Seeing Machines Limited

2 November 2020

Year End Results FY2020

Seeing Machines Limited (AIM: SEE, "**Seeing Machines**" or the "**Company**"), the advanced computer vision technology company that designs AI-powered operator monitoring systems to improve transport safety, has published its audited financial results for the year ended 30 June 2020 ("**FY2020**" or "**the period**").

FINANCIAL HIGHLIGHTS:

- Revenue increased 25% to A$40m (2019: A$31.9m)
- OEM revenue increased 32% to A$12.8m (2019: A$9.7m) due to pre-production license deal with Tier 1 partner
- Aftermarket revenue increased 30% to A$27m (2019: A$20.7m) despite slow-down in Guardian installations due to global pandemic
- Annual Recurring Revenue increased 17% to A$14m (2019: A$12m) reflecting growth in Guardian installed base to 23,415 at 30 June 2020
- Cash at 30 June 2020 of A$38.1m (2019: A$54.8m)
- Post period investment of A$28m by leading global investment manager in US – Federated Hermes, Inc.

CURRENT TRADING

- Unaudited year to date results for Q1 FY2021 are ahead of budget, demonstrating good momentum:
    - Revenue of A$9.5m, an increase of 20% on previous period (Q1 FY2020: A$7.8m)
    - Cash of A$35m at 30 September 2020
- Following the investment of A$28m by Federated Hermes Inc., Seeing Machines is well capitalised to fully fund its current busines plan

OPERATIONAL HIGHLIGHTS

OEM (Automotive/Aviation)

- The Company successfully delivered on two automotive programs to deliver Driver Monitoring System (DMS) technology into production vehicles, soon to be launched in North America and in Europe
- A significant pre-production license deal was negotiated with a major Tier 1 customer to bring revenue forward to FY2020
- Seeing Machines launched an ongoing collaboration with global semiconductor company, Qualcomm, and continues to deepen this relationship to jointly pursue DMS business with a focus on integration into vehicle infotainment systems and other applications
- Global regulatory momentum, initiated in Europe, was further strengthened as the US 'Moving Forward Act' was passed in the House of Representatives, further augmenting industry tailwinds
- Aviation relationships continued to strengthen despite the effect of COVID-19 on the industry, and post-period, saw the commercialisation of a significant collaboration with

L3Harris as Seeing Machines announced the signing of a Memorandum of Understanding (MOU) to enter into a global, non-exclusive license agreement

Aftermarket (Fleet/Offroad)

- Despite difficult trading conditions due to COVID-19 where commercial logistics companies were either grounded or working to capacity in many cases, the Fleet division has delivered robust results, including total revenue growth, increasing Guardian connections and an improvement in Annual Recurring Revenue (ARR) for services
- A major overhaul of the business, which incorporated a cost-down exercise on Guardian hardware and a review of customer and distributor contracts, has positioned the division for profitability on a fully-costed basis, in the near term
- The Aftermarket business continues to steadily improve its ARR as connections increase month-on-month and customer churn remains very low at less than 2%, building a core and growing base of annuity revenue for the Company.

Core Technology

- Seeing Machines continues to invest in core technology to maintain its leadership in DMS globally. The Company has engaged in strategic tie-ups with world-leading semi-conductor companies, some of which have been announced post-period, to meet the growing needs of Automotive OEMs, in line with its recently launched Three Pillar Embedded Product Strategy
- Post period, the Company launched Occupant Monitoring System (OMS) technology, diversifying its market offering and futher establishing its leadership position in Automotive
- Guardian has now collected over 5 billion kilometres of naturalistic driving data which is fundamental to the ongoing advancement of the Company's core DMS technology

Strategic Highlights

- Business restructure removed significant, permanent cost from the business to secure ongoing financial strength, estimated at A$12m in savings over FY2020 and FY2021
- Board and management strengthened over the course of the year with the appointment of Paul McGlone as CEO and Executive Director, Naomi Rule as CFO, and John Murray, Gerhard Vorster and Michael Brown as Non-Executive Directors of the Company.

Paul McGlone, CEO of Seeing Machines, commented: *"We are pleased with the Company's achievements in FY2020. Despite the issues facing everyone due to the global pandemic, we have managed to deliver solid results, strengthen our balance sheet and set the Company up for significant growth.*

"I am pleased that our solid progress in FY2020 has continued into the first quarter of FY2021, with both revenue and cash ahead of budget. I am confident that we are on track for a successful year ahead with a strong strategic focus, foundational partnerships and a well established team to deliver."

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A copy of the Annual Financial Report for the year ended 30 June 2020 is available on the Company's website at https://www.seeingmachines.com/investors/financial-reports/

Seeing Machines (LSE: SEE), a global company founded in 2000 and headquartered in Australia, is an industry leader in vision-based monitoring technology that enable machines to see, understand and assist people. Seeing Machines' technology portfolio of AI algorithms, embedded processing and optics, power products that need to deliver reliable real-time understanding of vehicle operators. The technology spans the critical measurement of where a driver is looking, through to classification of their cognitive state as it applies to accident risk. Reliable "driver state" measurement is the end-goal of Driver Monitoring Systems (DMS) technology. Seeing Machines develops DMS technology to drive safety for Automotive, Commercial Fleet, Off-road and Aviation. The company has offices in Australia, USA, Europe and Asia, and supplies technology solutions and services to industry leaders in each market vertical.

www.seeingmachines.com

REVIEW OF OPERATIONS

Financial Results

The Company's total sales revenue for the financial year (excluding foreign exchange gains and finance income) was A$40,012,000 compared to the 2019 revenue of A$31,889,000, representing a 25.5% increase.

The Company has identified two key operating segments, OEM and Aftermarket, reflecting the different paths to market for our product. The OEM segment includes the Automotive and Aviation businesses which generate largely license based revenue, channeled through Tier 1 customers. The Aftermarket segment includes Fleet and Off-Road and generates revenue from a mix of direct and indirect customers who retro-fit Seeing Machines technology into commercial vehicles.

Product	**2020 A$'000**	**2019 A$'000**	**Variance %**
OEM	12,789	9,720	32%
Aftermarket	27,019	20,782	30%
Scientific Advances	204	1,387	(85)%
Sales Revenue	**40,012**	**31,889**	**25.5%**

Revenue momentum accelerated through the second half of the year with Aftermarket revenue in H2 increasing by 10% on H1 results to A$14,153,000 (H1: A$12,866,000), despite the slowdown in installations arising as a result of local and global pandemic-related changes to business conditions. Original equipment manufacturer ("OEM") revenue increased by 233% on H1 results to A$9,834,000 (H1 A$2,955,000) primarily due to a USD$5,000,000 pre-production license deal with a major Automotive Tier 1 partner.

Gross profit decreased from A$18,525,000 in FY2019 to A$14,433,000 this year, reflecting the revised presentation of engineering costs associated with the provision of Non-Recurring Revenue to OEM customers. If this reclassification had not occurred then gross profit for the year would have been A$7,609,000 higher, at A$22,042,000.

Revenue from Scientific Advances in FY20 fell to A$204,000 (2019: A$1,387,000) and represents the remaining grant revenue from completed research projects funded by the Australian and ACT Government.

Australian Government COVID-19 Grants, JobKeeper and PAYG subsidy increased other income by A$1,971,000 to A$2,234,000 (2019: A$263,000). The initial phase of the JobKeeper Grant ran from 1 March 2020 to 27 September 2020 with subsequent phases to be subjected to additional qualifying tests.

The Company continued to invest in its core technology across global target OEM and Aftermarket industries, reflected in the research and development expenditure for the year of A$30,976,000 (2019: A$35,895,000). The current year amount is after the reallocation of A$7,609,000 to cost of sales.

Corporate services expenses were impacted by an additional one off charge of A$5,116,000 reflecting a change in the method of recognising the annual STI and LTI grant in the year to which the grant related, rather than the year in which the amounts were approved and paid based upon an assessment of the current facts and circumstances of those arrangements. This category was also impacted by restructuring costs, the benefit of which will be felt in future years.

Occupancy and facilities expenses declined from A$2,619,000 in 2019 to A$1,800,000 in 2020, with the adoption of AASB16 Leases as outlined in note 3 and note 29, and the depreciation change for the year increased accordingly.

Other expenses include the impairment of a A$2,986,000 non-recoverable receivable. Income tax expense includes A$1,246,000 in non-recoverable withholding taxes per note10.

Cash used in operations fell from A$34,244,000 to A$24,246,000 as a result of increased revenues from a similar cost base, one-off licence arrangements and a focus on working capital management.

The resultant loss for the period represented an increase of A$3,891,000 at A$46,488,000 (2019: A$42,598,000).

Cash and cash equivalents at 30 June 2020 totalled A$38,138,000 (2019: A$54,809,000).

On 23 October 2020, Seeing Machines issued 372,000,000 new ordinary shares of no par value each (the “New Ordinary Shares”) to Federated Hermes, a well known US institutional investor, at a price of 4.10 pence per New Ordinary Share, raising gross proceeds of approximately US$20,000,000 (the “Placing”). The net proceeds of the Placing will be used to strengthen the Company’s balance sheet and for general working capital and corporate purposes.

Operational Highlights

Despite the global economic conditions posed by COVID-19 in the second half of FY2019, Seeing Machines has achieved pleasing growth over the past 12 months as demand for Driver Monitoring System (DMS) technology continues to advance across its key transport sectors.

FY2020 saw the Company remove significant, permanent cost from the business to secure its ongoing financial strength. While some measures put in place during the year were temporary and specifically targeted at managing through COVID-19, Seeing Machines restructured the business to improve the balance between ongoing innovation, key to its leadership position, and project delivery and to achieve more efficient collaboration between the corporate services functions and engineering.

Guardian, the Company's aftermarket solution for commercial drivers across transport and logistics, continues to expand as safety remains a top priority. Insurance interest has expanded in Australia and Seeing Machines will enter into its' second year of exclusive joint marketing with leading Australian truck insurer, National Transport Insurance. Seeing Machines' distribution network has expanded to 14 channel partners through which more than 80% of the Company's Guardian business is sold. The increase in connections throughout the COVID-19 period has been steady, despite close-down periods across a range of jurisdictions, and the Company's Monthly Recurring Revenue continues to increase.

In January 2020, Seeing Machines exhibited at the Consumer Electronics Show (CES) in Las Vegas, to showcase its capabilities to Automotive and Fleet stakeholders from across the world. Featured on BMW's palatial CES stand, the Company was featured in daily presentations to promote its approach to Human Factors science which underpins its technology efficacy and ongoing development. CES also facilitated the launch of Seeing Machines' work with Qualcomm. This represented the beginning of an extended collaboration which forms part of the Company's recently announced Three-Pillar Embedded Product Strategy designed for the automotive market, announced post-period (2 September 2020).

Seeing Machines continues to grow as an automotive leader in DMS technology, now in tie-ups with six OEMs globally, across nine ongoing programs over an expanding range of vehicle models. The Seeing Machines FOVIO Chip remains the highest performing, lowest cost market solution for standalone DMS vehicle integration and now represents nearly one third of Seeing Machines booked business, and is projected to grow to approximately one half in response to Euro NCAP requirements.

Global regulatory momentum has created significant increased demand for DMS technology to enhance safety on roads and in cars around the world with Europe leading the charge. This past year also saw a positive shift in North America with the US "Moving Forward Act' being passed in the House of Representatives (post period), representing the strongest automotive safety bill for that country, in decades. Seeing Machines is well placed to leverage this momentum and has resolved its strategic direction which will ensure it is poised to leverage this demand and support OEM requirements, and has continued to grow its Guardian footprint, now connected to over 23,000 vehicles worldwide.

While the Aviation industry has all but come to a stand-still over the past six months, Seeing Machines continues to deepen relationships and progress business opportunities for Crew Training and Pilot Monitoring with major aviation brands based on the Seeing Machines eye-tracking capability.

Consolidated Statement of Financial Position

AS AT 30 June 2020	Notes	2020	2019	2018

		A$000	A$000 Restated (Note 3.d)	A$000 Restated (Note 3.d)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	14	38,138	54,809	42,786
Trade and other receivables	15	9,584	15,670	19,758
Inventories	16	4,743	8,211	4,301
Current financial assets		512	9,561	579
Other current assets	17	4,233	4,761	876
TOTAL CURRENT ASSETS		57,210	93,012	68,300
NON-CURRENT ASSETS				
Property, plant & equipment	18	3,208	2,940	3,659
Intangible assets	19	899	2,539	3,529
Right-of-use assets	29	4,371	5,154	5,580
TOTAL NON-CURRENT ASSETS		8,478	10,633	12,768
TOTAL ASSETS		**65,688**	**103,645**	**81,068**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	21	7,874	3,621	6,300
Other current liabilities	25	1,057	1,115	810
Provisions	22	3,763	2,831	2,644
Contract liabilities	24	263	673	874
Current financial liabilities	25	553	903	-
TOTAL CURRENT LIABILITIES		13,510	9,143	10,628
NON-CURRENT LIABILITIES				
Provisions	22	215	211	81
Other liabilities	25	5,766	6,811	7,422
TOTAL NON-CURRENT LIABILITIES		5,981	7,022	7,503
TOTAL LIABILITIES		**19,491**	**16,165**	**18,131**
NET ASSETS		**46,197**	**87,480**	**62,937**
EQUITY				
Contributed equity	26	217,204	217,204	158,031
Treasury shares	26	-	(1,109)	(1,109)
Accumulated losses		(184,638)	(137,928)	(95,829)
Other reserves		13,631	9,313	1,844
Equity attributable to the owners of the parent		46,197	87,480	62,937
TOTAL EQUITY		**46,197**	**87,480**	**62,937**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 June 2020	Notes	2020 A$000	2019 A$000
Sale of goods and licence fees		24,665	15,840
Rendering of services		14,915	14,441
Research revenue		432	1,608
Revenue	**7**	**40,012**	**31,889**
Cost of sales		(25,579)	(13,364)
Gross profit		**14,433**	**18,525**
Net gain/(loss) in foreign exchange	8	(382)	178
Net gain on disposal of property, plant and equipment		(72)	-
Net gain/(loss) on disposal of investment	8	-	39

Other income	8	2,234	263
Finance income		829	778
Expenses			
Research and development expenses	**9**	(30,976)	(35,895)
Customer support and marketing expenses		(6,561)	(8,799)
Occupancy and facilities expenses		(1,800)	(2,619)
Corporate services expenses		(19,478)	(13,605)
Finance costs		(705)	(821)
Other expenses		(2,986)	(4)
Loss before income tax		**(45,464)**	**(41,960)**
Income tax expense	10	(1,246)	(46)
Loss after income tax		**(46,710)**	**(42,006)**
Loss for the period attributable to:			
Equity holders of the parent		(46,710)	(42,006)
		(46,710)	**(42,006)**
Other comprehensive income- to be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		222	(592)
Other comprehensive income/(loss) net of tax		222	(592)
Total comprehensive loss		**(46,488)**	**(42,598)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(46,488)	(42,598)
Total comprehensive loss for the year		**(46,488)**	**(42,598)**
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
Basic earnings per share	12	($0.01)	($0.02)
Diluted earnings per share	12	($0.01)	($0.02)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 June 2020	Contributed Equity A$000	Treasury Shares A$000	Accumulated Losses A$000	Foreign Currency Translation Reserve A$000	Employee Equity Benefits & Other Reserves A$000	A$000
As at 1 July 2018	158,031	(1,109)	(95,829)	(1,146)	2,990	62,937
Effect of adoption of new accounting standards (AASB9)	-	-	(93)	-	-	(93)
As at 1 July 2018 (restated)	158,031	(1,109)	(95,922)	(1,146)	2,990	62,844
Loss for the period	-	-	(42,006)	-	-	(42,006)
Other comprehensive income	-	-	-	(592)	-	(592)
Total comprehensive income	-	-	(42,006)	(592)	-	(42,598)
Transactions with owners in their capacity as owners:						
Shares issued	61,737	-	-	-	-	61,737
Capital raising costs	(2,564)	-	-	-	-	(2,564)
Share-based payments	-	-	-	-	8,061	8,061
At 30 June 2019	**217,204**	**(1,109)**	**(137,928)**	**(1,738)**	**11,051**	**87,480**

As at 1 July 2019	217,204	(1,109)	(137,928)	(1,738)	11,051	87,480
Loss for the period	-	-	(46,710)	-	-	(46,710)
Other comprehensive income	-	-	-	222	-	222
Total comprehensive income	-	-	(46,710)	222	-	(46,488)
Transactions with owners in their capacity as owners:						
Reclassification of treasury shares	-	1,109	-	-	(1,109)	-
Shares to be issued	-	-	-	-	1,109	1,109
Share-based payments	-	-	-		4,096	4,096
At 30 June 2020	**217,204**	**-**	**(184,638)**	**(1,516)**	**15,147**	**46,197**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cashflows

FOR THE YEAR ENDED 30 June 2020	Note	2020 A$000	2019 Restated A$000
Operating activities			
Receipts from customers (inclusive of GST)		42,702	33,091
Payments to suppliers and employees (inclusive of GST)		(67,222)	(67,069)
Interest received		-	231
Interest paid		(705)	(630)
Income tax paid		(1,246)	(46)
Receipt of government grants		2,043	-
Receipt for research and development tax incentive		182	-
Net cash flows used in operating activities		**(24,246)**	**(34,423)**
Investing activities			
Proceeds from sale of property, plant and equipment		27	-
Purchase of plant and equipment		(815)	(390)
Payments for intangible assets		(246)	(455)
Maturity/(purchase) of term deposits		9,049	(8,982)
Proceeds on sale of investments		-	39
Net cash flows from/(used in) investing activities		**8,015**	**(9,788)**
Financing activities			
Payment of lease liabilities		(716)	(560)
Proceeds from issue of new shares		-	58,781
Cost of capital raising		-	(2,565)
Proceeds from borrowings		-	3,333
Repayment of borrowings		(30)	(2,090)
Net cash flows (used in)/from financing activities		**(746)**	**56,899**
Net (decrease)/increase in cash and cash equivalents		(16,977)	12,688
Net foreign exchange difference		306	(665)
Cash and cash equivalents at 1 July		54,809	42,786
Cash and cash equivalents at 30 June	14	**38,138**	**54,809**

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.