A\$2,234,000). The initial phase of the JobKeeper Grant ran from 1 March 2021 to 27 September 2021 with Seeing Machines, like many other Australian companies, not qualifying for subsequent phases.

Cash used in operations fell from A\$24,246,000 to A\$19,641,000 primarily from the reduction in research and development expenditure, and increase in trade receivables in the second half of the year. Increased revenues, particularly in the later months of the financial year have not all converted to cash within the reporting cycle, however overall revenues were generated from a reduced cost base in line with continued focus on working capital management.

The resultant loss for the period represented a decrease of A\$29,068,000 at A\$17,420,000 (2020: A\$46,488,000). Net cash and cash equivalents at 30 June 2021 totalled A\$47,393,000 (2020: A\$38,138,000).

On 23 November 2021, Seeing Machines issued 277,123,492 new ordinary shares of no par value each (the "New Ordinary Shares") at a price of 11 pence per New Ordinary Share, raising gross proceeds of approximately US\$41,000,000 (the "Placing"). The net proceeds of the Placing will be



used to strengthen the Company's balance sheet, fund core technology expansion, and enhance OEM Business pursuit and Aftermarket product development and regional expansion.

### **Operational Highlights**

Seeing Machines has managed to continue its growth track despite the obvious pressures stemming from Covid related interruptions, reporting a pleasing increase in revenue which is underpinned by the increase in global demand for safety technology across Fleet and Automotive. The regulatory landscape is transforming quickly to keep up with safety requirements in Europe, now increasing in North America and expected to continue around the world.

Driver Monitoring System (DMS) technology is fundamental to transport safety but is also a key enabler in Automotive as the intelligent cabin advances and semi-automated features emerge across an increasing number of vehicles, where understanding what the driver is doing is critical in maintaining driver attention and vehicle safety.

Seeing Machines is now actively engaged with seven automakers on nine ongoing automotive programs to deliver its FOVIO DMS and as vehicle models start production, the shape of the automotive revenue is changing from NRE (Non-Recurring Engineering) to royalties, which are expected to significantly ramp over the coming two to three years.

The Automotive pipeline continues to grow with the Company actively working on RFQ's (Request for Quote) from OEMs in Europe, North America and Asia. The current known pipeline (active and anticipated) of opportunities have a lifetime value of more than A\$1,100m.

Seeing Machines' Aftermarket business has also achieved good growth as Guardian sales have continued to accelerate, despite the economic challenges. As a profitable, standalone business, Aftermarket is gaining good ground and attracting interest of key global organisations as they seek to enhance safety across their vehicle fleet. Post-period, the Company announced a Global Framing Agreement with Shell Global Solutions International, for the provision of Guardian across their global fleet.

Guardian connections now stand at 31,771 and were slower than expected due to the complications posed by Covid-related lockdowns and pressure on transport companies. However, hardware sales continued at the expected rate and the Company now has a backlog of around 5,000 units that have been sold and are due to be installed.

The Aviation industry is now emerging from the pressures of the global pandemic and Seeing Machines remains engaged on key opportunities associated with Simulated Training as well as Air Traffic Control applications of the Company's eye-tracking technology. With customers like the Royal Australian Air Force and Airservices Australia, Seeing Machines continues to invest in the Aviation business and is experiencing good momentum, with limited competition, in this growing market.

The announcement, post-period, of the Company's collaboration with Collins Aerospace, the world's largest Tier 1 Avionics company, is an extremely positive indication of the industry's desire for eye-tracking technology to enhance safety, training and efficiencies.

## Consolidated Statement of Financial Position

<b>AS AT 30 JUNE</b>	<b>Notes</b>	<b>2021 A\$000</b>	<b>2020 A\$000</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	14	47,393	38,138
Other short-term deposits	20	472	512
Trade and other receivables	15	19,851	9,584
Inventories	16	2,627	4,743
Other current assets	17	5,438	4,245
<b>TOTAL CURRENT ASSETS</b>		<b><u>75,781</u></b>	<b><u>57,222</u></b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	18	3,361	3,208
Intangible assets	19	9,540	899
Right-of-use assets	29	4,252	4,371
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>17,153</u></b>	<b><u>8,478</u></b>
<b>TOTAL ASSETS</b>		<b><u>92,934</u></b>	<b><u>65,700</u></b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	8,839	7,874
Lease liabilities	29	918	1,057
Provisions	22	4,893	3,763
Contract liabilities	24	772	263
Current financial liabilities	25	-	553
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>15,422</u></b>	<b><u>13,510</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	22, 23	192	215
Lease liabilities	29	5,272	5,766
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>5,464</u></b>	<b><u>5,981</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>20,886</u></b>	<b><u>19,491</u></b>
<b>NET ASSETS</b>		<b><u>72,048</u></b>	<b><u>46,209</u></b>
<b>EQUITY</b>			
Contributed equity	26	257,382	217,204
Accumulated losses		(202,046)	(184,626)
Other reserves		16,712	13,631
<b>Equity attributable to the owners of the parent</b>		<b><u>72,048</u></b>	<b><u>46,209</u></b>
<b>TOTAL EQUITY</b>		<b><u>72,048</u></b>	<b><u>46,209</u></b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Comprehensive Income

<b>FOR THE YEAR ENDED 30 JUNE</b>	<b>Notes</b>	<b>2021 A\$000</b>	<b>2020 A\$000</b>
Sale of goods and licence fees		28,542	24,665
Rendering of services		18,620	14,915
Research revenue		<u>5</u>	<u>432</u>
<b>Revenue</b>	<b>7</b>	<b>47,167</b>	<b>40,012</b>
Cost of sales		<u>(26,402)</u>	<u>(25,579)</u>
<b>Gross profit</b>		<b>20,765</b>	<b>14,433</b>
Net loss in foreign exchange	8	(417)	(382)
Net gain/(loss) on disposal of property, plant and equipment		5	(72)
Other income	8	1,664	2,234
Finance income		322	829
<b>Expenses</b>	<b>9</b>		
Research and development expenses		(9,876)	(24,736)
Customer support and marketing expenses		(6,092)	(8,079)
Operations expenses		(7,946)	(11,506)
General and administration expenses		(14,590)	(17,480)
Finance costs		<u>(518)</u>	<u>(705)</u>
<b>Loss before income tax</b>		<b>(16,683)</b>	<b>(45,464)</b>
Income tax expense	10	<u>(737)</u>	<u>(1,246)</u>
<b>Loss after income tax</b>		<b><u>(17,420)</u></b>	<b><u>(46,710)</u></b>
<b>Loss for the period attributable to:</b>			
Equity holders of the Company		<u>(17,420)</u>	<u>(46,710)</u>
		<b><u>(17,420)</u></b>	<b><u>(46,710)</u></b>
<b>Other comprehensive (loss)/income</b>			
Exchange differences on translation of foreign operations		<u>(169)</u>	<u>222</u>
<b>Other comprehensive (loss)/income net of tax</b>		<b>(169)</b>	<b>222</b>
<b>Total comprehensive loss</b>		<b><u>(17,589)</u></b>	<b><u>(46,488)</u></b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		<u>(17,589)</u>	<u>(46,488)</u>
<b>Total comprehensive loss for the year</b>		<b><u>(17,589)</u></b>	<b><u>(46,488)</u></b>
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share	12	(\$0.01)	(\$0.01)
Diluted loss per share	12	(\$0.01)	(\$0.01)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

	Contributed Equity	Treasury Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits & Other Reserve	Total Equity
FOR THE YEAR ENDED 30 JUNE	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000
<b>As at 1 July 2019</b>	217,204	(1,109)	(137,916)	(1,738)	11,051	87,492
Loss for the period	-	-	(46,710)	-	-	(46,710)
Other comprehensive income	-	-	-	222	-	222
<b>Total comprehensive loss</b>	<u>-</u>	<u>-</u>	<u>(46,710)</u>	<u>222</u>	<u>-</u>	<u>(46,488)</u>
<b>Transactions with owners in their capacity as owners: Reclassification of treasury shares</b>	-	1,109	-	-	(1,109)	-
Shares to be issued	-	-	-	-	1,109	1,109
Share-based payments	-	-	-	-	4,096	4,096
<b>At 30 June 2020</b>	<u>217,204</u>	<u>-</u>	<u>(184,626)</u>	<u>(1,516)</u>	<u>15,147</u>	<u>46,209</u>
<b>As at 1 July 2020</b>	217,204	-	(184,626)	(1,516)	15,147	46,209
Loss for the period	-	-	(17,420)	-	-	(17,420)
Other comprehensive loss	-	-	-	(169)	-	(169)
<b>Total comprehensive loss</b>	<u>-</u>	<u>-</u>	<u>(17,420)</u>	<u>(169)</u>	<u>-</u>	<u>(17,589)</u>
<b>Transactions with owners in their capacity as owners:</b>						
Shares issued	41,199	-	-	-	-	41,199
Capital raising costs	(1,021)	-	-	-	-	(1,021)
Share-based payments	-	-	-	-	3,250	3,250
<b>At 30 June 2021</b>	<u>257,382</u>	<u>-</u>	<u>(202,046)</u>	<u>(1,685)</u>	<u>18,397</u>	<u>72,048</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## **Consolidated Statement of Cash Flows**

<b>Operating activities</b>		
Receipts from customers	37,990	42,702
Payments to suppliers and employees	(58,985)	(67,222)
Interest received	322	-
Interest paid	(518)	(705)
Income tax paid	(15)	(1,246)
Receipt of government grants	1,565	2,043
Receipt for research and development tax incentive	-	182
<b>Net cash flows used in operating activities</b>	<b>28</b>	<b>(19,641)</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	5	27
Purchase of plant and equipment	(446)	(815)
Payments for intangible assets (patents, licences and trademarks)	(484)	(246)
Payments for intangible assets (capitalised development costs)	(8,311)	-
Maturity of term deposits	40	9,049
<b>Net cash flows (used in)/from investing activities</b>		<b>(9,196)</b>
<b>Financing activities</b>		
Principal repayment of lease liabilities	(1,459)	(716)
Proceeds from issue of new shares	41,071	-
Cost of capital raising	(1,021)	-
Repayment of borrowings	-	(30)
<b>Net cash flows from financing activities</b>		<b>38,591</b>
Net increase/(decrease) in cash and cash equivalents	9,754	(16,977)
Net (decrease)/increase due to foreign exchange difference	(499)	306
Cash and cash equivalents at 1 July	38,138	54,809
<b>Cash and cash equivalents at 30 June</b>	<b>14</b>	<b>38,138</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

To read the FY2021 Annual Financial Report and access accompanying notes to the above tables, please visit <https://www.seeingmachines.com/investors/announcements/>