

Vuzix Reports Record Smart Glasses Revenues and Provides Business Outlook

Vuzix Smart Glasses revenues for the second quarter increased 183% year-over-year

Overall revenues for the second quarter increased 98% sequentially compared to the first quarter

ROCHESTER, N.Y., August 10, 2020 - Vuzix® Corporation (NASDAQ: VUZI) (“Vuzix” or, the “Company”), a leading supplier of Smart Glasses and Augmented Reality (AR) technologies and products, today reported its second quarter results for the period ended June 30, 2020.

“Our second quarter revenue grew 39% over the comparable 2019 period and 98% sequentially from our first quarter to \$3.0 million as our enterprise business continued to expand at an accelerated pace and engineering services sales doubled to \$0.7 million versus the comparable 2019 period. The worldwide coronavirus outbreak has impacted the day-to-day operations of our enterprise customers across numerous market verticals and this has accelerated the enterprise adoption of our smart glasses. We delivered a record \$2.3 million of Vuzix smart glasses in the quarter, an increase of 183% year-over-year and 70% sequentially from our first quarter of 2020, primarily driven by interest from new customers and follow-on orders from existing customers whose business operations have been impacted by COVID-19. Healthcare has emerged as an important business segment for Vuzix, including telemedicine and telehealth solutions related to patient care, training and surgery, as well as supporting healthcare companies like medical device manufacturers that have active equipment installations in hospitals and medical facilities,” said Paul Travers, President and CEO of Vuzix.

“The second quarter was also a good one for our OEM business group. We advanced the existing programs we have with two major global defense companies and achieved meaningful milestones on their respective product development initiatives that should accelerate the transition of these programs from engineering services concepts to volume production in the near future,” continued Mr. Travers.

The following table compares condensed elements of the Company’s summarized Consolidated Statements of Operations data for the three months ended June 30, 2020 and 2019, respectively:

	For 3 Months Ended June 30	
	(in 000s except per share numbers)	
	<u>2020</u>	<u>2019</u>
Sales:		
Sales of Products	\$ 2,335	\$ 1,835
Sales of Engineering Services	<u>702</u>	<u>351</u>
Total Sales	3,037	2,186
Total Cost of Sales	<u>2,241</u>	<u>2,034</u>
Gross Profit	796	152

Operating Expenses:		
Research and Development	1,796	1,987
Selling and Marketing	797	823
General and Administrative	1,800	1,804
Depreciation and Amortization	<u>641</u>	<u>608</u>
Total Operating Expenses	<u>5,034</u>	<u>5,221</u>
Loss from Operations	(4,238)	(5,069)
Total Other Income (Expense)	<u>(1)</u>	<u>13</u>
Net Loss	(4,239)	(5,056)
Loss Attributable to Common Stockholders per Share	\$ (0.13)	\$ (0.20)

Second Quarter 2020 Financial Results

For the three months ended June 30, 2020, total revenues increased \$0.8 million to \$3.0 million versus the comparable period in 2019. The increase was driven by higher sales of Vuzix smart glasses products, which rose 183% year-over-year. Sales of OEM Products were nil for the three months ended June 30, 2020 as compared to \$951,570 in the 2019 period. Engineering services revenue was \$0.7 million versus \$0.4 million in the prior year's period.

There was an overall gross profit of \$0.8 million for the three months ended June 30, 2020 as compared to a gross profit of \$0.2 million for the same period in 2019.

Product gross margins before overheads and other items averaged 50% of sales in the 2020 period as compared to 24% in the prior year's period. The improvement was primarily the result of higher margins earned on the M400 in the second quarter of 2020 versus those earned on the M300 series for the same period in 2019.

Gross profit for the June 30, 2020 quarter included a \$0.3 million obsolescence reserve taken for some unique Blade component inventory in advance of the updated Blade model being released shortly.

Research and Development (R&D) expense was \$1.8 million for the three months ended June 30, 2020 compared to \$2.0 million for the comparable 2019 period, a reduction of approximately 10%. The decrease in R&D expense was primarily due to reduced external consulting fees related to Blade software development as well as lower overall new product research and development costs.

Selling and Marketing expense was \$0.8 million for the three months ended June 30, 2020, unchanged versus the comparable 2019 period.

General and Administrative expense for the three months ended June 30, 2020 was \$1.8 million, unchanged versus the comparable 2019 period.

Total Operating Expenses decreased by \$0.2 million for the three months ended June 30, 2020, a reduction of approximately 4%.

The net loss attributable to common stockholders after accrued preferred share dividends for the three months ended June 30, 2020 was \$4.7 million or \$0.13 cents per share versus a net loss of \$5.5 million or \$0.20 for the same period in 2019.

Net cash operating loss after adding back non-cash items for the second quarter of 2020 was \$2.9 million as compared to \$4.0 million for second quarter of 2019, a decrease of 29%. As of June 30, 2020, the Company maintained cash and cash equivalents of \$13.2 million and an overall working capital position of \$20.1 million.

Management Outlook

“The COVID-19 Pandemic continues to show signs of becoming a catalytic event for several technology-related industries, including enterprise smart glasses. The disruption to enterprise operations globally has acted as an accelerant for new customer acquisition, order flow and order size,” said Paul Travers, President and CEO of Vuzix. “Our third quarter is off to a strong start in terms of smart glasses revenue through the first month of the quarter and is continuing the acceleration reflected in our most recent quarter’s sales. As a result, we believe we are in position to deliver continued growth in the third quarter and over the remainder of 2020. Healthcare, which emerged in the second quarter as an important contributor of growth for Vuzix, continues to gain strength and we expect this segment to be a major driver of growth for the Company over the second half of 2020 and beyond. We anticipate expanding the number of our contracted Engineering Services program engagements and are continuing to pursue additional Engineering Services and OEM programs, all with the goal of securing supply agreements for large scale production of customized waveguide-based HMDs and HD display engine products in the future.”

Conference Call Information

Date: Monday, August 10, 2020

Time: 4:30 p.m. Eastern Time (ET)

Dial-in Number for U.S. & Canadian Callers: 877-709-8150

Dial-in Number for International Callers (Outside of the U.S. & Canada): 201-689-8354

A live and archived webcast of the conference call will be available on the investor relations page of the Company's website at: <https://ir.vuzix.com/>

Participating on the call will be Vuzix’ Chief Executive Officer and President Paul Travers and Chief Financial Officer Grant Russell, who together will discuss operational and financial highlights for the second quarter ended June 30, 2020.

To join the live conference call, please dial into the above referenced telephone numbers five to ten minutes prior to the scheduled conference call time.

A telephonic replay will be available for 30 days, starting on August 10, 2020, at approximately 5:30 p.m. (ET). To access this replay, please dial [877-660-6853](tel:877-660-6853) within the U.S. or Canada, or [201-612-7415](tel:201-612-7415) for international callers. The conference ID# is 13707615.

About Vuzix Corporation

Vuzix is a leading supplier of Smart-Glasses and Augmented Reality (AR) technologies and products for the consumer and enterprise markets. The Company's products include personal display and wearable computing devices that offer users a portable high-quality viewing experience, provide solutions for mobility, wearable displays and augmented reality. Vuzix holds 166 patents and patents pending and numerous IP licenses in the Video Eyewear field. The Company has won Consumer Electronics Show (or CES) awards for innovation for the years 2005 to 2020 and several wireless technology innovation awards among others. Founded in 1997, Vuzix is a public company (NASDAQ: VUZI) with offices in Rochester, NY, Oxford, UK, and Tokyo, Japan. For more information, visit Vuzix [website](#), [Twitter](#) and [Facebook](#) pages.

Forward-Looking Statements Disclaimer

Certain statements contained in this news release are "forward-looking statements" within the meaning of the Securities Litigation Reform Act of 1995 and applicable Canadian securities laws. Forward-looking statements contained in this release relate to, among other things, the timing of new product releases, opportunities related to market disruption, R&D project successes, smart glasses pilot to roll-out conversion rates, existing and new engineering services and conversion to volume production OEM programs, future operating results, and the Company's leadership in the Smart Glasses and AR display industry. They are generally identified by words such as "believes," "may," "expects," "anticipates," "should" and similar expressions. Readers should not place undue reliance on such forward-looking statements, which are based upon the Company's beliefs and assumptions as of the date of this release. The Company's actual results could differ materially due to risk factors and other items described in more detail in the Company's Annual Reports and other filings with the United States Securities and Exchange Commission and applicable Canadian securities regulators (copies of which may be obtained at www.sedar.com or www.sec.gov). Subsequent events and developments may cause these forward-looking statements to change. The Company specifically disclaims any obligation or intention to update or revise these forward-looking statements as a result of changed events or circumstances that occur after the date of this release, except as required by applicable law.

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