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Smart Eye has completed a directed share issue of approximately SEK 150 million

The Board of Directors of Smart Eye AB ("Smart Eye" or the "Company") has, based on the authorization given by the Company's Annual General Meeting on 2 May 2023, resolved on a directed share issue of 1,650,000 new shares (corresponding to approximately 5 per cent of the total number of outstanding shares and votes in the Company) at a subscription price of SEK 91 per share (the "Issue"), which means that the Company receives SEK 150,150,000 before transaction costs. The subscription price in the Issue has been determined through an accelerated bookbuilding procedure and corresponds to a discount of approximately 4 per cent compared to the closing share price and a premium of approximately 5 per cent compared to the 30-day volume weighted average price on Nasdaq First North Growth Market, as of 21 March 2023. The interest in the Issue was very large, from both existing shareholders as well as several new Swedish and international institutional investors. Andra AP-fonden, Adrigo Asset Management and Handelsbanken Fonder participated in the Issue, among others.

Background and reasons for the Issue

The market for both of Smart Eye's business areas, Automotive and Behavioral Research, remains very strong. During 2023, Smart Eye achieved an organic growth of 33 per cent and the organic growth for the fourth quarter of 2023 as compared to the fourth quarter of 2022 was 50 per cent.



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The Company's net sales during the first quarter of 2024 are expected to be in line with that of the fourth quarter of 2023. Behavioral Research net sales are expected to decrease slightly during the first quarter of 2024 as compared to the fourth quarter of 2023, largely explained by seasonal variation in demand amongst customers, where the first quarter is generally relatively weaker due to the customers' budget cycles.

Automotive net sales are expected to increase slightly during the first quarter of 2024 as compared to the fourth quarter of 2023, with the reservation that the Company does not have full insight into production volumes or license revenues before its customers report them, which occurs 4-6 weeks after the end of each quarter.

Furthermore, the Company assesses that the cash flow during the first quarter of 2024 will be more negative than that of the fourth quarter of 2023, primarily as a result of extraordinary items as well as accrual effects in the Company's working capital, of which the latter is expected to have the opposite effect on the cash flow in the second quarter of 2024.

The Company's long-term outlook remains strong. Smart Eye has received 26 new design wins within Automotive during 2024. Thus, Smart Eye has now received a total of 322 design wins from 21 automobile manufacturers, with an estimated combined value throughout the product cycle amount of more than SEK 7,500 million and the total value from potential further design wins with these 21 automobile manufacturers amount to more than SEK 3,950 million. The Company's largest business area, Behavioral Research, grew organically by 21 per cent during 2023 and the conditions for continued high and profitable growth look very good to a large extent because of the shift toward multimodal physiological measurements for increased insights for complex behaviors.

During the fourth quarter of 2023, the Company received its largest design win yet, where it will deliver its technology directly to the automobile manufacturers without, as is customary, using a Tier 1 distributor. This structure is deemed by the Company to become more common going forward. Moreover, during the first quarter of 2024, the Company received its first five design wins within interior sensing, an application with high potential. In addition, the Company recently announced its first OEM-agreement regarding AIS to one of the largest manufacturers of heavy vehicles. More activity within AIS is, of course, long awaited and very positive for the Company, but at the



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same time results in an overall product mix that has a somewhat lower gross margin, due to the AIS product involving a not insignificant share of hardware. As a whole, these events are very favorable and creates significant opportunities for Smart Eye in the future.

The strong and increasing customer activity, as well as the risk associated with a potential short-term delay in production volume increases for automotive manufacturers entails that the Company assesses that it is desirable and responsible to increase the financial margin of safety in the short-run, as well as take into account the risk that the timing for the Company to achieve positive cash flow may be pushed back by up to two quarters compared to previously communicated, to the first half of 2025. An increase in the Company's equity is deemed to be the most cost-effective financing alternative under the current market conditions. The proceeds of the Issue will be used as a liquidity reserve with the purpose of ensuring the financing of the Company's current business plan until cash flow break-even, as well as allow for flexibility to take advantage of interesting opportunities in the Company's markets.

Deviation from the shareholders' preferential right

The Board of Directors has investigated the conditions and carefully considered the possibility of carrying out a rights issue to raise the necessary capital. However, the Company's Board of Directors considers, in view of the current market conditions, that it would entail a risk that the Company would not be able to meet its capital needs and at the same time maintain an optimal capital structure. The reasons for deviating from raising capital through a rights issue are (i) that the Issue can be carried out in a more time and cost-effective manner and with potentially less market volatility, (ii) that considering the current market conditions and the current market volatility, the Board of Directors has assessed that a rights issue would likely require a significant underwriting from an underwriting consortium, which would incur additional costs and /or further dilution for shareholders depending on the type of consideration paid for such underwriting commitments, particularly considering the total proceeds of the Issue, (iii) that it would likely need to be made at a lower subscription price given the discount levels for rights issues carried out in the market recently, and (iv) unlike the implementation of a rights issue, the Issue means that the Company's shareholder base is complemented with several strong new owners. Through the Issue, Smart Eye's long-term ability to carry out the ramp-up of operations is expected to strengthen and that the Company can cover its financing needs until the current and potential additional

customers begin to generate sufficient revenues to cover the Company's costs. The Board of Directors' overall assessment is that the reasons for carrying out the Issue with deviation from the shareholders' preferential rights outweigh the reasons that justify the main rule to issue shares with preferential rights for existing shareholders, and that an issuance of new shares with deviation from the shareholders' preferential rights is in the interest of the Company and all shareholders. Since the subscription price in the Issue is determined through a bookbuilding procedure, it is the Board's assessment that the subscription price will reflect current market conditions and demand and is therefore deemed to be market based.

Dilution

The Issue entails a dilution of approximately 4.5 per cent of the share capital in relation to the number of shares in Smart Eye after the Issue, through an increase in the number of outstanding shares by 1,650,000 from 35,345,768 to 36,995,768 and a share capital increase by SEK 165,000.0 from SEK 3,534,576.8 to SEK 3,699,576.8.

Lock-up

In connection with the Issue, chairman of the Board Anders Jöfelt, member of the Board Mats Krantz and the Company's chief executive officer Martin Krantz, whom are large shareholders in Smart Eye, have undertaken to not sell shares in Smart Eye during a period of 360 calendar days following the settlement date, provided, however, that each of these persons shall have the right to sell up to five per cent of their respective holdings for the purpose of covering any tax and/or repayment of loans. Furthermore, the other members of the Board of Directors and executive management of the Company, have undertaken to, subject to customary exceptions, not sell shares in Smart Eye for a period of 180 calendar days after the settlement date. Additionally, the Company has agreed to a commitment, with customary exceptions, not to carry out any additional issuances for a period of 180 calendar days after the settlement date.

Advisers

In conjunction with the Issue, the Company has engaged Carnegie Investment Bank as Sole Bookrunner and Advokatfirman Vinge as legal adviser.



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This is information that Smart Eye Aktiebolag (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 2024-03-21 23:30 CET.

About Smart Eye

Smart Eye is the leading provider of Human Insight AI, technology that understands, supports and predicts human behavior in complex environments. The company is on a mission to bridge the gap between humans and machines for a safe and sustainable future. Supported by Affectiva and iMotions – companies it acquired in 2021 – Smart Eye's multimodal software and hardware solutions provide unparalleled insight into human behavior.

In automotive, Smart Eye's driver monitoring systems and interior sensing solutions improve road safety and the mobility experience. The company's eye tracking technology and iMotions biosensor software platform are also used in behavioral research to enable advanced research in academic and commercial sectors. In media analytics, Affectiva's Emotion AI provides the world's largest brands and market researchers with a deeper understanding of how consumers engage with content, products, and services.

Founded in 1999, Smart Eye is a global company headquartered in Sweden, with customers including NASA, Nissan, Boeing, Honeywell, Volvo, GM, BMW, Polestar, Geely, Harvard University, more than 1,300 research organizations around the world, 70 per cent of the world's largest advertisers, 28 per cent of the Fortune Global 500 companies.

Visit www.smarteye.ai for more information. Visit our investor web for more financial information: <https://smarteye.se/investors/>

Smart Eye is listed on the Nasdaq First North Growth Market. The Company's Certified Adviser is Carnegie Investment Bank AB (publ).



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Forward-looking statements

This press release contains forward-looking statements that reflect the Company's intentions, beliefs, or current expectations about and targets for the Company's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Company operates. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors and readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements that are expressly or implicitly contained herein speak only as of its date and are subject to change without notice.



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Neither the Company nor anyone else undertake to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release, unless it is not required by law or Nasdaq First North Growth Market Rulebook for Issuers.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“MiFID II”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “MiFID II Product Governance Requirements”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares in the Company have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “Target Market Assessment”). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the shares in the Company may decline and investors could lose all or part of their investment; the shares in the Company offer no guaranteed income and no capital protection; and an investment in the shares in the Company is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Issue. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the financial advisor will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in the Company.



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Each distributor is responsible for undertaking its own target market assessment in respect of the shares in the Company and determining appropriate distribution channels.

This is a translation of the Swedish version of the press release. In case of discrepancies, the Swedish wording shall prevail.

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Attachments

Smart Eye has completed a directed share issue of approximately SEK 150 million