

Vection Technologies

Space travel in the metaverse

Quarterly activities update

Software and comp services

Vection Technologies (VR1) reported A\$4.6m in Q223 receipts, up A\$0.2m q-o-q. Recent announcements of the company's selection to develop virtual reality (VR) and metaverse technologies to promote space travel underpin the vital role partnerships play in the company's strategy. VR1 also reported progress in commercial opportunities in defence, aerospace and service agencies, among others, all expected to bear fruit in the latter half of the current fiscal year. As such, management reiterated its FY23 revenue guidance of A\$24–26m. We are encouraged by the Q223 results and maintain our FY23 forecasts.

Year end	Revenue (A\$m)	Adj EBITDA* (A\$m)	PBT** (A\$m)	EPS** (c)	EV/revenue (x)	P/revenue (x)	Net cash*** (A\$m)
6/21	3.5	(0.4)	(2.5)	(0.27)	18.5	21.1	2.2
6/22	18.9	0.9	(7.0)	(0.67)	3.4	3.9	10.8
6/23e	26.1	3.7	1.3	0.08	2.5	2.8	10.6

Note: *Adjusted EBITDA is normalised, excluding non-cash payments, exceptional items and interest revenue. **PBT and EPS are normalised, excluding exceptional items and interest revenue. ***Includes debt and financial leases.

Q223: Cash position remains strong

VR1 reported A\$4.6m in cash receipts in Q223, a slight increase versus Q123's A\$4.4m, while net cash used in operations fell slightly to A\$1.5m. Net cash used was A\$0.6m versus Q123's A\$1.0m. The company's cash position remains strong to support continued investments in infrastructure, sales and R&D, with A\$13.5m in cash and cash equivalents as of 31 December 2022. We do not expect the need for any significant capital raises in FY23, absent any major mergers or acquisitions.

Partnerships remain key growth lever

Partnerships remain a vital lever for growth and a way to expand VR1's distribution network. Management recently announced [a memorandum of understanding to develop the first VR metaverse platform](#) to promote space travel. Soon after, it [announced a related A\\$0.4m agreement with Next One Film Group](#) to develop VR gaming, scientific and educational content to support the space travel market. The company was chosen for these in part due to its expertise in VR and metaverse technologies. We await further details on these opportunities as well as existing partnerships, such as Webex by Cisco.

Valuation: Execution remains key to reducing gap

VR1 trades at 2.5x FY23e revenue, a 53% discount to its small-cap peers. A peer multiple of 5.2x implies a share price of A\$0.13, nearly double the current value. We believe that the successful execution of VR1's strategic plan and aforementioned commercial opportunities, especially in H223, and further advancements in the company's existing partnerships could reduce the valuation gap.

7 February 2023

Price **A\$0.07**

Market cap **A\$73m**

Estimated net cash (A\$m) at 31 December 2022 9.4

Shares in issue 1,127m

Free float 54%

Code VR1

Primary exchange ASX

Secondary exchange OTC (VCTNY)

Share price performance



% 1m 3m 12m

Abs (6.0) 14.5 (47.5)

Rel (local) (11.3) 4.8 (49.7)

52-week high/low A\$0.13 A\$0.05

Business description

Vection Technologies (VR1), an Australia-based software company, operates in the field of extended reality (XR), which encompasses immersive technologies such as augmented reality, virtual reality and mixed reality. The company's immersive solutions suite, IntegratedXR, is a combination of technology solutions designed to integrate systems, processes and technologies via digital transformation. VR1 partners with companies to build out the foundational elements that enable them to engage with the metaverse.

Next events

H123 interim results February 2023

Edison TV interview February 2023

Analysts

Ken Mestemacher, CFA +44 (0)20 3077 5700

Dan Ridsdale +44 (0)20 3077 5700

tech@edisongroup.com

[Edison profile page](#)

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Exhibit 1: Financial summary

	A\$000s	2021 restated	2022	2023e
		AAS	AAS	AAS
Year end 30 June				
PROFIT & LOSS				
Revenue		3,471	18,894	26,056
Variable Cost of Sales		(849)	(11,454)	(13,127)
Gross Profit		2,622	7,440	12,929
Operating Expenses*		(3,993)	(10,453)	(9,230)
Adjusted EBITDA		(424)	881	3,699
Non-Cash Payments		(230)	(1,892)	(1,400)
EBITDA		(654)	(1,011)	2,299
D&A		(658)	(958)	(1,000)
Operating Profit (Normalized)		(2,285)	(5,907)	1,255
Exceptionals/Other		(26)	(44)	(44)
Operating Profit/(Loss) (EBIT)		(2,259)	(5,863)	1,299
Net Interest and financial expense		(171)	(1,070)	-
Profit Before Tax (norm)		(2,456)	(6,977)	1,255
Profit Before Tax (AAS)		(2,430)	(6,933)	1,299
Tax		(77)	(168)	(312)
Profit After Tax (norm)		(2,533)	(7,144)	943
Profit After Tax (AAS)		(2,506)	(7,100)	987
P/(L) from discontinued operations		(36)	-	-
Minority interest		(137)	(419)	58
Net income (norm, to Vection Technologies equity holders)		(2,533)	(7,144)	943
Net income (AAS, to Vection Technologies equity holders)		(2,543)	(7,100)	987
Average Number of Shares Outstanding, basic (m)		931	1,071	1,124
EPS - normalised, basic (c)		(0.27)	(0.67)	0.08
EPS - AAS, basic, to Vection Technologies equity holders (c)		(0.24)	(0.62)	0.08
Gross Margin (%)		75.5%	39.4%	49.6%
EBITDA Margin (%)		NA	NA	8.8%
Operating Margin (before GW and except.) (%)		NA	NA	4.8%
BALANCE SHEET				
Fixed Assets		18,273	17,785	18,870
Intangible Assets		17,338	17,028	18,066
Tangible Assets		240	293	339
Right of Use Assets		632	424	424
Other		63	41	41
Current Assets		13,063	22,419	24,308
Cash		7,084	14,869	14,708
Receivables		4,879	6,208	8,000
Inventories		1,084	1,341	1,600
Other		17	-	-
Current Liabilities		11,272	8,475	8,672
Trade and other payables		3,615	6,974	7,200
Provisions and Other		6,405	30	-
Employee benefits		36	78	78
Lease liabilities		168	195	195
Borrowings		1,047	1,199	1,199
Long Term Liabilities		4,637	3,751	4,141
Provisions		-	-	-
Employee benefits		333	433	824
Lease liabilities		530	286	286
Borrowings		3,175	2,415	2,415
Other		599	616	616
Net Assets		15,428	27,977	30,365
Minority Interest		(117)	(479)	(898)
Shareholder's Equity		15,545	28,457	31,263
CASH FLOW				
Operating Cash Flow (before interest, tax, etc.)		(2,251)	(1,092)	2,235
Net Interest		(50)	(50)	-
Tax		(24)	(104)	(312)
Capex		(66)	(164)	(246)
Purchase of intangibles		(1,330)	(1,838)	(1,838)
Acquisitions/disposals		2,305	(21)	-
Equity financing		7,221	12,127	-
Lease payments		(96)	(80)	-
Change in net cash		5,708	8,777	(161)
Opening net debt/(cash), not incl. leases		(735)	(2,862)	(11,255)
Exchange rate movements		(280)	(383)	-
Other		(3,301)	0	-
Closing net debt/(cash), not incl. leases		(2,862)	(11,255)	(11,094)
Closing net debt/(cash), incl. leases		(2,164)	(10,774)	(10,613)

Source: Vection Technologies, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia