

Second quarter 2020 - Earnings presentation

20 August 2020



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Today's agenda

- Key events
- Introduction to poLight
- Operations and markets review
- Financial review
- Outlook
- Q&A

Presenting



Dr. Øyvind Isaksen

Chief Executive Officer

Dr. Isaksen has been CEO of poLight since August 2014. He has previously held several CEO positions, most recently in the publicly listed company Q-Free ASA, which he left in January 2014, after 7 years as CEO. Øyvind Isaksen holds a PhD in Applied Physics.



Alf Henning Bekkevik

Chief Financial Officer

Bekkevik is a senior executive with a background from Arthur Andersen (E&Y), Wallendahl, Fjord Line, Grenland Group and lately from Wood Group Mustang as VP Finance. He holds a Master in Business & Economics (Siviløkonom) degree from NHH and is a state certified public accountant.

Key events

- Generally good progress on new customer cases
- Post Q2 poLight received a purchase order from a Tier 1 barcode customer
- End-user sales of smartwatches picked up slightly, but are still lower than in a normal situation
- Share issues carried out in Q2-20 raised NOK 50 million



poLight at a glance

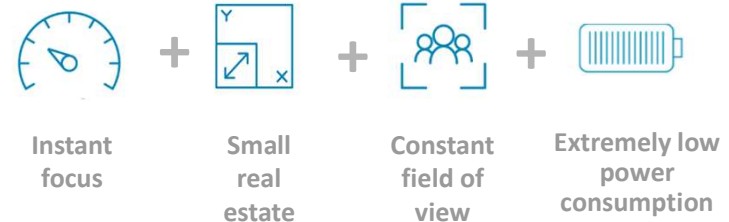
Background and description

- Developer of unique photographic lens for use in the mobile, barcode, augmented reality and other markets
- Founded in 2005 and has since build state-of-the-art expertise in optics, polymers MEMS technology and image applications and processing
- 13 worldwide patents families, 10 pending applications and 3 registered trademarks
- 21 employees + consultants
- Headquartered in Horten, Norway, with offices in Finland, China, France and representation in Taiwan and Korea

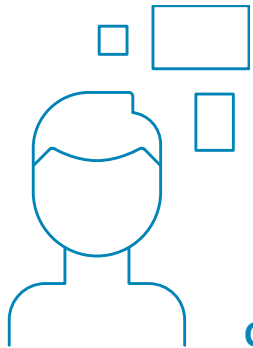
Geographical footprint



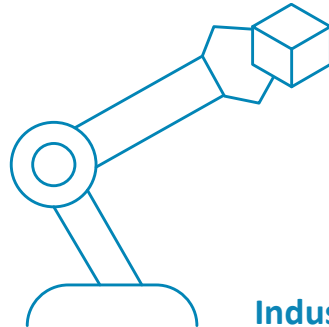
poLight enables unique use cases



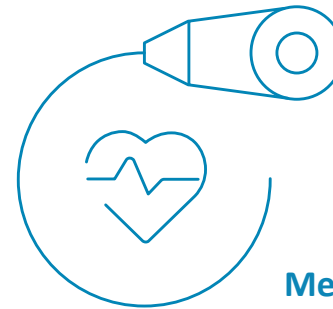
poLight's products well suited for multiple uses



Consumer



Industrial



Medical

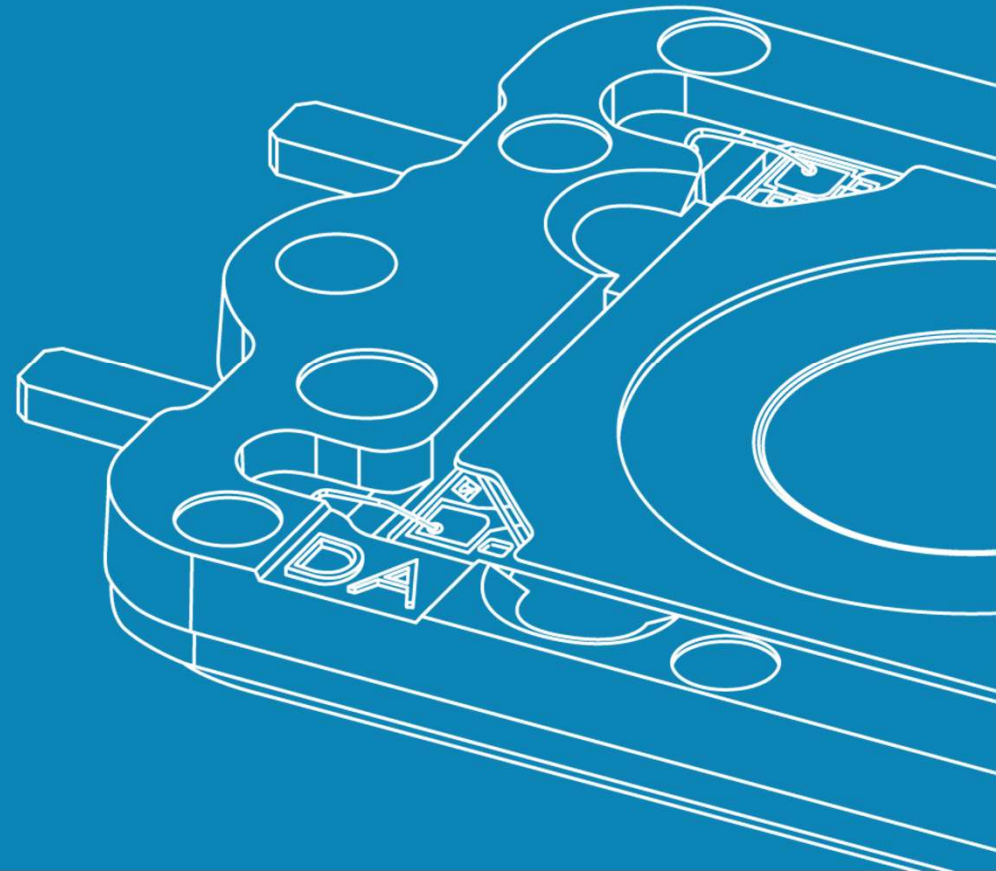


Automotive



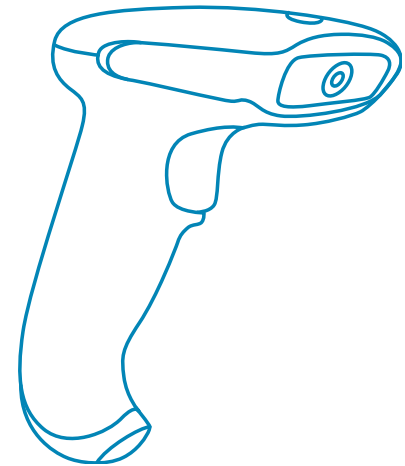


Operations and market review



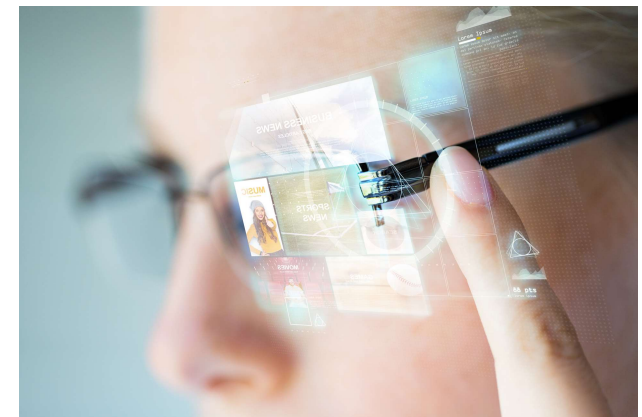
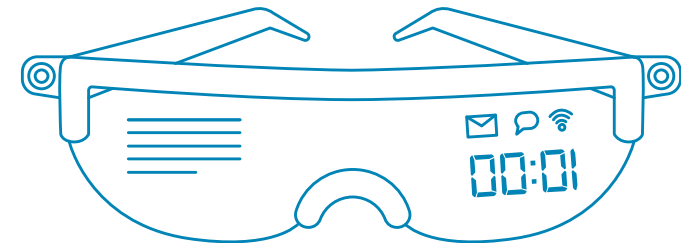
Barcode: getting closer to commercial breakthrough

- Received an order of 0.5 million NOK in Q1 and follow-up order of 0.7 million NOK post Q2
- Last order to qualify mass production and commercial supply
- Planned market release in third-quarter 2020, dependent on successful testing and other external factors
- Low volume product
- Initial market response has been good
- Involved in several other barcode cases



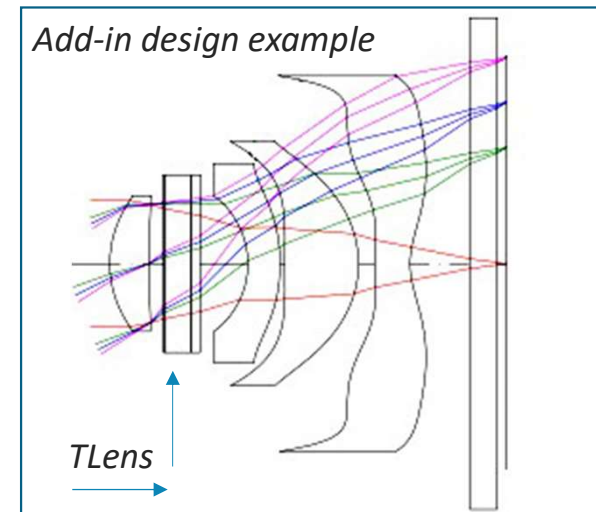
AR: TLens considered for next generation glasses by several OEM's

- AR market is still at an early stage, with low volumes
- Potentially the next “big thing” in the consumer mass market after the smartphone
- TLens offers several advantages related to power consumption, speed, compactness and no gravity sensitivity
- poLight is well positioned for market entry at an early stage
- Within reach for poLight to be included in an AR product to be released in 2021, depending on ongoing design and successful testing
- This is potentially long term the most important consumer segment poLight can be in

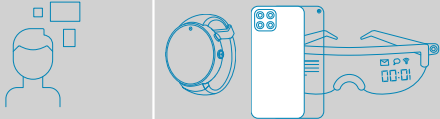

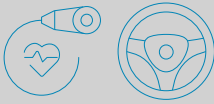


Smartphone: continued interaction during the quarter

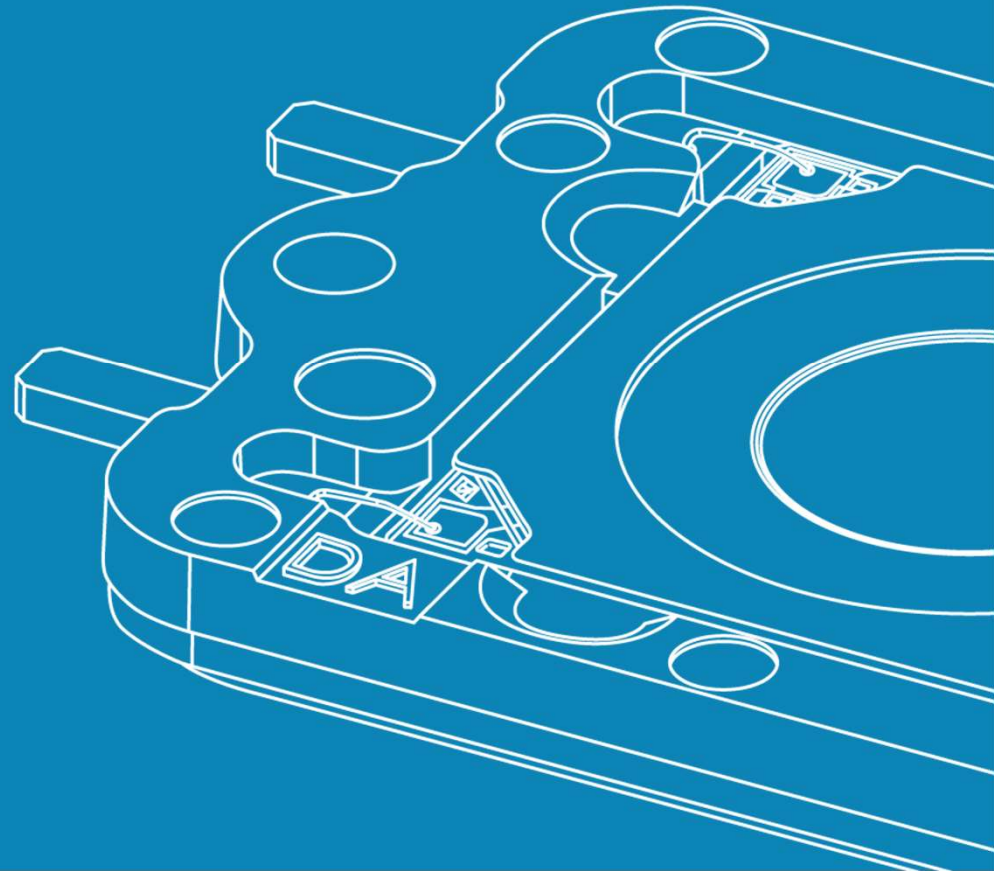
- TLens considered to be used in an advanced add-in lens design to realise a compact nose front-facing camera with AF
- Using the poLight technology platform to realise new products;
 - Enhancing back-camera solutions
 - Bigger aperture TLens
 - and for other applications not directly related to imaging
- poLight has strengthen the business development team to efficiently be able to mature the above-mentioned cases



Progress within several market segments

		Ongoing supply	Project	Completed PoC	Ongoing PoC	Planning PoC
Consumer		2 (2)		7 (7)	12 (8)	8 (9)
Industrial			1 (1)	3 (2)	8 (7)	1 (1)
Other (e.g. medical / automobile)					6 (5)	0 (1)
		2 (2)	1 (1)	10 (9)	26 (20)	9 (11)

(x): last quarter number



Financial review

Key financials

Income statement

<i>(in NOK million)</i>	Q2 2020	Q2 2019	FY 2019
Revenue	0.6	0.5	3.0
Cost of sales	-0.1	-0.4	-2.1
Research and development expenses	-4.0	-5.6	-19.9
Sales and marketing expenses	-1.9	-1.7	-8.7
Administrative expenses	-3.4	-3.5	-17.1
Operational / supply chain expenses	-1.6	-2.6	-8.2
EBITDA	-10.4	-13.3	-53.0

- Revenue from delivery of TLens, ASICs, evaluation kits and services to customers for product testing
- EBITDA loss of NOK -10.4 million vs. loss of NOK -13.3 million in Q2 2019
 - Reduced salary expenses of NOK 1.9 million due to reduced head count

Balance sheet summary

<i>(in NOK million)</i>	Q2 2020	Q2 2019	FY 2019
Intangible assets	48.8	77.0	53.9
Inventories	9.3	8.3	7.7
Cash and cash equivalents	89.9	91.4	73.5
Total equity	145.6	175.4	128.4
Total current liabilities	11.0	12.5	15.9
Total non-current liabilities	0.1	0.1	0.8
Total equity and liabilities	156.7	188.0	145.0

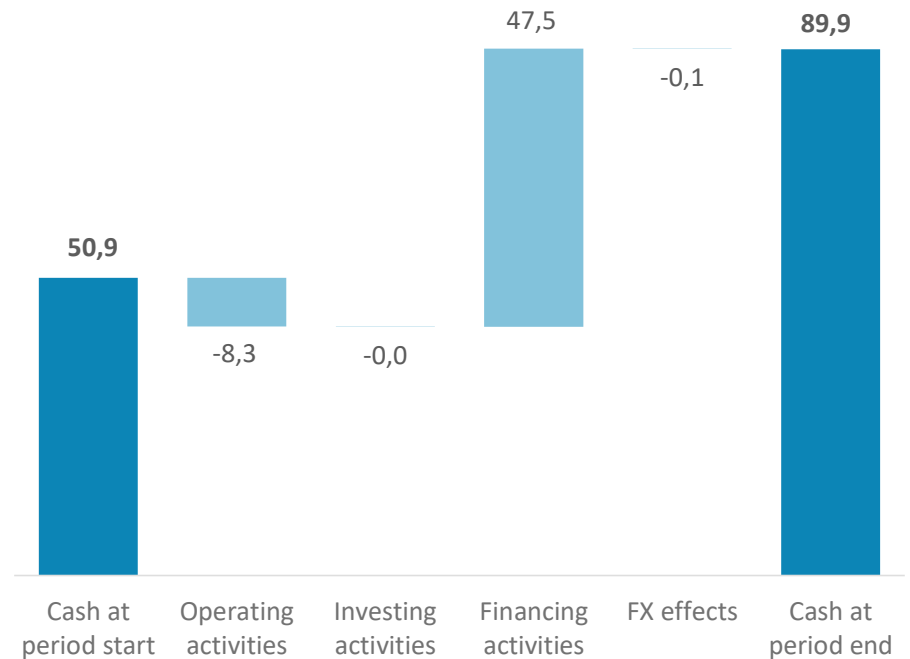
- Cash position of NOK 89.9 million, compared with NOK 91.4 million at Q2 2019
- Current cash position could potentially fund the company into 2022

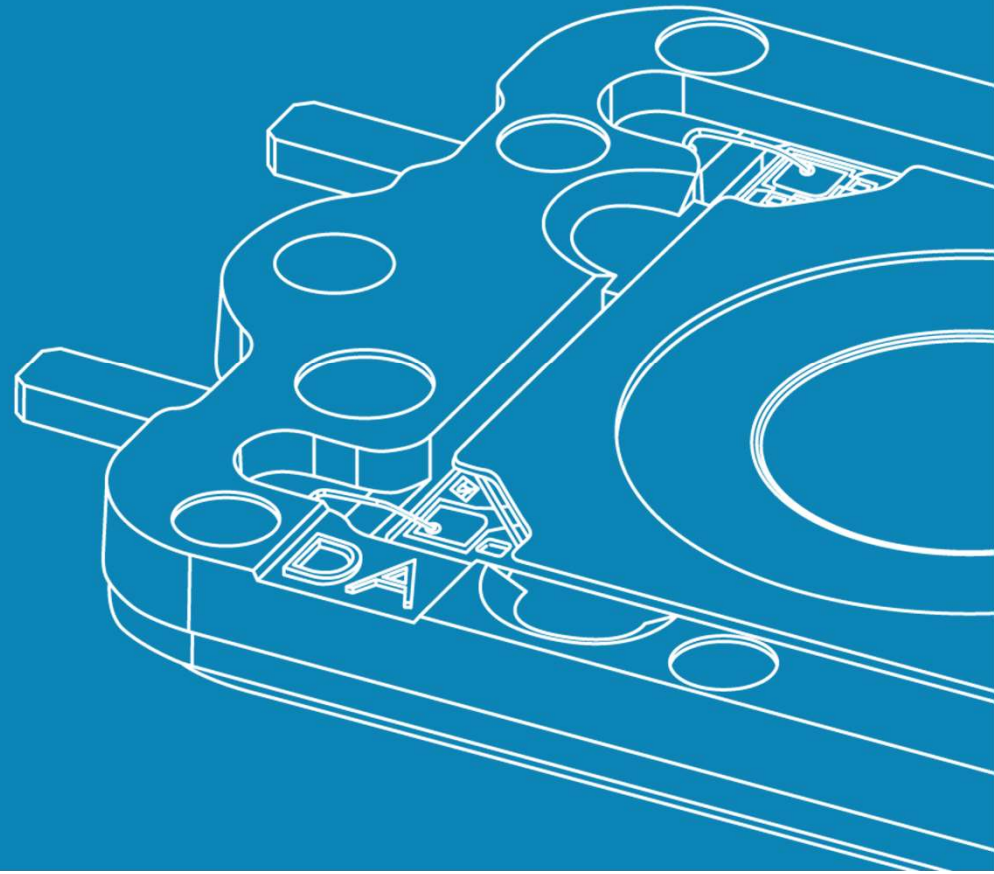
Cash Flow

- Q2 cash used in operations was NOK 8.3 million, compared with NOK 14.4 million in Q2 2019
- Q2 cash from financing activities was NOK 47.5 million
 - net proceeds from the share issues in Q2 of NOK 47.8 million
- Q2 net increase in cash was NOK 39.1 million

Q2 2020 cash flow development

(NOK million)





Outlook

Outlook

- Increased customer activity, - several different market segments
- Good progress in the past six months
- Have overcome many of the hurdles inherent in bringing new and innovative technology to market
- Market focus on;
 - securing the first design-win for barcode
 - position poLight for the first AR case
 - follow-up orders/new design-win for smartwatch cases
 - and bring poLight existing products, and longer-term potential new products, into the smartphone market
- Expect good progress on all the above activities the next twelve months

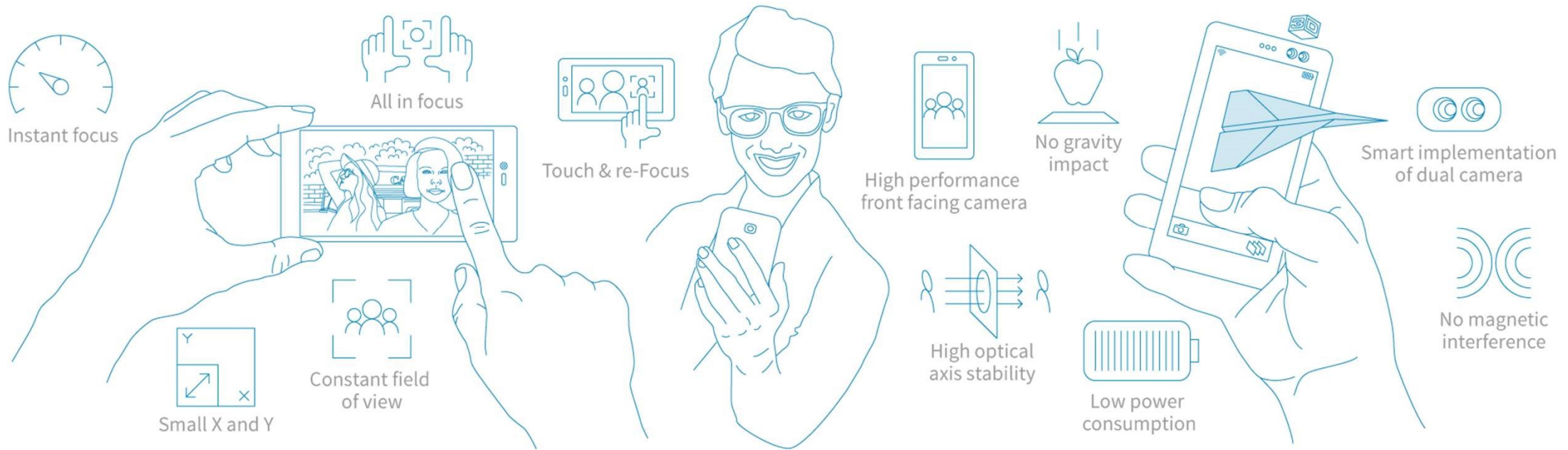




Next event:
Q3-20 - 23 October 2020

 poLight

Appendix



Management Team



Dr. Øyvind Isaksen

Chief Executive Officer

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Chief Financial Officer

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Pierre Craen

Chief Technology Officer

Craen is a senior executive with more than 20 years' experience in opto-mechanical systems engineering. Prior to joining poLight, he managed product development teams at Varioptic, Barco and Motorola/Symbol. Mr Craen holds an MSc in Optical Engineering from Sup-Optic, as well as an MSc in Applied Physics.



Marianne Sandal

Chief Operating Officer

Sandal is a senior executive with background from Tele-communications (Nera) and Road User Charging (Q-Free). She holds a BSc in Mechanical Engineering in addition to courses from Norwegian School of Management (BI). She has been responsible for world wide operations for more than 15 years.

Board of Directors



Eivind Bergsmyr – *Chairman, independent (from March-2020)*

Mr. Bergsmyr has been a partner at Viking Venture since 2009, and serves on the boards of several Viking Venture portfolio companies. He is the current chair of Xait AS, DinERP AS, Tamigo ApS, Flowbox AB, Humly Edtech AB and board member of Attensi AS. He is the former chair of GasSecure AS (sold to Dräger) and former board member of Nanoradio AB (sold to Samsung). Mr Bergsmyr was previously CEO of the Norwegian startup Nacre AS, sold in 2007 to Sperian Protection and recognised as the Nordic Venture Exit of the Year. Prior to this, Mr Bergsmyr acquired extensive industrial experience during his time at Siemens. He holds an MSc in Electronic Engineering from NTNU.



Ann-Tove Kongsnes - *Deputy Chairman*

Ms. Kongsnes is an Investment Director at Investinor AS. Kongsnes has over her career gained extensive experience from investments, development, M&A, IPO's and exits of technology companies. Prior to this, she worked 7 years with international marketing, and was formerly a Director of Marketing and Operations. Kongsnes has extensive board experience, and currently serves on the boards of 6 of Investinor's portfolio companies in addition to 4 Chair/member seats in Nomination Committees. She holds an MSc in Economics and Business Administration from HIB and took the Advanced Program in Corporate Finance at NHH.



Grethe Viksaas - *Board member, independent*

Ms. Viksaas has a long career from the Northern European managed service provider Basefarm AS. First as founder and CEO, and later as executive chair of the board of directors. Prior to Basefarm, Ms Viksaas served as CEO for SOL System AS and in several management positions in IT companies. She has experience from numerous board positions, including Zenitel Group and ICT Norway. She currently chairs the foundation Norsk Regnesentral and is a non-executive director on the boards of Telenor ASA and Crayon Group Holding ASA. She also serves on the boards of various start-up companies. Ms Viksaas has a master's degree in computer science from the University of Oslo.



Dr. Juha Alakarhu - *Board member, independent*

Mr. Alakarhu is the VP of Imaging at Axon in Tampere, Finland. He runs the Axon R&D office in Finland and is responsible for the imaging system for Axon camera products. Dr Alakarhu's entire career has been devoted to developing cameras. Before joining Axon in 2018, he worked for Nokia and Microsoft, where he developed several pioneering camera solutions, such as oversampling (the 41-megapixel camera), optical image stabiliser, and virtual reality technology. Juha Alakarhu holds a PhD from Tampere University of Technology.



Svernn-Tore Larsen - *Board member, independent*

Mr. Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor.

Statement of income

NOK 000	Note	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Revenue		622	519	1 158	548	2 988
Cost of sales		-133	-382	-194	-385	-2 075
Gross profit		489	137	964	163	913
Research and development expenses net of governmental grants	7,8	-4 020	-5 565	-9 526	-11 166	-19 874
Sales and marketing expenses		-1 908	-1 717	-4 172	-4 094	-8 729
Administrative expenses		-3 414	-3 499	-8 741	-8 613	-17 073
Operational / supply chain expenses		-1 596	-2 624	-5 095	-3 891	-8 216
Operating result before depreciation and amortisation (EBITDA)		-10 448	-13 269	-26 571	-27 601	-52 979
Depreciation, amortisation and net impairment losses	9	-3 056	-1 256	-6 109	-1 885	-26 191
Operating result (EBIT)		-13 505	-14 524	-32 679	-29 486	-79 170
Net financial items	6	36	317	-59	561	1 430
Loss before tax		-13 469	-14 208	-32 739	-28 925	-77 740
Income tax expense		-18	0	-17	-2	-124
Loss for the period		-13 488	-14 208	-32 756	-28 927	-77 864
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-1.52	-1.75	-3.90	-3.56	-9.59
Diluted, attributable to ordinary equity holders of the parent (NOK)		-1.52	-1.75	-3.90	-3.56	-9.59

Balance sheet

NOK 000	Note	Q2 2020	Q2 2019	FY 2019
ASSETS				
Property, plant and equipment		1 068	1 206	1 235
Intangible assets	9	48 791	77 024	53 936
Right-of-use assets		1 327	1 315	1 923
Total non-current assets		51 186	79 545	57 094
Inventories		9 254	8 298	7 728
Trade and other receivables		6 046	8 364	6 147
Other current assets		283	400	565
Cash and cash equivalents		89 945	91 419	73 463
Total current assets		105 527	108 481	87 903
Total assets		156 713	188 026	144 997
EQUITY AND LIABILITIES				
Issued capital		1 809	1 623	1 623
Share premium		172 027	198 748	124 385
Other equity		-28 206	-24 975	2 369
Equity attributable to equity holders of the parent		145 630	175 397	128 378
Non-controlling interests		0	0	0
Total equity		145 630	175 397	128 378
Lease liabilities		110	108	766
Total non-current liabilities		110	108	766
Trade and other payables		8 500	10 082	11 911
Current lease liabilities		1 284	1 251	1 241
Provisions	11	1 189	1 189	2 701
Total current liabilities		10 973	12 522	15 853
Total liabilities		11 083	12 630	16 619
Total equity and liabilities		156 713	188 026	144 997

Cash flow

NOK 000	Note	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Operating activities						
Loss before tax		-13 469	-14 208	-32 739	-28 925	-77 740
Non-cash adjustment to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment		481	393	962	1 012	1 895
Amortisation and impairment of intangible assets	9	2 575	863	5 146	873	24 297
Share option plan expense		888	1 488	1 916	2 989	4 877
Other items related to operating activities		-139	14	-164	243	-1 459
Net foreign exchange differences		39	-48	226	-107	-112
Movements in provisions and government grants		495	1 546	-2 740	-1 603	3 230
Working capital adjustments:						
Decrease (+) in trade and other receivables and prepayments		323	-552	718	-515	-560
Increase (-) in inventories		-287	-1 202	-1 526	-927	-356
Increase (+) in trade and other payables		636	-5 120	-2 518	-5 549	-4 718
Interest received	6	201	0	296	0	1 584
Interest paid	6	-18	-15	-39	-15	-107
Income tax paid		-55	-0	-108	-227	-367
Net cash flows used in operating activities		-8 330	-14 437	-30 569	-32 751	-49 538
Investing activities						
Purchase of property, plant and equipment		-50	0	-203	-10	-319
Development capital expenditures	7	0	-764	0	-2 068	-2 931
Receipt of government grants	8	0	0	0	0	526
Net cash flows from/(used in) investing activities		-50	-764	-203	-2 079	-2 724
Financing activities						
Proceeds from exercise of share options		685	0	685	0	0
Issue of share capital		50 000	0	50 000	0	0
Transaction costs on issue of shares		-2 857	0	-2 857	0	0
Repayment of lease liabilities		-308	-283	-613	-562	-1 120
Repayment of borrowings		0	-600	0	-600	-600
Net cash flows from/(used in) financing activities		47 520	-883	47 215	-1 162	-1 720
Net increase in cash and cash equivalents		39 140	-16 084	16 443	-35 992	-53 982
Effect of exchange rate changes on cash and cash equivalents		-65	32	39	-13	20
Cash and cash equivalents at the start of the period		50 870	107 470	73 463	127 424	127 424
Cash and cash equivalents at the end of the period		89 945	91 418	89 945	91 418	73 463