

ASX Announcement | 15 October 2019
Visioneering Technologies (ASX:VTI)

Visioneering continues solid growth in net revenue following record-breaking September quarter

Q3 FY19 Investment Highlights

- Shipments to US eye care professionals (ECPs) increased 15% quarter on quarter (QoQ) and 58% over the prior corresponding period (pcp) to US\$1.6m
- Cash receipts from customers increased 30% QoQ and 47% over pcp to US\$1.7m
- Net revenue increased 25% QoQ and 39% over pcp to US\$1.5m
- Active US Accounts grew by 8% QoQ to 2,002, with 97% repeat customers

Atlanta, Georgia, Tuesday, 15 October 2019: US-based medical device company and producer of the NaturalVue® (etafilcon A) Multifocal 1 Day Contact Lenses ('NaturalVue MF') **Visioneering Technologies, Inc (ASX: VTI)** ('Visioneering' or 'the Company') is pleased to announce that it has again achieved record results across a number of key metrics during the quarter ended 30 September 2019 (Q3 FY19). The Company's fiscal year coincides with the calendar year.

Visioneering provides here its Appendix 4C and summary of operations for the quarter. The Company achieved record results across its key metrics: Shipments to US Eye Care Professionals (ECPs), cash receipts from customers, net revenue and repeat customer rate.

Continued strong growth

Table 1 below presents a summary of key metrics and definitions. Shipments to US ECPs grew by 15% over the prior quarter to US\$1.6m and grew by 58% over the same period in 2018. Net Revenue for the quarter ended 30 September 2019 grew by 25% over the prior quarter to US\$1.5m and grew by 39% over the same period in 2018. The percent increase in Net Revenue was higher than the percent increase in Shipments to US ECPs after being lower in the prior two quarters primarily due to the timing of inventory purchases versus shipments at the distributor level. Relative to the Company's expectations, growth in Net Revenue was negatively impacted by delays of launches in Hong Kong and Canada, and the turning over of under-performing sales territories in the US.

While growth in US net revenue and shipments were strong in the quarter, the growth was below management's expectations. The difference was due primarily to the Company having implemented performance-related releases in the sales team that resulted in approximately 25% of the sales territories not having a direct sales representative in the territory for some or all of the September quarter. While sales grew in un-covered territories in the quarter, the growth was below that of covered territories. Management feels the impact of these changes are on near-term revenue growth and expects these adjustments to result in improved overall performance in the mid- and long-term.

Gross profit continued to rise in the quarter, reaching 36.4% of net revenue for Q3 FY19 compared to Q2 FY19 gross profit of 34.3% and Q3 FY18 gross profit of 23.4%.

Visioneering tracks the repurchase behaviour of its ECP customers since the Company views high repeat customer percentages as a positive indication of the quality of its revenue and of the tangible value the Company provides to ECPs and their patients. During the quarter, a record 96.7% of ECPs who purchased product in Q2 FY19 purchased product again in Q3 FY19, up from 95.8% for the comparable measure in Q2 FY19 and from 96.0% in Q3 FY18.

Table 1: Q3 FY18, Q2 FY19 and Q3 FY19 key metrics

(US\$ in 000's, unaudited)	Q3 FY18	Q2 FY19	Q3 FY19	Q3 FY19 vs Q2 FY19	Q3 FY19 vs Q3 FY18
Net Revenue (A)	\$1,063	\$1,181	\$1,475	25%	39%
Shipments to US ECPs (B)	\$1,014	\$1,397	\$1,599	15%	58%
Cash receipts from customers	\$1,147	\$1,305	\$1,690	30%	47%
Active US Accounts (C)	1,424	1,855	2,002	8%	41%
Shipments to US ECPs per Active US Account	\$712	\$753	\$799	6%	12%
Gross profit %	23.4%	34.3%	36.4%		
Repeat customer % (D)	96.0%	95.8%	96.7%		

(A) Net revenue includes international revenue.

(B) Shipments to US ECPs represents the gross revenue equivalent of lenses shipped to ECPs located in the US, net of fulfilment fees.

(C) Active US Accounts are ECPs located in the US that purchased VTI products during the quarter.

(D) Repeat customer % is the percent of prior quarter Active US Accounts that purchased in the current quarter.

Active US accounts (accounts that purchased during the quarter) and Shipments to US ECPs per Active US account grew, both from the prior quarter and from the previous corresponding period.

Q3 FY19 Active US Accounts were up 8% from Q2 FY19 to 2,002, and up 41% from Q3 FY18. Q3 FY19 Shipments to US ECPs per Active US Account were US\$799, up 6% from US\$753 in Q2 FY19 and up 12% from Q3 FY18.

Cash and Cash receipts metrics

Cash receipts from customers in Q3 2019 increased 30% over Q2 FY19 to US\$1.7m and increased 47% over the corresponding period in 2018.

Visioneering saw a slight increase in its net cash used in operating activities to US\$3.1m in the quarter from US\$2.8m in Q2 FY19, primarily due to the timing of payments for payroll and administrative costs. The Company finished the quarter with US\$4.9m in cash and cash equivalents.

Global expansion gathers steam

Visioneering generated its first sales in Asia in September 2019, shipping its NaturalVue MF to several patients in Hong Kong. Visioneering identified Hong Kong as a target market as it has a strong need for myopia management solutions. Following expansion into Hong Kong, Visioneering is looking to other parts of Asia including Singapore, South Korea, Southeast Asia, Japan, and China, which all represent attractive markets for myopia progression control products. Visioneering also plans to continue its North American expansion in 2019 by launching in Canada, although delays in the regulatory process may postpone this launch into 2020.

Visioneering recently announced that it entered into a definitive agreement with Menicon Co., Ltd. through Menicon's wholly-owned subsidiary NKL Contactlenzen B.V. ('Menicon'), in which VTI will supply its NaturalVue MF contact lenses under Menicon's brand name for sale and distribution in Europe [ASX Announcement: 1 October 2019].

Visioneering's lenses will be packaged as Menicon Bloom Day Contact Lenses for Myopia Progression Control. The Company expects to receive in the December 2019 quarter US\$475,000 of cash related to an initial stocking order under the agreement, and to record the cash as revenue in the December 2019 quarter when the initial stocking lenses are delivered to Menicon. The delivery of lenses is dependent on a regulatory approval and manufacturing, which if delayed, could push the delivery of lenses and recognition of revenue into the March quarter 2020. The cash payment is not dependent regulatory approval. The agreement is non-exclusive, cancellable, and assignable, which gives VTI maximum flexibility in its business development efforts.

In May 2019, Menicon announced the launch of its Menicon Bloom™ Myopia Control Management System, which is a holistic approach to myopia control management. The announcement included the initial introduction of Menicon Bloom Night, the first Orthokeratology product to receive clearance in Europe for treating paediatric myopia progression, and the first product within the Menicon Bloom myopia control system. Menicon Bloom Day and Menicon Bloom Night are each suited for differing segments of the paediatric myopia population.

Menicon is Japan's oldest and largest contact lens company, having reported US\$191 million of sales in its most recent quarter. Menicon is represented in over 80 countries.

Visioneering Technologies CEO Stephen Snowdy, PhD, said: "Visioneering achieved another quarter of solid growth, with cash receipts from customers growing 30%, net revenue growing 25% and Shipments to US ECPs growing 15% in the quarter compared to the second quarter of 2019. While this growth is strong, it was shy of our expectations due to backlogged international regulatory entities and prudent changes we made in the US sales force to benefit longer-term performance. We are also excited about the progress we are making with regards to our global expansion. Partnering in Europe with a well-respected global leader in the contact lens industry such as Menicon both validates our product and expands our market penetration in Europe. Hong Kong has started well, confirming our expectations of the need for our product in Asia, where myopia is more prevalent and severe than in our existing markets. We expect to add Canada this year and additional parts of Asia next year once we clear their regulatory requirements and form distribution partnerships."

Ends.

Invitation To Join Investor Conference Call

Investors are invited to join a conference call on Wednesday, 16 October 2019, at 10 AM AEDT (Tuesday, 15 October 2019, 7 PM US eastern time) hosted by Visioneering's CEO, Stephen Snowdy.

To pre-register for the call please use this link:

<https://s1.c-conf.com/diamondpass/vti-10002320-invite.html>

You will receive a calendar notification with dial in details and a PIN for fast track access to the call. Alternatively you can dial in using the details below at the scheduled call start time.

Conference ID: 1000 2320

Participant dial in numbers

Australia Toll Free:	1 800 954 502
Australia (Sydney) Local:	02 8072 4187
Australia (Melbourne) Local:	03 9999 2409
Canada Toll Free:	1 855 336 4664
China	4001 200 641
Hong Kong	800 906 986
Japan Toll Free:	005 3116 1306
New Zealand Toll Free:	0800 480 392
United Kingdom Toll Free:	0808 168 3761
United States:	(855) 336 4664

For more information, please contact:

<i>Company</i>	<i>Investor and media relations</i>
Stephen Snowdy CEO, Visioneering Technologies, Inc. Email: ssnowdy@vtivision.com	Julia Maguire The Capital Network M: +61 419 815 386 E: julia@thecapitalnetwork.com.au

About Visioneering Technologies

Visioneering Technologies Inc. (ASX:VTI) is an innovative eye care company committed to redefining vision. Since its founding in 2008, Visioneering has brought together clinical, marketing, engineering, manufacturing and regulatory leaders from top vision care businesses to provide new solutions for presbyopia, myopia and astigmatism.

Headquartered in the US, Visioneering designs, manufactures, sells and distributes contact lenses. Its flagship product is the NaturalVue® Multifocal contact lens, and VTI has expanded its portfolio of technologies to address a range of eye care issues. The company has grown operations across the United States, Australia and Europe and is expanding into Asia with a focus on markets with high rates of myopia.

Foreign ownership restrictions

VTI’s CHESS Depository Interests (CDIs) are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (**Securities Act**) for offers which are made outside the US. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. As a result of relying on the Regulation S exemption, the CDIs are ‘restricted securities’ under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person for the foreseeable future except in very limited circumstances after the expiration of a restricted period, unless the re-sale of the CDIs is

registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a 'FOR US' designation on the Australian Securities Exchange (**ASX**). This designation restricts any CDIs from being sold on ASX to US persons. However, you are still able to freely transfer your CDIs on ASX to any person other than a US person. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

Forward-Looking Statements

This announcement contains or may contain forward-looking statements that are based on management's beliefs, assumptions and expectations and on information currently available to management.

All statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements. These include, without limitation, U.S. commercial market acceptance and U.S. sales of our product, as well as our expectations with respect to our ability to develop and commercialize new products.

Management believes that these forward-looking statements are reasonable when made. You should not place undue reliance on forward-looking statements because they speak only as of the date when made. VTI does not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. VTI may not actually achieve the plans, projections or expectations disclosed in forward-looking statements. Actual results, developments or events could differ materially from those disclosed in the forward-looking statements.

VTI-IR-ASX14

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Visioneering Technologies, Inc.

ABN

616 156 248

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (9 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,690	4,147
1.2 Payments for		
(a) research and development	(202)	(905)
(b) product manufacturing and operating costs	(1,260)	(2,552)
(c) advertising and marketing	(461)	(1,666)
(d) leased assets	-	-
(e) staff costs	(2,216)	(6,774)
(f) administration and corporate costs	(572)	(1,933)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	21	72
1.5 Interest and other costs of finance paid	(60)	(60)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,060)	(9,671)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (9 months) US\$'000
(d) intellectual property	(4)	(24)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(4)	(24)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	7,004	7,697
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(349)	(417)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	6,655	7,280
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,269	7,275
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,060)	(9,671)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4)	(24)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (9 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,655	7,280
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	4,860	4,860

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	250	250
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (#)	4,610	1,019
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,860	1,269

U.S. Treasury bills, notes, and other high-quality, short term securities that are issued or guaranteed by the U.S. government or by U.S. government agencies.

6. Payments to directors of the entity and their associates		Current quarter US\$'000
6.1	Aggregate amount of payments to these parties included in item 1.2	71
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000
-
-

8. Financing facilities available
Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
-	-
-	-
-	-

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9. Estimated cash outflows for next quarter	US\$'000
9.1 Research and development	315
9.2 Product manufacturing and operating costs	1,510
9.3 Advertising and marketing	509
9.4 Leased assets	-
9.5 Staff costs	1,850
9.6 Administration and corporate costs	651
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	4,835

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date:
(Director/Company secretary)

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.