

Visioneering Technologies Inc

Setting its sights on global expansion

Visioneering Technologies is a US-headquartered medical device company which designs, manufactures, sells and distributes contact lenses. Its flagship product is the NaturalVue® Multifocal which are daily disposable contact lenses for adults with presbyopia (age-related loss of near vision), and children with myopia (near-sightedness). The company has grown operations across the United States, Australia, New Zealand, Europe, Singapore and Hong Kong and has recently received approval and began sales in Canada. The company listed on the ASX in March 2017 after raising A\$33.3m at \$0.42 per CHESS Depository Interests (CDIs). Visioneering has subsequently raised an additional A\$20.5m through placements, security purchase plans, convertible notes and non-renounceable rights issues. In June, the company raised US\$3.9m (A\$5m) net of fees in June via a placement and security purchase plan (SPP) at \$0.014 per CDI. The company has reported that COVID-19 disrupted sales in its main markets but thata recovery is underway and it has forged a sales and distribution agreement with Oculus Private Pte for the Singapore and Hong Kong markets.

Business model

VTI sells its products to Eye Care Professionals (ECPs) in the key markets in which it operates. It also has in place third party sales and distribution agreement for the Singapore and Hong Kong markets as well as European markets.

Recent company commentary

Visioneering reported that it had experienced a decline across all key metrics in Q2 FY20 due to the impact of COVID-19 on its key markets. Cash receipts declined 17% to US\$1.0m compared with the same quarter in FY19 and were down 14% on Q1 FY20. Net revenues were also reported to have fallen 49% from Q1 FY20 to US\$0.7m and were down 42% q-on-q. Shipments to ECPs declined 33% to US\$0.94m on Q1 FY20. The company noted that sales in the quarter were generated with only 25% of the sales staff that was fielded prior to the pandemic. VTI highlighted that April was the low point for the quarter, with shipments down 59% on March. Recovery in shipments was experienced in June to end the quarter down 11%. VTI managed to reduce its operating cash outflow to US\$1.8m from US\$2.8m in Q1 FY20, largely through payroll reduction. The company's head count went from 42 to 22 in the quarter. The COVID-19 impact on its Q2 results has led VTI to report a 12% decline in H1 FY20 net revenue of US\$2.0m and a net loss of US\$5.17m, compared with US\$6.7m a year ago.

VTI trades at a premium to its peers

Visioneering is trading at a 35% premium to the median EV/Revenue generated by the four medical device peers we have identified: Anteris Technologies (a heart valve medical device manufacturer), Compumedics (EEG and sleep diagnostic medical devices), Nova Eye (formerly Ellix Medical Lasers and now focused on ophthalmic treatment technologies and devices) and Somnomed (oral medical devices for sleep disorders). In terms of market capitalisation, Anteris most closely aligns with VTI and is trading on a similar EV/Revenue multiple.

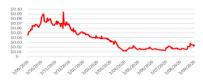
Historical earnings and ratios									
Year end	Revenue (US\$m)	Gross Profit	EBITDA Adj.*	NPAT Adj.*	NPAT Rep. (US\$m)	EPS Adj.*(c)	EPS Rep. (c)	^EV/Revenue (x)	
12/16a	0.22	0.05	(4.02)	(7.73)	(8.31)	na	na	na	
12/17a	1.05	0.14	(12.70)	(14.10)	(16.98)	(0.09)	(0.11)	59.2	
12/18a	3.29	0.74	(16.02)	(15.91)	(16.73)	(0.07)	(80.0)	5.8	
12//19a	5.72	1.97	(12.59)	(12.65)	(12.62)	(0.04)	(0.04)	2.7	
Source: Company data *EBITDA and NPAT adj for one-time, non-cash items ^y/e prices used									

Medical devices

4 September 2020



Share performance (12 months)



Upside Case

- Established market position in US, Europe and Oceania with expansion opportunities in Asia
- Gross profit margin leveraged to increased sales
- Approval to sell into Canada, able to leverage off US sales infrastructure

Downside Case

- Sales impacted by COVID-19
- Further capital likely required, diluting shareholders
- Investment may be needed to rebuild workforce

Catalysts/upcoming events

Evidence of recovery in shipments in US

Commentary in Q3 FY20 on Canada/Asia expansion

Comparable companies (Aust/NZ)

Anteris Technologies (ASX:AVR), Compumedics (ASX:CMP), Nova Eye (ASX:EYE), Somnomed (ASX:SOM)

Top 5 shareholders

Thorney Investments	26.97%
Regal Funds Management Pty Ltd	8.87%
Paul Cozzi	6.86%
Charter Life Sciences	5.26%
Memphis Biomed Ventures II, L.P.	1.65%

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FINANCIAL SERVICES GUIDE

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