

Third quarter 2020 - Earnings presentation

23 October 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

- TLens included in a barcode scan engine product released to market
- Established project with a key player in the smartphone segment to make a prototype of a new version of TLens
- Generally good progress on customer cases
- End-user sales of smartwatches still lower than normal
- VAT registered from July 2020



poLight at a glance

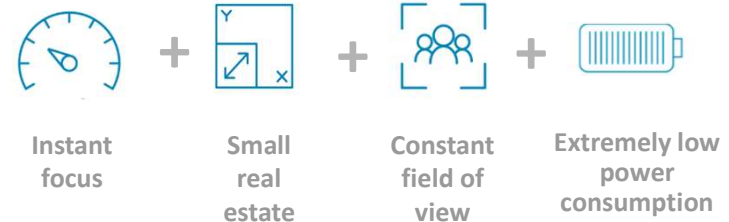
Background and description

- Developer of unique photographic lens for use in the mobile, barcode readers, 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
- 24 employees + consultants
- Headquartered in Horten, Norway, with offices in Finland, China, France and representation in Taiwan and Korea

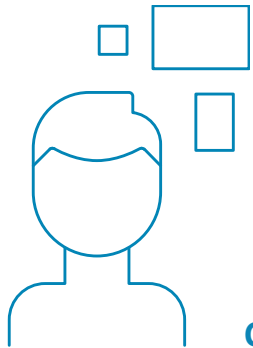
Geographical footprint



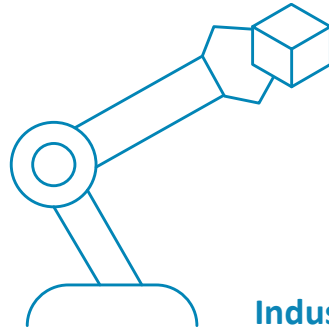
poLight enables unique use cases



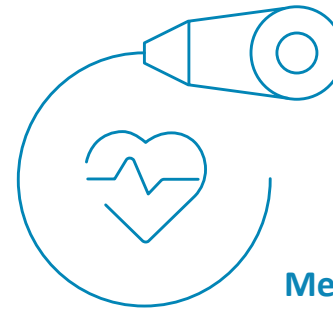
poLight's products well suited for multiple uses



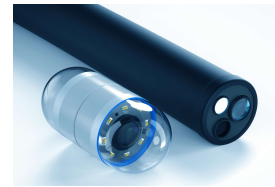
Consumer



Industrial



Medical

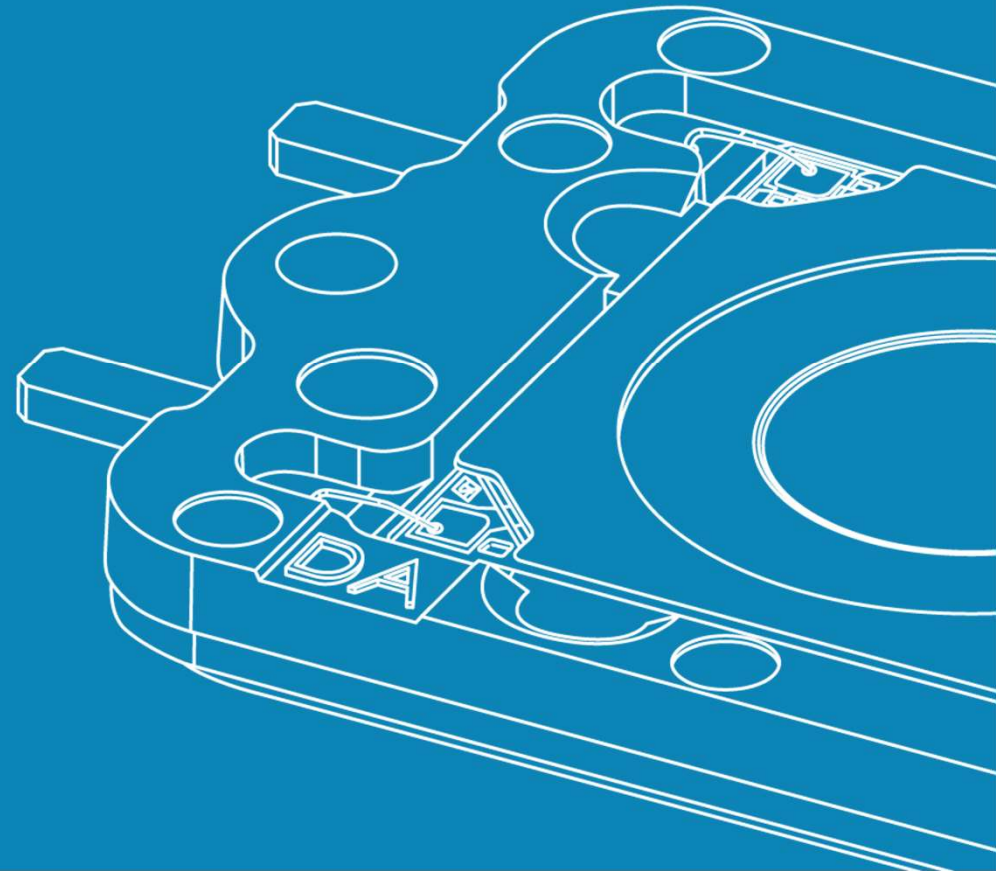


Automotive



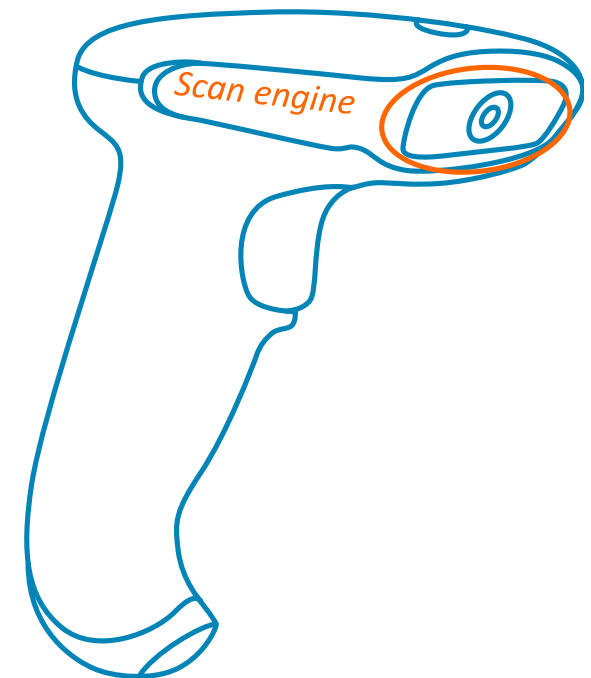


Operations and market review



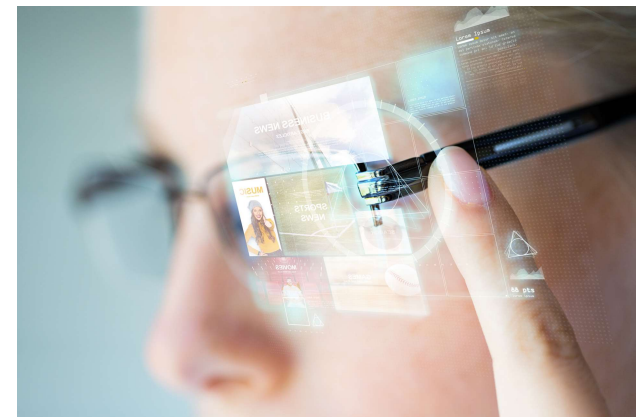
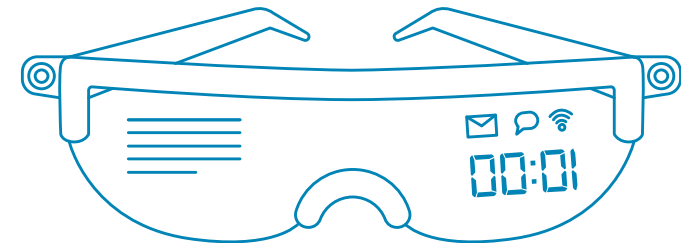
Barcode: Commercial breakthrough

- TLens included in a barcode scan engine for warehouse and distribution center operations
- Enables barcodes to be read at variable distances, using TLens for fast auto-focus
- The scan engine is intended for use in various barcode products
- Customer well recognised international player
- Low volume product
- Accumulated sales (units) has been 14000 (incl. dev&test phase)
- Initial market response has been good
- Involved in other barcode cases – one moving from PoC to project



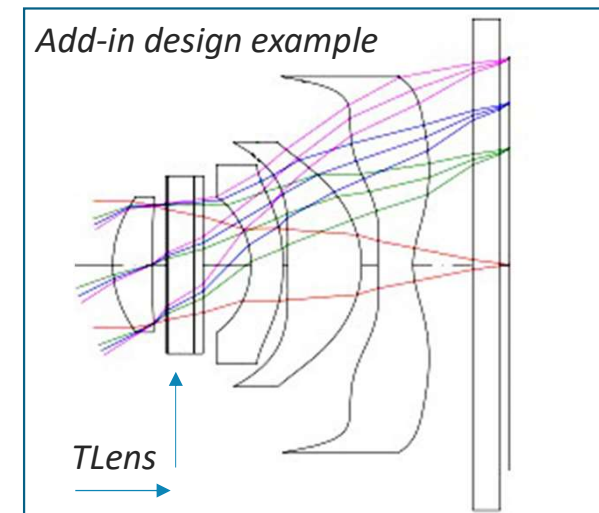
AR: TLens considered for next generation glasses by several OEM's – *one case moving from PoC to project*

- AR market is still at an early stage, with low volumes
- 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
- One of the customer cases moving from PoC to project
- Within reach to be included in an AR product to be released towards the end of 2021 (or later), depending on ongoing design work and successful testing
- This is potentially long term the most important consumer segment for poLight




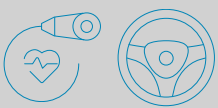
Smartphone: Good progress on Add-in & New customer during the quarter

- TLens used in an advanced add-in lens design to realise a compact nose front-facing camera with AF
 - Camera module supplier & OEM are heavily engaged
 - Good progress has been made during the quarter
 - Technically challenging project, but high-quality players are involved and their commitment seems to be strong
 - More OEM's indicates interest
 - Potential game changer
- Established project with a key player in the smartphone segment to make a prototype of a new version of TLens
 - Design work has been initiated
 - This will potentially lead to new opportunities for poLight's product family

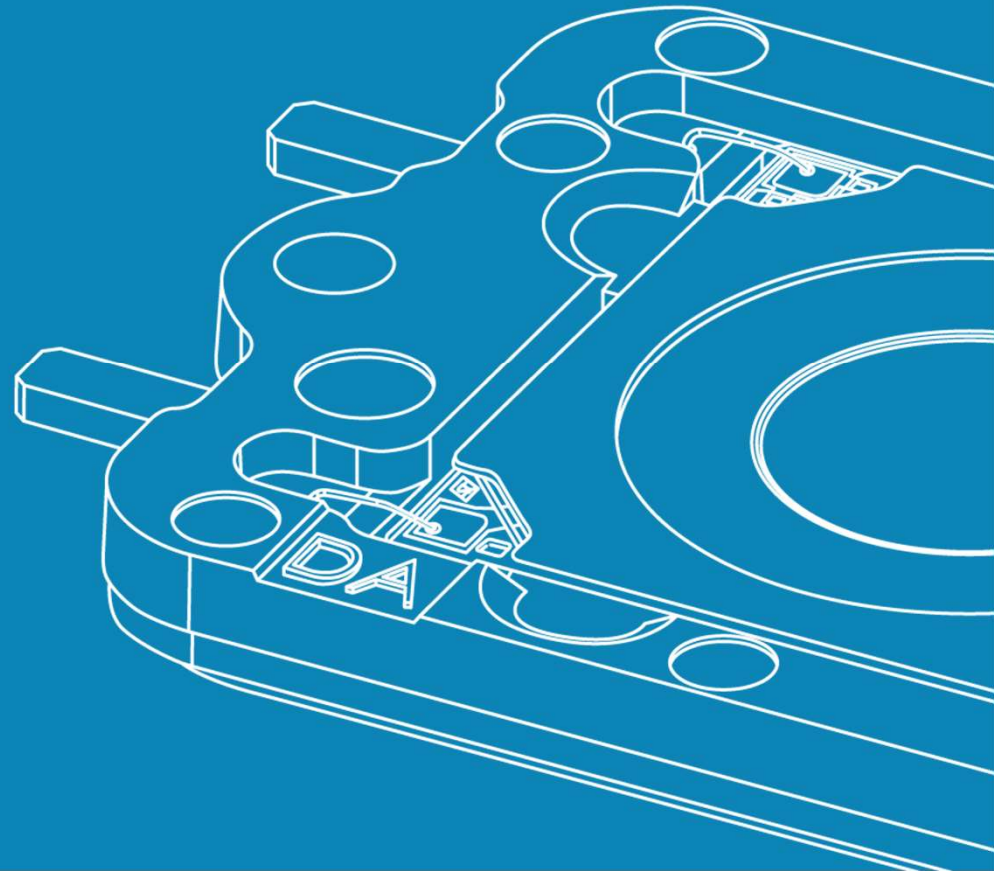


Progress within several market segments –

2 PoC moving towards real projects

		Ongoing supply	Project	Completed PoC	Ongoing PoC	Planning PoC
Consumer		2 (2)	1 (0)	12 (7)	11 (12)	8 (8)
Industrial		1 (0)	1 (1)	7 (3)	6 (8)	0 (1)
Other (e.g. medical / automobile)				1 (0)	4 (6)	0 (0)
		3 (2)	2 (1)	20 (10)	20 (26)	8 (9)

(x): last quarter number



Financial review

Key financials

Income statement

<i>(in NOK million)</i>	Q3 2020	Q3 2019	FY 2019
Revenue	0.6	0.4	3.0
Cost of sales	-0.1	-0.4	-2.1
Research and development expenses	-5.6	-5.1	-19.9
Sales and marketing expenses	-0.1	-2.1	-8.7
Administrative expenses	4.0	-3.0	-17.1
Operational / supply chain expenses	-1.5	-1.6	-8.2
EBITDA	-2.7	-11.7	-53.0

- Revenue from delivery of TLens, ASICs and services to customers
- EBITDA loss of NOK -2.7 million vs. loss of NOK -11.7 million in Q3 2019
 - VAT receivables of NOK +8.2
 - Reduced salary expenses of NOK +1.9 million due to reduced head count
 - Bonus of NOK -1.4 million (incl. social sec.)

Balance sheet summary

<i>(in NOK million)</i>	Q3 2020	Q3 2019	FY 2019
Intangible assets	46.2	74.7	53.9
Inventories	9.5	8.5	7.7
Cash and cash equivalents	79.4	79.9	73.5
Total equity	140.5	162.0	128.4
Total current liabilities	13.5	13.5	15.9
Total non-current liabilities	0.5	1.1	0.8
Total equity and liabilities	154.5	176.5	145.0

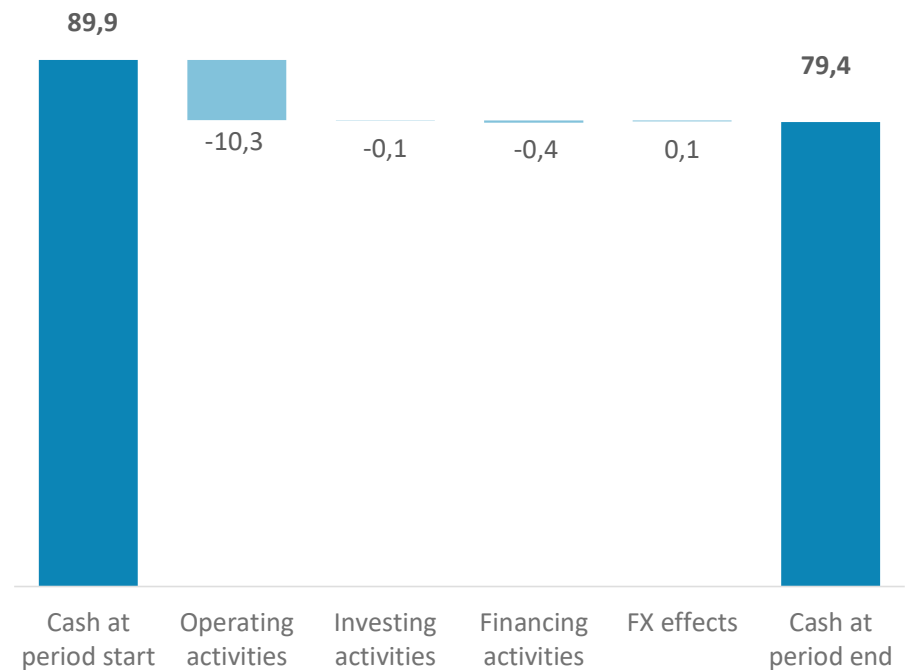
- Cash position of NOK 79.4 million, compared with NOK 79.9 million at Q3 2019
- Current cash position could potentially fund the company into 2022

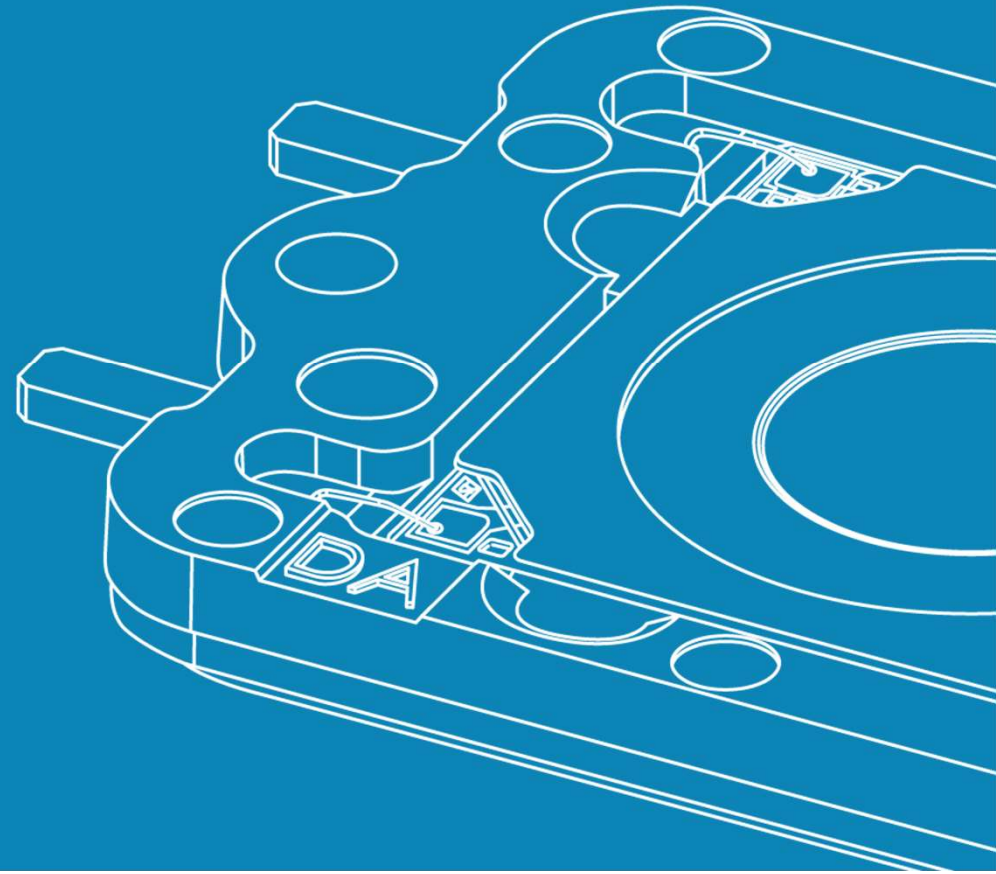
Cash Flow

- Q3 cash used in operating activities was NOK 10.3 million, compared with NOK 10.9 million in Q3 2019
- Q3 cash used in investing activities was NOK 0.1 million
- Q3 cash used in financing activities was NOK 0.4 million
- Q3 net decrease in cash was NOK 10.7 million

Q3 2020 cash flow development

(NOK million)



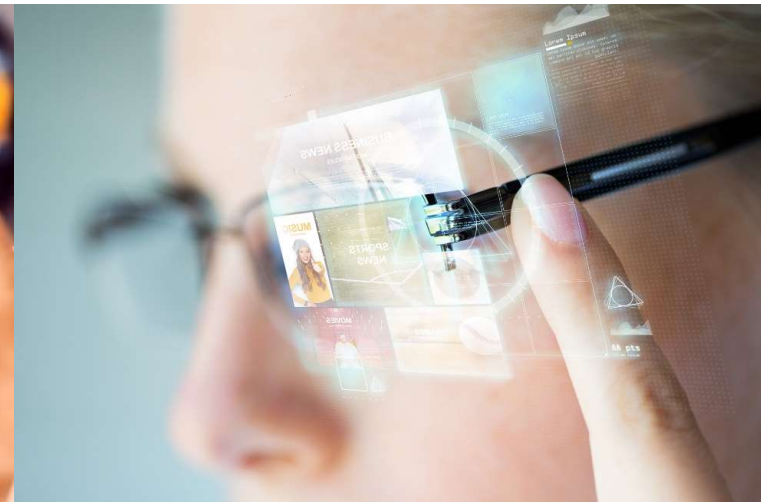


Outlook

Outlook

- Since the last quarterly report
 - the company has established its first commercial reference in the barcode market
 - established customer project in the smartphone segment
 - achieved significant progress in several PoC's (e.g. add-in)
- In the opportunity pipeline are already
 - new consumer cases, incl. smartphone and AR
 - additional professional use cases
- Potential new products and solutions may add to the company's opportunity pipeline
- Expect to continue making headway going forward
- Current cash deposits could potentially fund group activities into 2022.

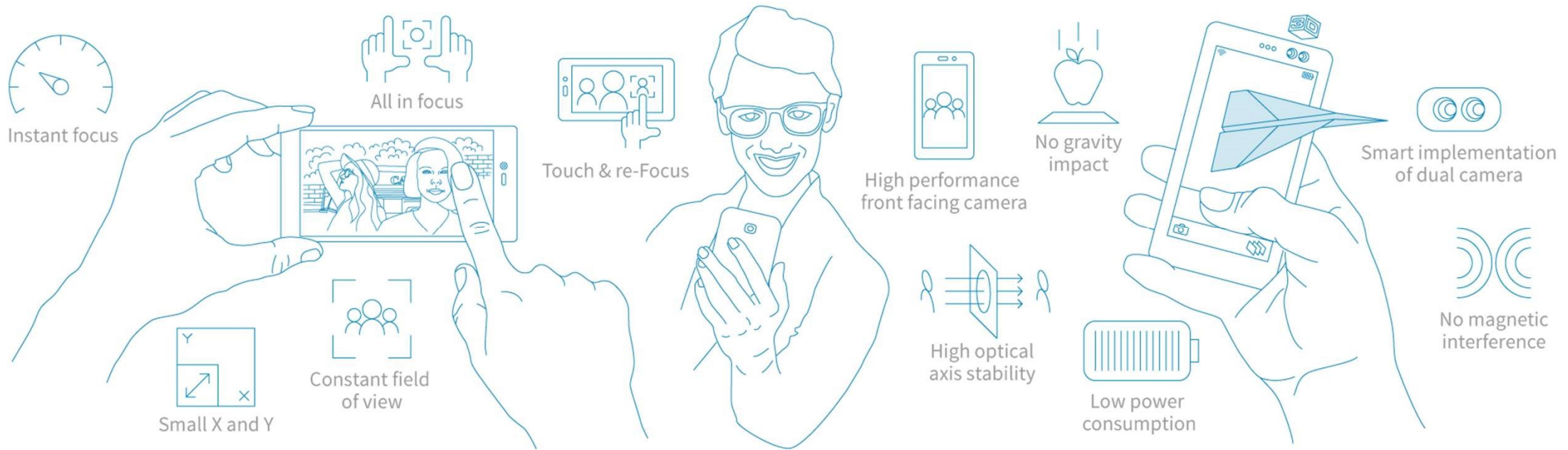




Next event:
Q4-20 - 19 February 2021



Appendix



Management Team



Dr. Øyvind Isaksen

Chief Executive Officer

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Chief Financial Officer

Bekkevik is a senior executive with a background from Arthur Andersen (E&Y), Wallendahl, Fjord Line, Grenland Group, and, most recently, as VP Finance for Wood Group Norway AS. He holds a master's degree in business & economics (Siviløkonom) from NHH, and is a certified public accountant.



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	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Revenue		617	423	1 775	971	2 988
Cost of sales		-122	-355	-316	-740	-2 075
Gross profit		495	68	1 459	231	913
Research and development expenses net of governmental grants	7,8	-5 568	-5 055	-15 095	-16 220	-19 874
Sales and marketing expenses		-136	-2 112	-4 309	-6 206	-8 729
Administrative expenses	11	4 045	-2 985	-4 696	-11 598	-17 073
Operational / supply chain expenses		-1 544	-1 642	-6 639	-5 533	-8 216
Operating result before depreciation and amortisation (EBITDA)		-2 709	-11 725	-29 279	-39 326	-52 979
Depreciation, amortisation and net impairment losses	9	-3 012	-2 980	-9 121	-4 864	-26 191
Operating result (EBIT)		-5 721	-14 705	-38 400	-44 191	-79 170
Net financial items	6	138	249	79	809	1 430
Loss before tax		-5 583	-14 456	-38 321	-43 381	-77 740
Income tax expense		-4	-72	-21	-74	-124
Loss for the period		-5 587	-14 528	-38 343	-43 456	-77 864
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-0.62	-1.79	-4.51	-5.35	-9.59
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0.62	-1.78	-4.51	-5.35	-9.59

Balance sheet

NOK 000	Note	Q3 2020	Q3 2019	FY 2019
ASSETS				
Property, plant and equipment		983	1 229	1 235
Intangible assets	9	46 217	74 697	53 936
Right-of-use assets		1 510	2 221	1 923
Total non-current assets		48 711	78 148	57 094
Inventories		9 547	8 535	7 728
Trade and other receivables	11	16 563	9 655	6 147
Other current assets		327	290	565
Cash and cash equivalents		79 364	79 907	73 463
Total current assets		105 802	98 388	87 903
Total assets		154 512	176 535	144 997
EQUITY AND LIABILITIES				
Issued capital		1 810	1 623	1 623
Share premium		171 932	198 748	124 385
Other equity		-33 280	-38 411	2 369
Equity attributable to equity holders of the parent		140 461	161 960	128 378
Non-controlling interests		0	0	0
Total equity		140 461	161 960	128 378
Lease liabilities		552	1 082	766
Total non-current liabilities		522	1 082	766
Trade and other payables		11 279	11 100	11 911
Current lease liabilities		1 061	1 204	1 241
Provisions	11	1 189	1 189	2 701
Total current liabilities		13 529	13 493	15 853
Total liabilities		13 529	14 575	16 619
Total equity and liabilities		154 512	176 535	144 997

Cash flow

NOK 000	Note	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Operating activities						
Loss before tax		-5 583	-14 456	-38 321	-43 382	-77 740
Non-cash adjustment to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment		439	409	1 402	1 422	1 895
Amortisation and impairment of intangible assets	9	2 573	2 571	7 719	3 443	24 297
Share option plan expense		483	1 025	2 399	4 014	4 877
Other items related to operating activities		3	-188	-161	56	-1 489
Net foreign exchange differences		-98	5	128	-102	-112
Movements in provisions and government grants		461	718	-2 279	-885	3 230
Working capital adjustments:						
Increase (-) in trade and other receivables and prepayments	11	-10 105	78	-9 387	-437	-560
Increase (-) in inventories		-293	-237	-1 819	-1 164	-356
Increase (+) in trade and other payables		1 861	-959	-657	-6 508	-4 718
Interest received	6	41	257	337	257	1 613
Interest paid	6	-16	-24	-55	-39	-107
Income tax paid		-52	-106	-160	-333	-367
Net cash flows used in operating activities		-10 286	-10 907	-40 855	-43 658	-49 538
Investing activities						
Purchase of property, plant and equipment		-52	-128	-255	-138	-319
Development capital expenditures	7	0	-245	0	-2 313	-2 931
Receipt of government grants	8	0	0	0	0	526
Net cash flows from/(used in) investing activities		-52	-373	-255	-2 451	-2 724
Financing activities						
Proceeds from exercise of share options		53	0	738	0	0
Issue of share capital		0	0	50 000	0	0
Transaction costs on issue of shares		-148	0	-3 005	0	0
Repayment of lease liabilities		-275	-279	-888	-841	-1 120
Repayment of borrowings		0	0	0	-600	-600
Net cash flows from/(used in) financing activities		-370	-279	46 845	-1 441	-1 720
Net increase in cash and cash equivalents		-10 708	-11 559	5 735	-47 551	-53 982
Effect of exchange rate changes on cash and cash equivalents		127	47	166	34	20
Cash and cash equivalents at the start of the period		89 945	91 418	73 463	127 424	127 424
Cash and cash equivalents at the end of the period		79 364	79 907	79 364	79 907	73 463