

ASX Announcement | 15 July 2020
Visioneering Technologies (ASX:VTI)

Visioneering Improves Cash Flow and Repositions for Growth

Q2 FY20 Investment Highlights

- Placement and SPP completed in June 2020, raising US\$3.9m net of fees
- US\$1.0m loan received under the Paycheck Protection Program administered by the US government, more than 70% of which is expected to be forgiven
- COVID-19 pandemic negatively impacted revenue and shipments for the quarter, but company actions improved cash flow
 - Cash receipts from customers were \$1.1M, a decrease of 14% from previous quarter
 - Net revenue decreased 49% from Q1 FY20 to US\$0.7m
 - Shipments to US ECPs decreased 42% from Q1 FY20 to US\$0.9m
 - Active US Accounts decreased 15% from Q1 FY20 to 1,803 accounts
 - Metrics achieved with only 25% of field sales force compared to prior quarter, and optometrists closed for part or all of the quarter
- Visioneering finished the quarter with US\$4m in cash and cash equivalents, an increase of US\$3.0m from the end of the previous quarter and providing projected operating cash through 3Q FY21

Atlanta, Georgia, Wednesday, 15 July 2020: 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', 'VTI' or 'the Company') has announced its unaudited results for the quarter ended 30 June 2020 (Q2 FY20). The Company's fiscal year coincides with the calendar year.

For the quarter ended 30 June 2020, the Company experienced declines in most key metrics due to the impacts of the COVID-19 pandemic and the reduction of the size of its field sales force by 75%. Table 1 below presents a summary of key metrics and definitions.

Net revenue for the quarter ended 30 June 2020 was US\$0.7m, a decrease of 49% from Q1 FY20 (QoQ) and a decrease of 42% from Q2 FY19 (prior corresponding period, or pcp).

Shipments to US ECPs (Eye Care Professionals) decreased 42% from the prior quarter to US\$0.9m and decreased 33% from the same period in 2019. Shipments to US ECPs decreased a lesser amount than net revenue due to the timing of inventory purchases versus shipments at the distributor level.

Active US Accounts decreased 15% QoQ and decreased 3% from the pcp to 1,803 accounts in Q2 FY20, and the Repeat customer % in Q2 FY20 was 81.8%. Both Active US Accounts and Repeat customer % were impacted heavily by some ECPs in the US being closed for the entire quarter, the reduction in the number of US sales personnel, and the disruption of the in-person sales call cycle in the United

States. Shipments to US ECPs per Active US Account were US\$521, a decrease of 32% QoQ and 31% from the pcp.

Gross profit was 40.8% of net revenue for Q2 FY20 compared to 39.5% of net revenue for Q1 FY20 and 34.3% for Q2 FY19. The increase in gross profit QoQ was lower than expected due primarily to higher shipping costs in Q2 FY20, as the incidence of direct-to-patient shipping in the US increased dramatically during the quarter.

Table 1: Q2 FY19, Q1 FY20 and Q2 FY20 key metrics

(US\$ in 000's, unaudited)	Q2 FY19	Q1 FY20	Q2 FY20	Q2 FY20 vs Q1 FY20	Q2 FY20 vs Q2 FY19
Net Revenue (A)	\$1,181	\$1,347	\$687	-49%	-42%
Shipments to US ECPs (B)	\$1,397	\$1,618	\$940	-42%	-33%
Cash receipts from customers (A)	\$1,305	\$1,259	\$1,083	-14%	-17%
Active US Accounts (C)	1,855	2,120	1,803	-15%	-3%
Shipments to US ECPs per Active US Account	\$753	\$763	\$521	-32%	-31%
Gross profit %	34.3%	39.5%	40.8%		
Repeat customer % (D)	95.8%	98.6%	81.8%		

(A) Includes international results.

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

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

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

Cash and Cash receipts metrics

Cash receipts from customers were US\$1.1m in Q2 FY20, a decrease of 14% QoQ and a decrease of 17% from the pcp.

Visioneering drove a significant decrease in its net cash used in operating activities to US\$1.8m in the quarter from US\$2.8m in Q1 FY20, primarily due to lower payroll and related expenses and lower inventory purchases, partially offset by lower cash receipts from customers.

As previously announced, Visioneering implemented a reduction of its workforce on 2 April 2020, eliminating 22 of its 42 employees. In addition, most of the remaining employees began receiving a portion of their fixed remuneration in the form of equity. These changes resulted in lower payroll and related cash expenditures in Q2 FY20. In addition, the Company paid in excess of \$0.5m for payroll, severance and related expenses to the personnel included in the reduction in force in the quarter. Excluding these one-time payments to former employees, net cash used in operating activities was US\$1.2m in Q2 FY20.

The Company also raised cash during the quarter through previously announced transactions, as follows:

- On 24 April 2020, the Company obtained a loan under the Paycheck Protection Program (PPP) administered by the US government in the amount of \$1.0m. Under the current PPP program rules, it is expected that at least 70% of this loan will be forgiven.

- On 3 June 2020, the Company completed a Placement to professional and sophisticated investors under which it issued 359.3m CHESSE Depository Interests (CDIs) at an issue price of A\$0.014 per CDI together with 179.6m free options to subscribe for CDIs exercisable at A\$0.028 per CDI, raising US\$3.2m net of fees.
- On 30 June 2020, the Company completed a Security Purchase Plan (SPP) under which it issued 76.2m CDIs and 38.1m free options with terms consistent with the earlier Placement, raising US\$0.7m net of fees.

These transactions enabled Visioneering to finish the quarter with US\$4.0m in cash and cash equivalents, an increase of US\$3.0m from the end of the previous quarter.

In addition to reducing the size of its payroll in April (see ASX announcement on 1 April 2020), the company delayed some clinical programs and the launches of some new products that were planned for 2020 and 2021. With these changes in place, cash at the close of the quarter is sufficient to fund operations into the second half of 2021, assuming that economic recovery from COVID-19 continues through 2020. The Company will continuously evaluate whether and when to reinstate clinical programs and new product launches as the macroenvironment changes in response to changes in the pandemic.

Trending analysis

Visioneering experienced its first COVID-19-related decline in Shipments to US ECPs during the final full week of March 2020. Average weekly Shipments to US ECPs in April were 59% lower compared to March, and rose only slightly in May 2020, then increased 84% in June 2020 compared to May. Shipments to US ECPs in the final three full weeks of Q2 FY20 were down only 11% from the average weekly shipments in Q1 FY20 excluding the final full week of March 2020 that reflected the COVID-19-related decline.

Net revenue hit a low in April 2020, more than doubled in May 2020 compared to April, and continued to increase in June 2020, with June net revenue being more than April and May combined. With many practitioners now preferring to interact with VTI's sales staff via electronic and telephonic means, the sales team is able to operate at a higher level of efficiency. However, the Company expects that the smaller sales staff and the still-spreading pandemic may limit the Company's ability to grow its US sales and active accounts, and will evaluate appropriate staffing levels as the pandemic recedes and new business practices emerge.

International expansion

Despite the effects of the pandemic, VTI continues executing on its plans for international expansion. VTI has received regulatory clearance to enter Canada and will enter this attractive market through its US-based sales and fulfillment infrastructures. Additionally, Visioneering expects its private-label partner for Europe, Menicon, to launch sales of VTI's contact lenses in the third or fourth quarter of 2020, after being delayed several months by the pandemic. Lastly, VTI continues to evaluate partners to take over direct sales and distribution functions in Singapore and other parts of Asia, which will expand VTI's presence and penetration in those geographies.

Visioneering Technologies CEO Stephen Snowdy, PhD, said: "Like many companies, the coronavirus pandemic has had profound impacts on VTI's business, shutting down most of our customers, and grounding our sales force under stay-at-home orders. April was our low point, with shipments of product in the US down 59%. However, we saw improvements through May and June that ended in

weekly run rates in June that were comparable to the average weekly shipments in the first quarter of the year. It is notable that these June metrics were achieved with only 25% of the sales staff that existed in the prior quarter. If ECP offices continue to open and stay open, we are hopeful that our third quarter Shipments and net revenue will strengthen further. Finally, the steps we implemented to conserve cash, while limiting long-term growth potential for now, should enable us to lower our net cash used in operating activities to less than US\$1.0m in each of the two remaining quarters of FY 2020, leaving us on solid financial footing through 2020 and well into 2021.”

Ends

This release was authorized by the CEO, Stephen Snowdy, PhD.

Invitation To Join Investor Conference Call

Investors are invited to join a conference call on Friday, 17 July 2020, at 9 AM AEST (Thursday, 16 July 2020, 7 PM US eastern time) hosted by Visioneering’s CEO, Dr. Stephen Snowdy.

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

<https://s1.c-conf.com/DiamondPass/10008497-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 8497

Participant dial in numbers

Australia Toll Free:	1 800 954 502
Australia (Sydney) Local:	02 9007 4041
Australia (Melbourne) Local:	03 9912 0327
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 452 794
Singapore	800 852 3140
United Kingdom Toll Free:	0808 168 3761
United States Toll Free:	(855) 336 4664
New York (local)	(208) 758 0667

For more information, please contact:

<i>Company</i>	<i>Investor and media relations</i>
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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 Depositary 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-ASX30

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Visioneering Technologies, Inc.

ABN

616 156 248

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (6 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,083	2,342
1.2 Payments for		
(a) research and development	(250)	(421)
(b) product manufacturing and operating costs	(36)	(549)
(c) advertising and marketing	(491)	(1,026)
(d) leased assets	-	-
(e) staff costs	(1,485)	(3,625)
(f) administration and corporate costs	(575)	(1,249)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	9
1.5 Interest and other costs of finance paid	(75)	(150)
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	(1,828)	(4,669)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(2)	(6)

	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(2)	(6)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,185	6,236
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(326)	(480)
3.5	Proceeds from borrowings	1,035	1,035
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	4,894	6,791

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	971	1,919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,828)	(4,669)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,894	6,791

Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,035	4,035

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 (provide details)	3,785	721
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,035	971

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
US\$'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
7.1 Loan facilities	4,035	4,035
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	4,035	4,035

7.5 **Unused financing facilities available at quarter end** -

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

7.1: US\$3,000 Convertible Notes Payable issued by various investors at 10% interest due July 11, 2023 and secured by substantially all of the Company's assets.

7.1: US\$1,035 Note Payable to Bank issued by Silicon Valley Bank at 1% interest due in 2025. The note was issued under the Paycheck Protection Program administered by the US government. A portion of the note should be forgiven by early 2021, at which time the payment terms for the remaining balance will be determined.

8. Estimated cash available for future operating activities	US\$'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,828)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,035
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	4,035
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.21

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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.

Date: 15 July 2020
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Authorised by: Stephen Snowdy
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(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.