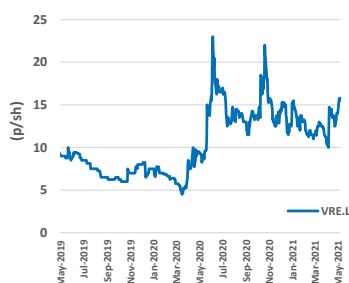


7th May 2021

Sector: Software

Market data

| | |
|-----------------|-----------|
| Ticker | VRE/6VR |
| Price (p/sh) | 15.75p |
| 12m High (p/sh) | 23.0p |
| 12m Low (p/sh) | 8.25p |
| Shares (m) | 241.8m |
| Mkt Cap (£m) | 38.1m |
| Markets | AIM & ESM |



Source: IRESS

Description

VR Education is a leading virtual reality ('VR') technology company, focused on becoming the world's largest crossed reality ('XR') communications, training and virtual events platform provider, through commercialisation of ENGAGE, its proprietary online virtual communications platform.

www.vreducationholdings.com

Board & key management

| | |
|----------|-----------------|
| Chairman | Richard Cooper |
| CEO | David Whelan |
| COO | Sandra Whelan |
| CFO | Seamus Larrisey |

Corporate Broking

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Analyst

David Jeary

VR Education Holdings

ENGAGE'd for take-off

VRE is a leading Virtual Reality (VR) technology company, seeking to grow through the commercialisation of its proprietary ENGAGE online virtual communications platform. Originally designed as an education and training programme to provide distance learning and enable content creation, the Covid-19 pandemic has seen ENGAGE evolve into a comprehensive communications platform, competing with Microsoft Teams and Zoom. ENGAGE's advantage over these is that it was designed to enable large groups to meet and interact in virtual spaces.

► **What VRE does:** Virtual Reality (VR), together with Augmented Reality (AR) and Crossed Reality (XR) technologies, provides fully immersive 3D experiences to users. These technologies are used in areas including gaming, business, education and larger public events, such as conferences. VRE's ENGAGE platform caters to the last three areas, branded respectively as ENGAGE Virtual Office, ENGAGE Virtual Campus and ENGAGE Virtual Events. VRE has also produced award-winning standalone content (Showcase Events) such as Apollo 11, Titanic and Shuttle Commander, to showcase and promote VR technology in general and its ENGAGE platform specifically. Commercial sales from these and revenues from installations within museums related to the content were the company's major source of revenue while developing the ENGAGE platform.

► **Market dynamics and milestones:** The major milestones achieved in 2020 were the Taiwanese technology company HTC purchasing a 20% stake in VRE and signing a contract as a global re-seller of ENGAGE with exclusivity in Greater China; the release of Android and iOS mobile versions of ENGAGE; and ENGAGE's official release on the Facebook/Oculus Quest store. These combined effectively make ENGAGE available and easily accessible to a global audience.

► **Recent financial performance:** In FY20, VRE turnover rose by 38% to €1.42m, driven primarily by a 550% increase in ENGAGE revenue to €599K. The growing sales participation of ENGAGE delivered beneficial gross margin expansion to 72% from the 61% achieved in FY19. The EBITDA loss widened to €2.1m compared with a prior year loss of €1.4m, mostly driven by an accounting change to the treatment of developer staff costs. VRE ended the period with net cash of €2.0m, reflecting the €3.0m inflow from HTC. The cash burn rate, net of revenues received, then stood at around €250K per month. Since the final results at the end of February, VRE has given two updates showing impressive sales gains from ENGAGE with further client wins, driven by investment in the sales team. The latest update on 4 May showed ENGAGE revenues had reached €0.6m by the end of April, equivalent to ENGAGE's total revenue in FY20, and had won its 100th customer. Including Showcase revenues, group turnover had reached €0.8m.

► **Medium-term outlook:** In January 2021, VRE outlined its key medium-term financial and commercial objectives for the 2023 -2025 period. The headline targets are to reach ENGAGE revenues of €10m through a client base of 500 active enterprise customers, with 100,000 monthly users within the 2023 – 2025 period. The drivers behind these objectives are a compound growth rate of annual ENGAGE revenue of more than 100% from FY20E, with an average 10% month-on-month increase in users to reach the stated target of 100,000. The shift to predominantly ENGAGE revenues should drive higher gross margins, with VRE targeting at least 80% (vs 71.5% in FY20).

► **KPI's:** We would highlight the following as Key Performance Indicators: turnover growth; the number of clients contracted to use ENGAGE; the number of monthly users; and the burn rate of monthly *net* running costs compared with cash held.

With COVID-19 set to drive fundamental longer-term changes to how people work, study and travel, favouring remote working with more immersive communication and conferencing platforms, VRE has signed several strategic and commercial partnership agreements with companies invested in promoting the VR medium. These have underpinned VRE's finances and its ability to further enhance and more widely market its ENGAGE platform.

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