

Speculative
See key risks on page 13 and
Early Stage Risk Warning on page 26.
Speculative securities may not be suitable for
Retail clients

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Visioneering (VTI)

New BUY (Spec): Taking a long term view on near sightedness

Recommendation
Buy (Initiation)
Price
\$0.985
Valuation (12 months)
\$1.31 (unchanged)
Risk
Speculative

GICS Sector
Healthcare Equipment and Services

Expected Return

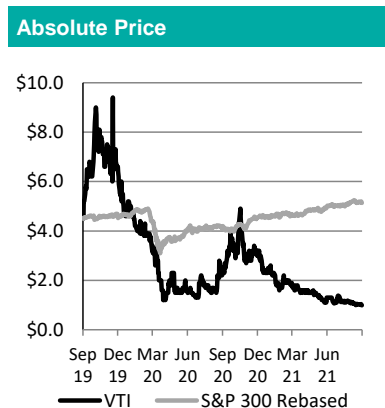
Capital growth	33.0%
Dividend yield	0.0%
Total expected return	33.0%

Company Data & Ratios

Enterprise value	\$8.2m
Market cap	\$23.3m
Issued capital	23.6m
Free float	91%
Avg. daily val. (52wk)	0.09m
12 month price range	\$0.98-\$5.20

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	1.11	1.10	2.50
Absolute (%)	-10.81	-10.00	-60.40
Rel market (%)	-11.79	-13.97	-83.68



Introducing Visioneering Technologies (VTI)

Initiating on VTI with a BUY (SPEC) rating and valuation of \$1.31/share. VTI has evolved into a commercial execution story. The company has achieved international marketing approvals and early uptake of their contact lenses indicated for both the correction of near sightedness (international) and for the control of worsening of near sightedness (in territories ex-US). The distribution agreement with Menicon, a leading producer/distributor of contact lenses, in international markets is validating. Momentum in the stock has tempered significantly over the last few years, in spite of growing revenues (albeit off a very low base), likely because market expectations were much higher and dissatisfaction with the expense run-rate. Guided 2021 revenues of \$7m are expected during a COVID-impacted period, to be achieved with only half of the company's initial salesforce.

The market for correcting and/or controlling the progression of near sightedness, or myopia, in children is reaching critical mass, with more awareness and urgency dedicated by major market players to commercialize effective solutions. It is well understood that no amount of myopia is safe, and that 30% of children are impacted by myopia, and up to 90% in some Asian nations, with increased risk for serious ocular conditions later in life. Companies are taking portfolio approaches to the disease- our view is that accretive M&A could make VTI a more formidable competitor and attractive acquisition target, with the current portfolio and new distribution rights to a differentiated Ortho-K product. At current levels, VTI also represents an attractive acquisition target in the hands of .a MedTech with an existing and scaled up optometry focused salesforce. Ongoing interest in myopia management is validated with JNJ, CooperVision, Menicon, and Essilor increasing their resources towards this indication.

Investment view

VTI is BUY (SPEC) rated with a valuation of \$1.31/share. Our DCF valuation provides upside to \$2.00 with commercial success, with a bear case of \$0.80. On a multiples basis, the stock looks very undervalued, especially compared to ASX listed medtech peers.

Earnings Forecast

Year end 30 Dec	FY20	FY21e	FY22e	FY23e
Total revenue	5.1	7.1	11.6	18.1
EBITDA	-7.7	-7.3	-6.6	-5.6
NPAT (underlying)	-8.0	-7.6	-6.9	-5.9
NPAT (reported)	-9.2	-4.9	-6.9	-5.9
EPS (diluted) (cps)	-1.2	-20.1	-29.3	-24.9
EPS growth (%)	NM	1519.3%	46.2%	NM
PE (x)	-1.3	-0.1	-0.1	-0.1
Price/CF (x)	NM	NM	NM	NM
EV/EBITDA (x)	NM	1.2	0.0	NM
Dividend (eps)	0.0	0.0	0.0	0.0
Yield (%)	0%	0%	0%	0%
ROE (%)	471.6%	-102.6%	-1472.1%	108.7%
Franking (%)	0%	0%	0%	0%

SOURCE: BELL POTTER SECURITIES ESTIMATES

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Company Overview

Company description

VTI is a US-based medtech company which develops, manufactures, and distributes unique and innovative contact lenses. The company’s NaturalVue range notably includes NaturalVue Multi-Focal, a contact lens for myopia progression control, or controlling the worsening over time of near-sightedness, a progressing condition which affects 30% of children worldwide and is estimated to impact 50% of the global population by 2050. These lenses are one of the two daily contact lenses approved for controlling myopia progression in these patients, and have shown excellent clinical results in retrospective clinical studies at up to 5 years. NaturalVue Multi-Focal lenses are also used to correct presbyopia in adults (presbyopia is the loss of near vision that impacts over 90% of adults over the age of 45). This dual-use of the same contact lens is unique to NaturalVue Multifocal and a competitive advantage VTI also recently secured the distribution rights to Innovatus, an OrthoK lens with a proprietary and differentiated fitting software and technology. The company is also developing additional lenses including toric versions, to add to the portfolio of products.

Target markets

Figure 1 - Worldwide markets for pediatric myopia

Global soft contact lens market (US\$8.2b)			
Category	%	US\$m	Comments
Sphere	66%	\$ 5,412	
Toric	24%	\$ 1,968	In development. Thematic shift toward toric.
Multifocal	10%	\$ 820	NaturalVue (Pediatric Myopia, adult presbyopia) launched US, ANZ, Canada, HK, Sg Thematic shift towards multifocals.

Global soft contact lens market by competitor			
Company	%	US\$m	Comments
JNJ	39%	\$ 3,198	Developing a myopia asset with Menicon
CooperVision	25%	\$ 2,050	MiVision (pediatric myopia) 2021 and 2022 revenues est. \$25m and \$50m, respectively.
Alcon	24%	\$ 1,968	
Other	12%	\$ 984	

SOURCE: BELL POTTER SECURITIES, VTI

Investment summary

- Good product in an area with a high unmet medical need with very few solutions.
- Myopia market is gaining traction from practitioners and major market players. The condition and the importance of treating it is becoming better understood and more relevant, with more enthusiasm from practitioners to treat and explore innovative therapies.
- Sales growth (US): Company has grown revenues to xx on an annualized basis, off a relatively lean cost base and small sales team. Over 2,300 active accounts and high levels of re-ordering. Assuming the company grows sales (likely, given seasonality, back to live classes for school-aged children, etc), guidance to the \$7m in sales for 2021 should be achievable.
- Sales growth (international): Distribution partners Menicon (and others) are expected to engage in marketing, promotional, and educational awareness (for the importance of myopia treatment), are expected to improve market adoption of treatment and potential conversion to NaturalVue products in Europe, Hong Kong, and Singapore. Going forward, expansion into China, Japan, and Korea offer inflection points for growth.
- Commitment to clinical data and international approvals: The company is developing its clinical trial strategy for a prospective, blinded clinical trial in pediatric patients with myopia. This data is critical to driving further adoption and partner interest, and necessary for regulatory approval in the US\$10b+ market in China.

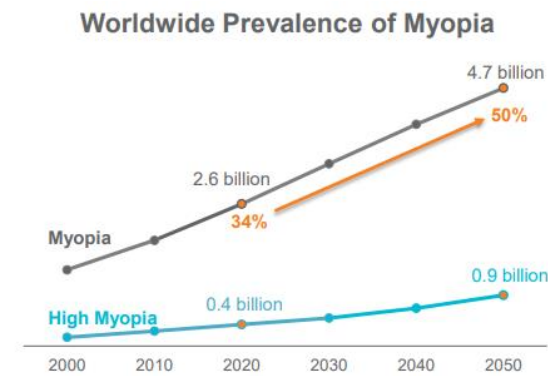
- Multiple tranches of growth: The company can gain step-change improvements in earnings as they achieve regulatory approvals and commercial traction in international markets. Additionally, anticipated M&A to create a portfolio solution for myopia patients could drive more commercial growth and improve the likelihood for more successful partnerships.
- Successful portfolio approach to myopia management: VTI boasts the strong NauralVue MF contact lens product, and also recently secured the US distribution rights for a differentiated Ortho-K solution. This strategy is in line with large cap peers in the myopia management space—there are multiple approaches to treating the condition, and being able to own optometrist market share (with multiple product offerings for different patient preferences and profile) is the more common successful strategy. Interestingly, the stock did not respond to what we view as a positive development, which also comes at very little cost to VTI.

Investment thesis

Large target market with unmet need

Myopia, or also known as near-sightedness, has grown into a major public health problem, especially in pediatric patients. It has increased in prevalence over the past few decades and is associated with other sight threatening pathologies such as cataracts, glaucoma, and myopic maculopathy. Myopia currently affects about 30% of the world's population, in different levels of severity, and its prevalence is expected to reach 50% by 2050. Myopia is a progressive disease and tends to worsen from childhood until the patient reaches the age of ~18-20 and is now understood to be a condition which requires treatment in order to minimize its progression. While historically, patients who presented with low levels of myopia were generally treated with basic vision correction, the consensus view is now becoming "no amount of myopia is safe", and the emphasis is shifting from just correcting the vision to preventing or slowing the worsening of the vision (ie slowing or stopping myopia progression).

Figure 2 - Myopia Endemic



SOURCE: COOPERCOMPANIES

While correcting myopic vision so that the patient can see distant objects clearly can be achieved with several products available from many companies, there are few products proven or approved for preventing or slowing the progression of myopia. Generally, contact lenses are gaining popularity, especially daily disposable lenses which offer improved safety, compliance, and reduced risk of infection.

Space is heating up

An increasing number of relevant companies in the optometry space have begun developing more tools for the treatment and management of myopia. The condition is also gaining more traction among the clinician community, and gaining awareness in parents of myopic children. There is a significant level of excitement among the physician community for new myopia solutions, and the benefits of treating myopia as a progressive disease are clear. One expert cites that in 2017, he spoke at medical conferences and presentations having small audiences with very little engagement, to in 2019, speaking to groups with upwards of 20% of the audience engaged in the content and asking questions. There are a number of ongoing clinical trials and evidence is continuing to grow around the efficacy and safety of CL based myopia management, and this should drive an increase in the number of eye-care providers prescribing myopia management to increase.

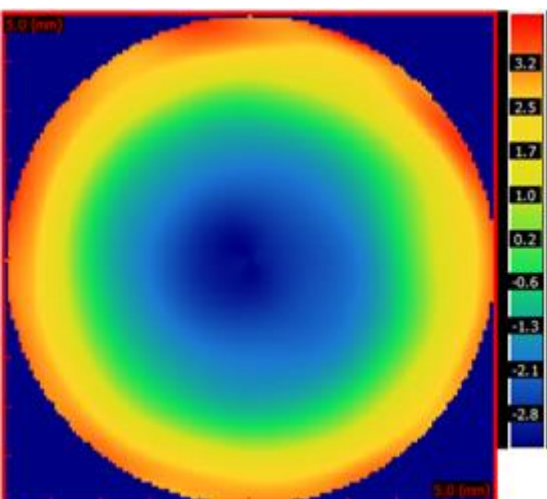
Incrementally differentiated product

VTI offers an incrementally differentiated product compared to its closest peer CooperVision, and is more differentiated to the majority competitors in that it is a daily lens (vs monthly, which can be associated with unique challenges in a pediatric population).

There is only 1 daily lens in the US approved for myopia management control, CooperVision’s MiSight. Though VTI’s NaturalVue Multifocal is approved in the US for the correction of myopia, and Menicon’s orthokeratology product was recently cleared by the FDA for “myopia management”. (Menicon’s orthokeratology lens will be marketed by JnJ under the company’s new myopia brand “Abiliti”). VTI’s NaturalVue Multi-Focal has approval for myopia progression control in the EU (CE Mark), Australia, NZ, Singapore, Hong Kong, and Canada. The full myopia management indication can only be achieved after the prospective trial reads out. While both VTI’s NaturalVue MF and CooperVision’s MiSight appear to be very well received, quality products, there are some differences that will allow NaturalVue MF to capture and maintain a reasonable segment of the eligible patient population.

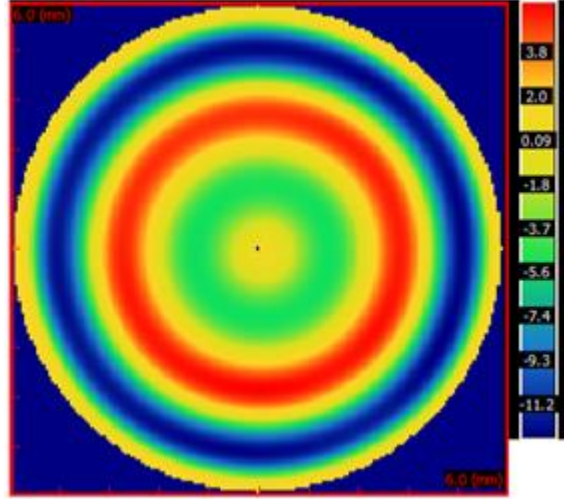
- Improved fitting experience: NaturalVue can easily be fitted without the need for significant amounts of followup. MiSight tends to require multiple re-fits, which pose an inconvenience to the patient (and parent, in the case of pediatric patients). Myopia patients do, generally, require monitoring visits every 6 months.
- Pricing: NaturalVue MF is priced at ~US\$500/year vs MiSight which sits at \$2,000 for the first year (because of the multiple fittings required), and \$1,500 per year thereafter. We note pricing across different geographies, especially if distributors are setting prices, can differ. For example, the product in Australia is priced at a premium to MiSight.
- NaturalVue has a unique design compared to CooperVision’s MiSight, and a broader range of parameters, which could make it a more appealing option in terms of fit and ability to cover a wider range of patients.
- Our discussions with treating optometry practitioners indicate that the MiSight can be better tolerated in younger children, but young adults (age ~12) tend to prefer the resulting image from the NaturalVue MF lens.
- Toric versions of NaturalVue MF, which are expected to launch later this year, will be the ONLY daily contact lens solution for pediatric myopes with astigmatism, or for an adult aged 45+ yrs with presbyopia.

Figure 3 - NaturalVue schematic



Note the smooth power transitions in this lens, compared to that in the rings of the CooperVision MiSight lens.

Figure 4 - MiSight schematic



Patients whose eyes do not perfectly align with the treatment zones (shown above) tend to have additional visual disturbances and are therefore unable to be as effectively

treated with MiSight. NaturalVue's more progressive spherical zones offer a more forgiving fit for more patients.

SOURCE: REVIEW OF OPTOMETRY

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Commercial trajectory and growth outlook

Our forecasts include sales growth based on the following:

- US: VTI currently has 2,165 active accounts, with a repeat customer rate of 98.9%. We anticipate new accounts to come through relatively slowly, at this point, given the company is only making a limited investment into sales and marketing. We note seasonality may come into play, with a potentially stronger second and third quarter as many students return to in-person classes in the late August to September timeframe.
- Europe and Japan: Distributor agreement with Menicon, the largest contact lens manufacturer globally. We like that VTI has secured an agreement with such a well established company, and also view the agreement as validating. Based on peer results, EMEA revenues from March 21 onward are expected to accelerate.
- China: VTI may be later to the myopia market in China vs peers, and will need to secure strong local partner to succeed in the region.

We note that our forecasts are conservative compared to competitor CooperVision's MiSight product. MiSight, which was launched in March 2020, achieved ~\$3m in sales in 1Q21, with guidance of \$25m for FY21, \$50m in FY22, and \$100m over the course of the next 10 years.

CooperVision, as a large multinational, has the bandwidth to dedicate orders of magnitude more capital into sales and marketing and myopia awareness campaigns. VTI, on the other hand, is electing not to invest ahead of growth, which although represents a strong cash conservation thematic, could hinder the commercial success. At this point, the company does not have the entire US covered on a territory basis.

Upcoming catalysts

Data: VTI has shown extremely positive data from retrospective studies which assess their NaturalVue MF lenses. However, in order to gain more traction, both commercially and from potential new prescribers, prospective (forward-looking) clinical data will be necessary. The company is in the planning stages of such a study, which is expected to begin recruiting patients in 2021 and to read-out by late 2022 (with subsequent follow-ups at incremental datapoints).

Commercial: Improved sales momentum will be the other factor that can drive interest in the stock. However, in order to significantly exceed our forecasts or to reach a major inflection point, the company would likely need to invest more into sales and marketing by expanding their geographic reach to cover more of US territories with additional reps.

However, given the company's low cost base at the moment, and recent announcement of US Distribution rights for Ortho-K, our view is that robust momentum is still achievable on the current cost base.

Forecasts currently very conservative vs peers

Our forecasts currently remain conservative for a few reasons. First, competitor CooperVision's MiSight was the first to market in the US to be indicated for the management of Myopia. This first mover advantage could see more clinicians who had never used a contact lens previously begin using the CooperVision lens. The company is also aggressively pursuing marketing, product incentives, to drive sales in what could be characterized as a land-grab period for the segment.

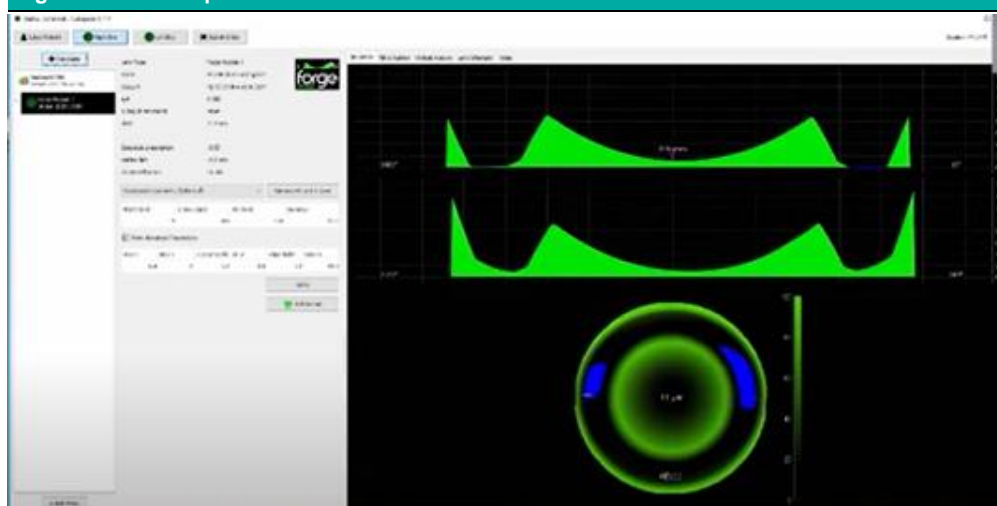
Second, although it is well established that myopia can turn into more significant vision loss and contribute to ophthalmolopathies, many do not view the condition as a serious concern. More data and time will be necessary to see more traction

Portfolio approach common in myopia

One way peers are effectively capturing more market share in myopia is by offering a contact lens in addition to other solutions such as spectacles or orthokareology. (Ortho-K) CooperVision, for example, sells Ortho-K lenses, and has recently acquired SightGlass Vision and formed a JV with EssilorLuxottica. The benefit of this is to capture myopic patients earlier, ahead of when they may be able to effectively use contact lenses, and to keep them on the brand's offerings. For example, a 5 year old patient may use glasses, and then elect to use the same company's daily contact lens solution at the age of 10-12 onwards. The ability to a) provide all treatment options to an optometrist office; or b) own an entire patient's journey through multiple myopia care modalities, represents an attractive strategy.

VTI is building just this, with their recent partnership with Innovatus Technologies to sell Forge Ortho-K lenses in the US and Canada. This product offering is differentiated, with its EyeSpace software which simplifies lens design and provides an easy personalized and automated lens building process. Historically, only specialized optometrists were able to fit Ortho-K lenses, this software opens up the pool to allow more providers to access and safely administer this treatment. The training process for onboarding a new user for this product is relatively simple, and offers some providers a new revenue stream and myopia management tool for their patients.

Figure 5 – FORGE product demo



SOURCE: [HTTPS://WWW.YOUTUBE.COM/WATCH?V=KGTCTP_XFGK](https://www.youtube.com/watch?v=KGTCTP_XFGK)

Our view is this distribution agreement creates an opportunity for VTI to access new accounts (with original EyeSpace accounts), and to cross-sell their Ortho-K offering into existing VTI (NaturalVue) accounts. The risk of cannibalization should be minimal, since different patients are best suited to contact lenses, Ortho K, or spectacles.

Importantly, the market failed to appreciate the impact of this new addition to VTI's armamentarium of assets in the ocular space. We view ongoing weakness in the stock as unwarranted given recent positive execution on sales (with more limited resources), and the recent addition to the sales portfolio. This addition, in our view, represents only one step in the company's approach to building a portfolio of assets to address pediatric myopia.

Valuation

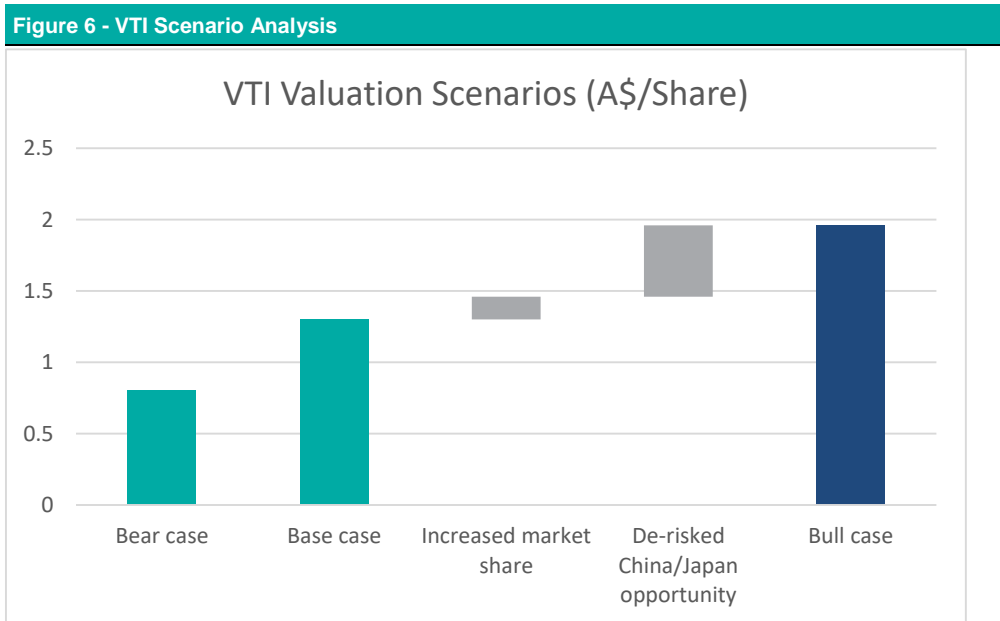
Valuation assumptions

Our DCF incorporates risked US earnings (to account for the non-zero, but incremental, amount of clinical risk for the planned US trial), as well as risked earnings into the Chinese market. The resulting valuation is \$1.31/share, representing 30% upside from current levels. A breakdown of our DCF highlights that the US contributes 55% of the valuation, while the international market (including China) contributes 35% with Europe contributing the remaining 10%. The model is relatively sensitive to product adoption in China.

Our scenario analysis takes into account a more optimistic view. De-risking the China and Japan opportunity drives upside in valuation to \$2/share. US uptake (while maintaining the same expense ratio as a % of revenues), improvement from 5% peak market share in our current forecasts to 10% increases the valuation (or an additional \$0.16 cps). The model is highly sensitive to market share assumptions given the magnitude of the TAM.

Pessimistic view: We remain relatively conservative around our forecasting given the market's historical reaction to sales and operating performance over the course of the last few years. A pessimistic view would incorporate an increase in the risk weighting to the China/Japan opportunity from 75% probability of success to 50%, which reduces the resulting valuation to \$1.15. A reduction in peak market share in the US from 5% to 3% results in a valuation of \$0.08.

The figure below provides a description of the key levers underpinning our scenario analyses.



SOURCE: BELL POTTER SECURITIES

Comparables

VTI is trading at an FY21 EV/Revenue just below 1.2x. This is optically very cheap compared to peers in the ASX listed med-tech space (average of 16.7x). This could be arguably due to the volatility in the stock, and due to some long-term mis-alignment between the company's anticipated growth levels and market expectations. Although we believe some level of discount to peers with longer-standing track records are justified and warranted, the magnitude of the current discount is disproportionately high. The average EV/Revenue for selected small to mid cap ASX medtech peers is ~21x. We note many of

these companies remain loss-making, and like the appeal of a company like VTI which is approaching breakeven. We also note that the current market cap of \$23m, noting a \$15m cash position, does not reflect the strength of the company's well validated technology and growth potential.

Figure 7 - VTI Comparables Analysis

Company	Code	Mkt Cap (\$m)	EV (\$m)	EV/ Revenue (x)		EV/EBITDA (x)	
				2021	2022	2021	2022
ASX Small/Mid Cap Med Tech							
Cleanspace Holdings	CSX	103.6	85.8	1.72	4.23	5.0	-9.4
Imricor Medical Systems	IMR	156.3	101.1	61.27	8.57	-5.0	-5.1
Lumos Diagnostics	LDX	183.9	199.0	7.94	7.74	-14.3	-16.6
ImpediMed	IPD	194.4	175.2	20.83	9.17	-9.3	-13.1
Nanosonics	NAN	2,011.0	1,917.5	18.60	14.38	111.0	102.2
SomnoMed	SOM	183.7	168.3	2.68	2.27		
Oventus Medical	OVN	24.2	19.3	17.74	2.89		
Polynovo	PNV	1,448.4	1,450.8	49.75	29.75	-465.7	643.6
Aroa Biosurgery	ARX	350.4	351.3	15.72	11.54	-22.5	-41.0
Next Science	NXS	278.2	198.9	15.71	7.71	-32.7	169.5
Average				21.20	9.82		
Median				16.73	8.15	-	11.76 - 7.25
US Eyecare							
Cooper Companies Inc	COO	22,209.3	24,116.3	8.39	7.85	26.1	23.2
EssilorLuxottica SA	EL	87,647.9	90,643.2	4.83	4.29	19.7	17.6
Novartis AG	NOVN	225,243.8	255,818.8	4.95	4.77	14.0	13.0
Johnson & Johnson	JNJ	457,367.4	465,544.4	4.93	4.76	14.1	13.2
Average				5.77	5.42	18.47	16.75
Median				4.94	4.76	16.91	15.37
Visioneering	VTI	23.3	8.2	1.17	0.71		

SOURCE: BELL POTTER SECURITIES, BLOOMBERG

Forecasts

P&L

Revenue: 1Q revenues of US\$1.7m was up 25% QoQ and represented 5% growth vs pcp, with 1H revenues of US\$3.1m. The company maintained guidance of \$7m in sales for 2021. Our view is that this goal is achievable, with vaccine tailwinds and seasonality. Annualized 1H21 net revenues were \$6.2m, which is impressive given the third quarter is normally the strongest for the company.

COGS: Gross margin of 44% in 1Q and 40% in 2Q, may improve to the 50% range at scale. FIFO vs LIFO accounting policies can cause some variation in COGS. Current higher shipping and logistics costs are expected to remain until at least the middle of 2021 before normalizing.

OpEx: The company is judiciously managing the current cash balance, which may hinder their ability to gain market share across new geographies and accounts efficiently. This strategy is maintaining focus on growing existing accounts, and on growing presence in territories that the salesforce is continuing. While it puts a ceiling on sales, we do note that there remains room for significant sales growth from current levels.

Direct sales vs distributor mix-shift will also have an impact on margin. Since Menicon, for example, will handle marketing and sales and distribution expenses for the sale of the product.

We have not included Ortho-K revenues in our forecasts, and assess they could provide upside to our 2022 onward revenue assumptions. We note that the distribution margin (net of lens manufacturing costs) will appear in the revenue line. This could drive a Group gross margin uplift over time.

Figure 8 - VTI P&L Forecast

	Dec-18 2018	Dec-19 2019	Dec-20 2020	1H21	2H21	Dec-21 2021	1H22	2H22	Dec-22 2022	Dec-23 2023	Dec-24 2024	Dec-25 2025
	a	a	a	a	e	e	e	e	e	e	e	e
Profit & Loss												
North America	3.3	5.1	4.8	2.9	3.5	6.5	4.9	6.1	10.9	16.9	23.1	31.0
Europe/Asia Pacific	0.0	0.6	0.3	0.2	0.4	0.6	0.3	0.4	0.6	1.2	2.9	5.0
Sales revenue	3.3	5.7	5.1	3.1	3.9	7.1	5.1	6.4	11.6	18.1	26.0	35.9
Total revenue	3.3	5.7	5.1	3.1	3.9	7.1	5.1	6.4	11.6	18.1	26.0	35.9
Growth	214.0%	73.7%	-10.8%	52.9%	27.0%	39.2%	64.8%	65.3%	62.9%	56.2%	43.7%	38.3%
Cost of Sales	-2.6	-3.8	-2.9	-1.8	-2.2	-4.0	-2.8	-3.6	-6.4	-9.7	-13.4	-18.7
Gross profit	0.7	2.0	2.2	1.3	1.7	3.1	2.3	2.9	5.1	8.4	12.6	17.2
Gross margin	22.5%	34.4%	44%	42%	43%	43%	44%	44%	44%	46%	48%	48%
Expenses												
Sales and marketing												
North America	-10.1	-8.2	-4.7	-1.9	-2.1	-4.0	-2.3	-2.4	-4.7	-5.9	-6.9	-8.5
Europe/Asia-Pacific	0.0	-1.0	-0.5	-0.3	-0.3	-0.6	-0.3	-0.3	-0.7	-0.8	-1.0	-1.0
Sales and marketing - total	-10.1	-9.1	-5.2	-2.2	-2.4	-4.6	-2.6	-2.8	-5.4	-6.7	-7.9	-9.5
Clinical and development (R&D)	-2.6	-2.1	-1.4	-1.1	-0.6	-1.7	-0.8	-1.0	-1.7	-1.8	-1.9	-2.7
General & admin	-4.1	-3.4	-3.3	-2.1	-2.0	-4.0	-2.1	-2.6	-4.6	-5.4	-6.5	-7.2
Total expenses	-16.8	-14.6	-9.9	-5.3	-4.9	-10.3	-5.5	-6.3	-11.8	-13.9	-16.4	-19.4
Total expense as % of revenue	-511%	-256%	-195%	-172%	-127%	-145%	-106%	-98%	-102%	-77%	-63%	-54%
EBITDA	-16.1	-12.7	-7.7	-4.0	-3.3	-7.3	-3.2	-3.5	-6.6	-5.6	-3.8	-2.2
Depreciation & amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-16.1	-12.7	-7.7	-4.0	-3.3	-7.3	-3.2	-3.5	-6.6	-5.6	-3.8	-2.2
Net interest expense	0.2	-0.1	-0.3	-0.2	-0.1	-0.3	-0.1	-0.1	-0.3	-0.3	-0.3	-0.3
Pre-tax profit	-15.9	-12.7	-8.0	-4.2	-3.4	-7.6	-3.3	-3.6	-6.9	-5.9	-4.1	-2.5
Income tax expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT (underlying)	-15.9	-12.7	-8.0	-4.2	-3.4	-7.6	-3.3	-3.6	-6.9	-5.9	-4.1	-2.5
Profit/(loss) from one-offs/discontinued operations	-0.8	0.1	-1.2	2.7	2.7	2.7	-3.3	-3.6	0.0	0.0	0.0	0.0
NPAT (reported)	-16.7	-12.6	-9.2	-1.5	-3.4	-4.9	-3.3	-3.6	-6.9	-5.9	-4.1	-2.5

SOURCE: BELL POTTER SECURITIES

Disproportional changes to EPS are attributable to the reverse stock split which occurred in June 2021.

Cash Flow and balance sheet

VTI reported an operating loss of \$4m in 1H21. The lower burn reflects the success of COVID-driven cost-saving methods.

The company reported a cash position of US\$15.1m. VTI recently raised US\$16m in the net proceeds from the Placement in March 2021, and expects to receive an additional \$0.6m from the SPP. Use of funds are listed in the figure below. An increase in expenses (even if it does put incremental strain on the balance sheet), especially for sales and marketing, would be, in our view, represents worthwhile investment to help gain market share in a segment that is due for a land-grab with a few formidable competitors.

At this point, the company should be able to reach breakeven and manage ongoing operations with the current cash on hand. An acceleration of new sales hires, or additional M&A could drive the need for a capital injection in the future.

Figure 9 - Use of funds

Activity	Amount (US\$m)
Clinical	3.5
New product launch	2.0
Sales and marketing	0.7
Working capital (including inventory build)	9.6
Capital raising costs	1.2
Total	17.0

SOURCE: VTI

Risks

Commercial and competitive

Our forecasts are based on VTI achieving revenue growth both in the US and international geographies. Failure to grow sales could cause results to differ materially from our forecasts. VTI is growing sales off a relatively small sales team, which must continue performing optimally to meet our forecasts. We note that the myopia space is gaining more traction among larger industry payers including CooperVision, JNJ, and others. The inability to capture market share at this point in time, while awareness around the severity of the condition is improving, can make conversion later on much more difficult.

Distributor

VTI's products are sold in international geographies by a variety of distributors. Although these are well known players in the contact lens space, we note that the enthusiasm which distributors promote the VTI products will have a direct impact on revenues for VTI. A lack of distributor interest, or potential issues with those distributors, could cause revenues to differ significantly from our forecasts.

Clinical

While the company already has a solid body of retrospective data to support the use of its proprietary lens technology, there remain ongoing clinical studies in the US and abroad. We assess that the level of clinical risk is somewhat mitigated from the existing data, but note that there always remains some level of clinical risk (either device related, or due to patient anomalies or trial design) that could threaten the approval of NaturalVue in the US.

Regulatory

VTI is working to achieve regulatory clearance in the US, China, and Japan. The company is working with regulators to provide the necessary data to give the product the highest chance of regulatory success. Failure to achieve approvals in certain, especially high value geographies, can cause results to differ significantly from our forecasts.

Financial

The company reported a cash position of xx at March 31, 2021. At the current run-rate, this provides sufficient cash for xx quarters. Any weakness in earnings, or additional unforeseen expenses, could put pressure on the balance sheet.

COVID

COVID-19 has caused a significant amount of disruption in medical device sales. Specifically, a halt on elective procedures has had a negative impact on companies with products in the non-emergent procedure space. Specifically to VTI, optometrists were either forced to close or cut patient volumes significantly. While vaccine tailwinds should mitigate this risk, additional outbreaks can cause product utilization and uptake to differ significantly from our forecasts.

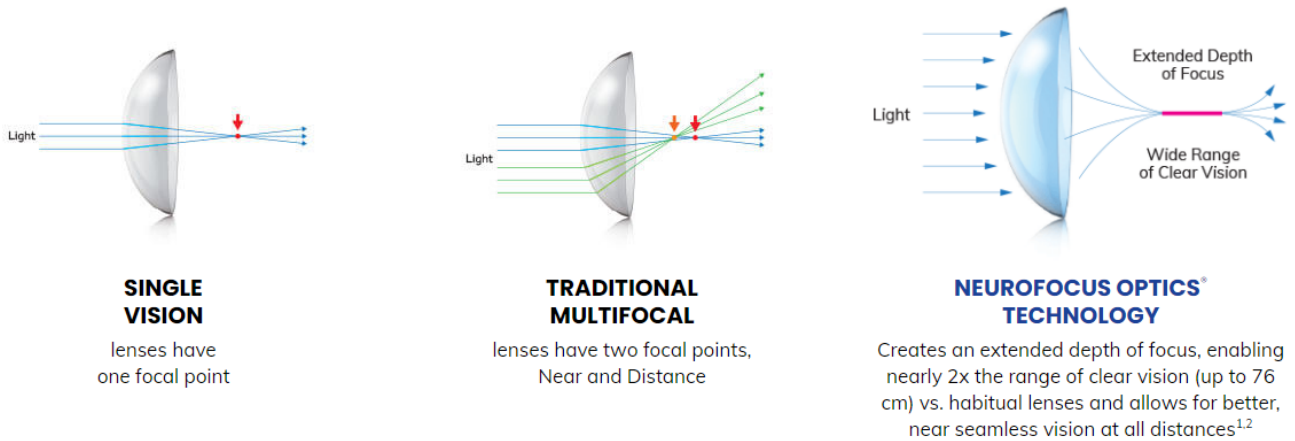
Product overview

Product description

NaturalVue MF (multifocal) lenses are soft contact lenses that have been shown to slow or halt the progression of myopia in children, and to correct presbyopia (age related loss of near-vision) in over-45 adults.

NaturalVue MF offers an extended depth of focus tool based on the company’s proprietary Neurofocus Optics technology, which creates a pinhole effect. Depth of focus is the range of clear vision along the visual axis over which an image appears clear and focused for an individual. Single vision contact lenses have one focal point. Traditional zonal center distance and center near bifocals/multifocals have two, as shown below. Extended depth of focus lenses, on the other hand, provide a wider range of clear vision.

Figure 10 - Neurofocus Optics technology creates an extended depth of focus vs traditional lenses

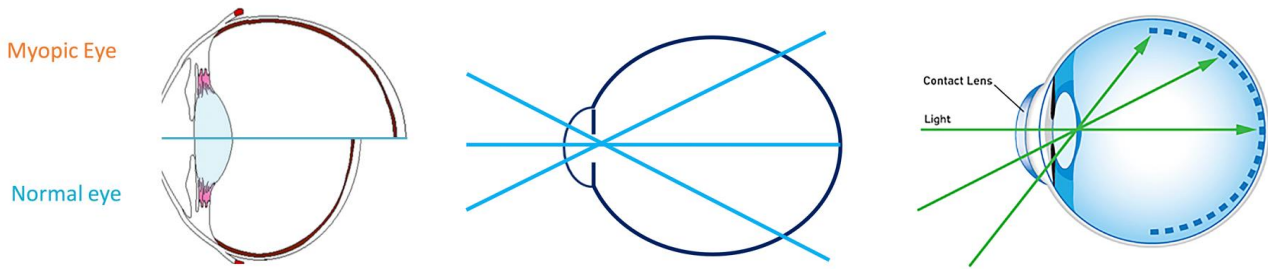


SOURCE: VTI

The science and technology is driven by aperture size. As an easy to understand analogy, to focus on a subject with an old-school camera, the aperture is opened. To see the foreground and background, the aperture is closed to create extended depth focus. This is the fundamental technology behind VTI’s multifocal contact lenses. NaturalVue MF starts with a center distance single zone, and then there is a rapid, continuous and uninterrupted progression in relative positive power extending outward from the center of the lens. The retina can interpret this as a virtual pinhole, with peripheral suppression, which creates extended depth of focus and provides visual acuity at more distances.

In addition to merely providing a visual improvement, NaturalVue MF also helps to resolve the lengthening of the eyeball which is the cause of near-sightedness in children. The longer eye stretches structures within the eye which is what causes the negative downstream effects. Minus lenses do correct at the center of the retina, but this moves peripheral rays behind the retina, stimulating the eye to grow. Bringing these peripheral rays inside the retina does not signal the eye to grow and therefore slows progression.

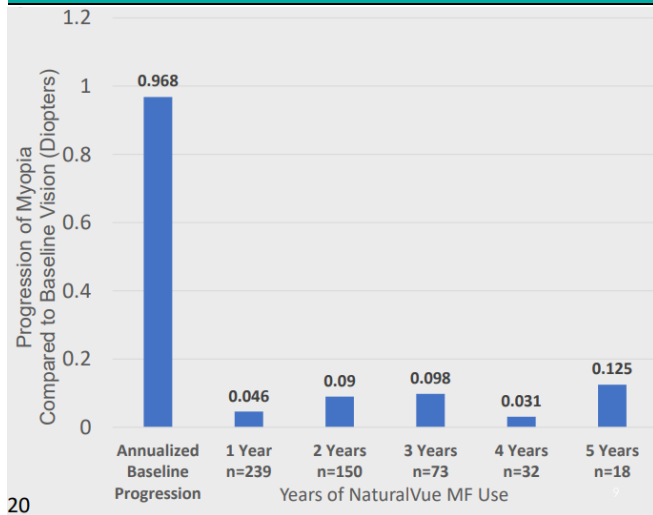
Figure 11 – Impact of lens on myopic eye



SOURCE: ASDF

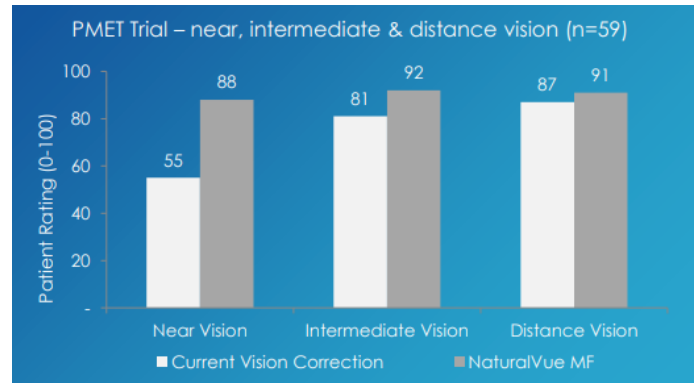
The company presented clinical followup data of 153 children (305 eyes) in up to 5 years. 93% of patients showed a decrease in the rate of myopia progression. 65% showed a decrease of 70% or greater. 55% of patients showed a slowing of axial elongation, which is the key contributor to disease.

Figure 12 - Data



20 SOURCE: VTI

Figure 13 - Data2



SOURCE: VTI

The lenses were also regarded as easy to fit (confirmed by most of our optometrist channel checks). Currently marketed MF lenses require multiple visits (up to 6) to achieve a successful fit the majority of the time. In Visioneering’s clinical trial, NaturalVue was successfully fit in an average of 1.1 visits, vs 2.4 for MiSight’s lenses, the leading competitor. This represents a significant advantage, since parents and school age children are less likely to remain compliant or choose a tool which requires such frequent visits.

The company also markets other lenses for the simple correction of near and far sightedness, but we focus on the Myopia indication in this report since it remains the most relevant in terms of clinical focus.

Patient description – What is myopia?

Myopia is an issue that is defined by a refractive error in which rays of light entering the eye parallel to the optic axis are brought into focus in front of the retina when ocular accommodation is relaxed. This is usually a result of the eyeball being too long (front to back), but can also be caused by an overly curved cornea, a lens with optical power, or both.

Myopia is caused by multiple factors, resulting from environmental and genetic factors with many variations in the prevalence, age of onset, and progression among different geographic areas. The rapid increase in the prevalence of myopia in the last few decades

is not caused by genetics alone, but also the development of environmental risk factors such as excessive close-up work, insufficient sunlight in early life, and higher level of education. Younger age of onset contributes to faster myopia progression, meaning that treating these patients is crucial. Once myopia has presented, it keeps progressing until the late teens or even early adult hood. The level of progression is the highest between the age of 8 and 15 because those are the years in which the eyeball grows. 50% prevalence will be by 2050, with as high as 10% being highly myopic.

Myopia can be classified in a variety of ways, based on characteristics like age of onset, etiology, anatomical characteristics of the eye, amount of myopia, progression pattern, structural complications among others. The 5 key factors in determining myopia include: optics, diagnostic thresholds, etiology, progression and structural complications.

Treatment

Currently, the main goal of treatment and of ongoing myopia research is to slow the progression of myopia. The sooner myopia presents, the more patients will progress, and clinical modelling predicts that a myopia control strategy that can delay myopia by 30-40% can reduce the risk of high myopia and the associated ocular conditions. (so slowing myopia by 1D should reduce the likelihood of a patient developing myopic maculopathy by 40%).

Treatment	About	Pros	Cons
Low dose atropine	Eyedrops used off label for the treatment of myopia progression. The exact mechanism of action is unknown, and dosing is unknown.	60-77% effective	Use remains controversial, usually not prescribed unless the patient seeks it out. <ol style="list-style-type: none"> 1. Kids dislike eye drops, daily use can be challenging. 2. MOA is unknown 3. Not very commercially available, with a compounding pharmacy needed.
Orthokeratology	Hard lenses worn at night or full time which help maintain the shape of the eye.	37-56% effective Don't need to wear lenses during the day	Low compliance in pediatric population Issues with hygiene in pediatric population (same lens worn for a month) Only certain optometrists can fit these lenses
Peripheral de-focus modifying contact lenses	Daily or monthly lenses (NaturalVue, MiSight, Biofinity, Proclear)	25-79% efficacy Certain lenses are dailies	Monthly lenses are becoming less popular Not made out of silicon hydrogen, which is a preferred material (though it is debated whether silicon hydrogel offers any benefit in daily disposable modality).

			Can only fit certain diopters
Bifocal or progressive addition spectacle lenses	Glasses which help provide corrective images for myopia patients	19% efficacy (low)	There are patients that could benefit, but there is a hesitancy for the child to wear the glasses 10 hrs day, 6 days per week, which is needed to make them effective.

Competition

The figure below highlights the features of the commercially available contact lenses for myopia.

Figure 14 - Description of NaturalVue vs other available lenses for myopia

	MiSight	NaturalVue MF	Biofinity MF	Proclear MF
Power	-0.25D to -6.00D	+4.00D to -12.25D	+6.00D to -10.00D	+6.00D to -8.00D
Base Curve	8.7	8.3	8.6	8.7
Diameter	14.2	14.5	14.0	14.4
Add	one single design	one single design	+2.50/+2.00 recommended	
Design	concentric ring	extended depth-of-focus		
Tint		visi tint		
UV	none	class 2	none	none
Material	omafilcon A	etafilcon A	comfilcon A	omafilcon B
Water Content	60%	58%	48%	62%
Dk	27	20	128	21
Replacement	daily	daily	monthly	monthly
Fitting	minimum minus	duochrome first green; use manufacturer calculator for starting lens	studies show -0.50 to -0.75sph over-minus as needed	

SOURCE: PAPER

CooperVision’s MiSight 1 day is a daily replacement hydrophilic soft contact lens. It is clinically proven and FDA approved for the correction of myopia and for slowing its progression in children with non diseased eyes. MiSight is the only daily contact lens with an approval in the US for myopia control (NaturalVue is used for myopia control in ex-US markets, and off label for myopia control in the US, where it has approval for vision correction). It works with a proprietary active control technology, dual focus feature to correct the image

1Q21 MiSight revenue was ~\$3m, of which, only an estimated \$100k were from the US. Given the product only launched in March 2020, the company expects strong growth for the remainder of the year and has guided to \$25m in global sales for 2021. The company initiated an initial free trial program for MiSight fitters, which should build sequentially. Optometrists will receive a rebate for 2 of their first patients fitted and purchasing MiSight. The company has also achieved very robust growth ex-US, even during the COVID period, and expects this to continue to grow, with a doubling of sales to \$50m in 2022.

Some specialists view MiSight as having a slight edge to myopia control efficacy, just because it has the full US approval with prospective data. However, different lenses will work best for different patients, depending on their age, refraction or binocular vision

status, eye shape/fit, and required power. Our view is that while MiSight may become a market leader, it does have a limited scope in terms of power and the severity of the myopic patient (in eye length).

Physicians are usually charging \$2,000 for the first year of treatment, after which, price can be cut to \$1,500 after the first year, since there will likely be fewer patient visits. This cost is the primary limiting factors for parents not willing to fit their children with the lens.

Monthly lenses: Coopervision's Proclear and Biofinity are monthly replacement distance-center multifocal lens designs that are used off label for myopia therapy. The market appears to be shifting away from monthly lenses, and towards daily lenses, given the improved compliance and safety associated with dailies.

There are no studies that assess multifocal toric lenses and their impact on myopia progression. If the patient has over 1.00D of astigmatism, Proclear Toric multifocal, Proclear Toric multifocal XR, and Biofinity toric multifocal can be used.

Stellest (spectacles): EssilorLuxottica's Stellest lens. 2 year clinical trial data showed 67% effectiveness in slowing myopia progression in Children. The Stellest roll-out will be extended to Europe in 2021, and is awaiting FDA approval in the US. EL are also awaiting antitrust approval for the 50/50 JV with CooperVision to commercialize its SightGlass Vision product.

The product was launched in China in October 2020. The new-generation spectacle lens slows the onset of myopia in children. It uses HALT technology, which effectively creates a defocused signal of the retina, to slow lens elongation and myopia progression. Key datapoints include:

- 2 years of children wearing Essilor Stellest lenses resulted in a 67% slowing in myopia progression on average compared to single vision lenses when worn for 12 hours or more a day. (For the study to be clinically relevant requires at least 50% improvement).
- Two out of three children who wore Essilor Stellest lenses did not need a prescription change after the first year.
- After the first year, the eye growth of 9 out of 10 children wearing Essilor Stellest lenses was similar or slower than non-myopic children.

Stellest was initially used in the university/trial setting in 2018, and is now being distributed more broadly, to retail chains including Lenscrafters in China. Later in 2021, EL also plans to launch Stellest in Europe. US approval has not yet been achieved.

JV for SightGlass Vision:

EL and CooperVision have entered into a 50/50 joint venture agreement to accelerate commercialisation of the myopia management product, SightGlass Vision. SightGlass Vision reduces the contrast of the image using Diffusion Optics Technology. This deal is currently awaiting antitrust approvals from relevant jurisdictions. SightGlass Vision has had European Marketing Authorisation since June 2020 and is undergoing clinical trials in the US (to be completed by Jan 2022) and awaiting FDA approvals. This JV will allow EL access to CooperVision's SightGlass vision product, whilst EL can deliver better route to market alongside its Stellest product, both of which are approaching myopia onset in children from the perspective of slowing its development which is new and novel to the industry.

We view FDA anti-trust approvals for SightGlass Vision as a positive catalyst for the stock, however note the current clinical trial is not due to complete until January 2022.

Neither the Stellest nor SightGlass Vision products are currently available in Europe or the US. We are likely to see European launches first (as early as 2021) as the products either do not require authorisation or have already obtained it. The larger opportunity is the US

market, which is difficult to quantify at present, however we view any clinical trial findings and regulatory approvals as positive for EL in the mid-term in this novel field.

Commercial overview

Salesforce (internal)

VTI has launched a direct salesforce in the US and Canada. The company had a sales team of 9 (was previously up to 25, but was consolidated during the COVID period). During a period when med-tech companies struggled to maintain sales, let alone grow sales, 2020 sales, the growth that VTI has been able to achieve is impressive.

The company will need to make additional hires should it wish cover all key US geographies. Currently, 9 out of 20 US geographies are covered. The company is balancing the level of investment in sales and is avoiding over-investing ahead of demand.

Management and our view is that CooperVision, among other key players, are investing in myopia awareness heavily, and that VTI may benefit from the improved levels of awareness and enthusiasm to treat among the parent and treating optometrist community. This theory represents a fair assumption. However, we note that CooperVision's and other competitor's higher marketing budgets are also more likely to promote their specific products. Should competitors grow market share in areas where VTI has not been able to target, the company could face difficulties opening accounts in new geographies when it is willing to make the additional investment into territory and salesforce expansion.

Salesforce (external/distributor)

Europe: Menicon, one of the world's largest distributors of contact lenses, is VTI's distribution partner in Europe. Menicon will sell the NaturalVue MF lenses under their own brand as a white label product. The company maintains a portfolio of devices for myopia management, including Ortho-K lenses. We note this is not an exclusive partnership, Menicon is also working alongside JNJ to develop their myopia tools. NaturalVue MF is CE Mark approved for the treatment of myopia progression.

Singapore/Korea: Oculus will be a non-exclusive distributor for NaturalVue MF in Singapore and Korea. Oculus is a private company with a group of subsidiaries with over 25 years experience in manufacturing and supplying high quality contact lenses and contact lens care products to optical retailers and eye-care practitioners.

China: VTI likely reach commercialization phase for their lenses in China in the 2024/2025 timeframe. The company is likely to require a local distributor to assist alongside the commercialization process. This will help VTI gain more traction in a very large but difficult to navigate market, and to avoid the significant level of capital outlay required to maintain an independent operation in China.

Forecasts

Our market model, with the key assumptions used to determine an outlook for sales for VTI, is detailed below. Key assumptions.

1. Product use in moderate to severe patients.
2. Conservative assumptions around the overall use of contact lenses for myopia, with ~35% in the US and even lower for international markets.
3. 85% compliance rate with daily lenses.
4. Pricing of \$500/year.
5. Risk adjustment: 85% US, with 50% probability of success in China/Japan, assuming a 2024 Chinese launch.

6. At this point, we have not yet included distribution revenues from the Ortho-K product into our forecasts, but note that it does provide incremental upside.

Figure 15 - VTI market models

	1H21	2H21	Dec-21	1H22	2H22	Dec-22	Dec-23	Dec-24	Dec-25
	1H21	2H21	2021	1H22	2H22	2022	2023	2024	2025
Net revenues & gross margin									
North America	2.9	3.5	6.5	4.9	6.1	10.9	16.9	23.1	31.0
Europe/Asia Pacific	0.3	0.4	0.6	0.3	0.4	0.6	1.2	4.5	9.1
Sales revenue	3.2	3.9	7.1	5.1	6.4	11.6	18.1	27.6	40.1
Total revenue	3.2	3.9	7.1	5.1	6.4	11.6	18.1	27.6	40.1
Growth									
Total revenue	57.6%	27.0%	39.2%	59.9%	65.3%	62.9%	56.2%	52.8%	44.9%
Gross Profit									
North America	1.4	1.6	3.0	2.4	3.0	5.5	9.3	13.9	18.6
Europe/Asia Pacific	0.1	0.1	0.3	0.1	0.1	0.3	0.5	1.9	3.9
Gross Profit	1.5	1.8	3.2	2.5	3.2	5.7	9.8	15.8	22.5
Gross Margin									
North America	46%	46%	46.0%	50%	50%	50.0%	55.0%	60.0%	60.0%
Europe/Asia Pacific	40%	40%	40.0%	40.0%	40.0%	40.0%	41.0%	42.0%	43.0%
Blended gross margin	45.5%	45.4%	45.5%	49.5%	49.4%	49.5%	54.1%	57.0%	56.1%
North America & Canada - Direct									
Number of children aged 6-17 (USA)	49.5	49.5	49.5	49.7	49.7	49.7	49.7	49.7	49.7
Incidence of childhood myopia (< -0.5 D impaired)	42.0%	42.0%	42%	42.0%	42.0%	42%	42%	42%	42%
Children with myopia (USA)	20.8	20.8	20.8	20.9	20.9	20.9	20.9	20.9	20.9
Percentage of myopic children <-2.0 D impaired	38.1%	38.1%	38%	38.1%	38.1%	38%	38%	38%	38%
Replacement compliance rate	85.0%	85.0%	85%	85.0%	85.0%	85%	85%	85%	85%
% using contact lenses	35%	35%	35%	36%	36%	36%	37%	38%	39%
Addressable Market (USA)	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.6	2.6
Cost of care per year - self-pay (US\$m)	250.0	250.0	500.0	250.0	250.0	500.0	500.0	500.0	500.0
Total Addressable Market (USDm)	588.7	588.7	1,177.3	607.9	607.9	1,215.9	1,249.6	1,283.4	1,317.2
North America Sales									
Estimated market share	0.50%	0.60%	0.55%	0.80%	1.00%	0.90%	1.35%	1.80%	2.35%
Growth in market share (pcp)	53.7%	21.3%	34.2%	60.0%	66.7%	63.6%	50.0%	33.3%	30.6%
Growth in revenue (pcp)	54.3%	21.8%	34.7%	65.2%	72.1%	69.0%	54.2%	36.9%	34.0%
China & Japan (-2024 & -2025)									
Number of children aged 6-17	270.0	270.0	270.0	270.0	270.0	270.0	270.0	270.0	270.0
Incidence of childhood myopia (< -0.5 D impaired)	80.0%	80.0%	80%	80.0%	80.0%	80%	80%	80%	80%
Children with myopia (China & Japan)	216.0	216.0	216.0	216.0	216.0	216.0	216.0	216.0	216.0
Percentage of myopic children <-2.0 D impaired	50.0%	50.0%	50%	50.0%	50.0%	50%	50%	50%	50%
Replacement compliance rate	85.0%	85.0%	85%	85.0%	85.0%	85%	85%	85%	85%
% using contact lenses	6.9%	6.9%	7%	6.9%	6.9%	7%	7%	7%	7%
Addressable Market (China & Japan)	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Cost of care per year - self-pay (US\$m)	250.0	250.0	500.0	250.0	250.0	500.0	500.0	500.0	500.0
Total Addressable Market (USDm)	1,583.6	1,583.6	3,167.1	1,583.6	1,583.6	3,167.1	3,167.1	3,167.1	3,167.1
Sales									
Estimated market share	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%	0.25%
Growth in market share (pcp)									150.0%
Growth in revenue (pcp)									150.0%
Risk Adjustment	85%	85%	85%	85%	85%	85%	85%	85%	85%
Risk Adjusted Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.7	6.7
Other Partnered Countries - Aus/NZ, Hong Kong, Singapore									
Number of children aged 6-17	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Incidence of childhood myopia (< -0.5 D impaired)	50.0%	50.0%	50%	50.0%	50.0%	50%	50%	50%	50%
Children with myopia	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Percentage of myopic children <-2.0 D impaired	38.1%	38.1%	38%	38.1%	38.1%	38%	38%	38%	38%
Replacement compliance rate	85.0%	85.0%	85%	85.0%	85.0%	85%	85%	85%	85%
% using contact lenses	20.0%	20.0%	20%	20.0%	20.0%	20%	20%	20%	20%
Addressable Market	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cost of care per year - self-pay (US\$m)	250.0	250.0	500.0	250.0	250.0	500.0	500.0	500.0	500.0
Total Addressable Market (USDm)	52.6	52.6	105.2	52.6	52.6	105.2	105.2	105.2	105.2
Sales									
Estimated market share	0.50%	0.70%	0.60%	0.50%	0.70%	0.6%	1.2%	1.8%	2.3%

SOURCE: BELL POTTER SECURITIES

Barriers to entry

A primary requirement for contact lens based myopia control is patient motivation. The patient must be willing to, and regularly, use their contact lenses for most of their waking hours in order for them to have a clinical impact.

Commonly prescribed soft multifocal CL options only come in spherical distance powers. Patients who have cylinder power more than 1.0D often have trouble achieving adequate vision in the CLs.

Special fitting considerations: The general population has a 14.9% prevalence of astigmatism, which frequently prohibits the use of above CL options. Nonetheless, these patients are still often interested in CL based myopia management. There are custom multifocal toric CL options that should, in theory, be able to slow myopia progression as much as the other available multifocal CLs which are spherical.

Intellectual property

VTI has successfully filed 14 patents worldwide, with 8 patents pending. The company maintains a strong international portfolio around method of use (in myopia and presbyopia), lens geometry of their specific lenses, the use of a multifocal ophthalmic lens with an induced aperture, and manufacturing processes to develop the lenses. The earliest patents expire in 2032, with some expiring into the late 2030s.

Board and management

Management

Dr. Stephen Snowdy (Chief Executive Officer, Executive Director)

Dr Snowdy initially joined VTI as Chairman in May 2009, and he has been Chief Executive Officer since June 2013. He has 15 years of experience in life science venture investing and executive management.

Mr. Brian Lane (Chief Financial Officer)

Mr. Lane has 30 years of experience in financial operations and management. He was the CFO of OnePath, and was previously the controller for PRGX Global (NASDAQ:PRGX). Brian has held senior finance roles in other companies in financial services, franchising and manufacturing.

Mr. Tony Sommer, Jr. (SVP, Sales and Marketing)

Mr. Sommer has 25 years of experience in sales and marketing management. Previously he served as Head of Sales for Bausch & Lomb's US Vision Care division.

Board

Dr. David Mazzo (Chairman)

Dr. Mazzo is a highly accomplished and experienced life sciences executive and board director with almost 40 years of experience in managing medical device and pharmaceutical companies. He is currently President, CEO and Executive Director of Caladrius Biosciences, Inc. (NASDAQ: CLBS). He also serves on the boards of Eyepoint Pharmaceuticals, Inc. (NASDAQ:EYPT), and Seneca Biopharmaceuticals, Inc. (NASDAQ: SNCA). Previously, Dr. Mazzo served as CEO and Executive Director of Regado Biosciences, Inc., where, among other accomplishments, he led Regado's IPO.

Christi Van Heek (NED)

Ms. Van Heek has served as an adviser and consultant to several companies in the biopharmaceutical industry. From 1991 to 2003, she served in various roles at Genzyme, Inc., including positions as Corporate Officer and President, Therapeutics Division; General Manager, Renal Division; and Vice President, Global Marketing. In addition, she has held various sales and marketing positions at Genentech, Inc. and Caremark/HHCA.

Jean Franchi (Non-Executive Director)

Ms. Franchi has 20 years of experience building finance/accounting systems and teams in the life sciences industry. Currently she serves as CFO of Merrimack, a NASDAQ- listed pharmaceutical company and previously served as SVP Corporate Finance at Genzyme, a biotech company with over \$4B in revenue, and as CFO of Dimension Therapeutics and Good Start Genetics

Zita Peach (Non-Executive Director)

With over 30 years of experience in the pharmaceutical, biotechnology, medical device & healthcare sectors, Ms. Peach currently serves on the board of ASX-listed Starpharma Holdings and Monash IVF Group, and has a board position with Bionic Vision Technologies Pty Ltd. Previously held executive roles at ASX-listed CSL Limited and Fresenius Kabi.

Tom Dooley (Non-Executive Director)

Mr. Dooley has 30 years of experience in pharma and medical devices, including contact lenses and eye care. Most recently, he served as President of Alcon Japan, where he

oversaw 1300 employees and \$1B in revenue from contact lens products, medical devices, and pharma. Previously he served as Alcon's country manager in Australia and New Zealand.

Andrew Silverberg (Non-Executive Director)

Tom has 30 years of experience in pharma and medical devices, including contact lenses and eye care. Most recently, he served as President of Alcon Japan, where he oversaw 1300 employees and \$1B in revenue from contact lens products, medical devices, and pharma. Previously he served as Alcon's country manager in Australia and New Zealand.

Visioneering

as at 3 September 2021

Recommendation Buy, Speculative
 Price \$0.985
 Valuation (12 months) \$1.31

Table 1 - Financial summary

Income Statement (US\$m)	FY18	FY19	FY20	FY21e	FY22e	FY23e
Year Ending December						
Total revenue	3.3	5.7	5.1	7.1	11.6	18.1
COGS	(2.6)	(3.8)	(2.9)	(4.0)	(6.4)	(9.7)
Gross profit	0.7	2.0	2.2	3.1	5.1	8.4
Total expenses	(16.8)	(14.6)	(9.9)	(10.3)	(11.8)	(13.9)
EBITDA	(16.1)	(12.7)	(7.7)	(7.3)	(6.6)	(5.6)
EBIT	(16.1)	(12.7)	(7.7)	(7.3)	(6.6)	(5.6)
Net interest	0.2	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)
Pre tax profit	(15.9)	(12.7)	(8.0)	(7.6)	(6.9)	(5.9)
Tax expense	-	(0.0)	(0.0)	0.0	-	-
NPAT- normalised	(15.9)	(12.7)	(8.0)	(7.6)	(6.9)	(5.9)
Reported NPAT	(16.7)	(12.6)	(9.2)	(4.9)	(6.9)	(5.9)

Cashflow (US\$m)	FY18	FY19	FY20	FY21e	FY22e	FY23e
Gross cashflow	(15.8)	(12.3)	(7.0)	(7.7)	(8.0)	(7.6)
Cash interest	-	-	-	(0.3)	(0.3)	(0.3)
Operating cash flow	(15.5)	(12.7)	(6.5)	(7.4)	(8.3)	(7.9)
Free cash flow	(15.6)	(12.7)	(6.5)	(7.4)	(8.3)	(7.9)
Proceeds from issuance	6.2	4.3	5.7	16.7	-	-
Movement in borrowings	-	-	1.0	-	-	-
Proceeds from options exercised	0.0	-	0.3	-	-	-
Change in cash held	(9.3)	(5.4)	0.5	9.2	(8.3)	(7.9)
Cash at beginning of period	16.6	7.3	1.9	2.4	11.7	3.3
Cash at year end	7.3	1.9	2.4	11.7	3.3	(4.5)

Balance Sheet (US\$m)	FY18	FY19	FY20	FY21e	FY22e	FY23e
Cash	7.3	1.9	2.4	11.7	3.3	(4.5)
Receivables	0.5	0.8	0.9	1.2	1.9	3.0
Prepaid expenses	0.3	0.2	0.5	0.6	1.0	1.5
Inventory	2.0	2.2	0.6	0.8	1.3	2.0
Property, Plant & Equipment	0.1	0.1	0.0	0.0	0.0	0.0
Other non current assets	0.2	0.6	0.5	0.5	0.5	0.5
Total assets	10.4	5.8	5.0	14.7	8.0	2.5
Trade payables	0.1	0.3	0.3	0.4	0.6	1.0
Debt	-	-	1.0	-	-	-
Convertible note payable	-	2.9	2.8	2.8	2.8	2.8
Other	1.3	1.7	3.5	4.1	4.1	4.1
Total Liabilities	1.4	4.8	6.7	7.3	7.6	7.9
Net Assets	9.0	1.0	(1.7)	7.4	0.5	(5.4)
Share capital	67.7	72.2	78.1	93.1	93.1	93.1
Other equity	0.2	0.4	1.0	0.0	0.0	0.0
Retained earnings	(59.0)	(71.6)	(80.8)	(85.7)	(92.6)	(98.5)
Shareholders Equity	9.0	1.0	(1.7)	7.4	0.5	(5.4)

Segmental Revenues (US\$m)	FY18	FY19	FY20	FY21e	FY22e	FY23e
USA sales	3	5	5	6	11	17
% growth		54%	-5%	35%	69%	54%
International	-	0.6	0.3	0.6	0.6	1.2
% growth			-53%	112%	0%	92%

Valuation Ratios (US\$m)	FY18	FY19	FY20	FY21e	FY22e	FY23e
Basic EPS (cps)	-7.8	-3.9	-1.2	-20.1	-29.3	-24.9
Diluted EPS (cps)	-7.8	-3.9	-1.2	-20.1	-29.3	-24.9
EPS growth (%)		NM	NM	1519%	46%	NM
PE(x)	-0.2	-0.4	-1.3	-0.1	-0.1	-0.1
EV/EBITDA (x)	0.4	NM	NM	1.2	0.0	NM
EV/Revenue (x)		0.2	0.3	NM	NM	0.4
CFPS (cps)	-7.2	-3.9	-0.9	-34.6	-35.3	-33.3
Price/CF (x)	NM	NM	NM	NM	NM	NM
NTA per share (cps)	0.0	0.0	0.0	0.3	0.0	-0.2
P/NTA (x)	45.2	770.3	-844.4	5.2	125.7	-6.8
DPS (cps)	-	-	-	-	-	-
Payout ratio %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking %	-	-	-	-	-	-
FCF yield %	-450.7%	-243.9%	-54.8%	-2160.9%	-2204.9%	-2083.5%

Performance Ratios (US\$m)	FY18	FY19	FY20	FY21e	FY22e	FY23e
Net debt/(cash)	(7.3)	0.9	1.5	(8.9)	(0.5)	7.3
Net debt/Assets	9.0	1.0	(1.7)	7.4	0.5	(5.4)
ROA	-153.3%	-218.5%	-161.2%	-51.6%	-86.2%	-234.6%
ROE	-177.5%	-1297.4%	471.6%	-102.6%	-1472.1%	108.7%
ROIC	-177.5%	-331.3%	-372.2%	-74.5%	-212.3%	224.4%

Interim Results	1H20	2H20	1H21e	2H21e	1H22e	2H22e
Total revenue	2.0	3.1	3.1	3.9	5.1	6.4
COGS	(1.2)	(1.7)	(1.8)	(2.2)	(2.8)	(3.6)
Expenses	(6.0)	(4.0)	(5.3)	(4.9)	(5.5)	(6.3)
EBITDA	(5.2)	(2.5)	(4.0)	(3.3)	(3.2)	(3.5)
EBIT	(5.2)	(2.5)	(4.0)	(3.3)	(3.2)	(3.5)

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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