

One to Watch

Vection Technologies

Meeting with CEO Gianmarco Biagi

28th September 2023

Venn Brown sat down with Gianmarco Biagi, CEO of Vection Technologies, to discuss the current state of the business and what the future holds.

Thanks for your time today, Gianmarco. To start with, can you give us a brief overview of Vection Technologies?

Vection Technologies is a technology company focused on the industrial and professional sectors. We specialise in immersive integrated Extended Reality (IntegratedXR) technologies tailored for industry and government applications.

We operate five proprietary and patented platforms across Italy, the United States, India, the United Arab Emirates, and Australia. These platforms have earned us recognition as a trusted partner for some of the world's largest tier-one companies.

We have established international collaborations with industry leaders such as Cisco, NTT DATA, Accenture, and DXC Technology. Despite our relatively short four-year presence in the market, these collaborations position us as a global reference in the field. As you're aware, we're listed on the ASX, but we've also just started trading on the over-the-counter (OTC) market in the United States.

Can you break down your products and the industries and customers you serve?

Vection Technologies provides comprehensive, integrated services in XR technologies. IntegratedXR stands for Integrated Extended Reality, encompassing virtual reality (VR), augmented reality (AR), mixed reality (MR), artificial intelligence, remote assistance, and other ICT¹ related services. We offer the full suite of products and all related services, including software, hardware, training, and integration services tailored to our clients' systems. Our offerings also extend to specialised platforms like AI-powered kiosks designed for applications such as repair and maintenance. This integrated approach forms the core of our IntegratedXR services.

¹ ICT – Information and communication technologies

Vection Technologies

ASX:VR1

Sector	Technology
Date	28th September 2023
Share price	\$0.040
52-week range	\$0.04 / \$0.09
Market cap	\$46.2m
Free float	41.8%
Dividend	-
Yield	-

Year end 30 June	FY20	FY21	FY22	FY23
Revenue	\$2.5m	\$3.1m	\$17.2m	\$25.3m
EBITDA	-\$1.0m	-\$1.8m	-\$5.6m	-\$6.8m
EBIT	-\$1.5m	-\$2.5m	-\$6.5m	-\$8.1m
Net profit	-\$1.2m	-\$2.4m	-\$6.7m	-\$11.2m
Earnings per share	-\$0.00	-\$0.00	-\$0.01	-\$2.54
Operating cash flow	-\$0.3m	-\$2.3m	-\$1.2m	-\$7.9m
Free cash flow	-\$0.4m	-\$2.4m	-\$1.4m	-\$8.5m
Cash & equiv	\$1.6m	\$7.1m	\$14.9m	\$11.4m
Net debt	-\$0.2m	-\$2.2m	-\$10.8m	-\$0.6m
Net debt / EBITDA	0.1	1.2	1.9	0.1
Dividend per share	-	-	-	-
ROA	-7.2%	-8.0%	-17.7%	-26.5%
ROE	-19.2%	-16.2%	-25.4%	-61.0%

3-year Price Chart



Analysts

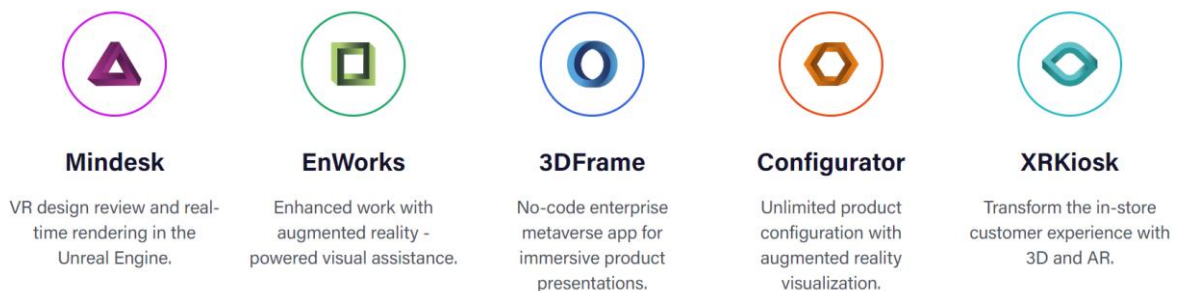
Andrew Wilkinson awilkinson@vennbrown.com

Can you provide a high-level overview of your core products?

Sure. We have five different products in our suite. First, there's Mindesk, an extended reality design, review and real-time rendering workflow for CAD² and BIM³. Next, there's Enworks, a 3D and augmented reality (AR) system that supports training, manufacturing, and maintenance processes in order to increase output and safety. Third, we have 3DFrame, the first-of-its-kind, simple-to-use, no-code metaverse app to help businesses conceptualise, plan and present products in virtual meetings. 3DFrame fully integrates into Cisco's collaboration platform, Webex. Fourth is 3D Configurator, an augmented reality e-commerce visualisation platform that allows online retailers to offer their customers the next-gen visualisation experience. And finally, XRKiosk enables retailers to transform their in-store experience by giving their customers 3D and AR tools to enhance their shopping experience.

Our product suite really enables us to cover the entire value chain for our clients, regardless of the industry they operate in.

Figure 1: Vection Technologies suite of 5 VR and AR tools



Source: Vection Technologies

In what industries do your customers operate?

The main industries we're working in today are healthcare, fashion and furniture, real estate, and industrial manufacturing. But really, the applications for our technology span almost every industry. For instance, we're also working in defence, university training, museums, and public administration. Our products increase efficiencies across nearly every aspect of a business, improving communication and collaboration, design and manufacturing, training and compliance, safety, service delivery, presentation, sales, and e-commerce. There aren't many industries or parts of a business that we can't help improve.

There is real momentum building for our solutions. The world is changing, and perhaps covid accelerated the transition. Companies and governments are seeing the potential XR can have on their businesses. The technology isn't conceptual or experimental anymore; it's mature. The world of immersive technology is just taking off. Just as CRM⁴ and ERP⁵ platforms are

² CAD = Computer Aided Design – 2D and 3D design tools used to design everything from buildings, machine parts, medical equipment and tooth brushes.

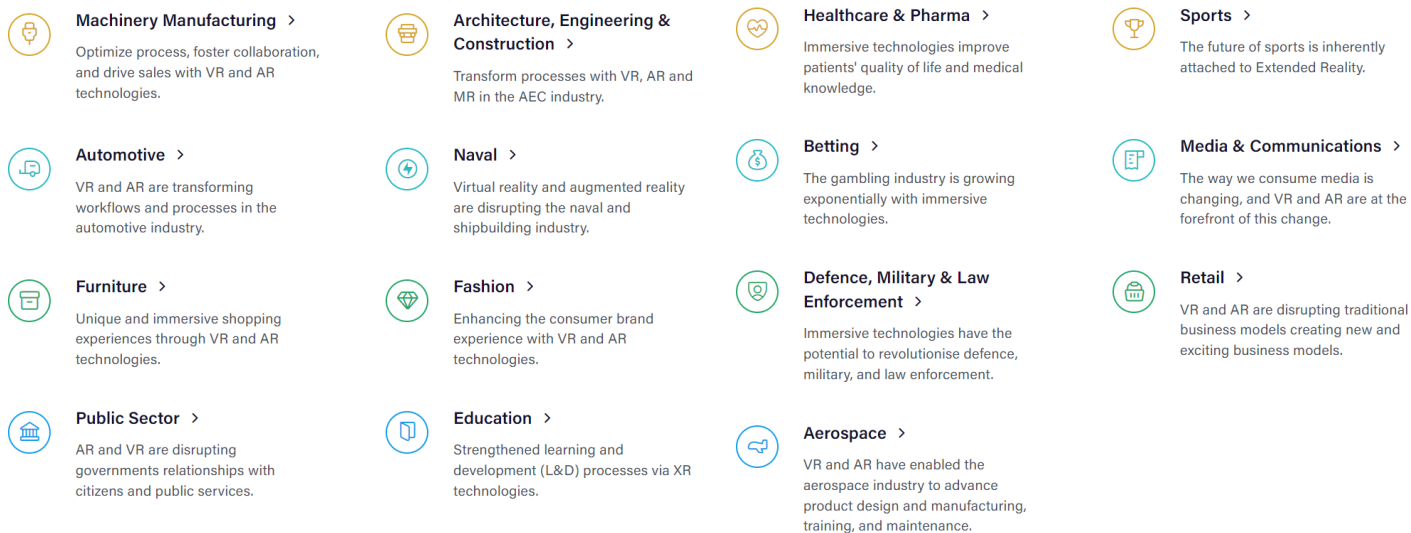
³ BIM = Building Information Modelling/Management - BIM software allows architects, engineers, real estate developers, contractors, manufacturers, and other construction professionals to collaboratively plan, design, and construct buildings or other projects within one 3D model.

⁴ CRM = Customer relationship management

⁵ ERP = Enterprise Resource Planning

essential business tools today, so is XR. We are just at the beginning of XR becoming a critical part of every business.

Figure 2: The application of VR technology spans manufacturing, sports, healthcare, media, defence and more.



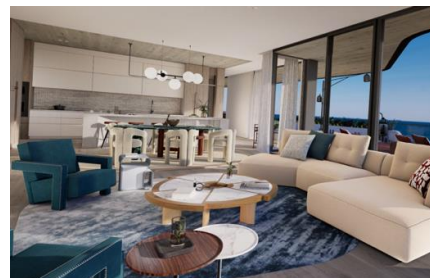
Source: Vection Technologies

Can you talk through some of the use cases? How are customers using the technology?

We've rapidly gained a strong foothold in the market, working with an array of industry-leading clients. We've established ourselves as a reliable partner for several tier-one companies across various industries. For example, in the transportation sector, we collaborate with Trenitalia, Italy's primary train transportation company, and Ferretti, a global leader in yachting and luxury shipbuilding. Our solutions are also leveraged by renowned fashion giants like Armani.

In real estate, we serve clients in Australia and Europe, while in healthcare, we've begun implementing our holistic systems in hospitals and public administration.

Figure 3: Customers are already using Vection's products across a range of use cases



Source: Vection Technologies

Can you talk me through an example of how someone in healthcare uses the system?

Certainly, the healthcare landscape is on the verge of a transformative shift, thanks to emerging technologies like artificial intelligence, virtual reality, and augmented reality. Vection Technologies offers three dedicated platforms tailored for healthcare. Firstly, medical training; VR and AR are game changers. Healthcare professionals can now engage in rapid, risk-free learning experiences. Whether it's understanding procedures, patient interactions, or accessing critical information from databases for emergency cases, our technologies offer a quick and standardised approach, significantly enhancing the learning process. Imagine a large hospital network with multiple branches – all medical staff can simultaneously access standardised procedures, a far cry from the traditional paper-based methods.

Secondly, remote assistance is a remarkable application. It allows experts to remotely guide surgical procedures, regardless of geographical distances. An experienced surgeon can oversee and provide guidance to a young doctor in real-time, ensuring a flawless operation. The entire procedure can be recorded, providing a valuable resource for future reference and training.

Figure 4: IntegratedXR has a huge role to play in healthcare



Source: Vection Technologies

Lastly, augmented reality brings a new dimension to medical visualisation. Instead of interpreting 2D information on a screen, healthcare professionals can immerse themselves in 3D models using AR headsets. This capability allows for interactive exploration of anatomical structures, aiding diagnosis, treatment planning, and medical education. It not only improves patient care but also reduces costs and enhances knowledge-sharing.

These immersive technologies are transforming healthcare by offering a safer, more efficient, and cost-effective approach. The healthcare sector really is poised for a profound evolution.

The use case you just mentioned about surgeons remotely assisting in operations, does that technology exist now?

Yes, the technology is indeed a reality. Our platform is mature and fully functional for various industrial fields, including healthcare. As I mentioned earlier, Vection Technologies operates across a wide spectrum of industries, and healthcare is no exception. While we continue to refine and enhance our solutions in collaboration with medical professionals, we already have a robust and mature platform in place. We are actively engaged in experimentation with numerous hospitals, both in Italy and internationally, to further develop and fine-tune our offerings. The capabilities are there, and we are committed to pushing the boundaries of what these technologies can achieve in healthcare and beyond.

Is there a particular industry vertical that you are targeting initially before expanding into others, or are you pursuing a broad approach, selling into all the industries you mentioned?

Our approach is comprehensive, covering all the industries I previously mentioned. We have established clients and strong technological partnerships. As I mentioned earlier, we are proud to count Cisco, NTT Data, DXC Technology, and Accenture among our key partners in Europe. Through these partnerships, particularly with Accenture, and via direct engagement with our sales force, we are actively involved across all the industrial sectors we discussed. Whether it's defence, real estate, healthcare, or the fashion and furniture industries, we are fully equipped and ready to cater to the unique needs of each sector.

Figure 5: Vection has partnered with leading technology implementation partners



Source: NTT Data, Accenture, DXC Technology, Cisco

What's the revenue model? Is it upfront and subscription-based, or solely subscription-based? How does it work?

Our revenue model consists of licensing, subscriptions, and consulting revenue from custom projects. Given that the market for XR technologies is still relatively young, we place great emphasis on educating our clients about the substantial advantages these technologies offer. These benefits include revenue growth, increased EBITDA margins, cost reduction, and enhanced training and employee engagement. People are enthusiastic about these technologies because they provide an extraordinary avenue for acquiring information and learning.

In the initial phase, many tier-one companies have invested in proof-of-concept projects to explore the potential of XR technologies in boosting revenues and EBITDA margins while reducing costs. This phase involved custom projects and market introduction.

As we transition to the scalability phase, we are moving toward licensing models with the goal of establishing consistent recurring revenue streams. Our journey mirrors that of many emerging market players, progressing from custom projects to licensing as we expand our client base and further establish the value proposition of XR technologies.

Are there many competitors in the space?

Yes, we do have competitors. However, our approach sets us apart. Many of our competitors are relatively small, specialising in specific niches within the technology landscape. In contrast, Vection Technologies is positioned as a technology player with a comprehensive technological portfolio. We prioritise a holistic view that covers the entire value chain of a company.

Our competitors, on average, are either small firms or large corporations with smaller departments dedicated to this technology. They lack the agility and customer-centric approach that Vection Technologies embodies. We engage with our clients closely, listen to their needs, and collaboratively develop tailored technological solutions. This sets us apart from larger corporations that primarily offer general platforms without the personalised support and partnership that Vection Technologies provides.

While this approach may be demanding in the initial phases, it fosters trust and loyalty from our clients, who appreciate and value our collaborative solution-focused approach. They know we prioritise their success and view us as strategic partners rather than mere service providers. This client-centric strategy is at the core of our business and essential for our continued growth and success.

Where do you see your biggest growth opportunities?

Our growth strategy includes both organic expansion and strategic acquisitions. Organically, we focus on providing comprehensive XR solutions, which encompass a wide range of software and hardware offerings tailored to our clients' needs. This includes not only XR technologies but also training services, seamless integration, and the implementation of XR solutions into our clients' existing IT systems.

We continuously invest in platform development to further enhance our organic growth potential, ensuring we stay at the forefront of the XR technology landscape. This organic growth strategy has yielded impressive results, with consistent year-over-year growth rates.

Complementing our organic growth, we pursue strategic acquisitions of synergistic companies. These acquisitions serve to bolster our technological capabilities, expand our market reach, strengthen our management capacity, and broaden our customer base within the integrated XR space.

In the last three months, we've made two strategic acquisitions aimed at enhancing our offerings, particularly in the fashion retail and real estate sectors. These acquisitions align with our vision for growth, and we are actively exploring additional opportunities that further support our objectives.

So basically, our growth strategy combines robust organic expansion with selective strategic acquisitions, positioning Vection Technologies as a leading player in the XR technology space. We are committed to providing comprehensive XR solutions to diverse industries, ensuring our clients benefit from cutting-edge technologies and seamless integration into their operations.

Looking three to five years ahead, what will Vection Technologies look like?

We anticipate a robust surge in XR (Extended Reality) technology in the next three to five years. Leading industry analysts, including PricewaterhouseCoopers and Deloitte, strongly

support this vision. We foresee the widespread adoption of XR technologies across various sectors, including healthcare, pharmaceuticals, fashion, defence, manufacturing, banking, museums, and especially in education and schools.

Vection Technologies is already making significant strides in this space, primarily through custom projects, which we see as the first phase. Soon, as we enter phase 2, we plan to scale up with standardised systems in Europe, the USA, and Australia. While the market is relatively young, the benefits for users are substantial. We anticipate substantial growth in turnover and EBITDA, alongside advancements in culture and workforce training. Large and medium-sized enterprises increasingly recognise the necessity of these technologies, realising that XR technologies are transitioning from a “nice-to-have” to a “must-have”. This shift in perspective fuels our confidence in Vection Technologies’ future and our business’s growth.

Figure 6: The potential applications for integratedXR span almost every industry



Source: Vection Technologies

What are the biggest risks to reaching these goals?

Currently, we do not see any specific risks on the horizon. Following years of experimentation, we are in a pivotal moment of technological change within the XR technologies landscape. This transformation parallels the emergence of global giants in other sectors, such as CAD, CRM, and ERP, which have led to companies like SAP, Salesforce, and Oracle, each with billion-dollar revenues.

The primary risk factors could potentially stem from the political climate, inflation, or external market disruptions. Nonetheless, our industry is experiencing rapid growth, particularly in the industrial and professional sectors, thanks to technologies like artificial intelligence and virtual and augmented reality.

What are the most misunderstood parts of the business?

Efforts are needed to clarify that these technologies significantly enhance efficiency, boost sales, improve training, reduce workplace accidents, and enhance all aspects of businesses, including customer experiences. While companies initially conducted small proof-of-concept experiments, they are now embarking on large-scale adoption.

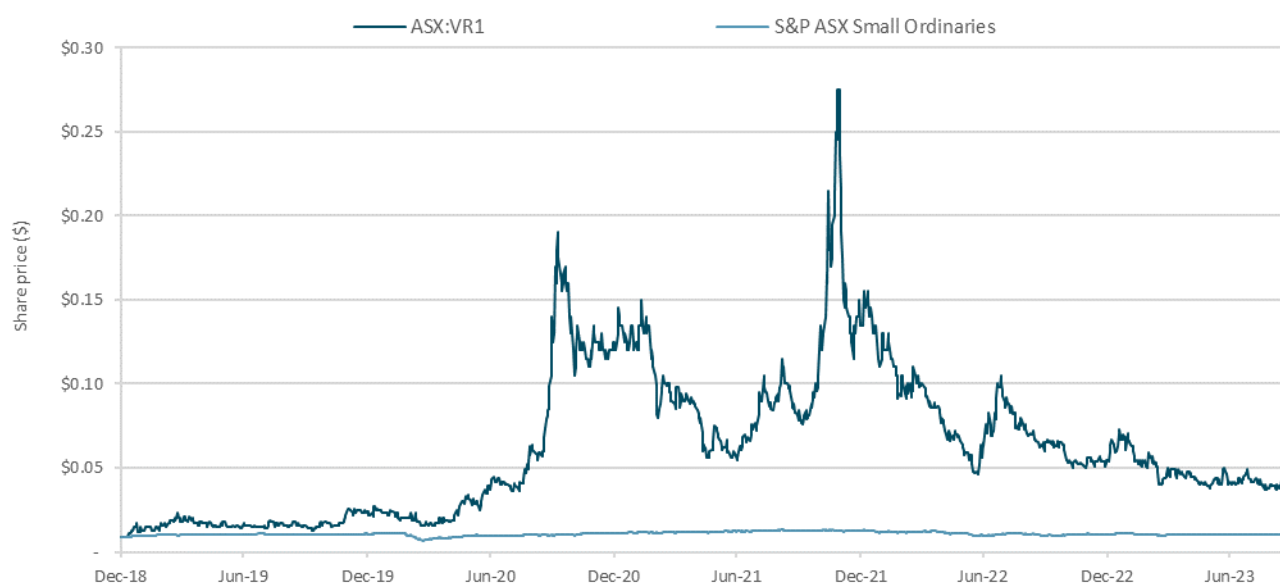
Another common misconception is that these technologies aim to replace human workers. On the contrary, they are designed to empower individuals, enabling them to work more effectively and achieve outstanding performance. These two key aspects and misconceptions are particularly relevant in the markets where Vection Technologies operates.

What do you wish more investors knew about your business?

Vection Technologies is a rapidly expanding company with a robust industrial plan designed for both organic and acquisition-led growth – a model that has underpinned the expansion of many industry-leading companies. We are quickly becoming the reference company in Europe for the professional world, and we aim to be the global leader within the next two years.

We are determined to bolster our presence in the American market with our integrated XR technologies and services. We are focusing on integrating artificial intelligence with our technology stack, and we have our sights set on a future listing on NASDAQ. Our unwavering commitment is to deliver on our vision and create lasting value for our investors.

Share price performance



Source: S&P Global

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