

# Vection Technologies

FY23 update

Delivering on ambitious targets

Vection Technologies reported rapid contract growth in its Q423 update, driven by upsells, new contract wins and progress with its potential A\$30m defence tender. The ability to integrate AI software, like ChatGPT, and Apple's entry into the market underpins the rising commercial value of extended reality software. This is translating into increased demand across a range of verticals, where management is aiming to solidify its market position through M&A, alongside developments to its IntegratedXR product suite. Higher investment could impact FY23 profitability but the group's plan to build operating leverage should support FY24 margins.

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	(0.4)	(2.5)	(0.27)	11.4	13.0	2.2
06/22	18.9	0.9	(7.0)	(0.67)	2.1	2.4	10.8

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, financial leases and term deposits.

Vection delivered a 180% h-o-h (50% y-o-y) increase in total contract value (TCV) to A\$28m in Q423, underpinning management's reaffirmed revenue guided range of A\$24–26m for the year. Contracts were won through upsells with existing clients, as well as in new product areas including its collaboration with Marotta's aerospace engineers to develop the first civilian-use hypersonic jet.

The potential A\$30m defence tender represents a significant near-term opportunity, with A\$2m progress made in the pilot. Partnerships could also be key to unlocking growth in smaller verticals by revenue. On 9 August, the company announced that it was advancing its relationship with Thales Alenia Space, Next One Film Group and ALTEC, evolving its Lunar City project into a joint venture called Lunar Company. The current goal is to unveil the Lunar City platform at the International Astronautical Congress in 2024, providing the first-ever real-time virtual link to the International Space Station.

Acquisitions, like Invrision (analysed [here](#)), provide a platform to rapidly expand Vection's customer base. Also on 9 August, the company announced its proposed acquisition of MYR, a 3D technology company operating in the fashion, retail and consumer good sectors, with the aim of further strengthening its position in these verticals. The acquisition is for a single performance right that converts to ordinary shares in FY25 if the A\$600k revenue milestone is exceeded (CY22 revenue: A\$30k). The consideration is capped at 6.2m shares, equivalent to c A\$267k.

Operating cost growth accelerated alongside TCV in the quarter, particularly cash payments to suppliers and employees, which grew by 44%. Planned cost-cutting measures related to staff, as well as third-party software and contractors, could allow Vection to scale more profitably in FY24. The group also has A\$1.3m undrawn funding from its existing A\$7.9m facility, providing some cushioning moving into next year.

We have suspended our forecasts pending better visibility post FY23 results.

Software and comp services

16 August 2023

**Price** **A\$0.04**
**Market cap** **A\$45m**

Net cash (A\$m) at 30 June 2023 (ex financial leases) 5.6

Shares in issue 1,127m

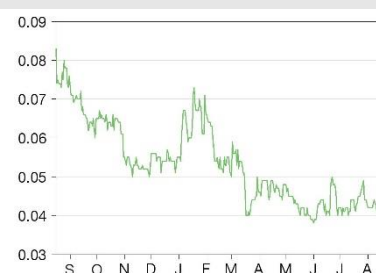
Free float 49%

Code VR1

Primary exchange ASX

Secondary exchange OTC (VCTNY)

## Share price performance



## 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.

## Analysts

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