

Seeing Machines Limited (“Seeing Machines” or the “Company”)

27 October 2022

Year End Results – FY2022

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 2022 (“FY2022” or “the period”).

FINANCIAL HIGHLIGHTS:

- Revenue has increased by 15% to A\$54.4m (2021: A\$47.2m)
- Underlying revenue has grown by 22%, excluding the one-off license in FY2021, to A\$55.5m when using constant currency¹
- Automotive royalty revenues increased by 141% to A\$5.5m (2021: A\$2.3m)
- Non-Recurring Engineering (NRE) revenue up 67% on prior year, a lead indicator for future Automotive royalty revenue
- Total OEM revenue, which includes Automotive and Aviation, increased by 21% to A\$14.7m (2021: A\$12.1m)
- Aftermarket revenue increased by 13% to A\$39.8m (2021: A\$35.1m)
- Annual Recurring Revenue including royalties increased by 18% to A\$17.6m (2021: A\$14.9m)
- Royalties from Guardian hardware sales increased 4% to A\$2.4m (2021: A\$2.3m)
- Gross Profit increased by 17.3% to A\$24.4m (2021: A\$20.8m)
- Cash at 30 June 2022 of A\$58.8m (2021: A\$47.4m) (prior to the recent investment by Magna of US\$65m (A\$103m) announced earlier this month)

OPERATIONAL HIGHLIGHTS:

OEM (Automotive)

- During FY2022, Seeing Machines was appointed to deliver 5 additional automotive programs, bringing the total individual program count to 14 with 10 automotive OEMs, one of which was the largest driver and occupant monitoring program awarded to date, with an initial lifetime value of A\$125m
- Seeing Machines announced its first automotive design win with a Japanese OEM
- The cumulative initial lifetime value of all OEM programs that Seeing Machines has won to date now stands at A\$395m, with the majority of that revenue expected to be realised over the next 4 years

¹ This refers to underlying growth rates at constant currency or adjusting for currency so business results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of Seeing Machines business performance. To present this information, current period results and comparative period results are converted into Australian dollars at the 30 June 2022 exchange rate.



- As cars start production, the automotive revenue mix is changing from non-recurring engineering (NRE) to high margin royalty revenue
- At 30 June 2022, there were 447,225 vehicles on the road featuring Seeing Machines' DMS technology, an increase of 246% over the previous period
- Regulatory momentum continued as the US President, Joe Biden, signed the bipartisan infrastructure legislation, which will require new vehicles to be fitted with Driver Monitoring System (DMS) technology in an effort to reduce drunk and distracted driving
- A range of semiconductor company collaborations were entered into, including with Omnivision to develop a world-first ASIC featuring the Occula® Neural Processing Unit (NPU) launched by Seeing Machines
- An additional US semiconductor company has licensed the Occula® NPU and Seeing Machines has also formally collaborated with Ambarella to bring integrated Advanced Driver Assistance Systems and occupant and driver monitoring systems to market
- The collaboration announced with Magna International to develop DMS in the rear-view mirror location was enhanced post-period with a US\$65m investment in the Company (via an exclusivity arrangement payment of US\$17.5m and up to \$47.5m convertible note) and the exclusive co-marketing of DMS integrated into the rear-view mirror location until 2025

OEM (Aviation)

- The Company announced its world-first delivery of a cockpit-based operator monitoring system with Air Ambulance Victoria
- Seeing Machines signed an Agreement with Airservices Australia to enhance safety in Air Traffic Control and a collaboration with Collins Aerospace to jointly market co-developed solutions across the Aviation industry

AFTERMARKET

- Guardian connections at 30 June 2022 were 39,832, contributing to the 17% growth in the Company's Annual Recurring Revenue to A\$20.1m
- Guardian connections in FY22 were affected by global supply chain issues. An engineering solution has resolved the problem to ensure enough stock will be available to meet expected demand in FY2023, however, the Company continues to monitor this situation closely
- Seeing Machines signed a Global Framework Agreement with Shell Global Solutions International to deliver its Guardian solution across the Shell worldwide operations
- The Company established a new sales team in the Netherlands to support growth across the UK and Europe and to closely support the rollout of Shell companies located in Europe, Middle East and Africa
- Leading fleet management company, EROAD, has integrated Guardian technology into its fleet management software to help combat driver fatigue and simplify mutual customer access to both systems
- As compliance dates for Europe's General Safety Regulation to enhance road safety approaches, the Company is now engaged with a range of commercial vehicle manufacturers to deliver Guardian as an 'After Manufacture' solution



- Seeing Machines' Backup-driver Monitoring System sales opportunities are expanding, demonstrating the increased market opportunity for this solution as more self-driving car, robotaxi and truck platooning companies require the technology to satisfy their testing periods

Quarterly Key Performance Indicator (KPI) Report²:

Moving forward, Seeing Machines will be issuing a quarterly publication focused on three KPI's from the Aftermarket and Automotive business units, launching in November 2022. Below are metrics reported Q4 FY2022:

- Guardian connections of 39,832, a 5% increase (Q3FY22: 37,791)
- Backlog to Guardian Connections of 10,706 units to be installed
- Cars on road increased by 31% to 447,225 (Q3FY22: 341,000)

As previously announced, given over 60% of Seeing Machines revenues are in US Dollars Seeing Machines will begin reporting in US\$ from the start of the current financial year.

Paul McGlone, CEO of Seeing Machines commented: *"The results presented in the FY2022 accounts are strong and the post-period announcement of our collaboration with Magna and its investment into the Company has ensured that Seeing Machines is positioned to win more market share and secure our place as an industry leading provider of DMS and OMS. Balance sheet strength is critical to our customers having the confidence in our financial capacity to deliver on our long-term innovation pipeline and commercial commitments.*

"Our Automotive business is thriving and, as we get through the next wave of RFQs, we will be able to clearly demonstrate this leadership position and affirm our predicted market share. The Aftermarket business is expanding and despite some supply chain challenges, the next 24 months will see a step-change in opportunity as regulation drives additional growth and we move to the next generation of our Guardian hardware. Finally, in Aviation, we have no clear competition here and I am delighted to see this business shaping up to be in a position to add significant value to the Company in the near future."

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² **Guardian connections** is a global count of all vehicles fitted with Guardian.

Backlog to connections refers to Guardian hardware which has been sold, yet to be connected.

Cars on road counts all light vehicles in production fitted with Seeing Machines automotive grade Driver Monitoring System (DMS) technology.

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About Seeing Machines (AIM: 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 Highlights

The Company's total revenue for the financial year (excluding foreign exchange gains and finance income) was A\$54,435,000 compared to the 2021 revenue of A\$47,167,000, representing an 15% increase on prior year results.

<i>Product</i>	2022	2021	Variance
	A\$'000	A\$'000	%
OEM	14,660	12,088	21
Aftermarket	39,775	35,079	13
Sales Revenue	54,435	47,167	15

With the start of customer production for our Original Equipment Manufacturer ("OEM") business unit (Automotive) in FY21 and the continuing increase in production in the FY22, royalty revenues increased by 141% to A\$5,505,000 from A\$2,280,000 in FY21. An increasing royalty licence revenue stream will continue to be received over the model lifetime of awarded OEM programs. The remainder of the revenue in the OEM segment primarily represents NRE (Non-Recurring Engineering) revenue which is software development activities undertaken to embed DMS technologies into the specific OEM vehicle configuration prior to the commencement of vehicle production. NRE revenue increased by A\$3,286,000 to A\$8,172,000 (2021: A\$4,886,000).

Aftermarket grew by 13% on the prior year despite a slowdown in installations arising from local and global pandemic-related changes to business conditions, including supply chain related challenges which have now been resolved. Revenue momentum accelerated through the second half of the year with revenue in H2 increasing by 42% on H1 results to A\$23,354,000 (H1: A\$16,421,000). Hardware and installation revenue increased by 10% over the prior year to A\$20,709,000 (2021: A\$18,798,000) and driver monitoring revenues increased by 19% to A\$13,169,000 (2021: A\$11,064,000).

Gross profit increased from A\$20,765,000 in FY2021 to A\$24,410,000 in FY22. Removing the impact of the one off licence revenue in FY21 amounting to A\$4,190,000, operational gross profit improved 6% year on year from 39% in FY21 to 45% in FY22 primarily reflecting



increased high-margin OEM royalty licence revenues. Increased sales of Guardian units and a 6% improvement in Aftermarket gross margin also contributed to the improvement in group gross profit.

In line with the continued accelerating momentum in Automotive safety legislation in both Europe and more recently in the US, the Company continued to invest in its core technology development across global OEM and Aftermarket industries. As a result, Seeing Machines has reflected a portion of development expenditure which meets recognition criteria as an intangible asset amounting to A\$32,767,000 (2021: A\$8,311,000). During FY22, such development expenditure amounting to A\$25,659,000 (2021: A\$8,311,000) was capitalised and A\$1,203,000 (2021: Nil) was amortised. The remaining research and development costs have been expensed and amount to A\$15,487,000. The total investment in research and development for the current year amount is A\$41,146,000 (2021: A\$18,187,000).

Corporate costs increased by \$4,389,000 to A\$17,214,000 (2021: A\$12,825,000) with a combination of one-off and incremental costs that support organisational scale and sustainable growth. Maintained focus on business performance and cost optimisation has partly offset the increase, which will stabilise in future years.

The resultant loss for the period represented an increase of A\$7,903,000 at A\$25,323,000 (2021: A\$17,420,000).

Cash used in operations fell from A\$19,641,000 to A\$15,843,000 as a result of improved revenue receipts exceeding increases in the operating cost base and reflecting that capitalised development costs are disclosed as cash flows from investing activities. Increased revenues, particularly in the later months of the financial year have not all converted to cash within the reporting cycle.

Net cash and cash equivalents at 30 June 2022 totalled A\$58,756,000 (2021: A\$47,393,000).

On 23 November 2021, Seeing Machines issued 277,123,492 new ordinary shares of no par value each (the “New Ordinary Shares”) at a price of 11 British pence per New Ordinary Share, raising gross proceeds of approximately A\$56,855,000 (US\$41,000,000) (the “Placing”). The net proceeds of the Placing are being used to strengthen the Company’s balance sheet, fund core technology expansion, and enhance OEM Business pursuit and Aftermarket product development and regional expansion.

Operational Highlights

It is clear that Seeing Machines is a world-leader in driver and occupant monitoring system technology and is making significant advancements across each of its target transport sectors. The growth across the business has continued despite the pandemic and supply chain related challenges. The regulatory landscape remains a key growth driver and, with compliance dates fast approaching (and already in place for some vehicle classes in Europe and China) this is quickly transforming market opportunities across Aftermarket and is accelerating the requests for information and quotes in Automotive. North American legislation will happen, and Seeing Machines is working closely with regulatory bodies there to shape protocols and assist with policy and rule-making, as was done in Europe, specifically to shape Euro NCAP (New Car Assessment Program) protocol.

Driver and Occupant Monitoring System (DMS/OMS) technology is fundamental to transport safety but is also a key enabler in Automotive as the intelligent cabin continues to advance



and the industry sees semi-automated features emerge across an increasing number of vehicles. Where semi-automated features are enabled, understanding what the driver is doing is critical in maintaining driver attention and overall vehicle safety.

Seeing Machines is now actively engaged with ten automakers on fourteen expanding automotive programs to deliver its FOVIO DMS, and with 447,225 cars on road featuring the Company's technology, the shape of the automotive revenue is rapidly changing from lower margin NRE to high margin royalties, which are expected to continue to significantly ramp over the coming two to three years. The Automotive pipeline continues to grow with the Company actively working on RFQ's (Request for Quote) from OEMs in Europe, North America and Asia.

The announcement, post-period, that Seeing Machines and Magna International will exclusively co-market DMS/OMS integrated into the rear-view mirror is a big step-change for the Company as this location is predicted to experience the biggest growth (integration location) across all markets. Working with one of the world's largest automotive tier-one suppliers, with a focus on mirrors, will enable Seeing Machines to grab market share as OEMs work hard to meet regulatory requirements, deliver a reliable driver and occupant monitoring solution and respond to the integration challenge inside the cabin.

The Aviation industry has now emerged from many of the pressures associated with the global pandemic and Seeing Machines remains engaged on key opportunities associated with Simulated Training as well as Air Traffic Control applications of the Company's eye-tracking technology. A world first, Air Ambulance Victoria will also work with Seeing Machines to install an operator monitoring solution inside the cockpit, signalling validation of the Company's eye-tracking technology and its application across the Aviation spectrum. With customers and partners such as Collins Aerospace, the Royal Australian Air Force and Airservices Australia, Seeing Machines continues to invest in the Aviation business as it experiences good momentum, with limited competition, in this growing market.

Seeing Machines' Aftermarket business has also achieved good growth as Guardian sales have continued to accelerate, despite the economic challenges. The offering is attracting the interest of key global organisations as they seek to enhance safety across their vehicle fleets. Large, multi-national companies, such as Shell Global Solutions International, are now working with Seeing Machines as safety receives its due focus across the professional driving industry. These opportunities, while initially slow to expand, will see the Company realise significant growth in direct business with entities capable of installing the hardware independently, swiftly and efficiently. Further, and also due to regulatory pressure, there is growing interest in "After Manufacture" opportunities, where commercial vehicle OEMs are working with Seeing Machines to fit Guardian as standard, before the vehicle is on-sold. Services will then be sold directly or indirectly to the commercial vehicle operator market. Already profitable, excluding corporate costs, this division is well positioned to take advantage of these favourable market opportunities.

Guardian is now connected to 39,832 vehicles, up 25% on prior year and has travelled more than 10 billion kilometres globally providing Seeing Machines unrivalled access to naturalistic driving data which is key to the Company's algorithm improvement and technology



performance. Supply chain issues were a problem for Seeing Machines during FY 2022 and all stock on hand was sold during the year. Now that these issues have been engineered out of the technology, supply will resume and be sufficient to meet demand for FY2023, and until the next generation of hardware is available. The Guardian 3 product is currently in development and scheduled for release during CY2023.

Subsequent Events after the Balance Date

On 4 October 2022, Seeing Machines entered into an exclusive collaboration agreement (“Agreement”) with Magna International (“Magna”), to pursue driver and occupant monitoring system business targeting the vehicle’s interior rear-view mirror. Under the terms of the Agreement, subject to certain exceptions, Seeing Machines and Magna will exclusively co-market driver and occupant monitoring, solely where the Company’s IP is fully integrated inside the rear-view mirror, until the end of June 2025. In return for Seeing Machines granting exclusivity to Magna for the mirror, Magna will make an upfront payment to Seeing Machines of US\$10m, with an additional US\$7.5m payable over the following 2 years.

At the same time, Magna has also agreed to invest up to an additional US\$47.5m into Seeing Machines via a non-transferable 4-year convertible note maturing in October 2026 (the “Convertible Note”). The Convertible Note, which can be drawn down in two tranches across the 4-year term, subject to the satisfaction of certain closing conditions, is convertible into ordinary shares at a price of 11 British pence per share. The first tranche, being US\$30m, was drawn on 5 October 2021 with the remainder available until December 2024. The Convertible Note has an all-in yield of 8%, inclusive of fees. Magna may elect to convert the principal and at Seeing Machines’ election, interest outstanding under the Convertible Note at any time during its term, up to a maximum of 349,650,350 shares which, when added to Magna’s existing shareholding in the Company, will represent approximately 9.9% of the fully diluted share capital of the Company. The Convertible Note contains standard covenants, and anti-dilution provisions. The interest due at the end of the facility can be paid in cash or converted into equity at Seeing Machines’ election.

Consolidated Statement of Financial Position

AS AT 30 JUNE	Notes	2022 A\$000	2021 A\$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14	58,756	47,393
Other short-term deposits	20	472	472
Trade and other receivables	15	26,983	19,851
Inventories	16	1,305	2,627
Other current assets	17	<u>8,243</u>	<u>5,438</u>
TOTAL CURRENT ASSETS		<u>95,759</u>	<u>75,781</u>
NON-CURRENT ASSETS			
Property, plant & equipment	18	4,404	3,361
Intangible assets	19	34,277	9,540
Right-of-use assets	29	<u>3,449</u>	<u>4,252</u>
TOTAL NON-CURRENT ASSETS		<u>42,130</u>	<u>17,153</u>
TOTAL ASSETS		<u>137,889</u>	<u>92,934</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	16,391	8,839
Lease liabilities	25, 29	948	918
Provisions	22	5,098	4,893
Contract liabilities	24	<u>3,622</u>	<u>772</u>
TOTAL CURRENT LIABILITIES		<u>26,059</u>	<u>15,422</u>
NON-CURRENT LIABILITIES			
Provisions	22, 23	356	192
Lease liabilities	25, 29	<u>4,356</u>	<u>5,272</u>
TOTAL NON-CURRENT LIABILITIES		<u>4,712</u>	<u>5,464</u>
TOTAL LIABILITIES		<u>30,771</u>	<u>20,886</u>
NET ASSETS		<u>107,118</u>	<u>72,048</u>
EQUITY			
Contributed equity	26	313,029	257,382
Accumulated losses		(227,369)	(202,046)
Other reserves		<u>21,458</u>	<u>16,712</u>
Equity attributable to the owners of the parent		<u>107,118</u>	<u>72,048</u>
TOTAL EQUITY		<u>107,118</u>	<u>72,048</u>

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	Notes	2022 A\$000	2021 A\$000
Sale of goods		22,397	18,840
Services revenue		21,491	18,346
Royalty and licence fees		<u>10,547</u>	<u>9,981</u>
Revenue	7	54,435	47,167
Cost of sales		<u>(30,025)</u>	<u>(26,402)</u>
Gross profit		24,410	20,765
Net gain/(loss) in foreign exchange	8	1,564	(417)
Other income	8	106	1,669
Finance income		392	322
Expenses	9		
Research and development expenses		(15,487)	(9,876)
Customer support and marketing expenses		(9,067)	(6,092)
Operations expenses		(11,266)	(8,087)
General and administration expenses		(15,486)	(14,590)
Finance costs		<u>(453)</u>	<u>(518)</u>
Loss before income tax		(25,287)	(16,824)
Income tax expense	10	<u>(36)</u>	<u>(596)</u>
Loss after income tax		<u>(25,323)</u>	<u>(17,420)</u>
Loss for the period attributable to:			
Equity holders of the Company		<u>(25,323)</u>	<u>(17,420)</u>
		<u>(25,323)</u>	<u>(17,420)</u>
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations		<u>(413)</u>	<u>(169)</u>
Other comprehensive (loss)/income net of tax		(413)	(169)
Total comprehensive loss		<u>(25,736)</u>	<u>(17,589)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company		<u>(25,736)</u>	<u>(17,589)</u>
Total comprehensive loss for the year		<u>(25,736)</u>	<u>(17,589)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	12	(\$0.01)	(\$0.01)
Diluted loss per share	12	(\$0.01)	(\$0.01)

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

Consolidated Statement of Changes in Equity

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits & Other Reserve	Total Equity
FOR THE YEAR ENDED					
30 JUNE	A\$000	A\$000	A\$000	A\$000	A\$000
As at 1 July 2020	217,204	(184,626)	(1,516)	15,147	46,209
Loss for the period	-	(17,420)	-	-	(17,420)
Other comprehensive loss	-	-	(169)	-	(169)
Total comprehensive loss	-	(17,420)	(169)	-	(17,589)
Transactions with owners in their capacityas owners:					
Shares issued	41,199	-	-	-	41,199
Capital raising costs	(1,021)	-	-	-	(1,021)
Share-based payments	-	-	-	3,250	3,250
At 30 June 2021	257,382	(202,046)	(1,685)	18,397	72,048
As at 1 July 2021	257,382	(202,046)	(1,685)	18,397	72,048
Loss for the period	-	(25,323)	-	-	(25,323)
Other comprehensive loss	-	-	(413)	-	(413)
Total comprehensive loss	-	(25,323)	(413)	-	(25,736)
Transactions with owners in their capacityas owners:					
Shares issued	57,063	-	-	-	57,063
Capital raising costs	(1,416)	-	-	-	(1,416)
Share-based payments	-	-	-	5,159	5,159
At 30 June 2022	313,029	(227,369)	(2,098)	23,556	107,118

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE	Note	2022 A\$000	2021 A\$000
Operating activities			
Receipts from customers		52,335	37,990
Payments to suppliers and employees		(68,303)	(58,985)
Interest received		392	322
Interest paid		(1)	(518)
Income tax paid		(266)	(15)
Receipt of government grants		-	1,565
Net cash flows used in operating activities	28	(15,843)	(19,641)
Investing activities			
Proceeds from sale of property, plant and equipment		-	5
Purchase of plant and equipment		(1,853)	(446)
Payments for intangible assets (patents, licences and trademarks)		(343)	(484)
Payments for intangible assets (capitalised development costs)		(25,659)	(8,311)
Maturity of term deposits		-	40
Net cash flows used in investing activities		(27,855)	(9,196)
Financing activities			
Proceeds from issue of new shares		57,063	41,071
Cost of capital raising		(1,415)	(1,021)
Principal repayment of lease liabilities		(1,271)	(1,459)
Net cash flows from financing activities		54,377	38,591
Net increase in cash and cash equivalents		10,681	9,754
Net increase/ (decrease) due to foreign exchange difference		682	(499)
Cash and cash equivalents at 1 July		47,393	38,138
Cash and cash equivalents at 30 June	14	58,756	47,393

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

To read the FY222 Annual Financial Report and access accompanying notes to the above tables, please visit <https://www.seeingmachines.com/investors/announcements/>.