

# Vection Technologies

TCV update

## Rapid H2 growth de-risks ambitious FY23 target

Vection Technologies reported a 60% uplift in its total contract value (TCV) to A\$16m from the TCV metric announced at the half year, driven by new contract wins, upsells from existing clients and recognising delayed contracts from Q223. Delivering rapid contract growth in H223 instils further confidence in management's FY23 revenue guidance of A\$24–26m for its IntegratedXR technology stack, reflected in the 9% rise in share price following the announcement. As illustrated by our previous note, promising pilot projects, including a potential A\$30m tender in the defence sector, should bolster the company's growth trajectory. A proven track record of converting c 100% of TCV into revenue by year-end further de-risks the group's FY23 growth target and our forecasts, which are unchanged.

Year end	Revenue (A\$m)	Adj EBITDA* (A\$m)	PBT** (A\$m)	EPS** (c)	EV/sales (x)	P/sales (x)	Net cash*** (A\$m)
06/21	3.5	(0.4)	(2.5)	(0.27)	13.4	15.9	2.2
06/22e	18.9	0.9	(7.0)	(0.67)	2.5	2.9	10.8
06/23e	26.1	3.7	(6.4)	(0.59)	1.8	2.1	11.5

Note: \*Adjusted EBITDA is normalised, excluding non-cash payments, exceptional items and interest revenue. \*\*PBT and EPS are normalised, excluding exceptional items and interest revenue. \*\*\*Includes debt, financial leases and term deposits.

Vection Technologies delivered a further A\$1m increase in TCV to A\$16m since our [previous update](#) on 27 March, a 60% uplift from the half-year. The increase was driven by contract wins in the public sector and education, as well as from leading service agencies. TCV also benefitted from increased scope from its existing client Trenitalia, a leading European railway operator, and the recognition of delayed contracts from Q223.

The group's TCV growth trajectory indicates that it could deliver a TCV of over A\$22m by year-end, which could increase further if pilot projects evolve into long-term contracts, as management expects. These encouraging lead indicators support our unchanged forecasts and management's reiterated FY23 revenue guidance of A\$24–26m for its IntegratedXR technology stack.

Its recent partnership announcement with expert.AI, a European natural language understanding company, to digitise technical manuals through extended reality and artificial intelligence technologies highlights the potential long-term value of new technology integrations. Further developments to its IntegratedXR technology stack strengthen the group's position to capitalise on the growing demand for Extended Reality (XR) technology globally, supporting our positive outlook for the company's long-term prospects.

Software and comp services

17 April 2023

**Price** **A\$0.05**  
**Market cap** **A\$55m**

Net cash (A\$m) at 31 December 2022 (including finance leases and term deposits) 9.3

Shares in issue 1,127m

Free float 49%

Code VR1

Primary exchange ASX

Secondary exchange OTC (VCTNY)

### Share price performance



### Business description

Vection Technologies, an Australia-based software company, operates in the field of extended reality, which encompasses immersive technologies such as augmented reality, virtual reality and mixed reality. The company's immersive solutions suite, IntegratedXR, is a combination of technology solutions designed to integrate systems, processes and technologies via digital transformation. Vection Technologies partners with companies to build out the foundational elements that enable them to engage with the metaverse.

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