



Interim report - Second quarter 2022

Earnings presentation 18th August 2022



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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 in the quarter

- Confirmed design-win award and first mass production purchase order worth approximately NOK 0.6 million for a barcode scan engine reader product
- Signed an agreement to support a PoC (Proof of Concept) endoscopic camera system development with a top-tier medical device customer worth approximately NOK 1.7 million
- Good progress on most PoCs
- Augmented reality (AR) cases progressing well, with more design-wins possible this year
- Increased activity in the industrial market, especially barcode related
- Despite some smartphone OEMs experiencing reduced sales, the company is engaged in PoCs that are progressing well
- Share split 1:5 performed 30 May 2022 – one old share gave five new shares
- Capital market day held 1 June 2022 – presentation material available on the company's website www.polight.com and www.newsweb.no



poLight at a glance

Background & description

- Global player in tunable optics with applications in mobile, web cam, industrial, augmented reality, medical and others
- Founded in 2005 and has since developed state-of-the-art expertise in tunable optics, polymers, MEMS technology and image applications and processing
- Holds 17 worldwide patent families, 9 pending applications and 3 registered trademarks
- 36 employees including long-term consultants
- Headquartered in Horten, Norway, with employees in Finland, France, UK, USA, Russia, China and Taiwan

Geographical footprint



poLight enables unique use cases



Instant
focus

+



Small real
estate

+



Constant
field of
view

+



Extremely low
power
consumption

TLens[®] customer-wins



poLight products & technology well-suited for several applications



Smartphones and wearables

- Large addressable market for which billions of cameras are produced for the each year
- 1,5 billion phones per year with 1 front camera and an average of 3 back cameras
- Increasing demands on both camera functionality and battery life
- Potential addressable market for TLens®/poLight technology estimated at 3 billion units per year



Barcode/Industrial

- Evolving from 1D laser to 2D imaging barcode readers
- Lasers replaced by camera systems, where autofocus will improve efficiency in scanning and portfolio
- Barcode technology is spreading to new industries
- OEM scan engine vendors today are increasingly looking to enable machine vision capabilities on their current offerings



Augmented Reality (AR)

- AR is expected to grow significantly as the technology is rapidly expanding beyond entertainment and gaming to an increasing number of industrial, commercial, educational applications and later become a consumer device



Other

- New opportunities are emerging that could represent significant potential
- Video conferencing and endoscopy are just two examples of new opportunities for poLight technology

Operations and market review



Consumer/smartphone: Add-in TLens® design opens opportunities

- Add-in TLens® design is attracting good interest
- Several reference designs have been developed to position TLens® for various use cases
- Selfie camera solution still the most relevant short/medium-term
- Even though some smartphone OEMs are experiencing reduced sales, the company is engaged in PoCs that are progressing well
- During the quarter, the focus was on smartphone and augmented reality applications
- Other applications, such as webcams, drones, etc., are also being explored



3 design-win, 11 ongoing PoCs¹ and 5 planning PoCs

11 PoC: 4 AR, 5 smartphone, 1 iris, 1 webcam



¹ Proof of Concept (PoC)

AR: Progress continues

- TLens is being considered by several important market players for use in next generation AR headsets, and testing/prototype building is continuing
- Low power consumption, no gravity sensitivity, temperature stabilisation (often called athermalisation), high speed and compactness are highlighted as key technical benefits
- The already announced design-win is progressing well and it is expected that the product will be released to market this year
 - Follow-on order announced 16 august 2022
- Further design-wins could be achieved before the year is out
- Two use cases : world facing camera & display solutions



AR: Progress continues

- The augmented reality (AR) market is opening many opportunities for the company, in addition to TLens and camera applications
- The company recently announced a design-in related to the use of TLens for a display application
- Realising increased resolution for AR displays has been identified as another new product opportunity for our technology platform
- A PoC is already ongoing with a well-recognised player
- AR market will be an important market for the company

1 design-win, 5 design-in's (1 consumer),
and 5 ongoing PoCs (4 consumer)



Barcode / Industrial

- During the quarter, the company received its fourth design-win related to a barcode application
- The opportunity pipeline for this market segment is quite promising and has the potential to be a significant margin contributor
- It will, however, take time to develop this market and will require entry into some broader application areas
- Over and above barcode applications, the company is involved in various other industrial applications.

4 design-wins, 1 design-in and 9 PoCs (5 barcode)



*Examples
of EX30 use cases*



Unitech



Janam XG4



PointMobile 451



Urovo RT40





Healthcare

- During the quarter, the company signed a very important development contract, worth approximately NOK 1.7 million, with a tier-one medical equipment supplier for potential use in an endoscopic camera system
- The Kavli activity has generated a lot of activity and the company are serving several new similar cases
- This activity is mainly seen as brand building and to support important research
- The announced design-in related to the compact surgical device is progressing and have the potential of being released to market this year
- The company has identified other similar opportunities and see this an important application area going forward

1 design-win (Kavli)
1 design-in (surgical device)
10 PoCs ongoing



Good progress in most customer cases

		Design-win	Project	Completed PoC	Ongoing PoC	Planning PoC
Consumer	  	3 (3)	0 (0)	28 (27)	7 (7)	5 (3)
Augmented Reality		1 (1)	5 (5)	10 (10)	5 (4)	6 (5)
Industrial	 	4 (3)	1 (2)	17 (14)	9 (7)	11 (8)
Other (e.g. medical)		1 (1)	1 (1)	3 (3)	10 (10)	7 (3)
Number in () represents last quarter		9 (8)	7 (8)	58 (54)	31 (28)	29 (19)

Financial review

Key financials

Income statement

<i>(in NOK million)</i>	Q2 2022	Q2 2021	FY 2021
Revenue	2.5	2.9	10.0
Cost of sales	-0.7	-1.3	-3.9
Research and development expenses	-7.9	-7.6	-25.4
Sales and marketing expenses	-2.9	-1.4	-7.2
Operational / supply chain expenses	-2.7	-2.5	-9.1
Administrative expenses	-2.3	-3.7	-6.9
EBITDA	-13.9	-13.7	-42.4

- Revenue reflects sales of TLens® and ASICs for commercial use and sample deliveries for customer development projects
- EBITDA loss of NOK 13.9 million vs. loss of NOK 13.7 million in Q2 2021
 - Increased sales resources and R&D/operational personnel
 - Due to share price decline in the quarter, NOK 3.5 million in accrued employer's national insurance contributions (NICs) relating to the share option plan, has been reversed (negative expense).

Balance sheet summary

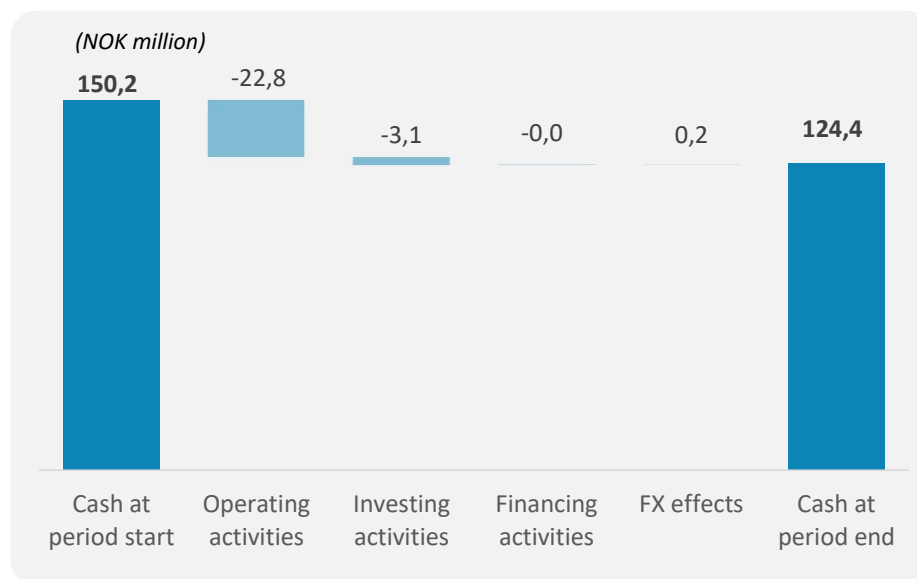
<i>(in NOK million)</i>	Q2 2022	Q2 2021	FY 2021
Intangible assets	28.5	38.5	33.4
Inventories	30.5	8.6	16.8
Cash and cash equivalents	124.4	55.6	157.8
Total equity	178.1	94.3	213.4
Total current liabilities	24.3	22.2	21.3
Total equity and liabilities	205.9	120.9	238.7

- Cash position of NOK 124.4 million, compared with NOK 55.6 million at Q2 2021
- Inventory of NOK 30.5 million compared with NOK 8.6 million at Q2 2021. The inventory has increased by NOK 9.8 million in the quarter

Cash Flow

- Q2 cash used in operating activities was NOK 22.8 million, compared with NOK 12.6 million in Q2 2021
 - Increased inventory by NOK 9.8 million
- Q2 cash used in investing activities was NOK 3.1 million
- Q2 net decrease in cash was NOK 25.9 million

Q2 2022 cash flow development



Outlook



Outlook

- The quarter has again confirmed the potential in several market segments
- The opportunity pipeline is encouraging in many market segments
- The main focus going forward will be to position poLight in relation to smartphone cases, mature the augmented reality projects/PoCs, gradually build more cases in the industrial segment (e.g. barcode), and increasingly position the company in the medical space
- Other opportunities have been identified and will be considered and explored on the basis of the individual business case and resource situation
- From a portfolio perspective, the focus will be to offer, and continuously improve, the existing products for all the above market segments
- Our capability and capacity to develop system reference designs using the various TLens® solutions has improved significantly and will be an important tool for broadening the application areas of existing products
- The company plans to develop new variants of TLens® and new products based on same technology platform, though the timing of such activities is still under consideration and will depend on customer demands



Q&A

NEXT EVENT

Q3-22 3 November 2022



Appendix



Management Team



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, 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



Grethe Viksaas - *Chairman, independent*

Grethe Viksaas has a long career from the Northern European managed service provider Basefarm AS. First as founder and CEO, and later as executive chair and member 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 Telenor ASA. She is currently a non-executive director on the boards of Link Mobility Group Holding ASA and Crayon Group Holding ASA. She also serves as Chair of the Board in No Isolation AS and Farmforce AS. Ms Viksaas has a master's degree in computer science from the University of Oslo.



Ann-Tove Kongsnes - *Board member*

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.



Dr. Juha Alakarhu - *Board member, independent*

Juha 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.



Svenn-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.



Thomas Görling - *Board member*

Thomas Görling is a Senior Investment Director at Stiftelsen Industrifonden (Sweden) with a comprehensive involvement in building successful technology companies. Representing Industrifonden, he has been engaged in a number of portfolio company boards, at present Medtentia International Ltd Oy (Finland) and eBuilder AB (Sweden). Before joining Industrifonden in 1998, Mr. Görling held management positions within the European optical instrument and systems industry. Thomas holds a Master of Science from the Royal Institute of Technology in Stockholm, and studied business economics at Stockholm University.

Statement of income

<i>NOK 000</i>	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Sale of goods		1 935	2 518	3 407	3 341	8 683
Rendering of services		591	367	591	1 089	1 350
Revenue		2 526	2 885	3 998	4 430	10 032
Cost of sales		-746	-1 295	-1 431	-1 610	-3 851
Gross profit		1 780	1 590	2 566	2 820	6 182
Research and development expenses net of government grants	7,8	-7 854	-7 622	-19 604	-16 841	-25 360
Sales and marketing expenses		-2 864	-1 362	-6 739	-2 663	-7 224
Operational/supply chain expenses		-2 698	-2 538	-4 330	-5 043	-9 139
Administrative expenses		-2 284	-3 719	-4 264	-12 129	-6 868
Operating result before depreciation and amortisation (EBITDA)		-13 919	-13 651	-32 372	-33 856	-42 409
Depreciation and amortisation	9	-2 754	-2 861	-5 741	-5 893	-11 923
Operating result (EBIT)		-16 674	-16 513	-38 113	-39 749	-54 332
Net financial items	6	-585	8	-39	233	944
Loss before tax		-17 259	-16 505	-38 152	-39 516	-53 388
Income tax expense		-3	-38	-4	-45	-93
Loss for the period		-17 262	-16 543	-38 156	-39 561	-53 481

Balance sheet

NOK 000	Note	Q2 2022	Q2 2021	FY 2021
ASSETS				
Property, plant and equipment		6 498	936	2 356
Intangible assets	9	28 492	38 511	33 377
Right-of-use assets		4 247	5 415	4 778
Total non-current assets		39 237	44 863	40 511
Inventories		30 496	8 571	16 836
Trade and other receivables	8	8 736	10 557	22 078
Prepayments		2 978	1 303	1 456
Cash and cash equivalents		124 439	55 631	157 810
Total current assets		166 649	76 061	198 180
Total assets		205 886	120 923	238 691
EQUITY AND LIABILITIES				
Share capital		2 078	1 826	2 077
Share premium		209 573	128 921	209 320
Reserves		1 098	1 032	1 035
Retained earnings		-34 646	-37 432	977
Total equity		178 103	94 346	213 409
Lease liabilities		3 434	4 358	3 934
Total non-current liabilities		3 434	4 358	3 934
Trade and other payables	10	22 869	19 974	19 906
Current lease liabilities		980	1 056	942
Provisions		500	1 189	500
Total current liabilities		24 349	22 219	21 349
Total liabilities		27 783	26 577	25 282
Total equity and liabilities		205 886	120 923	238 691

Cash flow

NOK 000	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Operating activities						
Profit/loss (-) for the period		-17 259	-16 506	-38 152	-39 517	-53 388
Adjustments for:						
Depreciation of property, plant and equipment and right-of-use assets		437	294	856	759	1 654
Amortisation of intangible assets	9	2 318	2 567	4 885	5 134	10 269
Net finance income		585	-8	39	-233	-944
Equity-settled share-based payments		1 167	812	2 533	1 891	4 385
Other non-cash items		-656	-9	-829	210	937
Changes in unrealised net foreign exchange rate differences/fluctuations		-79	-64	-41	8	21
Changes in working capital:						
Increase (-) in trade and other receivables and prepayments		-324	1 918	10 618	1 372	-11 332
Increase (-) in inventories		-9 800	281	-13 660	596	-7 669
Increase (+) in trade and other payables	10	1 354	-1 268	2 963	9 290	9 223
Changes in provisions and government grants		-562	-628	1 202	-3 293	-2 954
Interest received	6	152	9	959	28	585
Interest paid	6	-84	-4	-173	-14	-203
Income tax paid		-3	-38	-4	-45	-129
Net cash flows used in operating activities		-22 756	-12 644	-28 805	-23 814	-49 546
Investing activities						
Purchase of property, plant and equipment		-3 098	-103	-4 463	-350	-2 142
Net cash flows used in investing activities		-3 098	-103	-4 463	-350	-2 142
Financing activities						
Proceeds from issuance of ordinary shares		0	0	0	0	137 803
Proceeds from exercise of share options		222	0	254	3 204	3 397
Transaction costs on issue of shares		0	0	0	-6	-7 530
Payment of lease liabilities		-233	-135	-462	-597	-1 355
Net cash flows from/(used in) financing activities		-12	-135	-208	2 601	132 315
Net increase in cash and cash equivalents		-25 866	-12 882	-33 476	-21 563	80 627
Effect of exchange rate changes on cash and cash equivalents		154	96	104	-15	-26
Cash and cash equivalents at the start of the period		150 151	68 417	157 810	77 209	77 209
Cash and cash equivalents at the close of the period		124 439	55 631	124 439	55 631	157 810