

ASX Announcement | 18 January 2021
Visioneering Technologies (ASX:VTI)

Visioneering Technologies, Inc. Closes Pandemic Year 2020

Q4 FY20 Investment Highlights

- Q4 FY20 Net Revenue (unaudited) of US\$1.4m brings FY20 Net Revenue to \$5.1m
- Q4 FY20 Shipments to US ECPs (Eye Care Professionals) of \$1.4m, a record for VTI for December quarters, brings FY20 Shipments to US ECPs to \$5.6m
- FY20 net cash used in operating activities was \$6.4m, down 49% from FY19 due to corporate streamlining activities in response to the impact of COVID-19
- Company expects that cash receipts in 1Q and 2Q FY 21 combined with current cash will be sufficient to fund company operations through 1H FY21
- Active US Accounts remained above 2,000 and Repeat Customer Rate over 90%
- Impact of COVID-19 on VTI and its customers and partners continues and is in line with impact on the contact lens industry

Atlanta, Georgia, Monday, 18 January 2021: 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 31 December 2020 (Q4 FY20). The Company's fiscal year coincides with the calendar year.

Net revenue for Q4 FY20 was US\$1.4m, down 13% from Q3 FY20 (quarter over quarter, or QoQ) and down 2% from Q4 FY19 (the prior corresponding period, or pcp) when excluding \$0.5M received from VTI's private label partner Menicon in Q4 FY19 (the "Menicon purchase"). Inclusive of the Menicon purchase, net revenue in Q4 FY20 decreased by 26% compared to Q4 FY19. Net revenue for FY20 was US\$5.1m, down 3% from FY19 excluding the Menicon purchase and down 11% including the Menicon purchase. Overall, considering the negative effect on the industry, the Company believes that VTI will continue to weather the COVID-19 storm effectively and has minimized the potential downside pressure on sales and revenue.

Shipments to US ECPs (Eye Care Professionals) in Q4 FY20 were \$1.4M, a record December quarter for VTI. Shipments to US ECPs in Q4 FY20 decreased 19% from the prior quarter and increased 1% over 4Q FY19 consistent with expected seasonality of December quarters (see below) compared to September quarters. Shipments to US ECPs in FY20 were essentially flat with FY19 at US\$5.6m, despite the ongoing pandemic and staffing cuts at the Company.

As the Company has communicated consistently, seasonality in the contact lens industry typically results in fourth quarter net revenue and shipments in the US declining from the third quarter by as much as 10-20%. The Company believes that 4Q FY20 was consistent with this historical trend. In addition, the Company believes that its Q4 revenue and US shipments relative to Q3 were impacted by COVID-19 in two primary effects. First, VTI achieved record net revenue (excluding the Menicon purchase in 4Q FY19) and Shipments to US ECPs in Q3 FY20, which the Company believes was due in part to pent-up demand from the second quarter, during which many ECPs were closed or had limited

hours of operation. Second, while COVID-19 restrictions eased in the third quarter and contributed to strong revenue and shipments in the third quarter, restrictions and consumer caution returned in the fourth quarter as COVID-19 cases and deaths surged in the US and abroad. The Company expects its key performance indicators to fluctuate in 2021 commensurate with the level of COVID-19's threat to health and safety, and with the level of restrictions placed on businesses and patients.

Active US Accounts decreased 5% QoQ and increased 4% from the pcp to 2,074 accounts in Q4 FY20, and the Repeat Customer Rate in Q4 FY20 was 90.2%. Shipments to US ECPs per Active US Account were US\$658, a decrease of 15% QoQ and 3% from the pcp.

Gross profit was 45.9% in Q4 FY20, down slightly from 46.1% in Q3 FY20 and up from 34.4% in Q4 FY19. Gross profit was 43.6% in FY20, up from 34.4% in FY19. These improvements are due to lower costs per unit sold as we gain volume related purchasing efficiencies, increase our selling prices and shift more sales to our multifocal product that has a higher gross profit than our sphere product.

Table 1: Q4 FY19, Q3 FY20 and Q4 FY20 key metrics

(US\$ in 000's, unaudited)	Q4 FY19	Q3 FY20	Q4 FY20	Q4 FY20 vs Q3 FY20	Q4 FY20 vs Q4 FY19
Net Revenue (A)	\$1,933	\$1,641	\$1,430	-13%	-2%/-26%
Shipments to US ECPs (B)	\$1,355	\$1,687	\$1,365	-19%	1%
Cash receipts from customers (A)	\$1,846	\$1,889	\$1,122	-41%	-18%/-39%
Active US Accounts (C)	1,997	2,173	2,074	-5%	4%
Shipments to US ECPs per Active US Account	\$679	\$776	\$658	-15%	-3%
Net cash used in operating activities	\$2,927	\$106	\$1,618	1,426%	-45%
Gross profit %	34.4%	46.1%	45.9%		
Repeat Customer Rate (D)	91.3%	111.9%	90.2%		

(US\$ in 000's, unaudited)	FY19	FY20	FY20 vs FY19
Net Revenue (A)	\$5,722	\$5,105	-3%/-11%
Shipments to US ECPs (B)	\$5,613	\$5,610	0%
Cash receipts from customers (A)	\$5,993	\$5,353	-3%/-11%
Net cash used in operating activities	\$12,598	\$6,393	-49%
Gross profit %	34.4%	43.6%	

- (A) Includes international results. FY19 comparison is exclusive / inclusive of the Menicon purchase in 4Q FY19.
- (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 VTI products during the quarter.
- (D) Repeat Customer Rate is the percent of prior quarter Active US Accounts that purchased in the current quarter.

Cash and Cash receipts

Cash receipts from customers were US\$1.1m in Q4 FY20, a decrease of 41% QoQ and 39% from the pcp (18% exclusive of the Menicon purchase). The decrease in cash receipts compared to Q3 FY20 was

predominantly due to timing of collections from customers, some of which spilled into January 2021, and to lower net revenue. VTI also experienced increases in cash used for inventory purchases, advertising/marketing expenses and personnel expenses in the quarter. These changes resulted in net cash used in operating activities of US\$1.6m in Q4 FY20 compared to US\$0.1m in Q3 FY20. The Company expects net cash used in operating activities in Q1 FY21 to be less than \$1.0M due to higher cash receipts from customers partially offset by anticipated higher inventory purchases compared to Q4 FY20, and further expects that cash at the close of Q4 FY20 is sufficient to fund operations through 1H FY21 due to higher cash receipts anticipated in Q1 and Q2 FY21 relative to Q4 FY20.

Cash receipts from customers were US\$5.4m in FY20, a decrease of 11% from FY19 (3% exclusive of the Menicon purchase). Net cash used in operating activities was US\$6.4m in FY20, an improvement of 49% from FY19. As previously announced, VTI proactively undertook a series of cash-saving actions in April 2020 to position the Company for the uncertainties of the COVID-19 pandemic. In addition to reductions in staffing, most remaining staff received diminished cash salary and the Company delayed clinical and development projects and new product launches. In addition, VTI temporarily curtailed inventory purchases. These actions, combined with strong revenue in Q3 FY20, enabled VTI to reduce its net use of cash from US\$2.8m in Q1 FY20 to US\$1.8m in Q2 FY20 and US\$0.1m in Q3 FY20. The reductions in cash salaries continued through the end of FY20, with a return to normal pay practices in January 2021.

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, August, November, or December 2020. In September 2020, 4.8m options were exercised for an aggregate of US\$0.1m and in October 2020, 9.5m options were exercised for an aggregate of US\$0.2m. VTI received the cash in the month following the month of exercise.

International Operations and Business Development

Since its IPO in 2017, VTI has worked diligently and successfully in obtaining regulatory access to markets outside the US. This work has borne fruit in steady, albeit modest, gains in major markets, though sales and expansion have been slowed by COVID-19's impacts on businesses.

The Canadian soft launch is meeting VTI's expectations, and the United Kingdom, Australia, New Zealand and Hong Kong markets have completed their first full year with VTI's products in market. Menicon, VTI's private label partner in Europe, did not expand in Europe in FY20 at our anticipated pace due to COVID-19, but VTI expects Menicon will accelerate expansion in Europe in the first half of 2021.

Given the prevalence of paediatric near-sightedness in China, the country remains a large market opportunity for VTI's products. Several potential partners have expressed interest in collaborating with VTI on pursuing approval in China or licensing from VTI its products for use in China. Over the coming months, VTI plans to determine and begin executing on the optimum path to maximizing the value of bringing its contact lens products to market in China.

VTI also continues to engage in partnering discussions with other industry participants. These discussions contemplate a variety of relationship structures and while the discussions to date have been promising, VTI cannot guarantee that any of these discussions will result in a partnering transaction.

Visioneering Technologies CEO Stephen Snowdy, PhD, said: “In 2020, we battled the effects of a deadly pandemic and a battered global economy and did so with a much smaller work force. Against that difficult backdrop, we held shipments steady in the US while decreasing our cash use by nearly half compared to 2019. We think this demonstration of strength in such a challenging environment speaks to the value our products represent to both patients and practitioners. We look forward to a bright 2021 as the pandemic recedes and global economic activity rebounds.”

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, 20 January 2021, at 9 AM AEST (Tuesday, 19 January 2021, 5 PM US eastern standard time) hosted by VTI’s CEO, Dr. Stephen Snowdy.

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

<https://s1.c-conf.com/diamondpass/10011643-3pLd80.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: 774 3469

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

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 a health care company making innovative vision care products available to patients and eye care professionals. Since its founding in 2008, Visioneering has brought together clinical, marketing, engineering, manufacturing and regulatory leaders from the healthcare industry to provide new solutions for adults and children in need of vision correction.

Headquartered in the United States, Visioneering designs, manufactures, sells and distributes contact lenses around the world. Its flagship product, NaturalVue® Multifocal contact lenses, are prescribed in the large addressable markets of nearsighted children and over-45 adults, and VTI is expanding its portfolio of technologies to address a range of other vision care needs. Since its IPO in 2017, the company has grown operations across the US and recently launched its products in Australia, New Zealand, Singapore, Hong Kong, Canada, and Europe.

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.

VTI-IR-ASX44

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")

31 December 2020

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,122	5,353
1.2 Payments for		
(a) research and development	(89)	(522)
(b) product manufacturing and operating costs	(711)	(1,656)
(c) advertising and marketing	(398)	(1,579)
(d) leased assets	-	-
(e) staff costs	(1,048)	(5,523)
(f) administration and corporate costs	(423)	(2,179)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	9
1.5 Interest and other costs of finance paid	(71)	(296)
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	(1,618)	(6,393)
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	(10)	(27)

	(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	(10)	(27)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	284	6,520
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	-	(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	284	6,625

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,752	1,919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,618)	(6,393)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10)	(27)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	284	6,909

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	2,408	2,408

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)	2,158	3,502
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,408	3,752

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

- | | | |
|-----|-----------------------------------------------------------------------------------------|-------------------------------------|
| | | Current quarter
US\$'000 |
| 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 | - |

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	3,835	3,835
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,835	3,835

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, of which US\$200 were converted to shares in October 2020.

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. All or a portion of the note should be forgiven by early 2021, with the remaining balance, if any, due through in equal monthly payments through approximately April 2025.

8. Estimated cash available for future operating activities	US\$'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,618)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,408
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	2,408
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.5

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: No, the cash use in 4Q FY20 is not predictive of cash use expected in 1Q and 2Q FY21 for two primary reasons. First, there were billings sent to customers in 4Q FY20 for which the related cash receipts occurred at the beginning of Q1 FY21. Second, the Company expects higher cash receipts from the sale of product in Q1 and Q2 FY21 relative to Q4 FY20.

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: The Company believes that cash use in 4Q FY20 is not predictive of its anticipated cash use in 1Q and 2Q FY21, and the company further believes that the cash remaining at the end of 4Q FY20 combined with cash receipts in 1Q and 2Q FY21 will provide sufficient cash to operate through 1Q and 2Q FY21. The Company is confident that it will be successful raising capital when and if it enters the market to do so.

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: The Company does expect to be able to continue its operations and to meet its business objectives. The Company expects its current cash to be sufficient to fund operations through approximately June 2021 if no changes are made to its operational scale, and until approximately August 2021 if the Company were to scale back its operations.

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: 18 January 2021

Authorised by: Stephen Snowdy, CEO
(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.