



# Third quarter 2019

Earnings presentation  
24 October 2019



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# Today's agenda

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

## Presenting

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### Dr. Øyvind Isaksen

#### *Chief Executive Officer*

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



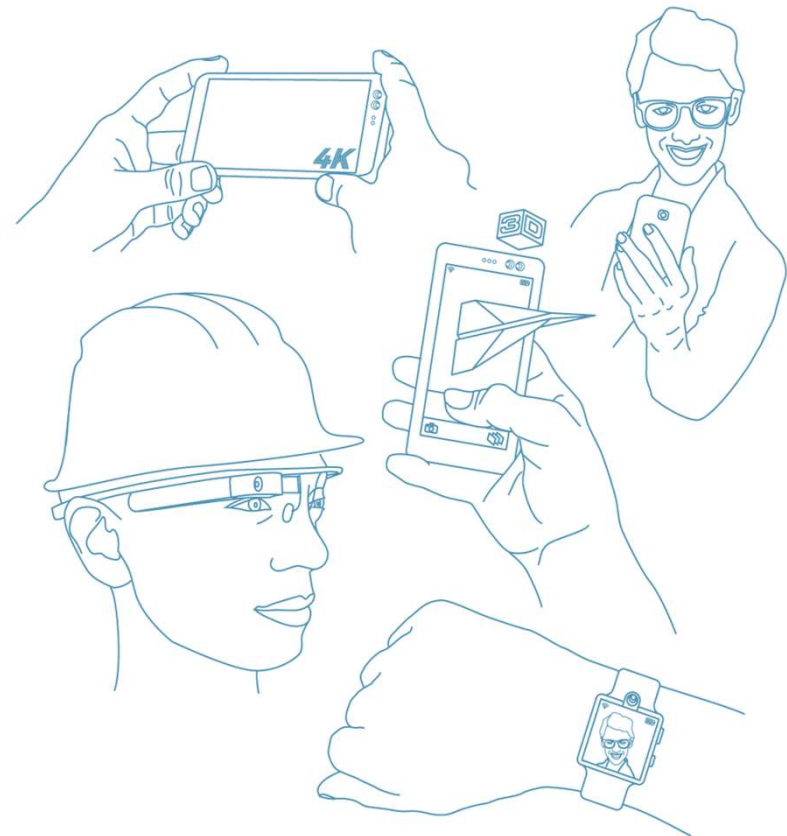
### Alf Henning Bekkevik

#### *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 authorised public auditor & accountant.

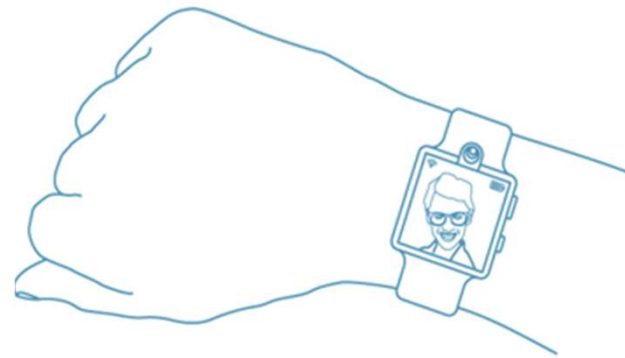
# Key events

- Several product-specific projects progressing related to wearables, smartphone and barcode applications
- Increased probability of a design-win in late 2019 or early 2020
- Record deliveries of TLens and ASIC drivers related to a wearable device
- Additional purchase orders for the same project received in October



# Progressing towards market launch for wearable device

- Order for 33,320 units of TLens Silver and 30,000 ASIC drivers received in Q3
- Two follow-up orders received in October totalling 45,700 units of TLens and 48,000 ASIC drivers
- Lenses and drivers to be used in PVT\* and to prepare for market launch
- PVT represents last stage before potential design-win and mass production
- Project remains subject to potential changes for various technical and market related reasons



*\*) EVT : engineering verification test, DVT : design verification test, PVT : product verification test*

# 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, 9 pending applications and 3 registered trademarks
- 29 employees + consultants
- Headquartered in Horten, Norway, with offices in Finland, France and China, and representation in Taiwan and Korea

## Geographical footprint



## poLight enables unique use cases



Instant focus

+



Small real estate

+



Constant field of view



# poLight's technology well suited for multiple applications



## Smartphone

- Large addressable market, billions of cameras produced for the smartphone industry each year
- TLens supporting several relevant trends in the smartphone market:
  - Higher image and video quality
  - Front camera with autofocus (AF)
  - High-frame-rate video cameras
  - Biometric (3D, structured light, face ID)
  - Multi camera solutions
  - 5G



## Barcode

- Evolving from 1D laser to 2D imaging barcode readers
- Lasers replaced by camera systems. Autofocus will improve efficiency in scanning and portfolio
- Barcode technology spreading to new industries



## Augmented Reality (AR) / Wearable

- Augmented reality and wearable represent potential mass-market applications
- AR technology depends on sharp image being projected onto the eye glasses independent to where the eye focus. Hence need for low power autofocus technology
- Wearable initially focused on growing smartwatch/ wristwear markets

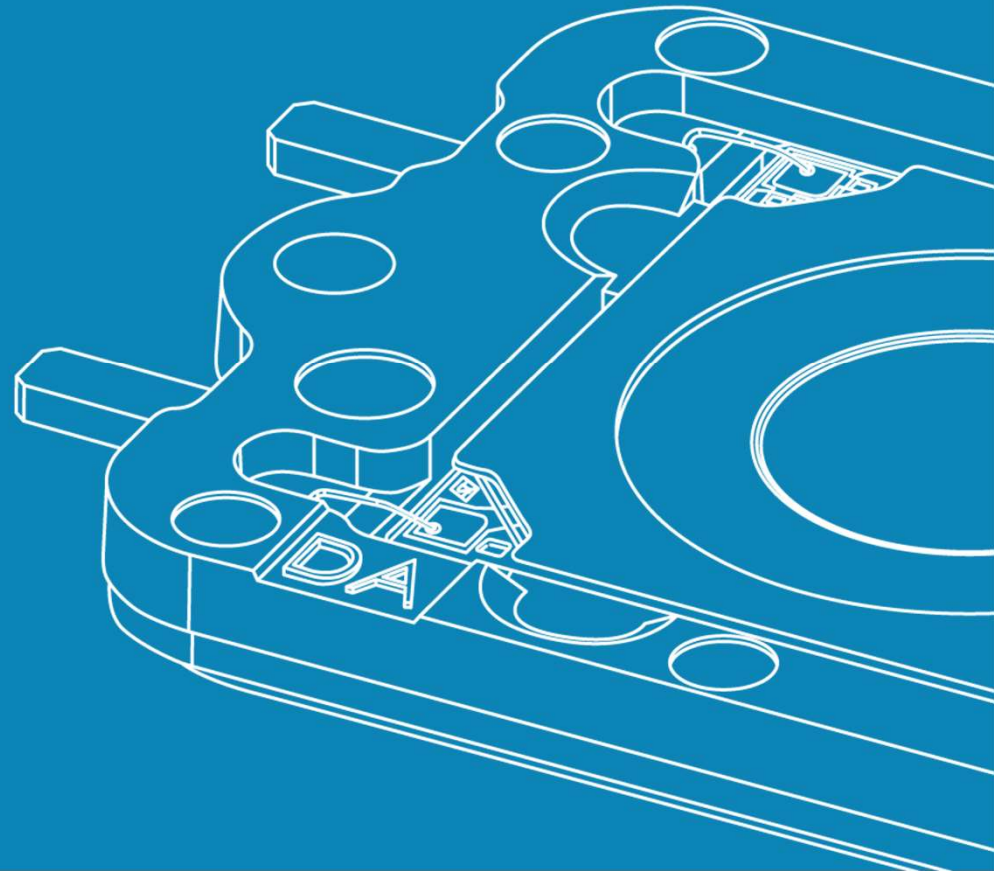


## Other

- New opportunities emerging and may represent significant potential
- Machine vision, medical, drones, automobile, smartphone image-sensors and video conferencing etc. are examples of potential new opportunities for poLight's technology



# Operations and market review





# poLight involved in real project for smartphone

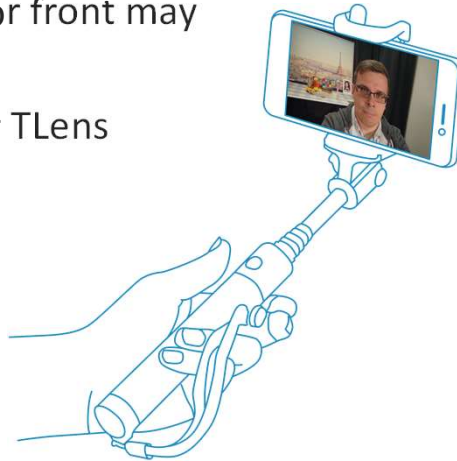
- From PoC to real product project
- Designed into front facing camera for next release
- Currently at EVT stage (*i.e.* planned to be used)
- EVT camera-modules shipped and to be tested at phone level
- Planned market release mid-2020



# Smartphone market will need AF in selfie camera

- Bezel-free screens likely to impose implementation challenges for all technologies
- Industry ratings (DXOMARK<sup>1</sup>) may balance bezel-free focus and camera score
- poLight continues to promote new advanced compact design
- First phone release including TLens AF for front may trigger additional demand
- 5G likely to create new opportunities for TLens

1) DXOMARK is the leading source of independent audio and image quality measurements and ratings for smartphone, camera and lens



# Summing up smartphone related activities

- One vendor in Engineering Verification Test (EVT) phase for a specific smartphone project
- 5 PoCs technically finalised
- Most PoCs completed with overall good feedback
- Two new PoCs started in Q3

Market segment	PoC	Completed PoC	EVT/ DVT/ PVT	Design Win
Smartphone	8	5	1	

# poLight involved in real project for barcode

- TLens designed into next generation long range scanner product to improve AF performance
- Currently at EVT stage
- Ordered 700 TLens samples
- Planned market release mid-2020
- Product life time estimated to 5+ years



Source: Panatrack homepage

# Potential diversification through multiple usages

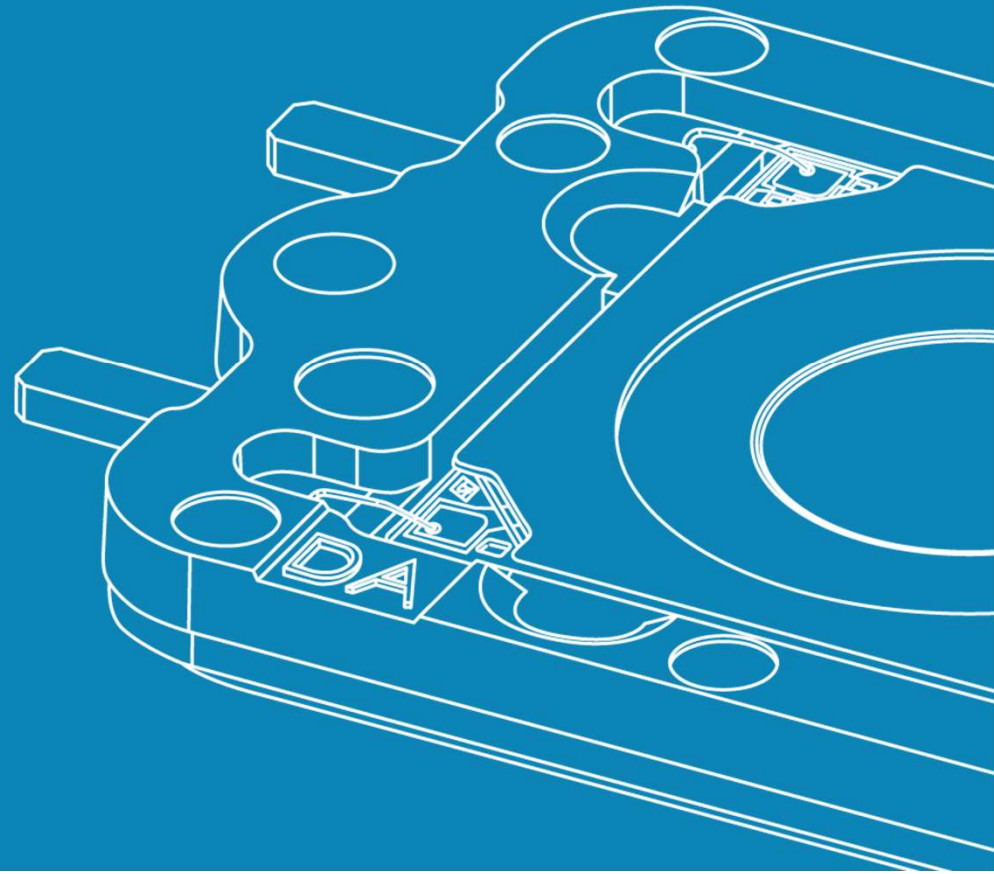
- Barcode
  - Five ongoing PoCs with positive technical results
  - One barcode maker started a real product project
  - Two more considering real product projects
- Augmented Reality (AR) / Wearable
  - Four ongoing AR PoC. Progress unknown
  - Two additional companies considering PoCs
  - Two smartwatch PoCs have delivered positive results of which one has matured to PVT
- Other
  - Five medical use-cases under development, two have bought eval. kits and three ongoing PoC/planned PoC
  - One ongoing PoC and two under planning in other industrial application areas

Market segment	#bought TLens/Eval kit	Planning PoC	PoC	EVT/DVT/PVT	Design Win
Barcode	4		5	1	
AR	5	2	4		
Machine vision	1		1		
Smartwatch/wearable	2		1	1	
Medical/other	2	1	2		





Financial  
review



# Key financials

## Income statement

<i>(NOK million)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>FY 2018</b>
Revenue	0.42	0.3	1.0
Cost of sales	-0.35	-0.4	-1.5
Research and development expenses	-5.05	-6.5	-28.9
Sales and marketing expenses	-2.11	-1.7	-7.6
Administrative expenses	-2.98	-22.5	-35.8
Operational / supply chain expenses	-1.64	-0.4	-3.4
<b>EBITDA</b>	<b>-11.73</b>	<b>-31.2</b>	<b>-76.1</b>

- Revenue from delivery of TLens, ASICs and evaluation kits to potential customers
  - Order in Q3 related to a project progressing from PoC to EVT phase
  - 15,533 TLens units and 32,250 PDA50 drivers delivered in Q3 to potential customers
- EBITDA loss of NOK -11.7 million vs. loss of NOK -31.2 million in Q3 2018
  - Decrease in R&D expenses
  - Comparable figures for the previous year distorted by VAT claim and IPO-related expenses

## Balance sheet summary

<i>(NOK million)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>FY 2018</b>
Intangible assets	74.7	73.7	75.8
Cash and cash equivalents	79.9	167.6	127.4
<b>Total equity</b>	<b>162.0</b>	<b>210.6</b>	<b>201.5</b>
<b>Total current liabilities</b>	<b>13.5</b>	<b>48.3</b>	<b>18.1</b>
<b>Total non-current liabilities</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Total equity and liabilities</b>	<b>176.5</b>	<b>258.9</b>	<b>219.5</b>

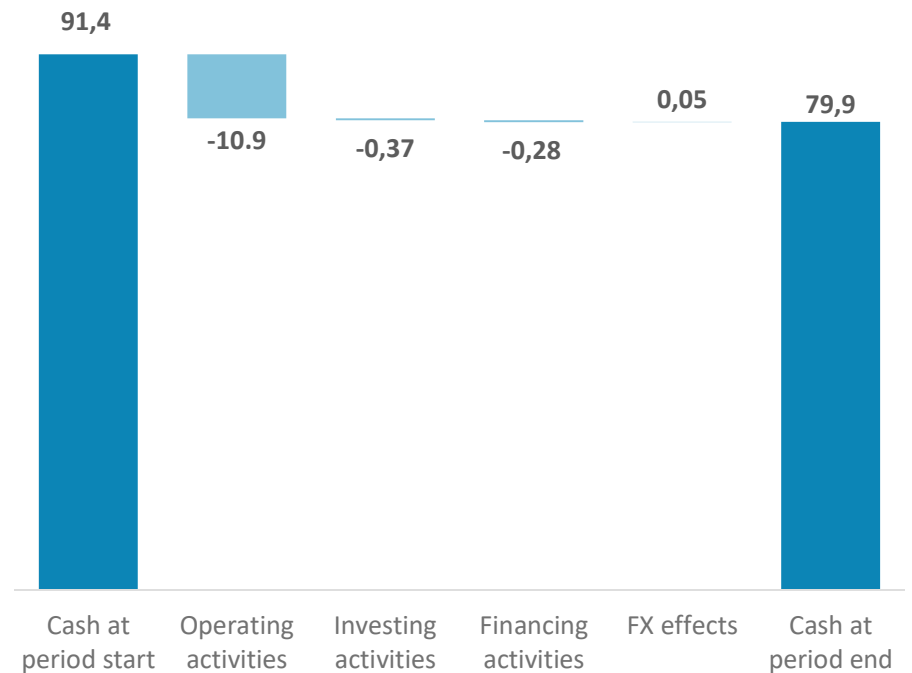
- Cash position of NOK 79.9 million, compared with NOK 127.4 million at year-end 2018

# Funded to drive TLens commercialisation

- Q3 cash used in operations was NOK 10.9 million
- Q3 cash used in investing activities was NOK 0.4 million
- Q3 net decrease in cash was NOK 11.6 million

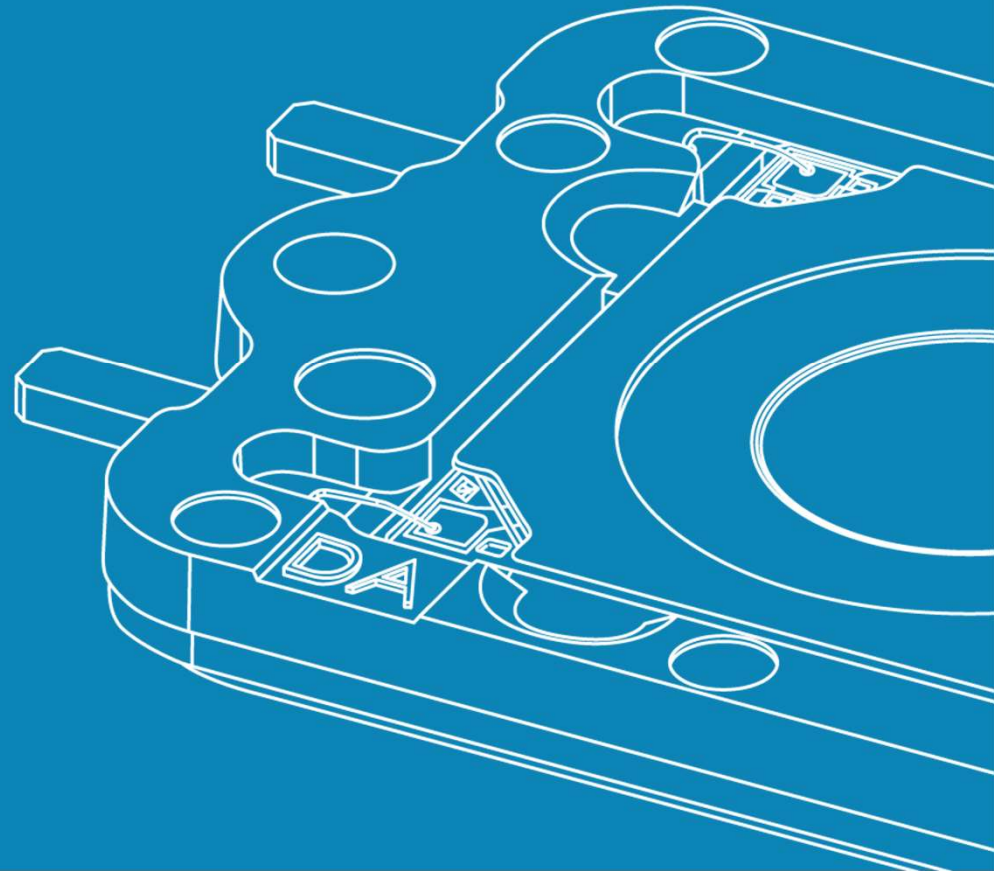
## Q3 2019 cash flow development

(NOK million)



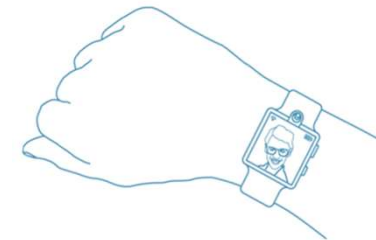


Outlook



# Outlook

- Three projects related to wearables, smartphones and barcode progressing towards potential mass production
  - Two follow-up orders for a wearable project received
  - EVT camera shipped to customer for phone level test
  - Sample order for a barcode project in EVT phase received
- Increased probability of a design-win in late 2019 or early 2020
- In the near future less resources to be allocated to product development as the TLens technology has completed qualifications and become mass production ready
- Focus shift towards manufacturing, delivery and customer support





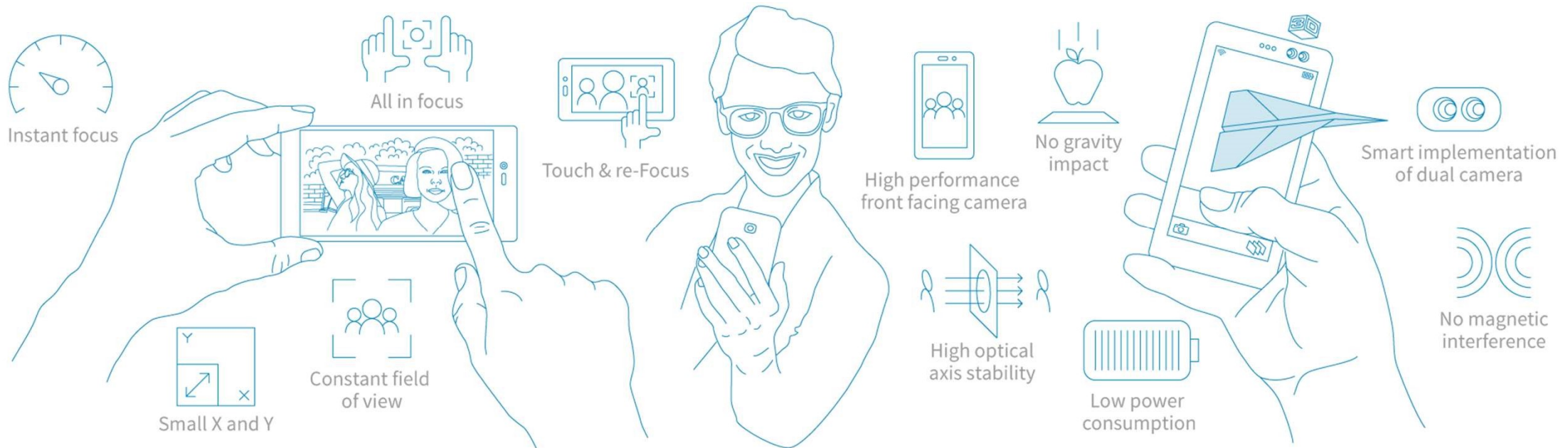
A man and a woman are sitting closely together on a rocky outcrop, smiling at the camera. The woman is wearing a red jacket and a black cap, while the man is wearing a yellow puffer jacket. They are overlooking a scenic landscape with a lake, mountains, and a sunset sky. The text 'Q&A' is overlaid on the left side of the image.

# Q&A

Next events:  
Q4-19 - 14 February 2020



# Appendix



# Management Team



**Dr. Øyvind Isaksen**

*Chief Executive Officer*

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



**Alf Henning Bekkevik**

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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 authorised public auditor & accountant.



**Pierre Craen**

*Chief Technology Officer*

Craen has more than 20 years experience in opto-mechanical system engineering. Prior to joining poLight, he managed product development teams at Varioptic, Barco and Motorola/Symbol. Craen holds a M.Sc. degree in optical engineering from Sup-Optic and a M.Sc. 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*

*Mr. Bergsmyr is Partner in Viking Venture since 2009. Bergsmyr was previously CEO of the Norwegian start-up Nacre AS, sold in 2007 to Sperian Protection and recognized as the Nordic Venture Exit of the Year. Prior to this, Bergsmyr acquired some extensive industrial experience from Siemens Telecom and Siemens Electrical Heating. He holds a MSc from NTNU.*



## **Ann-Tove Kongsnes** - *Deputy Chairman*

Ms. Kongsnes is an Investment Director and Head of International Affairs at Investinor AS. Kongsnes has over her career gained extensive experience from investments, development, M&A, IPO's and exits of technology companies. Before this, she worked 7 years in international marketing, serving as Director of Marketing and Operations. Kongsnes has broad boardroom experience, and currently serves on the boards of Investinor's portfolio companies, Numascale AS, Vitux AS, Calliditas Therapeutics AB, Spinchip Diagnostics AS, Curida AS in addition to Polight AS. She holds an MSc in Economics and Business Administration from Bodø University College, and has completed the Advanced Program in Corporate Finance at Norwegian School of Economics (NHH).



## **Grethe Viksaas** - *Board member, independent*

Ms. Viksaas has a long career from the Northern European managed service provider company Basefarm AS, both as CEO, and later as working chair of the board of directors. Prior to this, Viksaas served as CEO for SOL System AS and Infostream ASP. Viksaas has experience from numerous board positions, including Zenitel Group and ICT Norway. She is currently Chair of the Board in the foundation Norsk Regnesentral (Norwegian Computing Center) and non-executive Director in the boards of Telenor ASA and Crayon Group. She also serves as board member in 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. Juha's entire career has been about developing cameras. Before joining Axon in 2018, he worked in Nokia and Microsoft, and he developed several pioneering camera solutions, such as oversampling (the 41 megapixel camera), optical image stabilizer, and virtual reality technology. Juha 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.



# Interim consolidated statement of income (unaudited)

<i>NOK 000</i>	Note	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
<b>Revenue</b>		<b>423</b>	<b>255</b>	<b>971</b>	<b>505</b>	<b>1 038</b>
Cost of sales		-355	-404	-740	-1 409	-1 488
<b>Gross profit</b>		<b>68</b>	<b>-149</b>	<b>231</b>	<b>-904</b>	<b>-450</b>
Research and development expenses	7	-5 055	-6 484	-16 220	-22 930	-28 918
Sales and marketing expenses		-2 112	-1 705	-6 206	-5 467	-7 586
Administrative expenses		-2 985	-22 468	-11 598	-29 468	-35 770
Operational / supply chain expenses		-1 642	-414	-5 533	-1 888	-3 384
Depreciation, amortisation and net impairment losses	8	-2 980	-251	-4 865	-791	-1 025
<b>Operating profit</b>		<b>-14 705</b>	<b>-31 471</b>	<b>-44 191</b>	<b>-61 448</b>	<b>-77 133</b>
Net financial items	6	249	-480	809	-65	211
<b>Profit before tax</b>		<b>-14 456</b>	<b>-31 952</b>	<b>-43 382</b>	<b>-61 512</b>	<b>-76 922</b>
Income tax expense		-72	22	-74	-155	-243
<b>Profit for the period</b>		<b>-14 528</b>	<b>-31 930</b>	<b>-43 456</b>	<b>-61 667</b>	<b>-77 165</b>
<b>Attributable to:</b>						
Equity holders of the parent		-14 528	-31 930	-43 456	-61 667	-77 165
Non-controlling interests		0	0	0	0	0
<b>Earnings per share:</b>						
Basic. attributable to ordinary equity holders of the parent (NOK)		-1.79	-5.89	-5.35	-11.37	-13.28
Diluted. attributable to ordinary equity holders of the parent (NOK)		-1.78	-5.89	-5.35	-11.37	-13.28



# Balance sheet (unaudited)

NOK 000	Note	Q3 2019	Q3 2018	FY 2018
<b>ASSETS</b>				
Property, plant and equipment		1 229	1 613	1 605
Right-of-use assets		2 221	0	0
Intangible assets	8	74 697	73 670	75 829
<b>Total non-current assets</b>		<b>78 148</b>	<b>75 283</b>	<b>77 434</b>
Inventories		8 535	7 495	7 372
Trade and other receivables		9 655	8 021	6 399
Other current assets		290	521	901
Cash and cash equivalents		79 907	167 611	127 424
<b>Total current assets</b>		<b>98 388</b>	<b>183 647</b>	<b>142 095</b>
<b>Total assets</b>		<b>176 535</b>	<b>258 930</b>	<b>219 529</b>
<b>EQUITY AND LIABILITIES</b>				
Issued capital		1 623	1 605	1 623
Share premium		198 748	266 265	198 748
Other equity		-38 411	-57 226	1 085
<b>Equity attributable to equity holders of the parent</b>		<b>161 960</b>	<b>210 644</b>	<b>201 456</b>
Non-controlling interests		0	0	0
<b>Total equity</b>		<b>161 960</b>	<b>210 644</b>	<b>201 456</b>
Lease liabilities		1 082	0	0
<b>Total non-current liabilities</b>		<b>1 082</b>	<b>0</b>	<b>0</b>
Trade and other payables		11 100	43 190	15 172
Interest-bearing loans and borrowings		0	1 200	600
Current lease liabilities		1 204	0	0
Income tax payable		0	155	225
Provisions		1 189	3 741	2 076
<b>Total current liabilities</b>		<b>13 493</b>	<b>48 286</b>	<b>18 073</b>
<b>Total liabilities</b>		<b>14 575</b>	<b>48 286</b>	<b>18 073</b>
<b>Total equity and liabilities</b>		<b>176 535</b>	<b>258 930</b>	<b>219 529</b>

# Cash flow (unaudited)

NOK 000	Note	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
<b>Operating activities</b>						
Profit before tax		-14 456	-31 952	-43 382	-61 512	-76 922
Non-cash adjustment to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment		409	242	1 422	763	966
Amortisation and impairment of intangible assets		2 571	9	3 443	27	59
Share option plan expense		1 025	1 028	4 014	3 199	4 719
Other items related to operating activities		-188	-146	56	-242	-300
Net foreign exchange differences		5	-33	-102	-97	-183
Movements in provisions and government grants		718	-1 671	1 466	-2 338	-3 456
Working capital adjustments:						
Decrease (+) in trade and other receivables and prepayments		78	1 028	-791	-1 588	532
Increase (-) in inventories		-237	-3 946	-1 164	-5 713	-5 591
Decrease (-) in trade and other payables		-959	25 714	-8 505	29 520	57
Interest received	6	257	204	257	271	1 057
Interest paid	6	-24	0	-39	-42	-740
Income tax paid		-106	0	-333	-91	-118
<b>Net cash flows from operating activities</b>		<b>-10 907</b>	<b>-9 524</b>	<b>-43 658</b>	<b>-37 844</b>	<b>-79 919</b>
<b>Investing activities</b>						
Purchase of property, plant and equipment		-128	-81	-138	-542	-749
Development capital expenditures	7	-245	-1 834	-2 313	-6 273	-10 433
Receipt of government grants		0	0	0	0	1 989
<b>Net cash flows used in investing activities</b>		<b>-373</b>	<b>-1 915</b>	<b>-2 451</b>	<b>-6 814</b>	<b>-9 193</b>
<b>Financing activities</b>						
Issue of share capital		0	130 000	0	130 000	134 689
Transaction costs on issue of shares		0	-10 709	0	-10 709	-10 709
Repayment of lease liabilities		-279	0	-841	0	0
Repayment of borrowings		0	0	-600	-600	-1 200
<b>Net cash flows from/(used in) financing activities</b>		<b>-279</b>	<b>119 291</b>	<b>-1 441</b>	<b>118 691</b>	<b>122 780</b>
Net increase in cash and cash equivalents		-11 559	107 852	-47 551	74 033	33 667
Effect of exchange rate changes on cash and cash equivalents		47	-33	34	-78	110
Cash and cash equivalents at the start of the period		91 418	59 792	127 424	93 656	93 648
<b>Cash and cash equivalents at the end of the period</b>		<b>79 907</b>	<b>167 611</b>	<b>79 907</b>	<b>167 611</b>	<b>127 424</b>