

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

16 October 2023

Year End Results – FY2023

Increasing global regulatory momentum targeting key transport sectors underpins significant growth

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 2023 (“FY2023” or “the period”).

FINANCIAL HIGHLIGHTS:

- Revenue increased by 48% to US\$57.8m (2022: US\$38.7m), ahead of market expectations¹
- Non-Recurring Engineering (NRE) increased 53% to US\$9.7m (2022: US\$6.4m) – a lead indicator for future royalty revenue
- Annual Recurring Revenue as at 30 June 2023 increased by 27% to US\$13.6m (2022: US\$10.7m)
- Total OEM revenue, including both Automotive and Aviation, increased by 153% to US\$26.6m (2022: US\$10.5m)
- Automotive royalty revenues increased by 91% to US\$7.6m (2022: US\$3.9m)
- Aftermarket revenue increased by 10% to US\$31.2m (2022: US\$28.4m)
- Royalties from Guardian hardware sales of US\$2.4m (2022: US\$3.6m)
- Gross Profit of US\$28.9m represents increase of 65% (2022: US\$17.5m)
- EBITDA improved to a loss of US\$9.3m (2022: loss of US\$16.3m)
- Strong balance sheet, with cash² at 30 June 2023 of US\$36.1m (2022: US\$40.5m)

Paul McGlone, CEO of Seeing Machines, commented: *“The global demand for our technology has delivered strong growth in FY2023, despite some challenges and delays. Our three business units are now well established, and we are expecting to see continued growth from each of them as we move*

¹ Consensus expectations for FY2023 are revenue of US\$53.9m

² Working capital increased due to the timing of Guardian inventory deliveries, leading to an increased level of inventory and receivables at 30 June 2023. Inventory levels are sufficient to support demand for H1 FY2024 and will unwind along with receivables in the first half of FY24.

closer to compliance deadlines in Europe, where every vehicle on European roads will require technology to mitigate risks associated with fatigue and distraction. Seeing Machines is working directly with commercial vehicle OEMs to increase the installation of Guardian technology as factory-fit (After Manufacture) and with transport and logistics operators as retrofit, our more traditional application. In Automotive, while programs are taking longer to be awarded, we expect there to be fewer, larger awards given the Euro NCAP and GSR dates looming. And finally, in the growing Aviation business, we are working with world-leading Collins Aerospace following the announcement of our exclusive collaboration. The combination of these factors lead to revenue expectations in FY26 of not less than US\$125m.

At end September, we can report a cash balance of US\$30.8m and expect to achieve a cash break-even run rate during FY25 from our increasing focus on revenue growth and cost management.”

OPERATIONS HIGHLIGHTS:

- Martin Ive appointed as CFO bringing significant public company experience
- Regulatory momentum continues to accelerate as compliance dates for Europe’s General Safety Regulation to enhance road safety approach; and the US ramps up activity to incorporate safety legislation requiring technology to reduce risks associated with distracted and impaired driving
- The Company launched publication of quarterly Key Performance Indicators (KPI’s) to report on growth across Automotive as cars start production and momentum in Aftermarket with Guardian connections and hardware sales

AUTOMOTIVE:

- Seeing Machines and Magna International entered into an exclusive, world-first collaboration to develop Driver and Occupant Monitoring System (DMS / OMS) technology integrated into the rear-view mirror, which included a US\$65m investment in the Company via an exclusivity arrangement payment of US\$17.5m and a convertible note of US\$47.5m
- An additional program to deliver DMS / OMS for an existing European based global OEM brings total won awards to 15 across 10 individual OEMs, carrying an initial, cumulative lifetime value of US\$321m with the majority of that revenue to be recognised over the period to 2028
- A total of 6 OEM programs have now started production, and at 30 June 2023, Seeing Machines’ technology is installed in over 1 million vehicles globally
- Over the 12-month period to 30 June 2023, cars on road increased by 143% to 1,086,176 units (Q4 FY22: 447,225)
- Annual production volume increased 101% to 638,951 vehicles (FY2022: 317,491)
- Omnivision, a leading global developer of semiconductor solutions launched its OAX4600 system-on-chip (SOC) platform with interior sensing technology optimised with the Company’s Occula® Neural Processing Unit

AVIATION:

- Seeing Machines signed an exclusive licence Agreement with Collins Aerospace generating licence revenue over three years of US\$10m, to jointly develop pioneering eye-tracking solutions for the Aviation industry
- Collins will also pay the Company Non-Recurring Engineering (NRE) payments to develop specific solutions, which will evolve into potential future royalty payments as shipsets are released to customers
- With no competition in this space, today, this world-first collaboration brings together the companies' collective expertise in navigation, communication, sensor technology, flight controls and aviation system design to accelerate innovation and safety across the industry

AFTERMARKET:

- Monitored Guardian connections increased 30% during the last 12 months to 51,975 units (Q4 FY2022: 39,892)
- Total Guardian hardware sales for FY2023 of 14,779 units, with Q4 achieving record sales of over 10,000 units as backlog demand met following easing of earlier supply chain constraints
- After Manufacture Segment (factory-fit) developing into a key market for Guardian Gen 3, as European General Safety Regulation requires all new commercial vehicles to be fitted with technology to reduce risks of driver drowsiness in 2024, with requirements set to expand to distraction from 2026
- Seeing Machines is working with Mobileye to jointly target Aftermarket business globally, enhancing the Company's Guardian solution by incorporating the Mobileye suite of external facing Aftermarket products to alert drivers of potentially dangerous situations

RESULTS PRESENTATIONS

Sell-side Analyst Briefing - The Company will host an in-person briefing for analysts hosted by Paul McGlone, Chief Executive Officer and Martin Ive, Chief Financial Officer. This will take place at 9:00am BST on 16th October at the offices of Dentons Global Advisors.

Private Investor Presentation - Paul McGlone, Chief Executive Officer and Martin Ive, Chief Financial Officer, will provide a live presentation and Q&A via the Investor Meet Company platform on 16th October 2023 at 10:15am BST.

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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 is revolutionizing global transport safety. Its 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

The Company’s total revenue for the financial year (excluding foreign exchange gains and finance income) was US\$57,771,000 compared to the 2022 revenue of US\$39,000,000, representing a 48% increase on prior year results.

Product	2023	2022	Variance
	US\$'000	US\$'000	%
OEM	26,707	10,518	154
Aftermarket	31,064	28,482	9

OEM revenue more than doubled compared to the previous corresponding period in line with the early stage ramp up of vehicle production for a number of Automotive OEM programs. Royalty revenues, derived from installation of Seeing Machines’ Driver Monitoring System (DMS) technology, increased by 91% to US\$7,580,000 from US\$3,960,000 in FY22. The growth in royalty revenues in the OEM business has resulted in the revenue mix moving to a greater proportion of higher margin revenue streams, which is expected to continue as Automotive programs become the dominant source of revenue for this business unit. In FY23, the OEM operating segment entered into two key exclusive collaboration arrangements which earned licensing revenue of US\$11,332,000 (2022: nil). 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 configuration prior to the commencement of production. NRE revenue increased by 16% to US\$6,766,000 (2022: US\$5,850,000), and is a lead indicator of future royalty revenue.

Aftermarket hardware and installation revenue decreased by 2% over the prior year to US\$14,495,000 (2022: US\$14,722,000) which was due to limited hardware supply in the first half of the financial year. Connected Guardian units increased to 51,975 units in June 2023 representing 30% growth from 39,832 in June 2022. As a result of this growth, monitoring services revenue increased by 17% to US\$11,117,000 (2022: US\$9,512,000), continuing the accumulation of recurring revenue from the Guardian connections.

Gross profit increased from US\$17,508,000 in FY22 to US\$28,898,000 in FY23. Operational gross profit margin improved 5% year on year from 45% in FY22 to 50% in FY23 primarily reflecting increased high-margin OEM royalty and exclusivity licence revenues.

The Company continued to invest in its core technology development to further strengthen its competitive moat, rapidly expand features and leverage its unique systems approach 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. During FY23, such development expenditure amounting to US\$23,685,000 (2022: US\$18,611,000) was capitalised and US\$2,444,000 (2022: US\$829,000) was amortised. The remaining research and development costs have been expensed and amount to US\$11,264,000 (2022: US\$11,251,000). The total investment in research and development for the current year amounting to US\$34,949,000 (2022: US\$29,862,000).

The resultant loss for the period represented a decrease of US\$3,019,000 at US\$15,548,000 (2022 loss: US\$18,567,000).

Net cash and cash equivalents at 30 June 2023 totalled US\$36,139,000 (2022: US\$40,470,000).

On 4 October 2022, Seeing Machines received funding of US\$47,500,000 from Magna International in the form of a non-transferable 4-year convertible note maturing in October 2026 (the “Convertible Note”). Details of the Convertible Note can be found in Note 21 to the Financial Statements. The proceeds of the Convertible Note are being used to meet technology demands, for general working capital and corporate purposes, as well as to strengthen the Company’s balance sheet so that it is fully funded to deliver on its current business plan.

Operational Highlights

Seeing Machines continues to grow across all segments, now a well-recognised leader in the delivery of proven driver and occupant monitoring system technology with accelerated momentum achieved throughout FY23.

Martin Ives, CFO, was appointed to the Company in November 2022. Martin is a highly experienced finance professional and chartered accountant. He was previously the CFO for leading ASX-listed Altium Limited and is responsible for overseeing the global finance function and providing financial insights and information to guide strategic and operational decisions.

Regulatory tailwinds have increased demand across all road transport segments as Europe’s General Safety Regulation (GSR2) is now in effect, and Euro NCAP (New Car Assessment Program) five-star system imminent for all cars sold across Europe, delivering a positive global impact on DMS fitment. The USA is ramping up its path towards a regulated requirement for driver assistance features, including DMS, to address distraction and impairment, in particular. Seeing Machines is working closely with rule-makers and other bodies in the USA to inform the protocols that underpin robust safety outcomes.

The introduction of quarterly Key Performance Indicators (KPIs) during the period has enabled the Company to demonstrate ongoing momentum as well as year on year growth for the Automotive and Aftermarket businesses. In Automotive, revenue has transitioned from low margin NRE to high margin royalty revenue as cars start production across a range of programs. Seeing Machines now has more than 1 million cars on the road (1,086,176) installed with DMS technology. This number is projected to grow substantially for the foreseeable future based on current programs and will further expand as more programs are awarded, currently under Request for Quote (RFQ). The value of current won business, based on initial minimum volumes stands at US\$321m with the majority of that revenue to be recognised over the period to 2028.

A highlight during the period was the agreement between Seeing Machines Limited and Magna to exclusively co-market DMS/OMS integrated into the rear-view mirror. This location is predicted to experience the biggest growth across all markets and represents a big step-change for the Company. Working with one of the world’s largest automotive tier-one suppliers, with a focus on mirrors, will enable Seeing Machines to increase 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.

In Aftermarket, Guardian connections have increased by 30% over the year to almost 52,000 global installations, contributing to expanding Annual Recurring Revenue (ARR) performance. With a historically low churn rate across this business, ARR is a very important contributor to overall Company revenue. Regulation, specifically in Europe with the GSR, is positively impacting the potential for increased Guardian connections and there has been good momentum in Europe with commercial vehicle manufacturers seeking to 'factory-fit' the technology in order to sell compliant vehicles across the continent, and globally. Seeing Machines is engaged with these customers and this additional segment ("After Manufacture") is now a key focus for the Company. The regulatory momentum has also seen increased interest in large multinational organisations and Seeing Machines will refocus on the USA as it launches its third generation Guardian technology early in 2024.

Seeing Machines signed an exclusive licence with Collins Aerospace, a Raytheon Technologies business, to jointly develop pioneering eye-tracking solutions for the global Aviation industry. Collins Aerospace is the world's largest Tier 1 Avionics company and has been working successfully with Seeing Machines for some years. Building on this history, the collaboration will enable the two companies to access the significant opportunity across aircraft and simulators of over US\$700 million in the next 20 years, and to develop revolutionary fatigue management technology solutions to increase safety across this sector. The exclusivity will see Collins pay Seeing Machines US\$10 million over three years as well as NRE payments that will cover development of solutions, evolving into potential future royalty payments as shipsets are released to customers.

Seeing Machines exists to get people home safely and now boasts three revenue generating business units that are contributing to that mission every day.

Significant changes in the state of affairs

During the financial year there was no significant change in the state of affairs of the Company other than those referred to elsewhere in this report and in the financial statements or notes thereto.

Seeing Machines Limited
Consolidated statement of financial position
As at 30 June 2023

	Notes	Consolidated entity		
		At 30 June 2023 US\$'000	30 June 2022 US\$'000	1 July 2021 US\$'000
Assets				
Current assets				
Cash and cash equivalents	10	36,139	40,470	35,541
Trade and other receivables	11	27,039	18,588	14,887
Contract assets	12	6,513	3,433	1,613
Inventories	13	11,191	933	1,970
Other financial assets	17	312	325	354
Other current assets	14	1,116	2,244	2,465
Total current assets		82,310	65,993	56,830
Non-current assets				
Property, plant and equipment	15	3,861	3,033	2,520
Right-of-use assets	26	1,853	2,376	7,154
Intangible assets	16	45,064	23,609	3,189
Total non-current assets		50,778	29,018	12,863
Total assets		133,088	95,011	69,693
Liabilities				
Current liabilities				
Trade and other payables	18	11,646	11,290	6,629
Contract liabilities	20	4,634	2,495	579
Lease liabilities	26	708	653	688
Provisions	19	4,414	3,512	3,669
Total current liabilities		21,402	17,950	11,565
Non-current liabilities				
Borrowings	21	40,322	-	-
Lease liabilities	26	2,195	3,000	3,954
Deferred tax liabilities	7	2,464	-	-
Provisions	19	174	245	144
Total non-current liabilities		45,155	3,245	4,098
Total liabilities		66,557	21,195	15,663
Net assets		66,531	73,816	54,030

Seeing Machines Limited
Consolidated statement of financial position
As at 30 June 2023
(continued)

	Notes	Consolidated entity		
		30 June	At	
		2023	30 June	1 July
		US\$'000	2022	2021
			US\$'000	US\$'000
Equity				
Contributed equity	22	240,948	240,948	201,093
Other equity	23	5,749	-	-
Accumulated losses	24	(185,520)	(169,972)	(151,405)
Other reserves	24	5,354	2,840	4,342
Total equity attributable to owners of Seeing Machines Limited		66,531	73,816	54,030

Seeing Machines Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2023

		Consolidated entity	
		Year ended	
		30 June	30 June
		2023	2022
		US\$'000	US\$'000
Notes			
	Sale of goods	14,596	15,911
	Services revenue	21,489	15,491
	Royalty and licence fees	21,686	7,598
	Revenue	57,771	39,000
	Cost of sales	(28,873)	(21,492)
	Gross profit	28,898	17,508
5	Net foreign exchange gains	916	1,022
5	Other income	31	77
	Expenses		
6	Research and development expenses	(11,264)	(11,251)
	Customer support and marketing expenses	(6,477)	(6,525)
	Operations expenses	(12,865)	(8,161)
	General and administration expenses	(12,938)	(11,167)
	Operating loss	(13,699)	(18,497)
	Finance income	691	282
	Finance costs	(2,571)	(328)
	Finance costs - net	(1,880)	(46)
	Loss before income tax	(15,579)	(18,543)
7	Income tax (expense)/benefit	31	(24)
	Loss for the period	(15,548)	(18,567)
	Loss is attributable to:		
	Equity holders of Seeing Machines Limited	(15,548)	(18,567)

Seeing Machines Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2023
(continued)

		Consolidated entity	
		Year ended	
Notes	30 June	30 June	
	2023	2022	
	US\$'000	US\$'000	
	(15,548)	(18,567)	
Loss for the period			
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	24 <u>310</u>	(5,137)	
	310	(5,137)	
Other comprehensive income/(loss) for the period, net of tax			
Total comprehensive income/(loss) for the period			
	<u>(15,238)</u>	<u>(23,704)</u>	
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Seeing Machines Limited	<u>(15,238)</u>	<u>(23,704)</u>	
	Cents	Cents	
Loss per share for profit attributable to the ordinary equity holders of the Company:			
Basic loss per share	9 (0.004)	(0.004)	
Diluted loss per share	9 (0.004)	(0.004)	

Seeing Machines Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated entity	Notes	Contributed Equity US\$'000	Other equity US\$'000	Accumulate d Losses US\$'000	Foreign Currency Translation Reserve US\$'000	Employee Equity Benefits & Other Reserve US\$'000	Total equity US\$'000
Balance at 1 July 2021		201,093	-	(151,405)	(8,991)	13,333	54,030
Loss for the period		-	-	(18,567)	-	-	(18,567)
Other comprehensive loss		-	-	-	(5,137)	-	(5,137)
Total comprehensive loss		-	-	(18,567)	(5,137)	-	(23,704)
Transactions with owners in their capacity as owners:							
Shares issued	22	40,864	-	-	-	-	40,864
Capital raising costs	22	(1,009)	-	-	-	-	(1,009)
Share-based payments	28	-	-	-	-	3,635	3,635
Balance at 30 June 2022		240,948	-	(169,972)	(14,128)	16,968	73,816
Balance at 1 July 2022		240,948	-	(169,972)	(14,128)	16,968	73,816
Loss for the year ended		-	-	(15,548)	-	-	(15,548)
Other comprehensive loss		-	-	-	310	-	310
Total comprehensive loss		-	-	(15,548)	310	-	(15,238)
Transactions with owners in their capacity as owners:							
Share-based payments	28	-	-	-	-	2,204	2,204
Value of conversion rights on convertible notes	23	-	5,749	-	-	-	5,749
Balance at 30 June 2023		240,948	5,749	(185,520)	(13,818)	19,172	66,531

Seeing Machines Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

		Consolidated entity	
		Year ended	
Notes		30 June	30 June
		2023	2022
		US\$'000	US\$'000
Cash flows from operating activities			
	Receipts from customers (inclusive of GST)	52,183	37,961
	Payments to suppliers and employees (inclusive of GST)	(77,412)	(49,543)
	Interest received	691	284
	Interest paid	(5)	-
	Income taxes paid	(496)	(192)
	Net cash (outflow) from operating activities	(25,039)	(11,490)
25		<hr/>	<hr/>
Cash flows from investing activities			
	Purchase for plant and equipment	(1,703)	(1,344)
	Payments for intangible assets (patents, licences and trademarks)	(253)	(257)
	Payment of intangible assets (capitalised development costs)	(23,685)	(18,611)
	Interest received on financial assets held as investments	13	-
	Net cash (outflow) from investing activities	(25,628)	(20,212)
		<hr/>	<hr/>
Cash flows from financing activities			
	Proceeds from issues of new shares	-	40,864
	Cost of capital raising	-	(1,009)
	Proceeds from borrowings	47,500	-
	Transaction costs in borrowings	(1,202)	-
	Principal repayment of lease liabilities	(1,005)	(922)
	Net cash inflow from financing activities	45,293	38,933
		<hr/>	<hr/>
	Net (decrease) increase in cash and cash equivalents	(5,374)	7,231
	Cash and cash equivalents at the beginning of the financial year	40,470	35,541
	Effects of exchange rate changes on cash and cash equivalents	1,043	(2,302)
	Cash and cash equivalents at end of financial year	36,139	40,470
10		<hr/>	<hr/>

To read the FY2023 Annual Financial Report and access accompanying notes to the above tables, please visit <https://www.seeingmachines.com/investors/announcements>