



Seeing Machines Limited
("Seeing Machines", the "Company" or the "Group")

Seeing Machines Year End Trading Update and Outlook

8 August 2017

Seeing Machines (AIM: SEE), an industry leader in computer vision technologies which enable machines to see, understand and assist people, is pleased to confirm that the Group expects to report trading results for the full year to 30 June 2017 ahead of market expectations, aided by other income accruals above expectations. Total sales revenue for the year was in excess of A\$13 million.

Company revenue achieved was more than double that of FY16 on a like-for-like basis¹. Revenue momentum accelerated through the year with second half sales being more than 250% that of first half sales. The key growth driver was the Fleet business with sales more than 250% that of the previous year. Automotive sales also grew strongly year on year by more than 50%. The Company also achieved positive gross margin for the year due to stronger second half contribution from Fleet monitoring MRR² from its growing connected customer base.

The significant growth of the Fleet business was driven by both direct sales and from new Distribution partners – this growth momentum will be further supported by contribution from new Telematics partner channels in FY18. In addition to hardware revenue, monthly recurring revenue ("MRR") is generated for monitoring and analytics services pursuant to a SaaS ("Safety-as-a-Service") model with multi-year contracts. A key metric for Fleet growth is Total Contract Value ("TCV"), which increased from A\$7.9M at 30.06.16 to A\$36.5M at 30.06.17 (360% growth). At year end, more than A\$22M of this value has not yet been recognised as revenue, with approximately half of this contract value converting to revenue in FY18 and the remainder over the following two years. Market studies project the annual addressable market opportunity for Fleet to exceed A\$1.5 billion within five years, with Seeing Machines recognised as the pioneer in this market. Seeing Machines has secured Fleet financing with several finance companies and anticipates that up to 10% of Fleet revenue can be factored.

The robust growth in Automotive revenue came from both development payments from awarded programs and funded engagements with leading OEMs and Tier 1 firms who are working with Seeing Machines to evaluate integration of the Company's Driver Monitoring System (DMS) technology into new model programs. The Company released its DMS solution for the world's 1st "hands-free" semi-autonomous car, launching later this year from a leading US OEM. In addition, the Company is deeply engaged with other leading global OEMs as well as an expanding ecosystem of Tier 1 partners. To date the Company has secured sourcing contracts for eight production vehicle models with a strong and growing pipeline of OEM Program opportunities in the next 12 to 18 months for mass production starts in the CY2019/2020 timeframe. As the market develops, smaller program wins are expected to provide lifetime revenue of up to A\$10 million, medium program wins providing between A\$10 to \$25 million in lifetime value and large program wins delivering more than A\$25 million in lifetime value, with these revenue guidelines growing in accordance with the overall market growth.

Market projections are for the Automotive DMS (OEM and Aftermarket) addressable market opportunity for the Company to exceed A\$1 billion per year within seven years. Seeing Machines' leading FOVIO DMS platform and processor is generating a high level of customer interest and engagement worldwide, driven by accelerating adoption of ADAS and Autonomous Driving technologies and new HMI (human machine interface) technologies with further applications such as All-occupant Cabin Sensing in development at this time.

The Company continues to develop significant business opportunities with global market leaders in the Aviation and Rail segments with the first meaningful revenue contribution expected this fiscal year after extensive positive trials, which is evidence of the Company's ability to leverage its platform across multiple end markets.

During FY17 the Company received an Australian R&D tax incentive and a research grant for an Advanced Safe Truck Concept ("ASTC") program in collaboration with leading fleet operators and OEMs - with both the FY16 and FY17 R&D tax incentives being accounted for in the same period due to revised expectations of receipt timing. Further research grants for the ASTC program and new CAN-Drive semi-autonomous driving program are expected in FY18. Cash and cash equivalents at 30 June 2017 totalled A\$22M which was ahead of expectations.

Seeing Machines CEO, Mike McAuliffe commented: *"These results show the strong traction in our core transport business segments and are a testament to the hard work of the entire team. We are confident that our leading technology platform being adopted by our rapidly growing customer base will continue to fuel our growth. It has been a break-through growth year for the Fleet business which achieved widespread market recognition of the effectiveness of our pioneering Guardian solution. We are excited by our product progress and market reception to our leading FOVIO DMS platform in the rapidly developing Automotive market and the developing engagements with market leaders in Aviation and Rail. We are building the Go-To company for full-stack DMS solutions, Eye-tracking solutions and more broadly vision AI (artificial intelligence) human sensing and assistance solutions – which we believe will deliver exceptional growth and long-term value creation for our shareholders."*

The Company expects to release final FY17 results and audited accounts in late September 2017.

Operational Highlights

- Fleet has grown rapidly in FY17 with now over 130 Fleet customers globally. This growth rate is expected to continue with new presence in the UK/European market (Freshline announced as first UK customer), a strong pipeline of US customer trials coming through with high conversion rates to date and a strong APAC distribution network established with strong local partners, such as Kiattana in Thailand.
- As part of Fleet's strategic Telematics partner strategy, the Company signed its initial distribution agreement with MiX Telematics ("Mix"), a global leader in fleet solutions, to design and provide an integrated Guardian solution which will be promoted by Mix across its large worldwide customer base.

- The Company set an integrated Seeing Machines strategy which retained the Automotive business within the Group to leverage a common platform strategy and synergies between segments, and ultimately create a more scalable and long term valuable company for its shareholders.
- Automotive completed the release of its 1st Automotive DMS for the world's 1st "hands-free" semi-autonomous car from a leading US OEM, with work on their follow-on models currently underway.
- Automotive sampled its FOVIO processor - the world's first DMS processor SOC³. The FOVIO platform and processor are key to the Company's strategy to establish market leadership in high performance "full-stack" human factor solutions, enabling machines to see, understand and assist people, while also enabling the Company to deliver validated DMS solutions at scale across multiple segments, channels and customers worldwide, all in a cost-effective manner.
- The Company has made tremendous progress during the year in building an expanding ecosystem of leading Automotive Tier 1 partners to best pursue global OEM business opportunities, in addition to having converted the original Takata Corporation partnership agreement to a non-exclusive one.
- Mike McAuliffe was appointed CEO to lead next phase of growth by capitalising on the major market opportunities for our technology and scaling the business globally. Further key management hires were made globally, such as Nick DiFiore to run the Automotive business, adding experience and expertise to the team to help execution of its strategic plan.

Outlook

Further to the appointment of Mike McAuliffe as CEO, the Company has done considerable work on its strategy and business plan and is pleased to share the following preliminary outlook⁴.

- Base Case Revenue expected to grow in-line with market expectations for FY18, driven by strong momentum in Fleet, a growing Automotive and Off-Road contribution and first meaningful revenues from Aviation and Rail segments. Whilst there are uncertainties around the timing ramp of any new markets, the Company targets growing annual revenue to the sub A\$100 million region by the end of FY19.
- The Company expects to deliver gross profit margins in the low to mid thirty percent range for FY18, with additional gross margin expansion of 500 to 1000 basis points (+5% to +10%) per year for the next several years as the Company's business scales - to a long term gross margin model of 60% to 70%+ which is consistent with SaaS business models and high-performance IP processor business models.
- Given the Company's strategy to seize its first mover advantage and scale major Fleet and Automotive businesses to market leading positions – through continued investment in its Advanced Platform Technology, Product Roadmap, Machine Learning Infrastructure and a global support infrastructure for its expanding customer base, the Company expects to potentially invest up to A\$50 million over the next two years to accelerate platform and product development and build an infrastructure capacity to support the sharp ramp in global customer programs. The Company projects to achieve EBITDA breakeven by the end of FY19 with an attractive EBITDA & Free Cash Flow margin profile accelerating from that point on as the ensuing gross profit expansion increasingly flows to the bottom line.
- As the Company continues to advance its strategic business plan and attracts market recognition for its

leading technology position, it is engaged in exploratory discussions with a number of potential strategic partners – both industrial and financial - with regards to various potential partnerships, R&D collaboration, supply agreements and possible strategic investment in the business.

Seeing Machines Executive Chairman, Ken Kroeger commented: *“I am really encouraged by the work that’s been done by the team to achieve these results. If I think back to 2014 when we were largely focused on Off-Road (Mining) opportunities, we have successfully leveraged that experience into a broad Transport strategy – pioneering and achieving early leadership in DMS solutions across the Fleet, Automotive, Rail and Aviation segments. I look forward to working with Mike and the team to achieve our aggressive medium-term growth targets in Transport and beyond that in further emerging market opportunities for our technology.”*

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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About Seeing Machines

Seeing Machines, (AIM: SEE) is an industry leader in computer vision technologies which enable machines to see, understand and assist people. Seeing Machines deploys its FOVIO machine learning platform to deliver precision sensing and interpretation of heads, faces and eyes for these purposes. A key application today is Driver Monitoring Systems to assess drowsiness, distraction and cognitive state which is a key enabling technology for Automotive ADAS and Autonomous Driving as well as for Guardian, our Commercial Fleet solution. The Guardian retrofit telematics solution combines an in-cabin safety intervention system with cloud monitoring and analytics services provisioned on a SaaS basis which prevents accidents - saving costs and lives. Other markets include Aviation, Rail and Off-Road as well as the broader precision eye tracking market. The company offers a range of proprietary solutions from embedded software to processors and system products. Seeing Machines is headquartered in Canberra, Australia and has offices in Melbourne, Tucson, Silicon Valley, Detroit and the UK.

¹ Excluding one-off license fee to CAT and adjusting FY16 DSS sales as if a royalty was earned on the gross sale instead

² Monthly Recurring Revenue

³ System on Chip

⁴ Forward-looking statements involve substantial risks and uncertainties and actual results may differ materially from those expressed.