

November 14, 2016



# Vuzix Provides Business Update and Reports Third Quarter 2016 Financial Results

ROCHESTER, N.Y., Nov. 14, 2016 /PRNewswire/ -- Vuzix® Corporation (NASDAQ: VUZI), a leading supplier of Smart Glasses, Augmented Reality (AR) and Virtual Reality (VR) technologies and products for the consumer and enterprise markets, today reported third quarter 2016 financial results for the period ended September 30, 2016.

## Third Quarter 2016 and Recent Corporate Highlights:

- Created the VIP (Vuzix Industrial Partner) program to provide advance access to the next generation M300 to select companies that were the most successful with the M100 and announced and signed dozens of VIPs to-date, including major global companies such as DHL, NTT DOCOMO and Nippon Steel Solutions, among others. Given their respective customer bases, each VIP could represent a substantial number of customers for Vuzix M300 Smart Glasses.
- Announced a new partnership with Austria's ANYLINE to deliver mobile OCR (Optical Character Recognition) reading to smart glasses users.
- Won Compass Intelligence's Enterprise Wearable Device of the Year Award for the M300.
- Added new Vuzix M300 Smart Glasses management features to VMware AirWatch® to bring a consistent management platform for streamlined onboarding experiences, network setup and application deployment to organizations seeking to leverage AR and mixed reality devices to transform business processes.
- Solidified leadership position in enterprise class smart glasses as a key component of DHL expanded global AR program.
- Supported drone racing team through previously announced partnership with the IDRA (International Drone Racing Association) and sponsorship, with Amimon, of a drone racing team in this rapidly growing competitive sport.
- Demonstrated Vuzix AR with Pokémon Go on Vuzix M100 Smart Glasses and demonstrated a Pokemon Go character sitting in the Vuzix offices through our new waveguide optics.
- Added SteamVR to supported game ecosystem.
- Closed on the sale of 1,150,000 shares of common stock at an offering price of \$5.75 per share for total net proceeds of approximately \$5,765,000 after offering expenses.
- Won four CES 2017 Innovation awards for the recently announced waveguide based Blade 3000 Smart Sunglasses.
- Granted six new patents and filed 17 new pending patent applications.

## 2016 Outlook

The Company's new M300 Smart Glasses are expected to ramp quickly after final regulatory approvals and once volume shipments to customers begin. This should occur before the beginning of December in the US and Europe, with other world markets following as foreign filings are completed. The Company currently has pending orders from hundreds of unique VAR customers for the M300, each of whom is building a business around Vuzix Smart Glasses for the enterprise markets. Pre-orders for these new M300, including migration packages, are included in primarily as deferred revenues and will not be recognized as revenues until they ship to the customer.

### Third Quarter 2016 Financial Highlights:

Vuzix reported \$582,549 in revenues for the three months ended September 30, 2016, a decrease from \$970,379 reported for the same period in 2015. The net loss for the three months ended September 30, 2016, after provision for accrued preferred stock dividends, was (\$5,435,576) or (\$0.32) per share versus a net loss of (\$2,811,348) or (\$0.18) per share for the same period in 2015.

The following table compares the summarized Company's statement of operations data for the three months ended September 30, 2016 and 2015.

	For Three Months	
	Ended September 30,	
	2016	2015
Sales of Products	\$ 582,549	\$ 890,629
Sales of Engineering Services	-	79,750
<b>Total Sales</b>	582,549	970,379
<b>Total Cost of Sales</b>	819,116	644,246
<b>Gross Profit (Loss)</b>	(236,567)	326,133
<b>Operating Expenses:</b>		
Research and Development	2,177,957	944,426

Selling and Marketing	839,497	469,443
General and Administrative	1,274,698	1,120,982
Depreciation and Amortization	196,370	88,285
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<b>Loss from Operations</b>	(4,725,089)	(2,297,003)
	<hr/>	<hr/>
<b>Total Other Income (Expense)</b>	(310,772)	(127,968)
	<hr/>	<hr/>
<b>Loss Before Income Taxes</b>	(5,035,861)	(2,424,971)
	<hr/>	<hr/>
Provision (Benefit) for Income Taxes	—	—
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<b>Net Loss</b>	(5,035,861)	(2,424,971)
	<hr/>	<hr/>
Preferred Stock Dividends	(410,153)	(386,377)
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<b>Loss Attributable to Common Stockholders</b>	\$ (5,435,576)	\$ (2,811,348)
	<hr/>	<hr/>
<b>Loss per Share</b>	\$ (0.32)	\$ (0.18)

### Third Quarter 2016 Operational Financial Commentary:

- Total revenues for the quarter ended September 30, 2016 were lower than the same period in 2015, primarily the result of a decrease in sales of the M100 Smart Glasses as customers await the production release of the its successor, the M300 Smart Glasses, and secondly due to the fact the Company reported no engineering services revenues for 2016 quarter as compared to \$79,750 in such revenues during the 2015 period.
- Gross profit for the third quarter ending September 30, 2016 was a negative (\$236,567) versus a gross profit of \$326,133 for the prior 2015 comparative period. The overall decrease was primarily the result of lower products sales to absorb relatively fixed software royalties and amortization costs, as well as a \$98,046 increase in direct manufacturing overheads, and an \$82,097 increase in freight costs solely due

to the cost of transporting the new iWear product. The Company intends to try and move from air to sea transport to reduce shipping costs per unit by over two-thirds.

- Overall research and development expense for the quarter ending September 30, 2016 increased by 131% or \$1,233,531 over the 2015 period, primarily the result of spending on new product development and personnel additions. The engineering pilot test runs on the M300 Smart Glasses during summer and development work on the M3000 Smart Glasses with our external contractors contributed to the approximately 72% of the total increase in R&D. Increases in personnel costs, due to additional engineering staff was up 22% for the third quarter over the 2015 period.
- Selling and marketing costs for the quarter ending September 30, 2016 increased by 79% or \$370,054 over the same period in 2015 due to higher personnel salary, trade show, website, and PR costs.
- General and administrative expenses for the quarter ending September 30, 2016 increased by 14% or \$153,716 over the 2015 period, primarily due to higher professional fees for auditing and SOX consulting services of \$144,631, and increased investor relations activities of \$145,779, offset by a \$170,679 decrease in stock compensation expenses.

"We are extremely optimistic about the upcoming commercial launch of the M300 and the meaningful positive impact it will have on our future financial performance. Given its superior ergonomic design and features, we expect the M300 to build on and expand the productivity enhancements that we have been able to deliver to our customers with earlier technology," said Paul Travers, President and Chief Executive Officer of Vuzix. "With over \$5.9 million in cash and equivalents as of September 2016, and iWear production finally ramping up, we are well positioned to support the M300 launch and simultaneously expand our waveguide volume production capabilities to move forward on the planned 2017 launches of our M3000 and B3000 binocular waveguide products. Many of the required investments have already been made in these new planned products and because many components and the technology can be leveraged across the various new models, we expect total investments in R&D and new product tooling over the next three quarters should decrease. We are focused on building a viable business and our confident we now have the products, solutions, and sales and marketing group to execute."

#### **Conference call information:**

Date: Monday, November 14, 2016

Time: 9:00 AM 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

Participating on the call will be Vuzix' Chief Executive Officer and President Paul Travers, and Chief Financial Officer Grant Russell, who will discuss operational and financial highlights for the quarter ended September 30, 2016.

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 replay will be available for 30 days starting on November 14, 2016, at approximately 10:00 AM (ET). To access the replay, please dial 877-660-6853 in the U.S. or Canada and 201-612-7415 for international callers. The conference ID# is 13649635.

## **About Vuzix Corporation**

Vuzix is a leading supplier of Smart-Glasses, Augmented Reality (AR) and Virtual Reality (VR) 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 virtual and augmented reality. Vuzix holds 49 patents and 40 additional 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 2016 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.

## **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, R&D project successes, future operating results, and the Company's leadership in the Video Eyewear, VR 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 "Risk Factors" section of the Company's Annual Reports and MD&A filed with the United States Securities and Exchange Commission and applicable Canadian securities regulators (copies of which may be obtained at [www.sedar.com](http://www.sedar.com) or [www.sec.gov](http://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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