

ellipticlabs

Q2 2023



CEO Laila Danielsen
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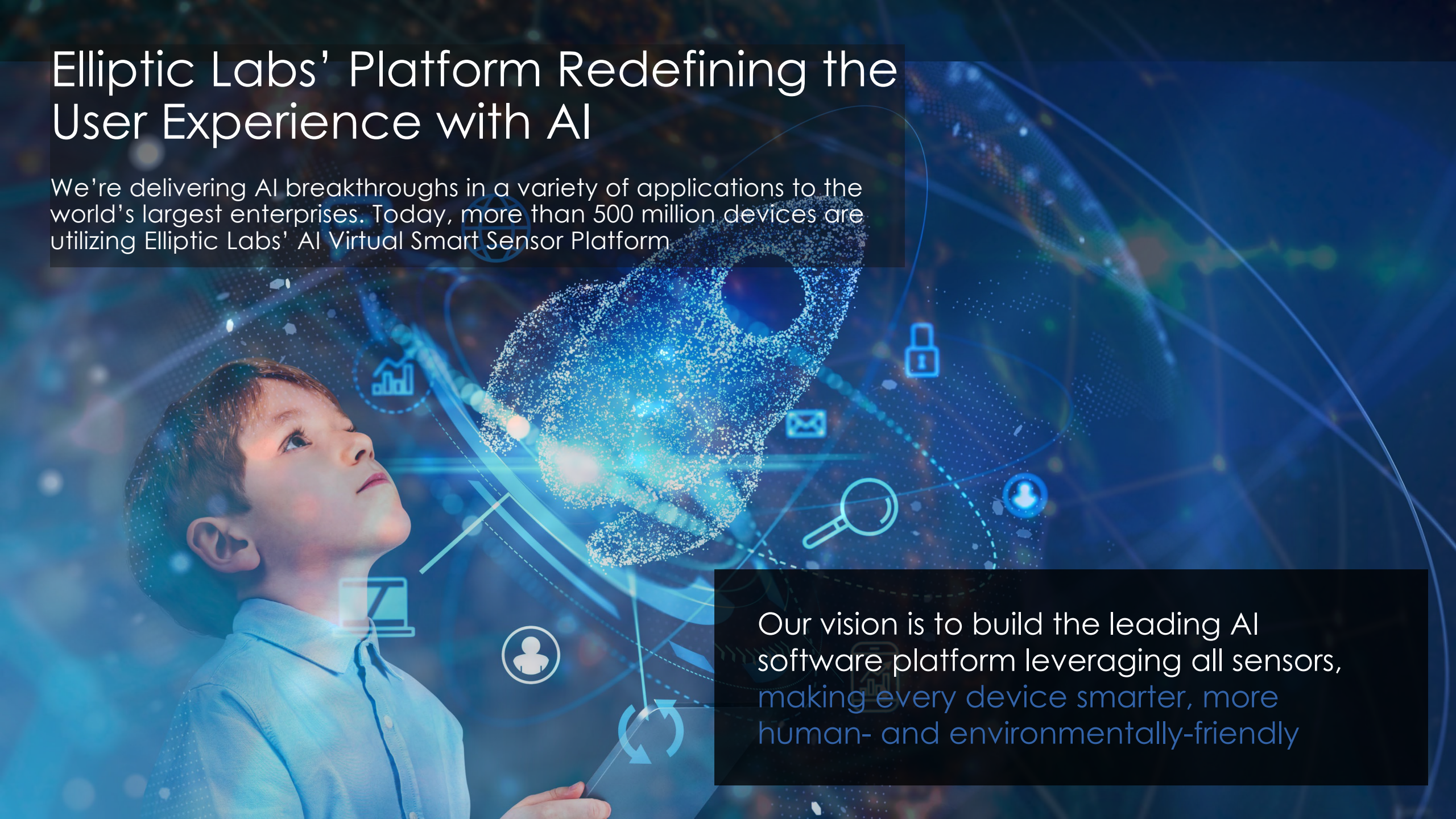


CFO & IR Lars Holmøy
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Results presentation | July 13, 2023

Elliptic Labs' Platform Redefining the User Experience with AI

We're delivering AI breakthroughs in a variety of applications to the world's largest enterprises. Today, more than 500 million devices are utilizing Elliptic Labs' AI Virtual Smart Sensor Platform

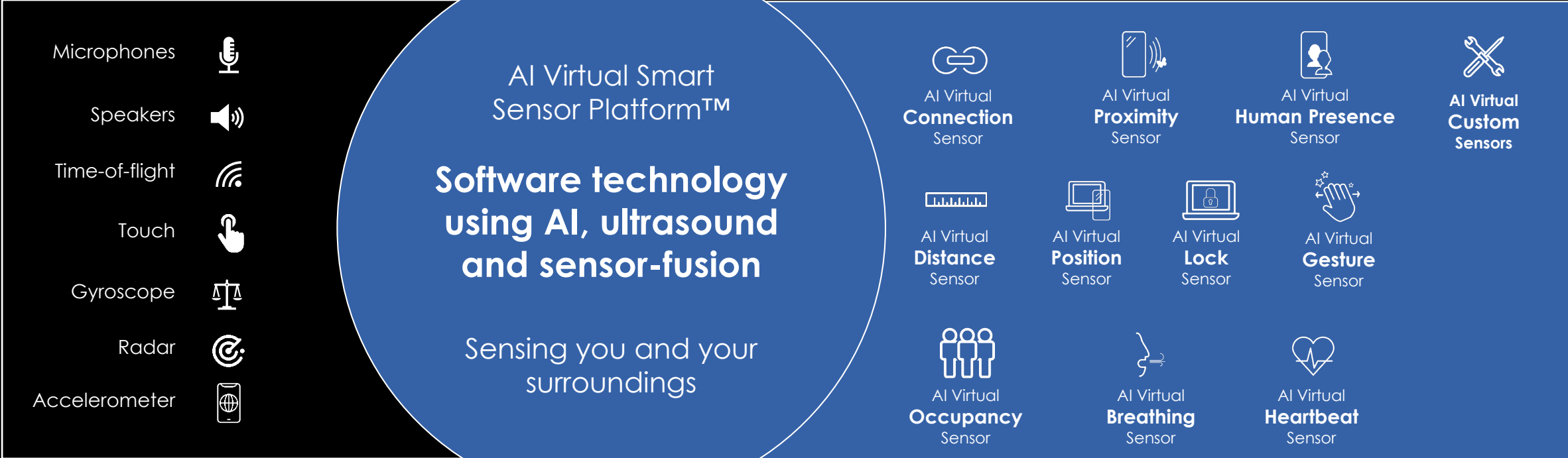


Our vision is to build the leading AI software platform leveraging all sensors, making every device smarter, more human- and environmentally-friendly

Our AI Virtual Smart Sensors are deployed on more than 500 million devices, with recent entry into the PC market

Leveraging existing single purpose sensors

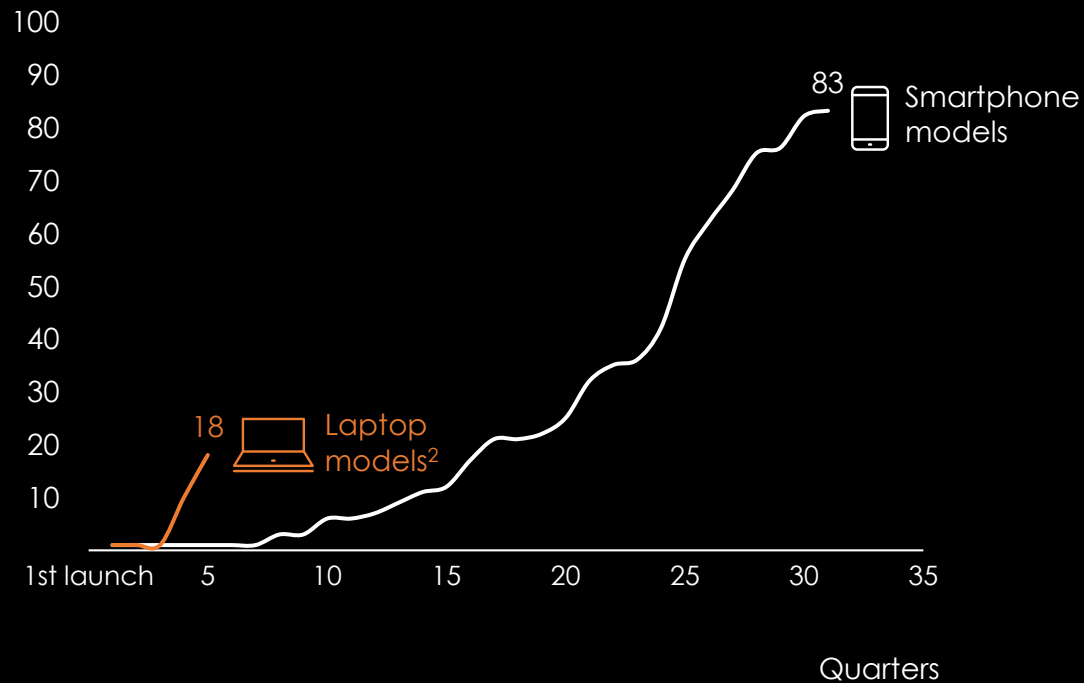
Elliptic Labs'
AI Virtual Smart Sensors™



AI Virtual Human Presence Detection on 18 laptop models launched in the market

Rapid technology adoption on Laptops ...

Models launched by vertical as of 13.07.23

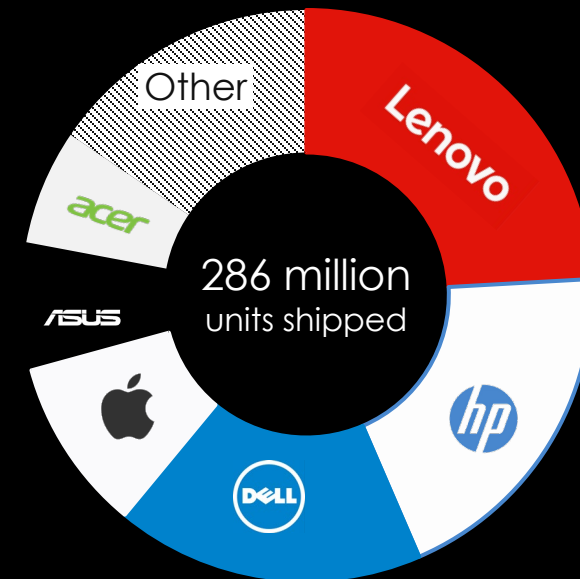


1. First Smartphone: Xiaomi Mi Mix (Q1'16), and first Laptop: Lenovo's best-seller ThinkPad T14 (Q1'22)

4 2. Models differentiated by chipset and generation

.... Elliptic Labs' current growth vertical

2022 global PC / Laptop / tablet sales



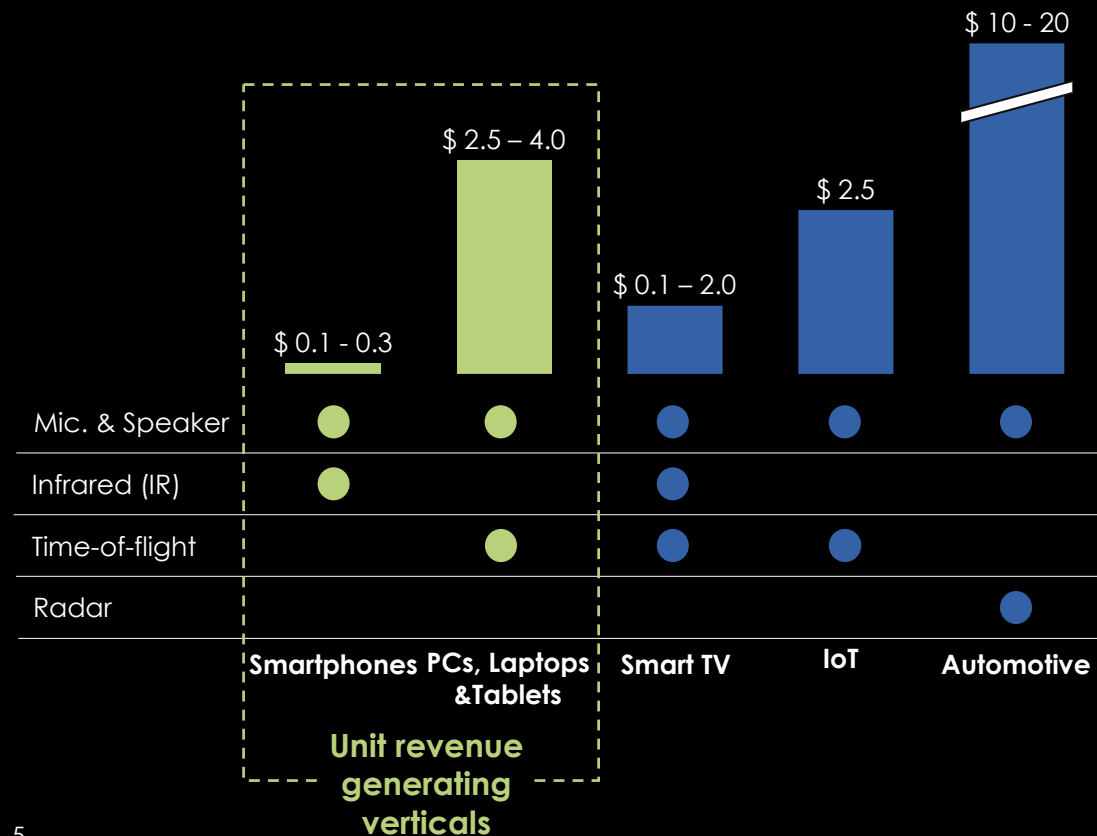
4 of top-6 OEMs are customers of Elliptic Labs

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Our 100% software sensors are competing with high-cost single purpose hardware sensors

Hardware sensors unit cost

Cost per unit (USD)



Reducing cost, risk and environmental footprint

- AI Virtual Smart Sensor Platform™ can replace infrared, time-of-flight and radar sensors for presence and proximity detection
 - Reducing cost
 - Additional features such as position detection, simplified connectivity and interaction between devices
 - As a non-optical, edge-solution safeguarding user privacy
- Our software solution streamlines hardware supply chain and eliminates sourcing risks

Turning world leading AI software into revenue

Time to market temporarily slowed-down due to inventory back-log and end-used demand



Evaluating

AI Virtual Smart Sensors with customer's products, signing POC contract



Negotiating

long-term agreements with globally leading OEMs



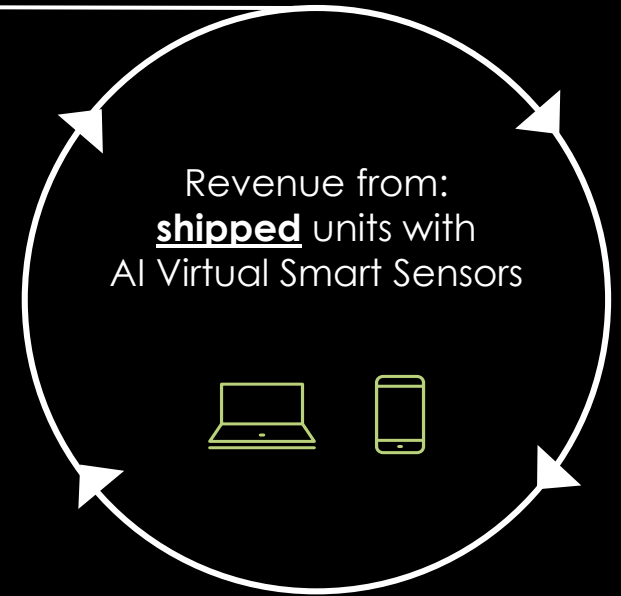
Contract

announcement typically for multiple models



Launching

Elliptic Labs announces launch of AI Virtual Smart Sensors on specific customer models into market



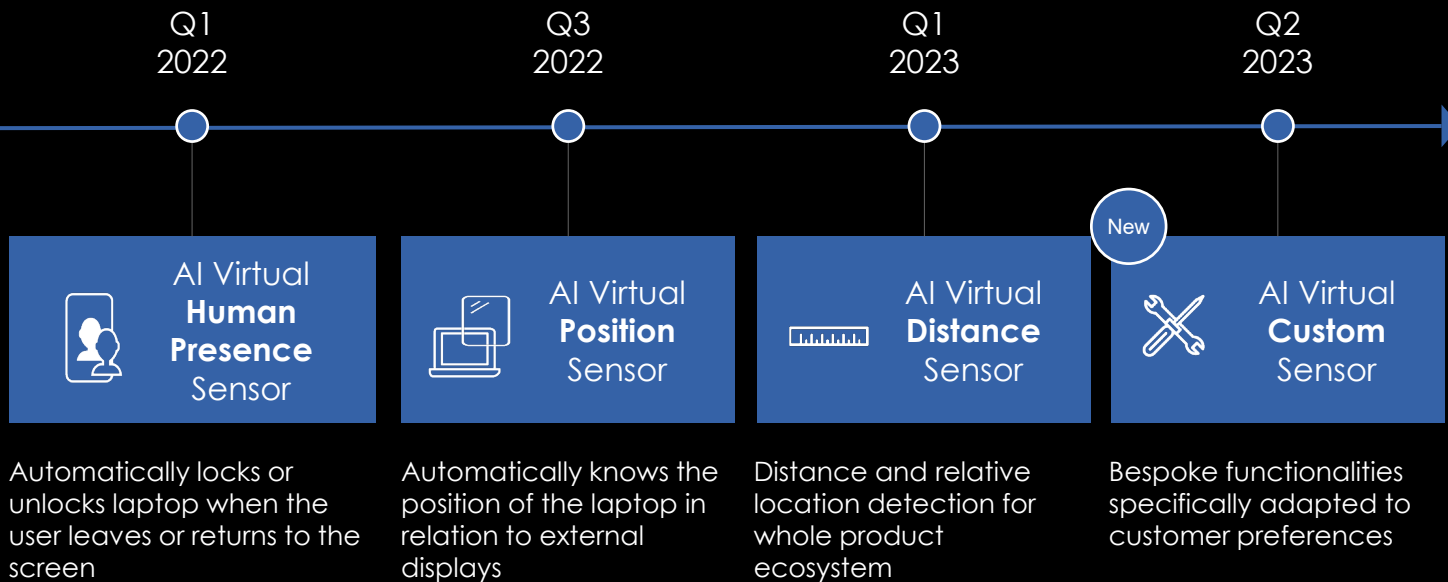
PC/LAPTOPS FLEXIBLE REVENUE MODEL: License fee per unit per AI Virtual Smart Sensor, based on three options:

1. Enterprise license agreement covering up-front minimum committed volume and pay as you go for units **shipped** exceeding up-front commitment (typical revenue model), or
2. Enterprise license agreement pay as you go for units **shipped**, or
3. Unlimited enterprise license agreement covering all units shipped within an agreed upon timeframe

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Continued rapid Expansion of Product Offering for PC Market

Now launched 4 laptop products...

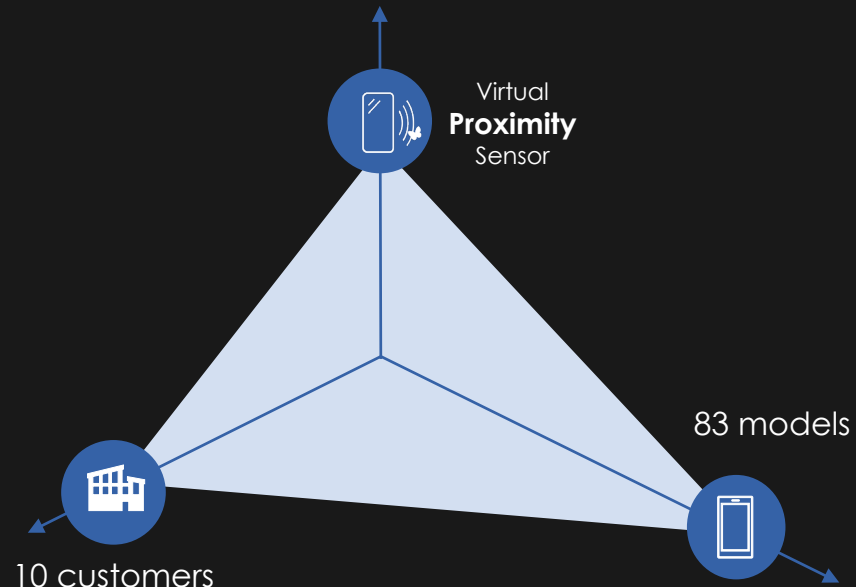


... increasing value

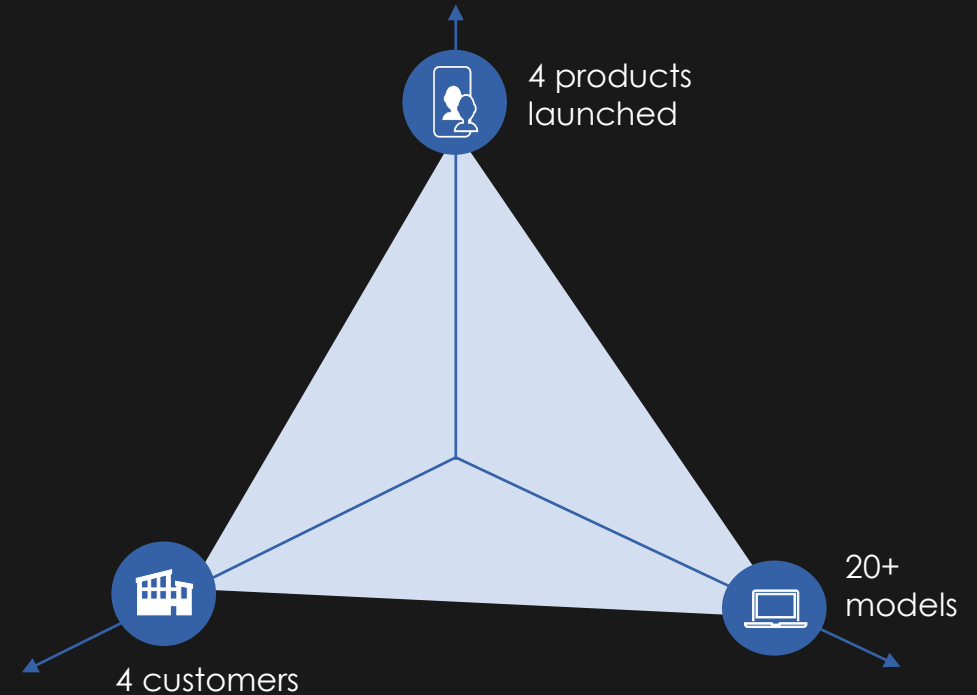
- Elliptic Labs in pole position to deliver differentiating functionalities through AI Virtual Smart Sensor Platform
- Improved functionality, security and ease of use
- Cost saving with no additional hardware required

In a stronger than ever technical and commercial position,
with multiple opportunities for expansion

Smartphone



PC/Laptop



More models, more customers, more AI Virtual Smart Sensors – across more verticals



Financial review

Positioned for long-term growth

CFO Lars Holmøy

Growth trajectory supported by laptop revenues

Condensed Profit & Loss statement

NOK million

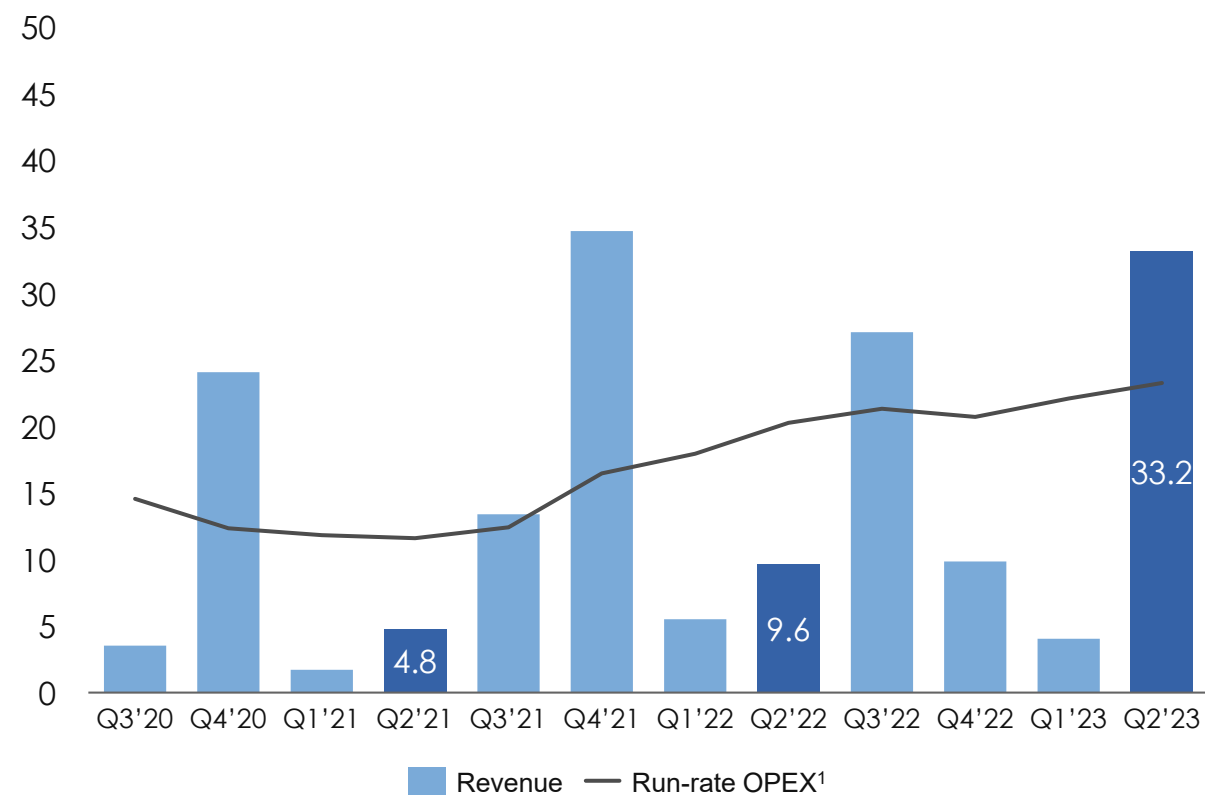
	Q2'23	Q2'22	%YoY	Q1'23
Revenues from contracts with customers	33.2	9.6	245 %	4.0
Other operating income	0.3	0.0	-	0.0
Total revenue	33.5	9.6	248 %	4.0
Employee benefits expenses	19.3	15.6	23 %	18.9
Other operating expenses	6.0	5.0	21 %	5.5
EBITDA	8.2	-11.0		-20.4
Depreciation and amortisation	3.7	2.6		3.7
EBIT	4.5	-13.5		-24.1
Net financials	1.5	6.3		5.7
Pre-tax-profit	6.0	-7.2		-18.4
Income tax expense	-2.0	0.9		3.5
Profit/loss	4.0	-6.4		-14.9

- Strong quarter with revenue of NOK 33.2m, up 245% year-on-year
 - Laptop revenue significant contributor to Q2'23 revenue. Revenue reflects both recognition of incremental licensing (milestone) revenue and license revenue based on shipped units
- Cost structure in line with growth expectations
 - Employee benefit expenses of NOK 19.3m, up from NOK 18.9 in the first quarter
 - Mainly from increased operational activity levels and travel activities to Asia and the US

Maintaining a light and lean organization

Quarterly revenue from contracts with customers

NOK million

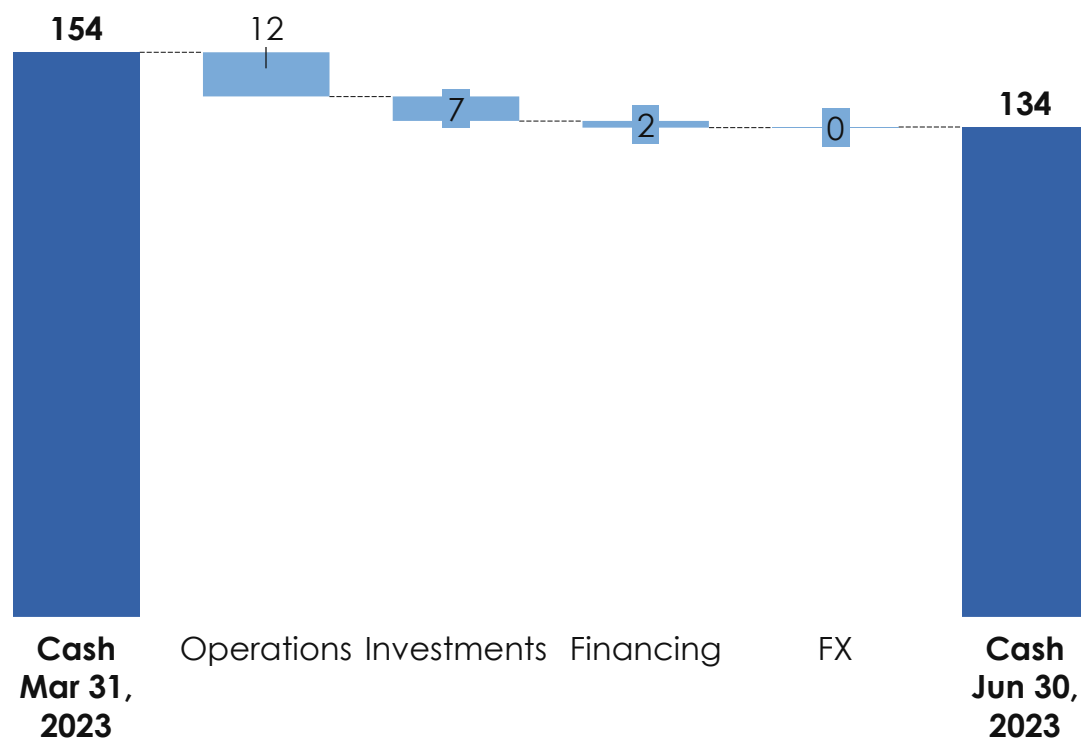


- Significant uplift in revenues from slow start of 2023
- Focus on cost efficiency with careful resource allocation
- Scaling the organization to maximize sales opportunities and product development
 - New Sr.VP of Client AI Architecture hired
 - New VP of Product Management hired
- Anticipating continued lumpiness quarter-to-quarter this year

Continued strong cash position to support our growth

Q2 2023 cash flow

NOK million



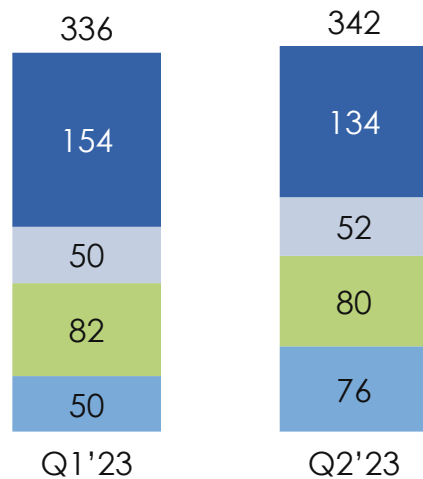
- Operating cash flow of NOK -12 million
 - Mainly driven by NOK 24.1m increase in accounts receivables
 - Added 5 FTEs from Q2 2022 to Q2 2023
- Investments reflecting R&D of Elliptic Labs' AI Virtual Smart Sensor Platform
 - Increased by 26% compared to Q2 2022
- Financing mainly reflecting repayment of short-term borrowings to Innovasjon Norge¹
 - NOK 1 million repayment in Q2 2023
 - NOK 0.7 million repayment of other short-term debt

Well-funded for continued growth

Balance sheet

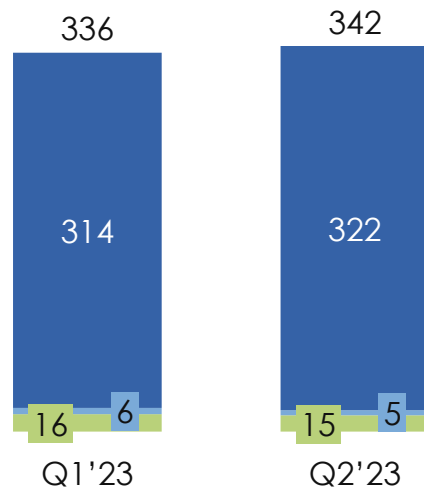
NOK million

Assets



- Cash and cash equivalents
- Intangible assets
- Other non-current assets
- Other current assets

Equity & liabilities



- Equity
- Long-term liabilities
- Short-term liabilities


- Strong cash position of NOK 134 million at the end of Q2 2023
- Build-up of current assets reflecting upcoming payments from customers
- Long-term liabilities mainly reflect loans from Innovasjon Norge¹
- Equity ratio of 94%



Outlook

CEO Laila Danielsen

Q2 2023 achievements fortifying our position and ability to grow



Capitalize on market momentum to be positioned for sustainable demand and long-term growth

Maintaining an OPEX light and lean approach

Continue to invest in the development of our AI Virtual Smart Sensor Platform

Q&A



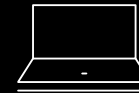
2024-25 target

Revenue
500

NOK million

EBITDA
>50%

Significant opportunity in prioritized markets



Laptops key
growth vertical

USD 1.1 – 1.8bn



Continued
Smartphone
expansion

USD 140 - 350m



Building position
in the **IoT market**

USD 1bn

AI Virtual Smart Sensor Platform™

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CFO & IR Lars Holmøy
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Broad deployment of AI software,
disrupting large global markets

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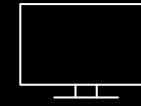
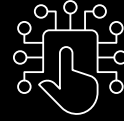
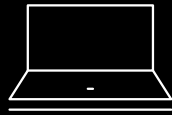
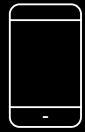
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Appendix

Wide-ranging opportunities across significant markets



	Smartphones	PCs, Laptops & tablets	IoT	Smart TVs	Automotive
Number of units	1.4bn	460m	2.1 bn	400m	100m
x Price of alternatives	Infrared USD 0.10 – 0.25	Time-of-Flight / Radar USD 2.5 – 4.0	Time-of-Flight/Infrared USD 0.10 – 2.0	Time-of-Flight USD 2.50	Radar USD 10 – 20
= Total addressable Market	USD 140 – 350m	USD 1.1 – 1.8bn	USD 1bn	USD 1bn	USD 1-2bn

Reported financials

Profit and loss

		Q2 2023	Q2 2022	1H 2023	1H 2022	2022
(Amounts in 000 NOK)	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues from contracts with customers		33 180	9 621	37 230	15 137	52 062
Other operating income	9	310	—	310	—	—
Total revenue and other operating income	2	33 491	9 621	37 540	15 137	52 062
Employee benefits expenses		-19 280	-15 628	-38 219	-29 526	-62 802
Other operating expenses	3	-5 989	-4 957	-11 507	-10 016	-20 073
EBITDA		8 222	-10 964	-12 185	-24 405	-30 814
Depreciation and amortization	4,5	-3 747	-2 562	-7 466	-5 429	-11 317
Operating expenses		-29 016	-23 146	-57 191	-44 971	-94 193
Operating profit		4 475	-13 525	-19 651	-29 834	-42 131
Financial income		2 408	7 312	8 953	7 943	17 317
Financial expenses		-871	-1 011	-1 724	-2 803	-14 488
Net financial income/(expenses)		1 537	6 301	7 229	5 140	2 829
Profit/(loss) before tax		6 012	-7 224	-12 422	-24 694	-39 302
Income tax expense		-2 015	872	1 522	4 047	6 303
Profit/(loss)		3 997	-6 353	-10 900	-20 647	-32 999
Other comprehensive income:						
Foreign currency rate changes, may be reclassified to profit or loss		141	490	437	458	416
Other comprehensive income, net of tax		141	490	437	458	416
Total comprehensive income for the period		4 138	-5 863	-10 462	-20 189	-32 583

Reported financials

Cash flow

(Amounts in 000 NOK)	(Unaudited) Q2 2023	(Unaudited) Q2 2022	(Unaudited) 1H 2023	(Unaudited) 1H 2022	(Audited) 2022
Cash flow from operating activities					
Profit/(loss) before tax	6 012	-7 224	-12 422	-24 694	-39 302
Adjustment for:					
Taxes paid in the period	—	747	—	745	745
Depreciation and amortization	3 747	2 562	7 466	5 429	11 317
Share-based payments	3 756	3 586	6 744	6 500	12 464
Items classified as financing activities	147	140	313	280	571
Change in current trade receivable	-24 122	1 780	-24 830	14 208	-11 469
Change in trade payables	594	-748	-51	-569	-1 361
Change in other accruals	-2 158	-1 266	-5 873	6 129	14 276
Net cash flows from operating activities	-12 023	-423	-28 653	8 029	-12 758
Cash flow from investing activities					
Purchase of property, plant and equipment	-443	—	-443	—	—
Capitalized development costs	-6 194	-4 929	-12 285	-10 506	-23 327
Net cash flows from investing activities	-6 637	-4 929	-12 729	-10 506	-23 327
Cash flow from financing activities					
Payments of lease liabilities, classified as financing activities	-686	-558	-1 363	-1 116	-2 662
Repayments of current borrowings	-1 000	-1 000	-2 000	-2 000	-4 000
Proceeds from issuing shares	—	2 622	—	2 622	2 972
Payments for share issue costs	—	—	—	—	—
Interests paid, classified as financing activities	-147	-140	-313	-280	-571
Net cash flows from financing activities	-1 832	924	-3 675	-775	-4 261
Net Change in Cash and Cash Equivalents	-20 492	-4 429	-45 057	-3 252	-40 347
Cash and cash equivalents at the beginning of the period	153 951	219 296	178 219	218 151	218 151
Effect of foreign currency rate changes on cash and cash equivalents	141	490	437	458	416
Cash and cash equivalents at the end of period	133 600	215 357	133 600	215 357	178 219

Reported financials

Balance sheet

Assets

<i>(Amounts in 000 NOK)</i>	Notes	30/06/23 <i>(Unaudited)</i>	31/12/22 <i>(Audited)</i>	30/06/22 <i>(Unaudited)</i>
Non-current assets				
Deferred tax assets	8	70 360	68 837	66 581
Intangible assets	4	51 943	47 574	40 898
Right of use assets		933	2 256	1 674
Property, plant and equipment	5	436	—	—
Other non-current receivables		8 164	5 038	5 018
Total non-current assets		131 836	123 704	114 171
Current assets				
Current trade receivables		65 324	40 495	14 818
Other current receivables		11 043	6 905	11 214
Cash and cash equivalents	7	133 600	178 219	215 357
Total current assets		209 967	225 619	241 389
Total assets		341 803	349 324	355 561

Equity & liabilities

<i>(Amounts in 000 NOK)</i>	Notes	30/06/23 <i>(Unaudited)</i>	31/12/22 <i>(Audited)</i>	30/06/22 <i>(Unaudited)</i>
Non-current assets				
Equity and liabilities				
Share capital		1 041	1 041	1 041
Other equity		320 863	324 581	330 662
Total equity		321 904	325 622	331 703
Non-current lease liabilities		542	523	530
Non-current borrowings		4 000	6 000	8 000
Total non-current liabilities		4 542	6 523	8 530
Current borrowings		4 000	4 000	4 000
Trade and other current payables		1 617	1 668	2 460
Current tax liabilities		—	—	—
Current lease liabilities		754	2 184	1 511
Other current liabilities		8 986	9 327	7 357
Total current liabilities		15 357	17 179	15 328
Total equity and liabilities		341 803	349 324	355 561

Shareholder information

Top 20 shareholders as of 05. Jul 2023

		Number of shares	% of total shares
1	PASSESTA AS	12 800 480	12,3%
2	MP PENSJON PK	8 897 913	8,5%
3	ALDEN AS	7 403 330	7,1%
4	HORNE	5 028 350	4,8%
5	VERDIPAPIRFONDET DNB SMB	4 777 601	4,6%
6	J.P. Morgan SE	4 683 767	4,5%
7	DANIELSEN	4 374 150	4,2%
8	VINTERSTUA AS	3 858 650	3,7%
9	SIX SIS AG	2 820 000	2,7%
10	Pictet & Cie (Europe) S.A.	2 259 883	2,2%
11	GHIBLI AS	2 100 000	2,0%
12	NUNATAK AS	1 824 784	1,8%
13	NORDNET LIVSFORSIKRING AS	1 768 189	1,7%
14	FABRES SCALER	1 600 000	1,5%
15	Danske Invest Norge Vekst	1 512 700	1,5%
16	INVEN2 AS	1 441 670	1,4%
17	Danske Bank A/S	1 333 330	1,3%
18	VERDIPAPIRFONDET PARETO INVESTMENT	1 222 928	1,2%
19	BRYHNI.COM AS	1 191 820	1,1%
20	Nordnet Bank AB	1 057 001	1,0%
Top 20 shareholders		71 956 546	69,1%
Other		32 117 664	30,9%
Total		104 074 210	100,0%

Shares and options owned by BoD, mgmt, and employees as of 05. Jul 2023 (fully diluted)

	Number of shares	Percent of fully diluted shares
Shares owned by Board of Directors	20 221 810	18,1%
Shares owned by Management	4 586 240	4,1%
Allocated Options to Employees and management in shares	7 446 273	6,7%
Other shareholders	79 266 160	71,1%
Total	111 520 483	100%

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