

ASX Announcement | 13 October 2020
Visioneering Technologies (ASX:VTI)

Visioneering Achieves Record Quarter

Q3 FY20 Investment Highlights

- Record positive results in key metrics:
 - Cash receipts from customers increased 74% over Q2 FY20 to a record US\$1.9m (A\$2.6m)
 - Shipments to US ECPs increased 79% over Q2 FY20 to a record US\$1.7m (A\$2.3m)
 - Net revenue increased 139% over Q2 FY20 to US\$1.6m (A\$2.3m), a record when excluding Menicon's initial stocking order in 4QFY19
 - Active US Accounts increased 21% over Q2 FY20 to a record 2,173 accounts
 - Gross profit was a record 46% compared to 41% in Q2 FY20
 - Net cash used in operating activities was US\$0.1m, a record low use of cash
- Visioneering finished the quarter with US\$3.8m in cash and cash equivalents

Atlanta, Georgia, Monday, 12 October 2020 (Sydney Tuesday 13 October 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 September 2020 (Q3 FY20). The Company's fiscal year coincides with the calendar year.

For the quarter ended 30 September 2020, the Company achieved record positive results in most key metrics despite the COVID-19 pandemic and the subsequent downsizing of its field sales force early in the second quarter of FY20. Table 1 below presents a summary of key metrics and definitions.

Net revenue for Q3 FY20 was US\$1.6m, up 139% over Q2 FY20 (QoQ) and 11% over Q3 FY19 (prior corresponding period, or pcp). The Company's highest net revenue performance was US\$1.9m in Q4 FY19, which included approximately US\$0.5m from the initial stocking order sold under the Menicon private label agreement for Europe. Excluding the Menicon initial stocking order, Q3 FY20 sets a new record high net revenue quarter for VTI.

Shipments to US ECPs (Eye Care Professionals) increased 79% over the prior quarter to a record US\$1.7m and increased 6% over the pcp. Shipments to US ECPs increased a lesser amount than net revenue due to the timing of inventory purchases versus shipments at the distributor level.

Active US Accounts increased 21% QoQ and increased 9% from the pcp to a record 2,173 accounts in Q3 FY20, and the Repeat customer % in Q3 FY20 was a record 111.9%. The Repeat customer % exceeded 100% due to recovered accounts, which are accounts that purchased prior to Q2 FY20, did not purchase in Q2 FY20, and purchased again in Q3 FY20. Shipments to US ECPs per Active US Account were US\$776, an increase of 49% QoQ and a decrease of 3% from the record of US\$799 recorded in Q3 FY19.

Gross profit was a record high 46.1% of net revenue for Q3 FY20 compared to 40.8% of net revenue for Q2 FY20 and 36.4% for Q3 FY19. Gross profit in Q2 FY20 was impacted by high shipping costs as

the incidence of direct-to-patient shipping in the US increased dramatically during that quarter. Shipping costs were high in Q3 FY20 for this reason as well, but were a lower percentage of net revenue than in the prior quarter.

Table 1: Q3 FY19, Q2 FY20 and Q3 FY20 key metrics

(US\$ in 000's, unaudited)	Q3 FY19	Q2 FY20	Q3 FY20	Q3 FY20 vs Q2 FY20	Q3 FY20 vs Q3 FY19
Net Revenue (A)	\$1,475	\$687	\$1,641	139%	11%
Shipments to US ECPs (B)	\$1,599	\$940	\$1,687	79%	6%
Cash receipts from customers (A)	\$1,690	\$1,083	\$1,889	74%	12%
Active US Accounts (C)	2,002	1,803	2,173	21%	9%
Shipments to US ECPs per Active US Account	\$799	\$521	\$776	49%	-3%
Gross profit %	36.4%	40.8%	46.1%		
Repeat customer % (D)	96.7%	81.8%	111.9%		

(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 fulfilment 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.

VTI Achieves Positive Cash Flow

Excluding cash expended on inventory purchases, VTI achieved positive cash flow in the quarter for the first time. Cash receipts from customers were a record US\$1.9m in Q3 FY20, an increase of 74% QoQ and an increase of 12% from the pcp.

Visioneering drove a significant decrease in its net cash used in operating activities to a record low of US\$0.1m in the quarter from US\$2.8m in Q1 FY20 and US\$1.8m in Q2 FY20. This result reflects higher cash receipts from customers and lower payroll and related expenses, partially offset by higher inventory purchases, compared to Q2 FY20.

As previously announced, Visioneering undertook a series of cost-saving actions in April 2020 to position the Company for the uncertainties of the COVID-19 pandemic. In addition to cuts in staffing, most remaining staff took reductions in cash salary and the Company delayed clinical and development projects and new product launches. In addition, Visioneering temporarily curtailed inventory purchases. These actions, combined with strong revenue, have enabled Visioneering to reduce its net use of cash in the current quarter. Excluding expenditures on inventory during the quarter, net cash flow was positive by US\$0.1m.

The reductions in cash salaries will continue through the end of FY20, with a return to normal pay practices in January 2021. Further, the Company has lowered its inventory to its target level and expects to increase inventory purchases beginning in Q1 FY21. Under these assumptions, and assuming that the economic recovery from COVID-19 continues, cash at the close of 3Q FY20 is sufficient to fund operations into the second half of 2021. The Company will continuously evaluate whether and when to reinitiate clinical programs and new product launches as the macroenvironment changes in response to changes in the pandemic. If the Company re-initiates clinical projects or new

product development and launches, if the macroeconomic environment worsens, or if revenue does not perform as expected, the cash runway could be shortened.

In the Placement and Security Purchase Plan completed in June 2020, the Company issued 217.7m free options to subscribe for CDIs exercisable at A\$0.028 per CDI. The options are exercisable on the last day of each month up until (and including) 30 June 2022. No options were exercised in July or August 2020. In September 2020, 4.8m options were exercised for an aggregate of US\$0.1m for which VTI received the cash on 2 October 2020.

VTI Begins to Harvest International Clearances

In July 2020, VTI announced its first sales in the Canadian market (see ASX announcement on 24 July 2020). VTI entered Canada with its US-based sales staff and fulfillment partners, which provides operational efficiency. VTI has since been working to expand its number of accounts in Canada and expects further expansion throughout 2020 and beyond.

VTI also announced in July its partnership with Oculus Private, Ltd for sales and distribution of NaturalVue Multifocal contact lenses in parts of Asia (see ASX announcement on 28 July 2020), and Oculus has begun selling VTI's products in Singapore and Hong Kong. In addition, VTI's private label partner in Europe, Menicon, has begun selling VTI's contact lenses to customers in Europe under the private-label brand name Menicon Bloom Day. While these launches outside the US represent exciting achievements for a company of VTI's size, the Company expects that the global sales potential of its products will continue to be limited by the pandemic.

Discussions with potential partners in China continue but remain slow-tracked owing to COVID-19 and trade disputes between the US and China. VTI is also exploring the regulatory pathways in South Korea, Taiwan, and other Asian territories.

New Data Driving Interest in Paediatric Myopia

With half of the world's population expected to be nearsighted by 2050, the global awareness and interest in paediatric myopia has been rapidly expanding. For example, in August, the BLINK study released its first set of results.¹ The BLINK study is a government-sponsored study in the United States to determine whether contact lenses can be safe and effective in slowing the progression of myopia in children. While the lenses tested were not optimized to maximize the slowing of myopia progression, and showed limited effect, the results were clear: contact lenses are a safe and effective way to control the progress of myopia in children. The results from the BLINK study are part of an expanding body of evidence that is catalysing industry-wide interest in paediatric myopia.

In September 2020, VTI presented its most recent evidence in myopia progression to a global audience at the inaugural Global Myopia Symposium. In a retrospective study of 153 paediatric wearers of VTI's NaturalVue Multifocal contact lenses followed up to 5 years, children experienced a 90% reduction in progression of myopia (ASX announcement 28 September 2020). VTI's and other recent data has led to an expanding dialogue throughout the industry on the prevalence of myopia and the importance of limiting the progression of myopia in children.

With worldwide industry interest in myopia expanding, VTI continues to participate in strategic discussions with other industry players and exploring potential partnerships of various forms, though there can be no guarantee that such discussions will result in additional partnerships.

Visioneering Technologies CEO Stephen Snowdy, PhD, said: “We are thrilled with our record positive results for the third quarter. Such strong performance amid a pandemic speaks volumes about the quality of our sales staff and the utility of our contact lenses to patients and eye care professionals, while our record low use of cash validates the company-protecting actions taken at the beginning of the pandemic. We continue to gain traction in international territories and look forward to closing a strong 2020 and to continued growth in 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 Wednesday, 14 October 2020, at 9 AM AEST (Tuesday, 13 October 2020, 6 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/10010250-vjk3s2.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: 394 4066

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
Singapore	800 852 3140
United Kingdom Toll Free:	0808 168 3761
United States Toll Free:	(855) 336 4664
New York (local)	(208) 758 0667

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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, Canada, Australia, and Europe and is expanding into Asia with a focus on markets with high rates of myopia.

Foreign ownership restrictions

VTI's CHES 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.

1. Walline JJ, Walker MK, Mutti DO, et al. Effect of High Add Power, Medium Add Power, or Single-Vision Contact Lenses on Myopia Progression in Children: The BLINK Randomized Clinical Trial. *JAMA*. 2020;324(6):571–580. doi:10.1001/jama.2020.10834

VTI-IR-ASX39

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 September 2020

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	1,889	4,231
1.2 Payments for		
(a) research and development	(12)	(433)
(b) product manufacturing and operating costs	(396)	(945)
(c) advertising and marketing	(155)	(1,181)
(d) leased assets	-	-
(e) staff costs	(850)	(4,475)
(f) administration and corporate costs	(507)	(1,756)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	9
1.5 Interest and other costs of finance paid	(75)	(225)
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	(106)	(4,775)
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	(11)	(17)

	(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	(11)	(17)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(166)	(646)
3.5	Proceeds from borrowings	-	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	(166)	6,625

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,035	1,919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(106)	(4,775)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(17)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(166)	6,625

Appendix 4C
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	3,752	3,752

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)	3,502	3,785
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,752	4,035

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
	-
	-

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)	(106)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,752
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	3,752
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	35.4

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:

Authorised by:
(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.