

# Fourth quarter 2019 - Earnings presentation

14 February 2020



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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

- First commercial product launched in January with poLight TLens enabling advanced auto focus (AF) in new smartwatch phone
- Second commercial product launched in February, also with advanced TLens autofocus function in a new smartwatch phone
- Several other customer cases progressing in different market segments
- Increased probability of additional design-wins in 2020
- Record deliveries of TLens and ASIC drivers in the fourth quarter to support smartwatch phone launches





# poLight at a glance

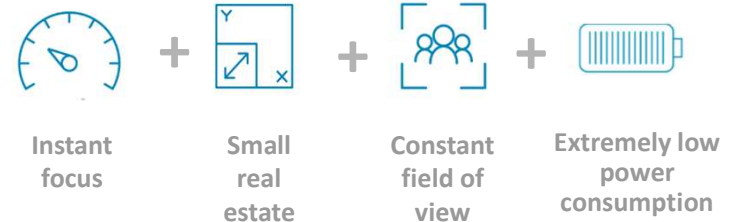
## Background and description

- 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
- 22 employees + consultants
- Headquartered in Horten, Norway, with offices in Finland, China, France and representation in Taiwan and Korea

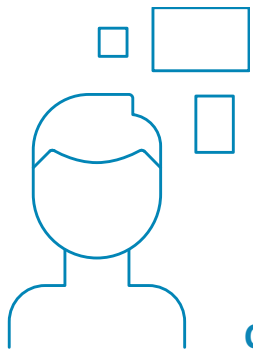
## Geographical footprint



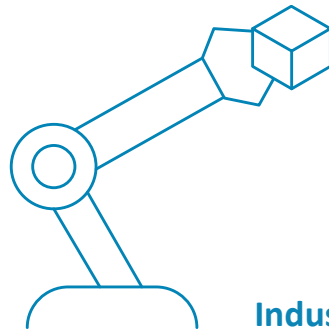
## poLight enables unique use cases



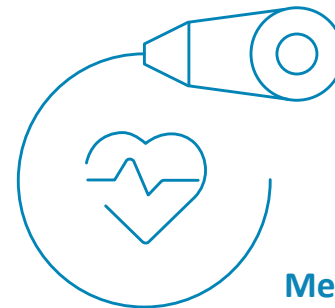
# poLight's products well suited for multiple uses



Consumer



Industrial



Medical

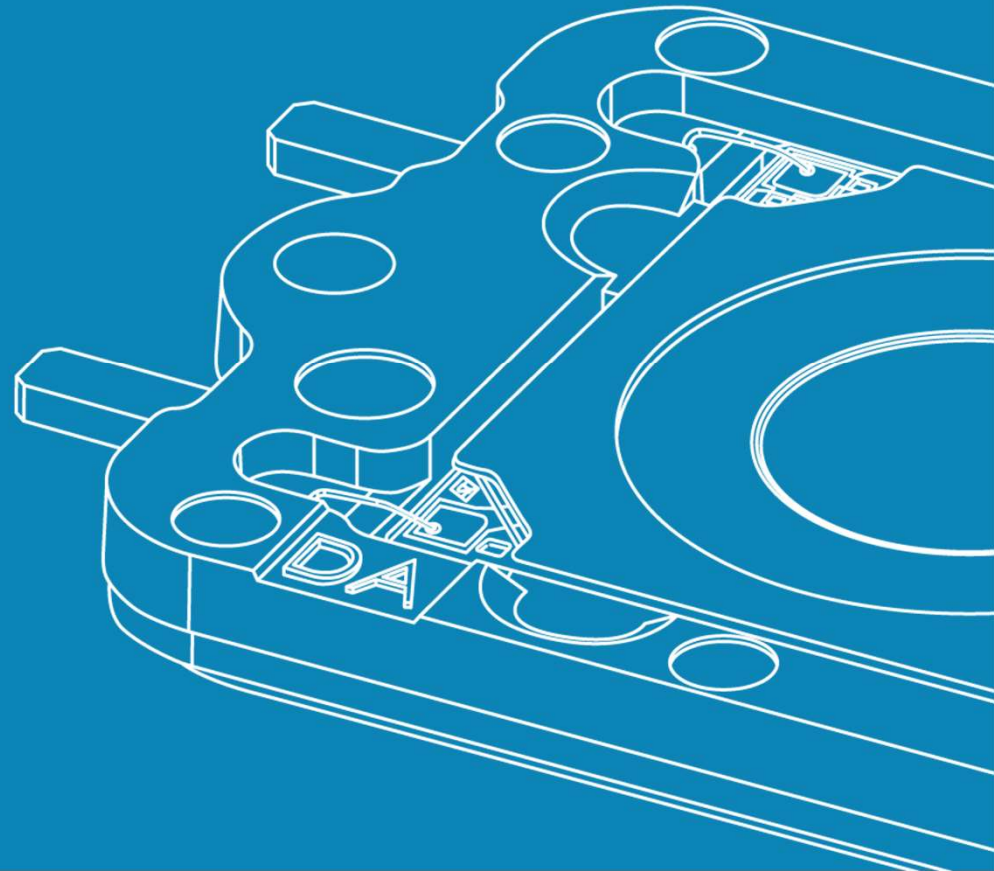


Automotive



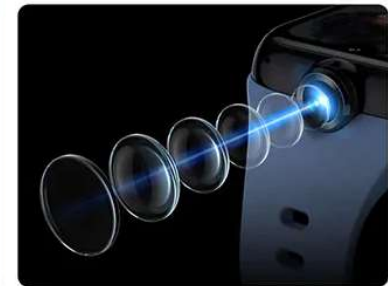


# Operations and market review



# Commercial breakthrough in smartwatch phone segment

- First smartwatch phone with advanced autofocus functionality based on poLight TLens
- Children's smartwatch phone with two cameras designed for the Chinese market
- The main camera used to take pictures uses advanced AF delivered by poLight
- Secondary is an in-screen face camera without AF





## Pictures taken with the smartwatch phone



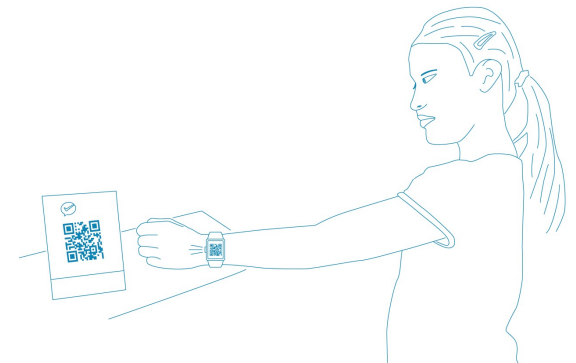
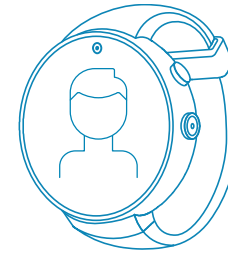
## Followed by a second smartwatch phone with TLens

- XUN Smartwatch Max Pro with advanced autofocus functionality based on poLight TLens launched in February
  - Second design-win in two months with the same OEM
  - Two cameras designed for children in the Chinese market
  - The main camera used to take pictures uses advanced AF delivered by poLight
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- A total of 125k TLens and 122k PDA 50 drivers shipped to the OEM in 2019 to support testing and initial mass production of the two launched smartwatch phones



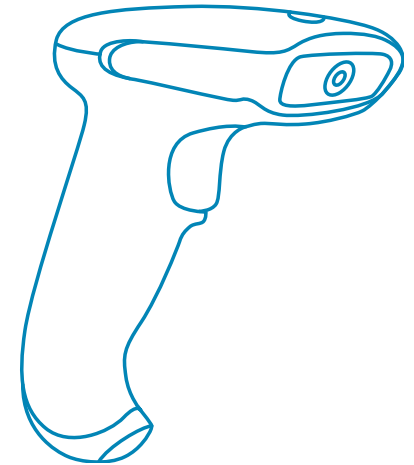
# TLens offers strong smartwatch phone value proposition

- Key poLight selling points:
  - Small size
  - Low power consumption
  - No gravity impact fundamental when person is moving
  - Constant field of view enabling improved video-call function
- A growing and maturing market
- Features set to increase – app usage, payments, camera, AI
- More smartwatch phones with cameras coming to market
  - Typically one or two cameras





# Positioned for Barcode market evolution

- 2D code/QR replacing 1D barcode requiring shift from laser to image scanner
- Barcode reading combined with image capture for increased accuracy
- Autofocus/all-in-focus required to enable robust barcode reading
- AF enables one scanner for multiple applications
- AF required to minimize illumination power while maintaining working range
- Key poLight selling points:
  - TLens supports high AF cycle - A barcode product change focus > 250 million times over its life-time
  - Fast focus and high accuracy enables higher decoding rate and throughput
  - Small size provide more design freedom and more compact scan engine
  - Gravity/vibration insensitive important for handheld devices
  - Low power consumption

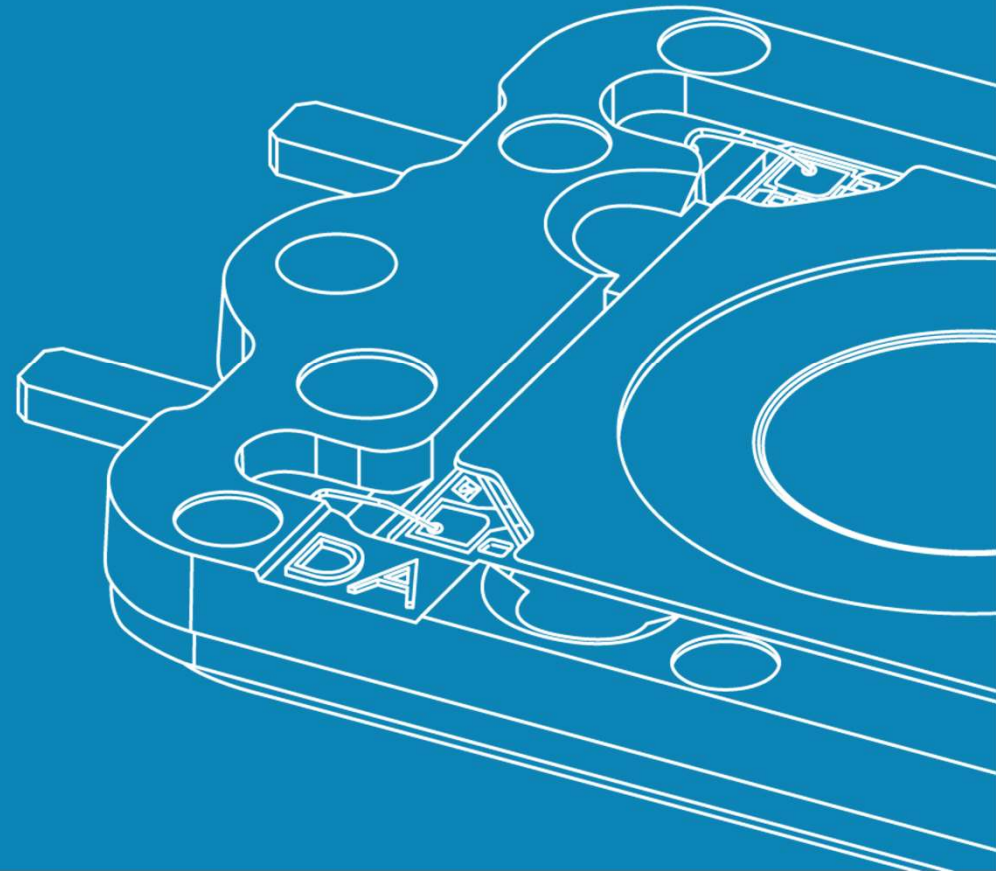


# Progress within several market segments

		Ongoing supply	Project	Completed PoC	Ongoing PoC	Planning PoC
Consumer		2		5	7	5
Industrial			1	2	7	1
Other (e.g. medical / automobile)					3	1
		<b>2</b>	<b>1</b>	<b>7</b>	<b>17</b>	<b>7</b>







# Financial review

# Key financials

## Income statement

<i>(in NOK million)</i>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Revenue	2.0	0.5	3.0	1.0
Cost of sales	-1.3	-0.1	-2.1	-1.5
Research and development expenses	-3.7	-6.0	-19.9	-28.9
Sales and marketing expenses	-2.5	-2.1	-8.7	-7.6
Administrative expenses	-5.5	-6.3	-17.1	-35.8
Operational / supply chain expenses	-2.7	-1.5	-8.2	-3.4
<b>EBITDA</b>	<b>-13.7</b>	<b>-15.5</b>	<b>-53.0</b>	<b>-76.1</b>

- Revenue from delivery of TLens, ASICs and evaluation kits to customers
  - Orders in Q4 related to smartwatch design wins and product testing in other segments
  - 109k TLens units and 91k PDA50 drivers delivered in Q4
- EBITDA loss of NOK -13.7 million vs. loss of NOK -15.5 million in Q4 2018
  - Decrease in external R&D expenses
  - Provision of NOK 1.5 million was recognised in the fourth quarter of 2019 related to severance packages for 6 FTE (full time equivalent) employees

## Balance sheet summary

<i>(in NOK million)</i>	<b>FY 2019</b>	<b>FY 2018</b>
Intangible assets	72.2	75.8
Cash and cash equivalents	73.5	127.4
Total equity	146.7	201.5
Total current liabilities	15.9	18.1
Total non-current liabilities	0.8	0.0
Total equity and liabilities	163.3	219.5

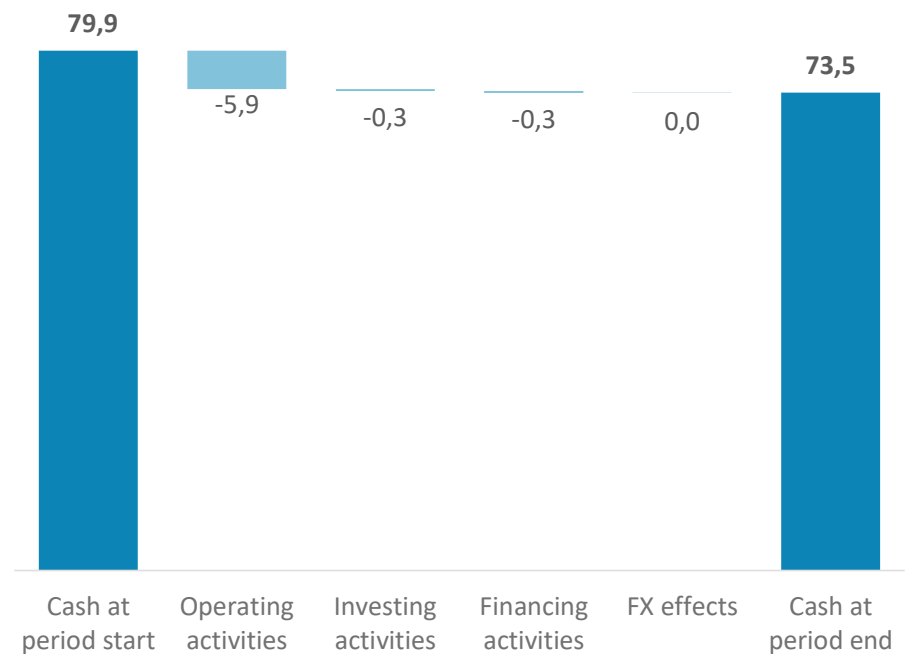
- Cash position of NOK 73.5 million, compared with NOK 127.4 million at year-end 2018
- The current available liquidity will likely fund the company into Q1 2021

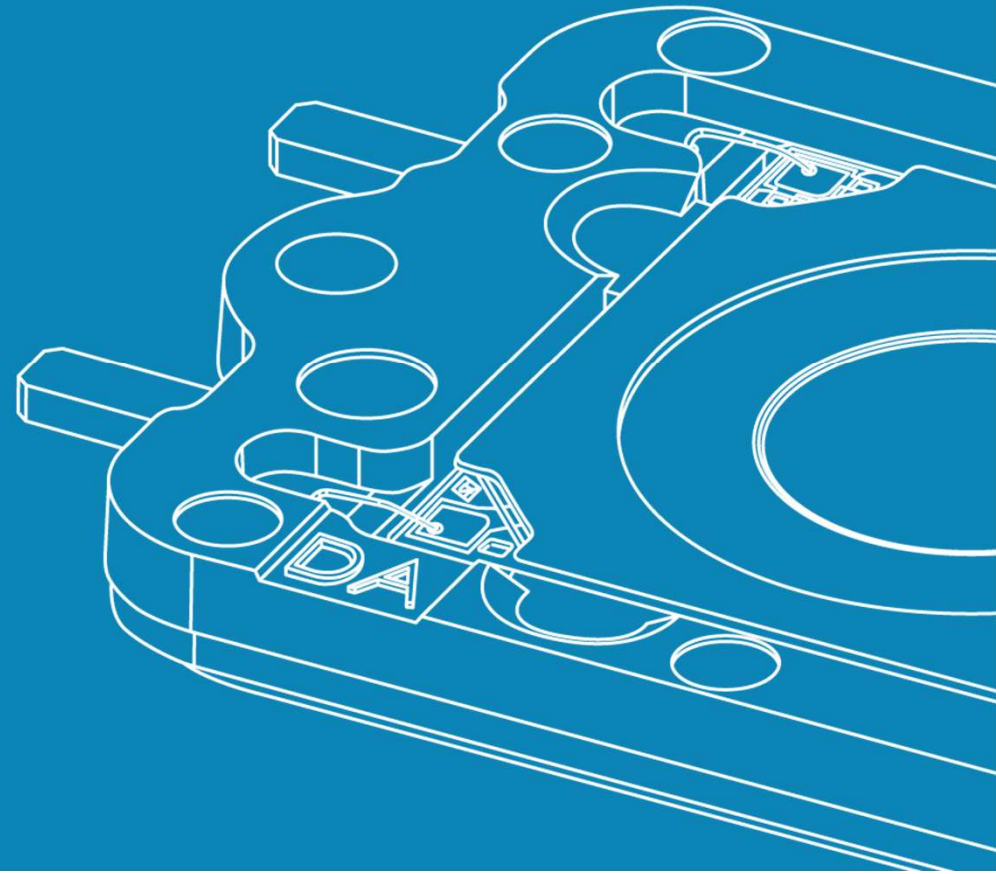
# Cash Flow

- Q4 cash used in operations was NOK 5.9 million
- Q4 cash used in investing activities was NOK 0.3 million
- Q4 cash used in investing activities was NOK 0.3 million
- Q4 net decrease in cash was NOK 6.4 million

## Q4 2019 cash flow development

(NOK million)





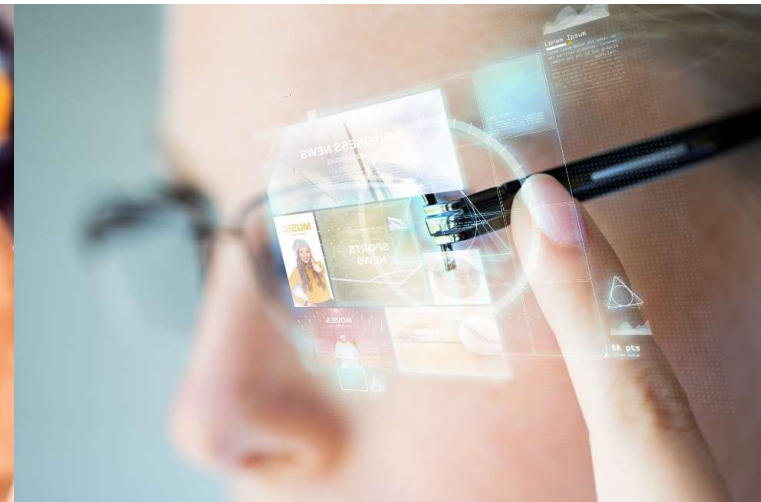
Outlook

# Outlook

- Commercialisations of TLens in early 2020 serves as proof-of-concept and supports new customer cases - both in the same and other market segments
- Good progress in the barcode market;
  - TLens is currently being planned used in several products by leading vendors
  - The estimated earliest market launch for this segment is mid-2020
- In addition poLight supports several other customer cases for different markets at different stages of development
- Increased comfort for additional design-wins in 2020



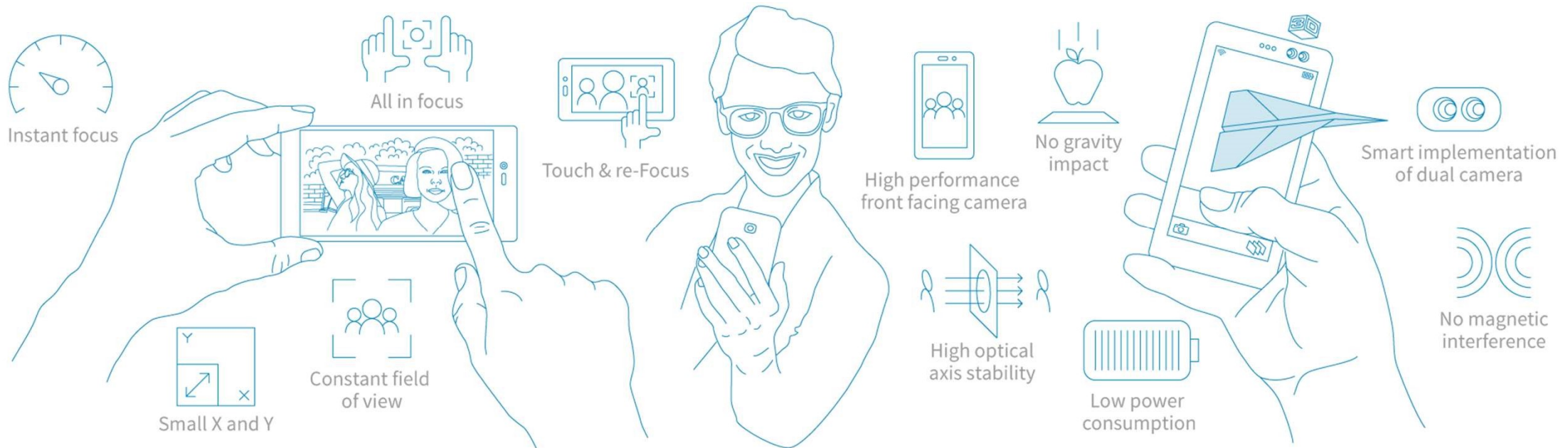




Next event:  
Q1-20 - 15 May 2020



# 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.



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**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)

NOK 000	Note	Q4 2019	Q4 2018	FY 2019	FY 2018
<b>Revenue</b>		<b>2 017</b>	<b>533</b>	<b>2 988</b>	<b>1 038</b>
Cost of sales		-1 335	-79	-2 075	-1 488
<b>Gross profit</b>		<b>682</b>	<b>455</b>	<b>913</b>	<b>-450</b>
Research and development expenses	7	-3 654	-5 988	-19 874	-28 918
Sales and marketing expenses		-2 523	-2 119	-8 729	-7 586
Administrative expenses		-5 475	-6 302	-17 073	-35 770
Operational / supply chain expenses		-2 682	-1 496	-8 216	-3 384
Depreciation, amortisation and net impairment losses	8	-3 046	-235	-7 911	-1 025
<b>Operating profit</b>		<b>-16 699</b>	<b>-15 685</b>	<b>-60 890</b>	<b>-77 133</b>
Net financial items	6	621	276	1 430	211
<b>Profit before tax</b>		<b>-16 078</b>	<b>-15 409</b>	<b>-59 460</b>	<b>-76 922</b>
Income tax expense		-50	-88	-124	-243
<b>Profit for the period</b>		<b>-16 128</b>	<b>-15 497</b>	<b>-59 584</b>	<b>-77 165</b>
<b>Attributable to:</b>					
Equity holders of the parent		-16 128	-15 497	-59 584	-77 165
Non-controlling interests		0	0	0	0
<b>Earnings per share:</b>					
Basic, attributable to ordinary equity holders of the parent (NOK)		-1.99	-1.91	-7.34	-12.66
Diluted, attributable to ordinary equity holders of the parent (NOK)		-1.98	-1.91	-7.33	-12.66



# Balance sheet (unaudited)

NOK 000	Note	2019	2018
<b>ASSETS</b>			
Property, plant and equipment		1 235	1 605
Intangible assets	4*, 8	72 216	75 829
Right-of-use assets	3	1 923	0
<b>Total non-current assets</b>		<b>75 374</b>	<b>77 434</b>
Inventories		7 728	7 372
Trade and other receivables		6 147	6 399
Other current assets		565	901
Cash and cash equivalents		73 463	127 424
<b>Total current assets</b>		<b>87 903</b>	<b>142 095</b>
<b>Total assets</b>		<b>163 277</b>	<b>219 529</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital		1 623	1 623
Share premium		142 665	270 935
Other equity		2 369	-71 103
<b>Equity attributable to equity holders of the parent</b>		<b>146 658</b>	<b>201 456</b>
Non-controlling interests		0	0
<b>Total equity</b>		<b>146 658</b>	<b>201 456</b>
Lease liabilities	3	766	0
<b>Total non-current liabilities</b>		<b>766</b>	<b>0</b>
Trade and other payables		11 911	15 172
Interest-bearing loans and borrowings		0	600
Current lease liabilities	3	1 241	0
Income tax payable		0	225
Provisions		2 701	2 076
<b>Total current liabilities</b>		<b>15 853</b>	<b>18 073</b>
<b>Total liabilities</b>		<b>16 619</b>	<b>18 073</b>
<b>Total equity and liabilities</b>		<b>163 277</b>	<b>219 529</b>

# Cash flow (unaudited)

NOK 000	Note	Q4 2019	Q4 2018	FY 2019	FY 2018
<b>Operating activities</b>					
Profit before tax		-16 078	-15 409	-59 460	-76 922
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment		473	226	1 895	966
Amortisation and impairment of intangible assets	4,8	2 573	9	6 017	59
Share option plan expense		863	1 520	4 877	4 719
Other items related to operating activities		-1 514	-158	-1 459	-300
Net foreign exchange differences		-10	-87	-112	-183
Movements in provisions and government grants		1 763	-928	3 230	-3 456
Working capital adjustments:					
Decrease (+) in trade and other receivables and prepayments		231	505	-560	532
Decrease (+) in inventories		808	123	-356	-5 591
Increase (+) in trade and other payables		3 787	-27 948	-4 718	57
Interest received	6	1 327	786	1 584	1 057
Interest paid	6	-69	-697	-107	-740
Income tax paid		-34	-27	-367	-118
<b>Net cash flows from operating activities</b>		<b>-5 879</b>	<b>-42 084</b>	<b>-49 537</b>	<b>-79 919</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment		-180	-207	-319	-749
Development capital expenditures	7	-619	-4 160	-2 931	-10 433
Receipt of government grants		526	1 989	526	1 989
<b>Net cash flows used in investing activities</b>		<b>-273</b>	<b>-2 378</b>	<b>-2 724</b>	<b>-9 193</b>
<b>Financing activities</b>					
Issue of share capital		0	4 689	0	134 689
Transaction costs on issue of shares		0	0	0	-10 709
Repayment of lease liabilities		-279	0	-1 120	0
Repayment of borrowings		0	-600	-600	-1 200
<b>Net cash flows from/(used in) financing activities</b>		<b>-279</b>	<b>4 089</b>	<b>-1 720</b>	<b>122 780</b>
Net increase in cash and cash equivalents		-6 430	-40 373	-53 981	33 667
Effect of exchange rate changes on cash and cash equivalents		-14	187	20	110
Cash and cash equivalents at the start of the period		79 907	167 610	127 424	93 648
<b>Cash and cash equivalents at the end of the period</b>		<b>73 463</b>	<b>127 424</b>	<b>73 463</b>	<b>127 424</b>