

Vection Technologies

Q324 activities update

Moving from niche to mainstream markets

Software and comp services

Vection's Q324 update showed strong double-digit growth in revenue and cash receipts, driven by multiple contract wins, including its largest contract to date with an existing defence customer. A swing to positive operating cash flow in Q3 (A\$4.1m), coupled with contract wins, validates the company's streamlined sales structure, designed to bolster operational efficiency. Cash generated also supported a quarter-on-quarter reduction in debt. Management is seeing early positive signs by enhancing the platform's compatibility with Apple Vision Pro, potentially unlocking a key growth avenue from rising enterprise adoption among large global players.

Year end	Revenue (A\$m)	Adj EBITDA* (A\$m)	PBT** (A\$m)	EPS** (c)	EV/sales (x)	P/sales (x)	Net cash*** (A\$m)
06/21	3.5	(0.2)	(2.5)	(0.27)	8.8	8.8	2.2
06/22	18.9	1.4	(7.0)	(0.67)	1.6	1.6	10.8
06/23	26.3	1.5	(11.2)	(1.05)	1.2	1.2	0.7

Note: *Adjusted EBITDA is normalised, excluding non-cash payments, exceptional items and interest revenue. FY22 figure re-stated. **PBT and EPS are normalised, excluding exceptional items and interest revenue. ***Includes debt, financial leases and term deposits.

Diversified growth on a lower cost base

9M24 revenue was A\$19.8m, up 82% from \$10.9m in H124. Cash receipts were up 82% y-o-y to A\$26.7m (Q3: A\$11.8m, +107% y-o-y), supported by positive working capital movements. Forward contracted revenue of A\$6.7m provides visibility for the year; if this entire contracted revenue were delivered in Q4, the total combined with 9M24 revenue would marginally exceed FY23 revenue of A\$26.3m. Q324 growth was driven by a A\$4.9m defence contract, an upsell to an existing customer, as well as several smaller contracts totalling A\$971k across healthcare, real estate and retail. Integration of the Invrison acquisition supported growth in the smaller fashion vertical, while also supporting the platform's compatibility with Apple Vision Pro alongside Vection's investments in spatial computing technology. Management sees spatial computing, in addition to developments in AI, as key to meeting customer demand for technologies that can help reduce costs and improve operational efficiencies. Spatial computing also underpins the company's first extended reality naval solution contract signed in Q324 and valued at A\$500k.

Swing to positive operating cash flow

A move to positive operating cash flow of A\$4.1m in Q324 reflects the benefits from cost reduction measures implemented in H124 and top-line growth. Limited capex, despite the decision to capitalise some development costs, supported free cash flow of A\$3.4m, driving a A\$1.3m debt reduction to A\$8m. Maintaining positive operating cash flow should allow the company to invest in its research and development initiatives, while supporting a move back to a net cash position.

Valuation: Share price up ytd, scope for more

Vection's share price has reacted positively following the Q324 report, up 8% on the day and up 35% year to date – ahead of its peers. We believe continuing to demonstrate the ability to deliver top-line growth on a lower cost base in FY24, as well as providing greater mid-term visibility, could drive the stock price higher.

30 April 2024

Price **A\$0.027**
Market cap **A\$30m**

Net debt (A\$m) at 31 March 2024 0.3

Shares in issue 1,126.6m

Free float 49%

Code VR1

Primary exchange ASX

Secondary exchange OTC (VCTNY)

Share price performance



% 1m 3m 12m

Abs (7.4) (3.8) (44.4)

Rel (local) (5.1) (4.5) (46.8)

52-week high/low A\$0.05 A\$0.02

Business description

Based in Australia, Vection Technologies operates in the field of extended reality, 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. Vection Technologies partners with companies to build out the foundational elements that enable them to engage with the metaverse.

Next events

FY24 activities report July 2024

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Vection Technologies is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	A\$000s	2021 restated	2022	2023
Year end 30 June		AAS	AAS	AAS
PROFIT & LOSS				
Revenue		3,471	18,894	26,299
Variable Cost of Sales		(849)	(11,454)	(19,280)
Gross Profit		2,622	7,440	7,019
Operating Expenses		(3,993)	(10,453)	(11,356)
Adjusted EBITDA		(209)	1,385	1,465
Non-Cash Payments		(230)	(1,892)	(1,860)
EBITDA		(439)	(508)	(395)
D&A		(658)	(958)	(1,217)
Operating Profit (normalised)		(2,285)	(5,907)	(7,625)
Exceptionals/Other		(26)	(44)	(212)
Operating Profit/(Loss) (EBIT)		(2,259)	(5,863)	(7,414)
Net Interest and financial expense		(171)	(1,070)	(3,554)
Profit Before Tax (norm)		(2,456)	(6,977)	(11,179)
Profit Before Tax (AAS)		(2,430)	(6,933)	(10,968)
Tax		(77)	(168)	(55)
Profit After Tax (norm)		(2,533)	(7,144)	(11,234)
Profit After Tax (AAS)		(2,506)	(7,100)	(11,023)
P/(L) from discontinued operations		(36)	-	-
Minority interest		(137)	(419)	(202)
Net income (norm, to Vection Technologies equity holders)		(2,533)	(7,144)	(11,234)
Net income (AAS, to Vection Technologies equity holders)		(2,543)	(7,100)	(11,023)
Average Number of Shares Outstanding, basic, millions		931	1,071	1,071
EPS - normalised, basic (c)		(0.27)	(0.67)	(1.05)
EPS - AAS, basic, to Vection Technologies equity holders (c)		(0.24)	(0.62)	(0.98)
Gross Margin (%)		75.5%	39.4%	26.7%
EBITDA Margin (%)		NA	NA	NA
Operating Margin (before GW and except.) (%)		NA	NA	NA
BALANCE SHEET				
Fixed Assets		18,273	17,785	16,419
Intangible Assets		17,338	17,028	15,463
Tangible Assets		240	293	550
Right of Use Assets		632	424	322
Other		63	41	84
Current Assets		13,063	22,419	25,683
Cash		7,084	14,869	11,359
Receivables		4,879	6,208	13,647
Inventories		1,084	1,341	676
Other		17	-	-
Current Liabilities		11,272	8,475	19,382
Trade and other payables		3,615	6,974	10,969
Provisions and Other		6,405	30	16
Employee benefits		36	78	72
Lease liabilities		168	195	211
Borrowings		1,047	1,199	8,114
Long Term Liabilities		4,637	3,751	3,529
Provisions		-	-	-
Employee benefits		333	433	544
Lease liabilities		530	286	165
Borrowings		3,175	2,415	2,194
Other		599	616	627
Net Assets		15,428	27,977	19,191
Minority Interest		(117)	(479)	(711)
Shareholder's Equity		15,545	28,457	19,902
CASH FLOW				
Operating Cash Flow (before interest, tax, etc.)		(2,251)	(1,092)	(7,392)
Net Interest		(50)	(50)	(28)
Tax		(24)	(104)	(58)
Capex		(66)	(164)	(403)
Purchase of intangibles		(1,330)	(1,838)	(2,677)
Acquisitions/disposals		2,305	(21)	(7)
Equity financing		7,221	12,127	-
Lease payments		(96)	(80)	(3)
Change in net cash		5,708	8,777	(10,568)
Opening net debt/(cash), not incl. leases		(735)	(2,862)	(11,255)
Exchange rate movements		(280)	(383)	365
Other		(3,301)	0	-
Closing net debt/(cash), excluding leases		(2,862)	(11,255)	(1,052)
Closing net debt/(cash), including leases and other marketable securities		(2,164)	(10,774)	(676)

Source: Edison Investment Research, company accounts

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