

ellipticlabs

Q3 2022

CEO Laila Danielsen
CFO & IR Lars Holmøy

Results presentation | November 17, 2022

A woman in a white blazer is smiling and looking towards the camera. In the background, other people are working in a modern office environment. A digital network overlay with glowing nodes and lines is superimposed over the scene, suggesting a high-tech or data-driven environment.

Sensors touch every aspect
of life and drive the digital
transformation

Our vision is to build the leading software platform
for all sensors, making every device smarter, more
human- and environmentally-friendly

Our AI Virtual Smart Sensor Platform™ makes devices intelligent

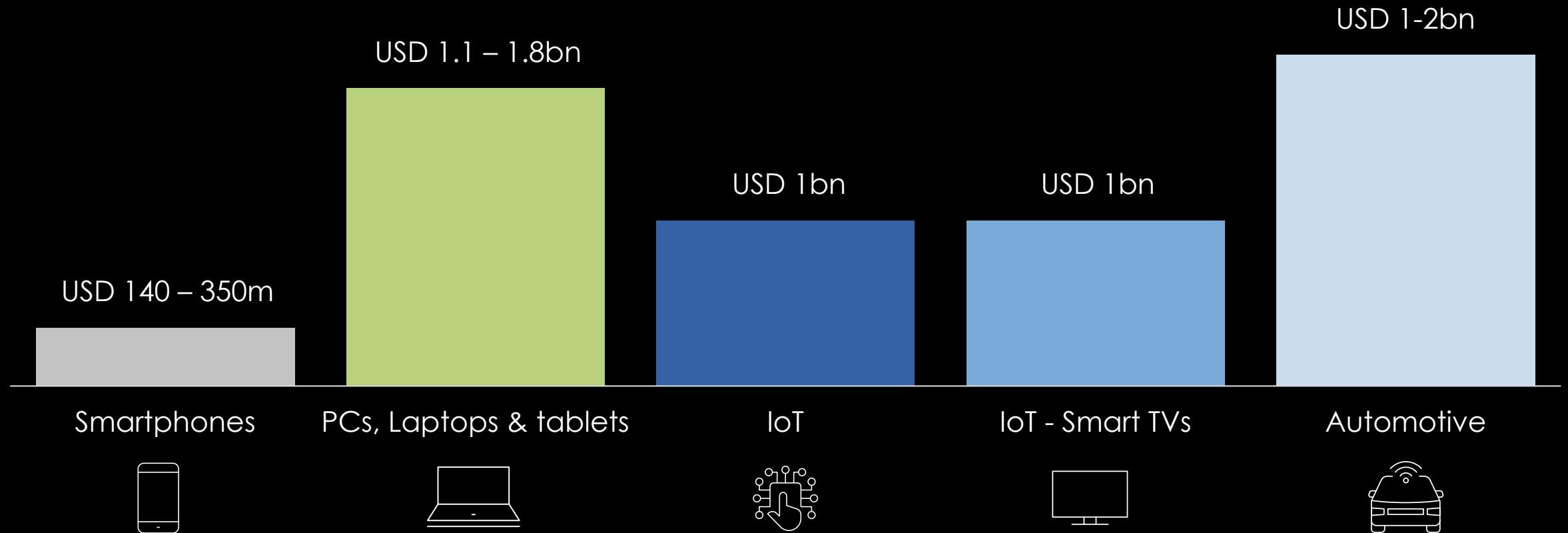
Leveraging existing single purpose sensors

Elliptic Labs' Virtual Smart Sensors™



Billions of devices use hardware sensor components

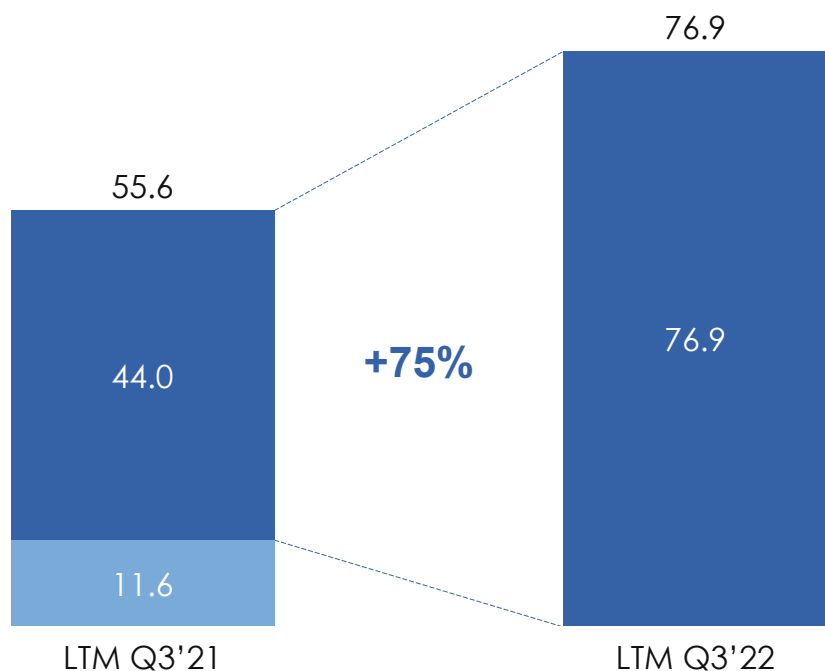
Our USD 5.5 billion market opportunity



First Laptop revenues beginning to materialize

Year-over-year revenue growth

NOK million, LTM



■ Revenue from contracts with customers ■ Other operating income¹

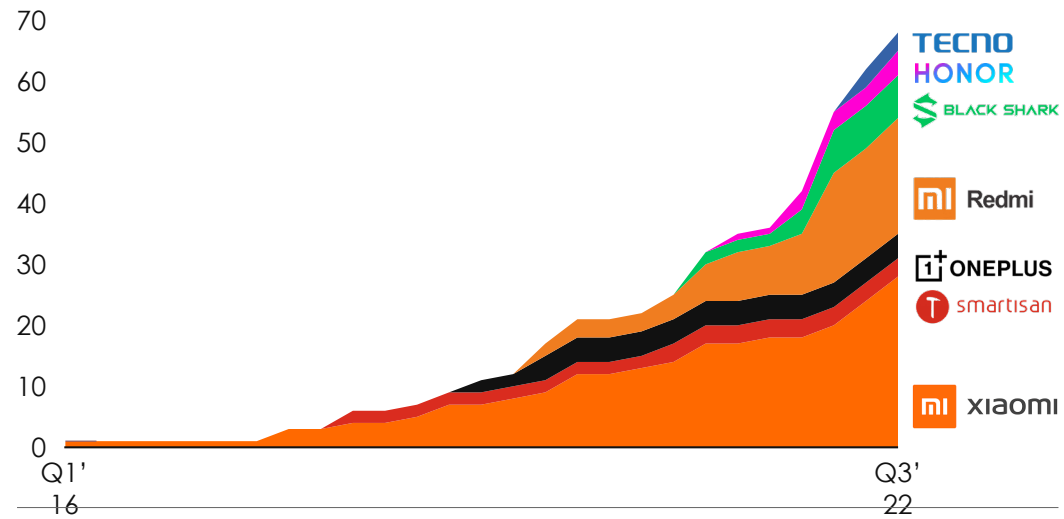
- 75% revenue growth from contracts with customers year-over-year (LTM)
- Laptop revenue represents a significant part of Q3'22 revenue, including a standalone milestone revenue and license revenue
- Laptop license revenue is expected to continue to ramp up in the fourth quarter 2022 and into 2023
- Temporary slowdown in end-customer demand in the smartphones vertical in Q3 2022

5 1) Other operating income mainly reflects research grants, Innovation Norway support, etc.

OEM launches continuing, weaker consumer sentiment

68 models launched

Cumulative Q3'22



- Leading market position with proven performance allows for rapid adoption without Proof-of-Concept testing
- Market expansion through continued partnerships with Qualcomm & MediaTek
- 2 models launched with RedMI after Q3 2022

Announced 28 smartphone launches YTD 2022 AI Virtual Proximity Sensor™ examples

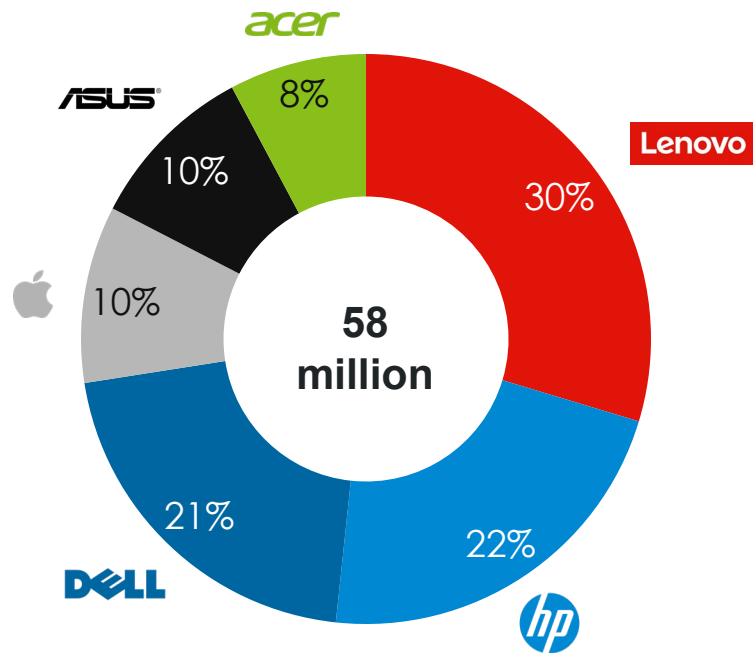


ellipticlabs

Our focus on expanding the laptop customer base not affected by market slowdown

Global laptop market Q3 2022

Market share

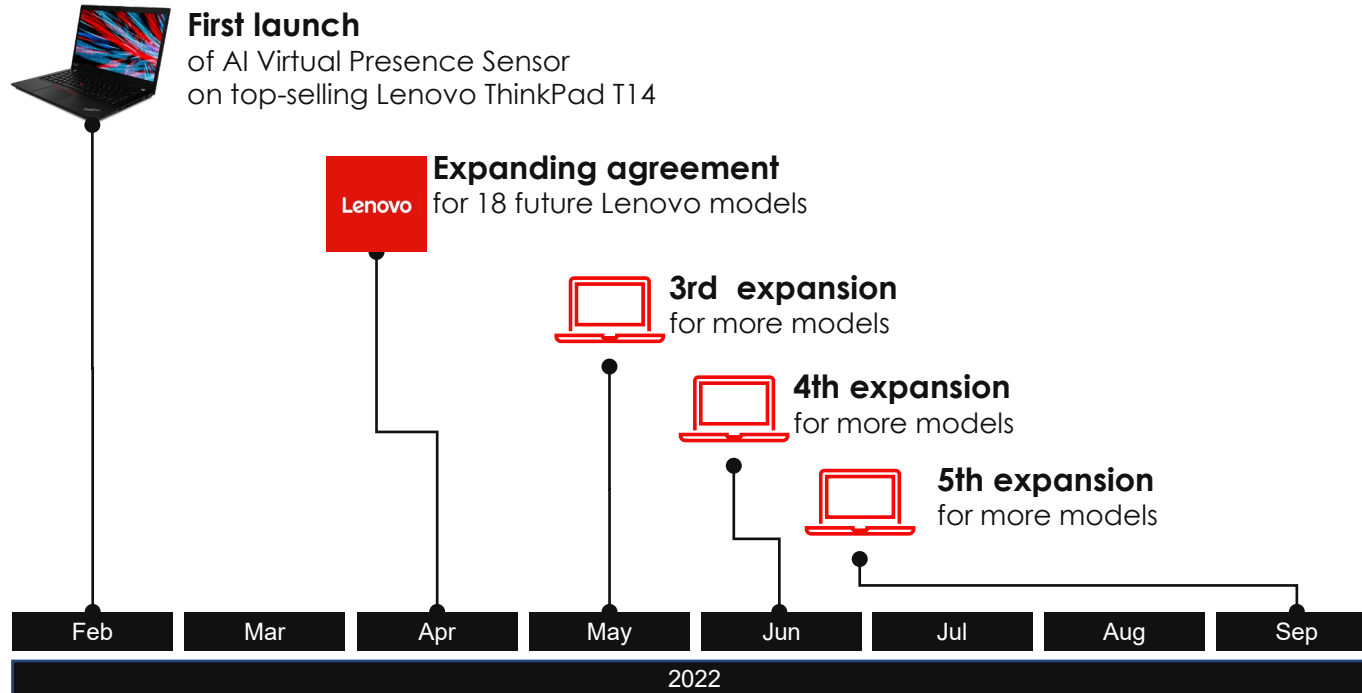


- Short-term drop in laptop demand under challenging global market conditions
- Leading players increasingly focusing on innovative and software centric solutions
- We are continuously expanding with laptop OEMs
- Elliptic labs in pole position to enable software centric, scalable and cost reducing solutions

Source: [Gartner](#), October 10, 2022

High pace of technology adoption with Lenovo

Contracts for more than 20 Lenovo models

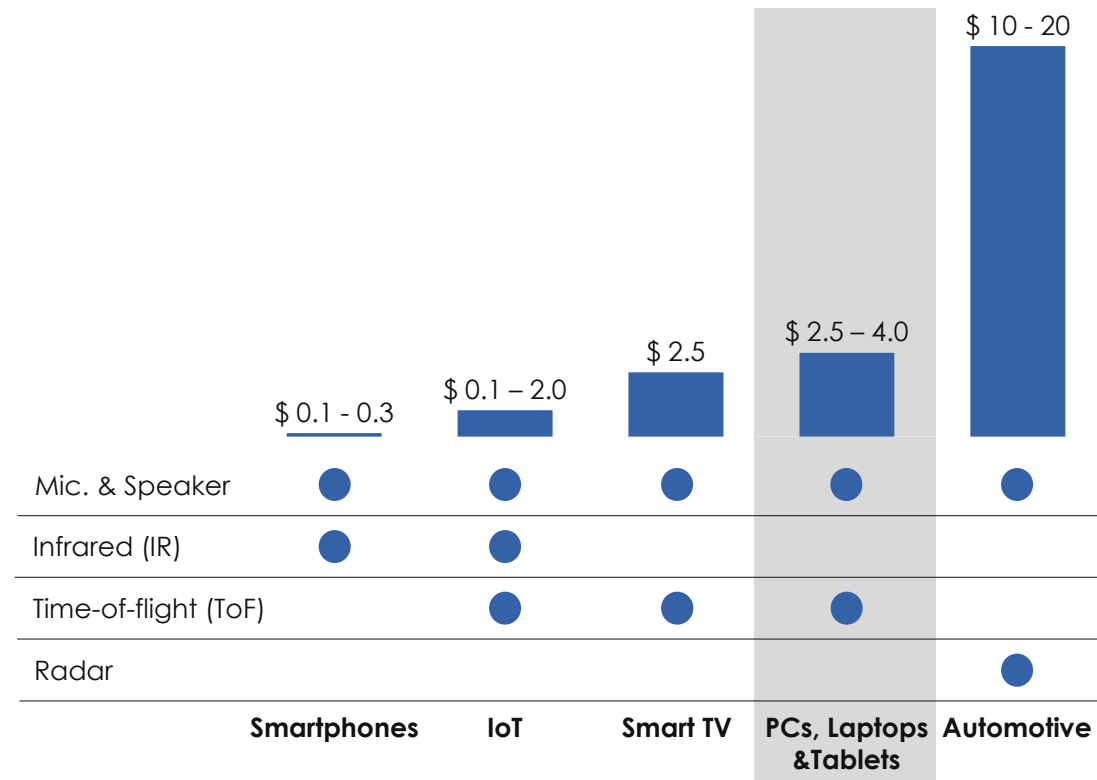


- Initial functionality
 - Presence detection reusing existing microphone and speaker (ultrasound technology)
 - Elliptic recognized in ThinkPad T14 Spec:
 - “Virtual Leave & Lock Sensor Powered by Elliptic Labs”
- Signed Enterprise License Agreement
 - More visibility, greater interest from partner eco-system
 - Accelerate interest from other PC vendors

Our software is competing with costly single purpose hardware sensors

Competing hardware sensors technology cost

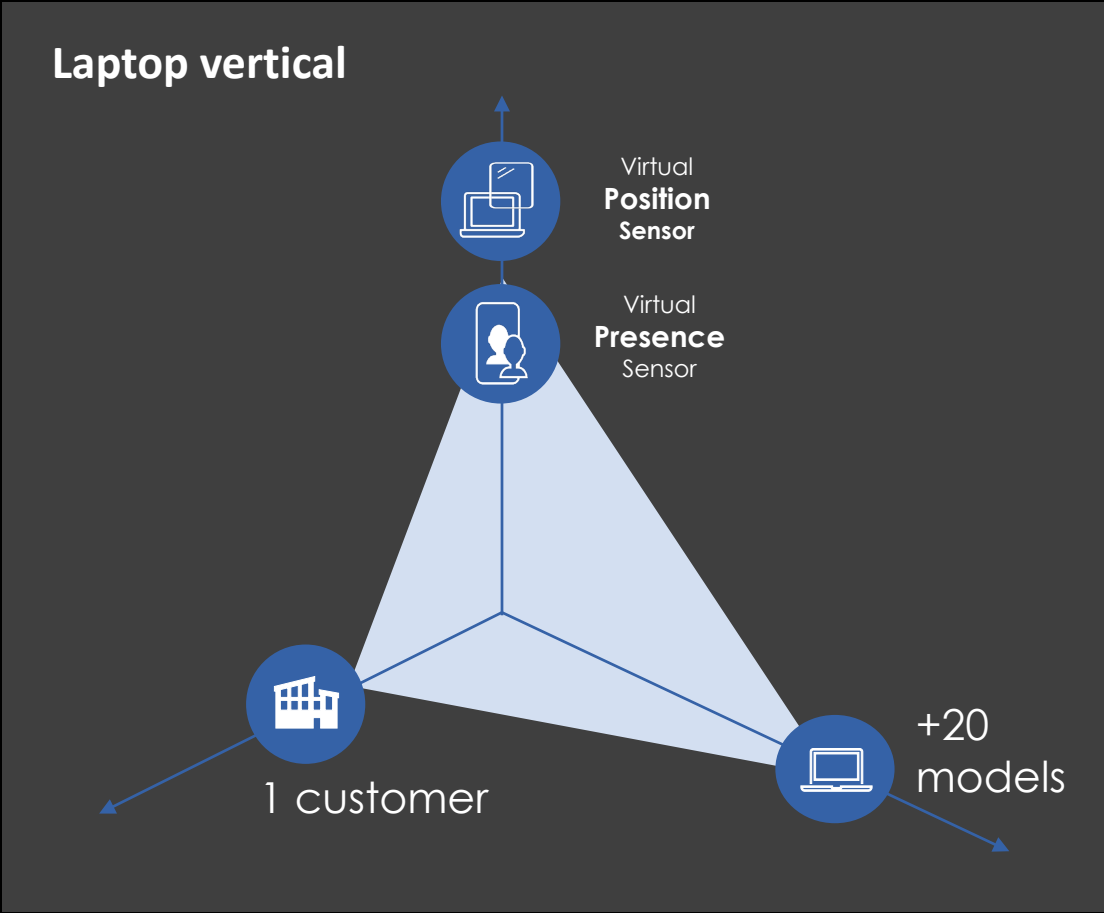
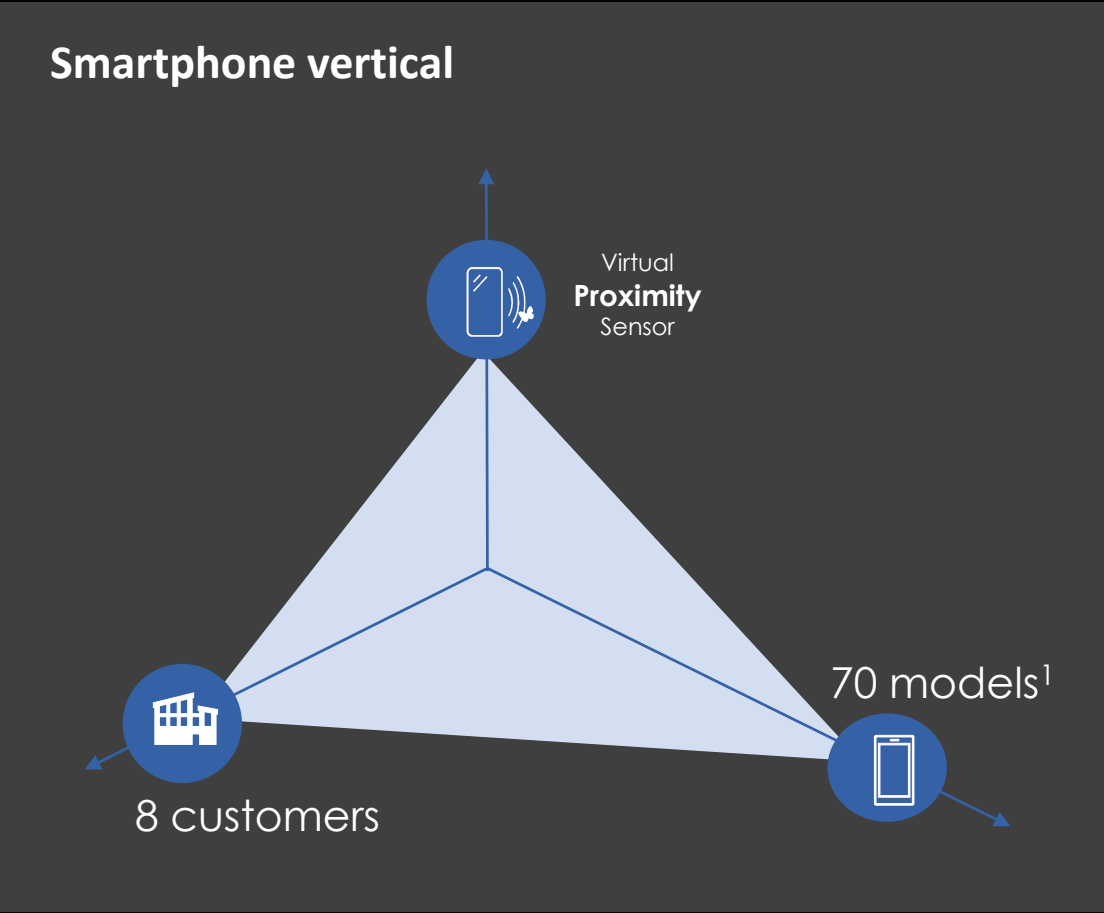
Cost per unit (USD)



- Elliptic's 100% software-based AI Virtual Smart Sensors are competing hardware sensors, adding new innovative features and functionalities
 - Eliminating sourcing risk
 - Reducing cost
 - Increasing battery lifetime
 - Increasing privacy
 - More features
- In discussions with leading Laptop OEMs who recognize the benefits of our software platform

Multiple opportunities for expansion

More models, more customers, more Virtual Smart Sensors and more verticals



1) To date, November 17, 2022



Financial review

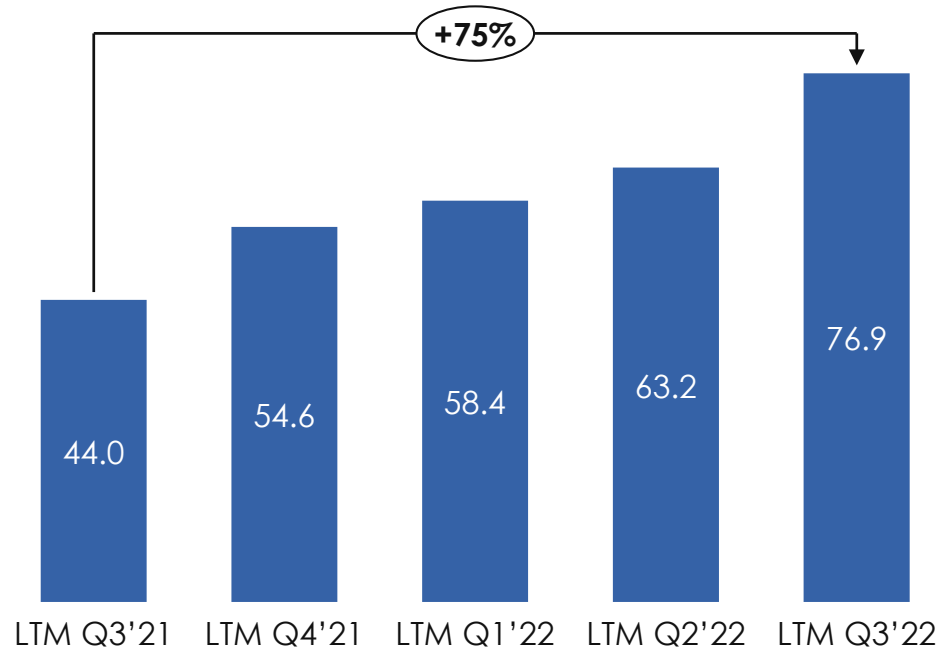
Funded for continued expansion across multiple verticals

CFO Lars Holmøy

Continued strong growth trajectory supported by revenue from laptop vertical

Revenue from contracts with customers last twelve months

NOK million, LTM



	LTM Q3'21	LTM Q4'21	LTM Q1'22	LTM Q2'22	LTM Q3'22
Other operating income ¹	11.6	8.4	5.6	2.8	0.0
Total revenue	55.6	63.0	64.0	66.0	76.9

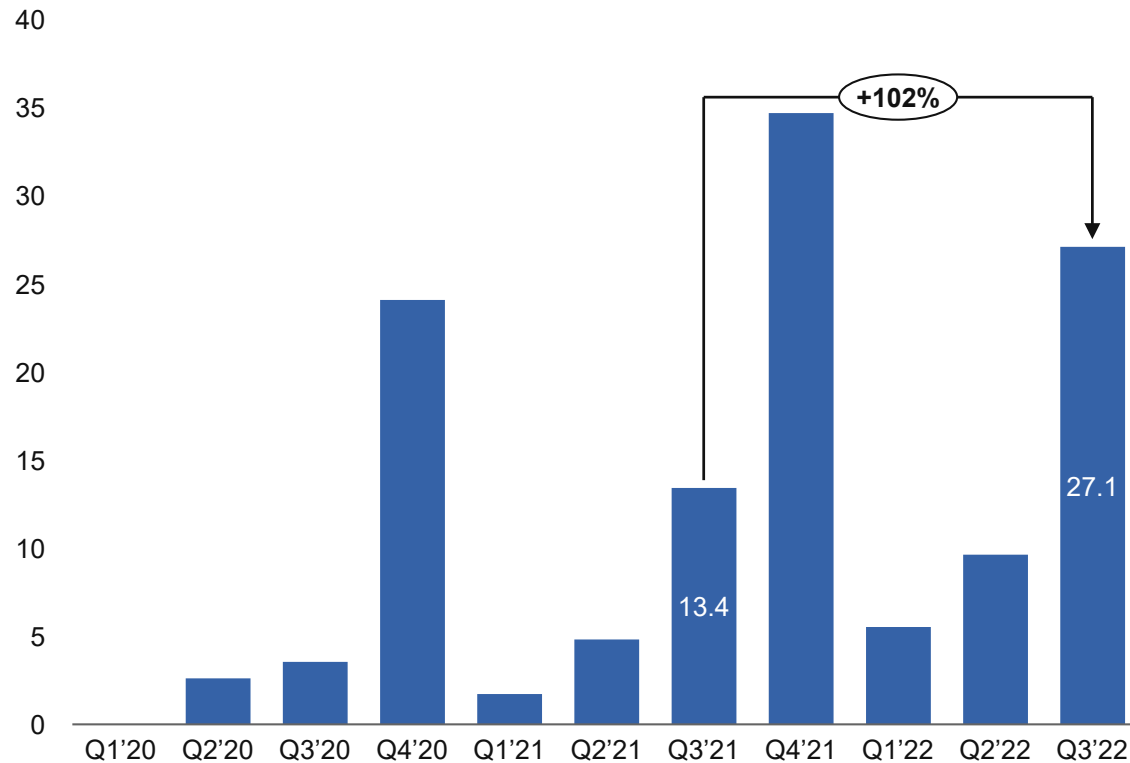
1) Other operating income mainly reflects research grants, Innovation Norway support, etc.

- +75% YoY growth in Revenues from contracts with customers last twelve months
 - LTM revenue primarily from smartphone vertical
 - Laptop revenue represents a significant part of Q3'22 revenue, including standalone milestone revenue and license revenue
- +38% YoY growth in total revenue (LTM)
 - Q3'21 represents the last quarter supported by other operating income of NOK 11.6 million, mainly reflecting grants and innovation Norway support

First laptop revenues recognized in the third quarter - uncertain near-term outlook

Quarterly revenue from contracts with customers

NOK million



- Doubled revenues from contracts with customers year-over-year
 - Including revenue from the first contract in the Laptop vertical, including standalone milestone revenue
 - Slowdown in the end-user smartphone market
- Uncertain near-term outlook for Q4'22
 - Laptop license revenue expected to increase
 - Further laptop milestone payments depending on new contracts
 - Uncertain smartphone volumes in coming quarters may impact our Q4 revenue
- Laptop license revenue expected to represent majority of revenue in 2023

Profitable growth supported by laptop revenue

Condensed Profit & Loss statement

NOK million

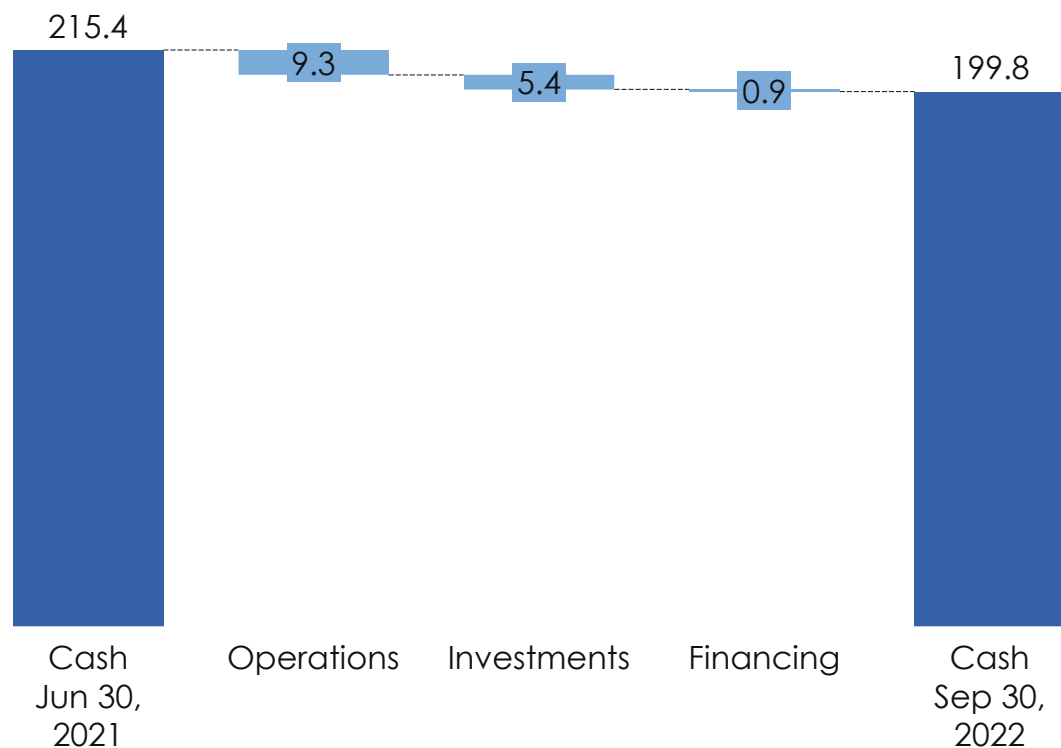
	Q3'22	Q3'21	%YoY	Q2'22
Revenues from contracts with customers	27.1	13.4	102 %	9.6
Other operating income	0.0	2.8	-100 %	0.0
Total revenue	27.1	16.2	67 %	9.6
Employee benefits expenses	16.3	13.6	20 %	15.6
Other operating expenses	4.5	3.0	51 %	5.0
EBITDA	6.2	-0.4		-11.0
Depreciation and amortisation	2.7	2.1		2.6
EBIT	3.5	-2.5		-13.5
Net financials	4.9	-0.2		6.3
Pre-tax-profit	8.4	-2.7		-7.2
Income tax expense	-1.6	0.6		0.9
Profit/loss	6.8	-2.1		-6.4

- +102% growth in revenue from customers, supported by laptop vertical
- Highly scalable with near zero COGS on current revenues
- NOK 2.9 million increase in employee benefit expenses YoY
 - Net full-time employees increase of 14 (+25%) year-over-year. 69 FTE on September 30th 2022.
- EBITDA positive at NOK 6.2 million

Cash flow Q3 2022

Q3 2022 cash flow

NOK million



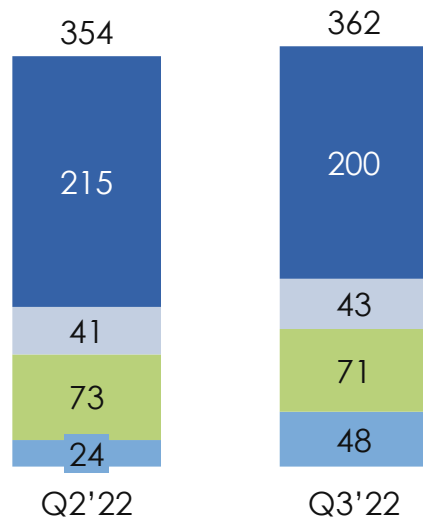
- Strong liquidity position
- Negative cash flow from operations, reflecting increased net working capital
- Cash flow from investing activities reflecting capitalized development cost
- Cash flow from financing activities includes repayment of lease liabilities, repayment of short-term liabilities, paid interest, and proceeds from issuing shares

Maintaining a robust balance sheet

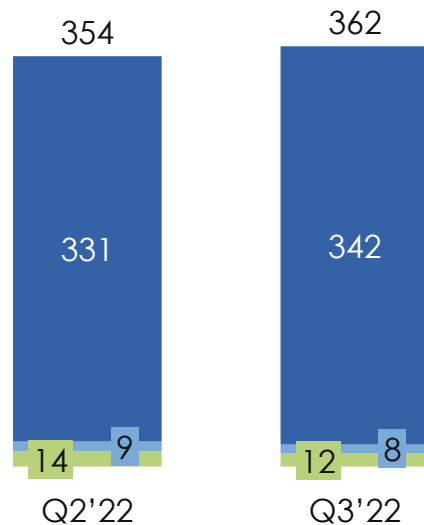
Balance sheet

NOK million

Assets



Equity & liabilities



■ Cash and cash equivalents
■ Intangible assets
■ Other non-current assets
■ Other current assets

■ Equity
■ Long-term liabilities
■ Short-term liabilities

- Strong cash position of NOK 200 million at the end of Q3 2022
- Equity ratio of 94.5%
- Long-term liabilities mainly reflect loans from Innovasjon Norge¹
 - Down payment of NOK 1.0 million in Q3'22



Financial review

Outlook

CEO Laila Danielsen

Maintaining ambitious NOK 500 million revenue target for 2023

Key drivers

- Incoming laptop revenues from existing contracts
 - Initial Q3'22 laptop revenue from 1 of 20+ currently contracted models
- Settling ongoing commercial negotiations with new Laptop OEMs
 - Timing of settlements impacting revenue recognition
- Continued traction in the smartphones market
 - End-user demand to pick up in 2023

2023 target



Building position
in the IoT market

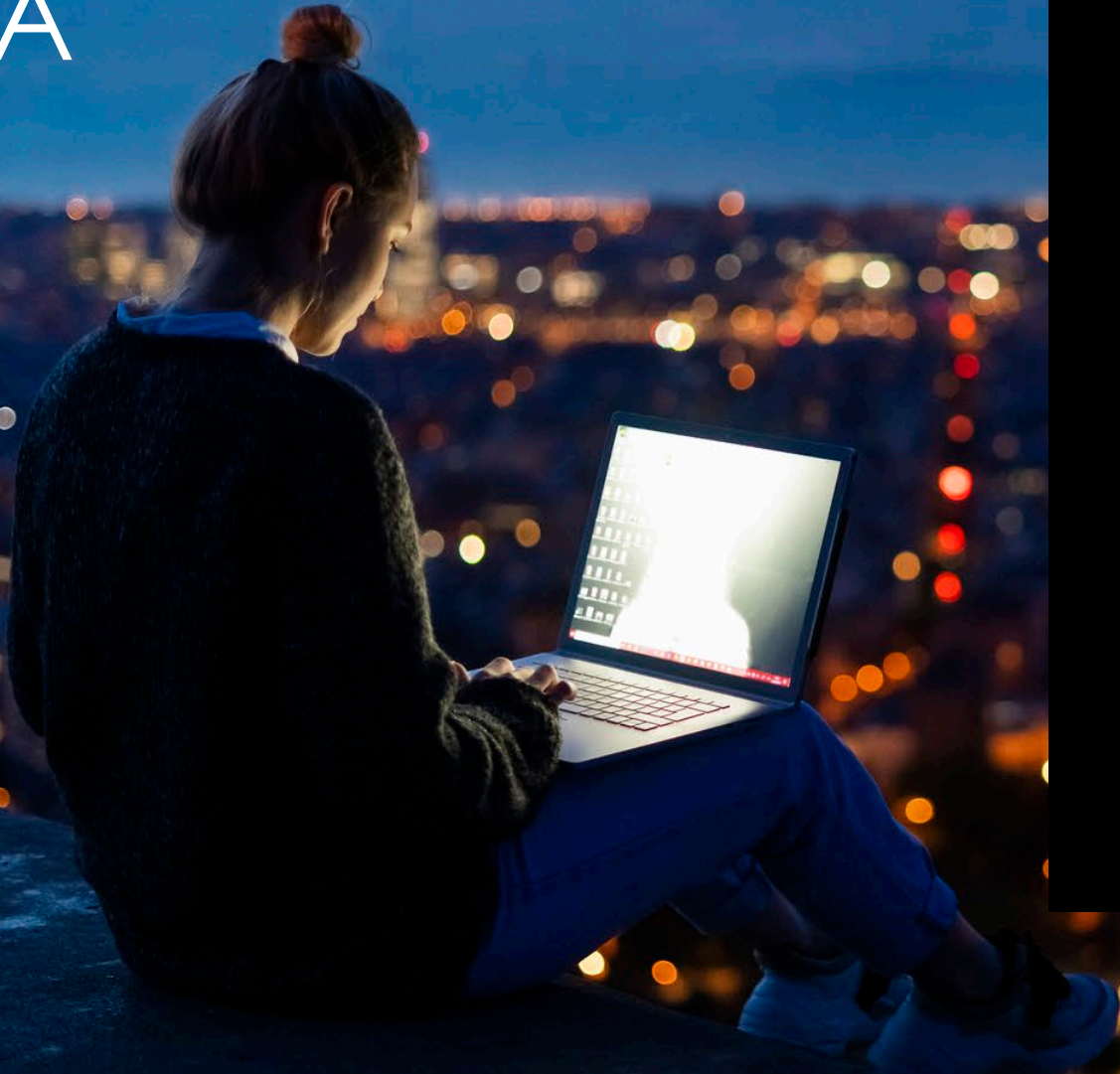


Laptops our next
key growth vertical



Continued
Smartphone
expansion

Q&A



2023 target

Revenue

500

NOK million

EBITDA

>50%



Building position
in the IoT market



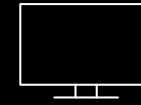
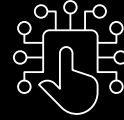
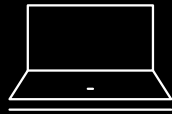
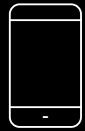
Laptops our next
key growth vertical



Continued
Smartphone
expansion

Appendix

Wide-ranging opportunities across significant markets



	Smartphones	PCs, Laptops & tablets	IoT	Smart TVs	Automotive
Number of units	1.4bn	460m	2.1 bn	400m	100m
x Price of alternatives	Infrared USD 0.10 – 0.25	Time-of-Flight / Radar USD 2.5 – 4.0	Time-of-Flight/Infrared USD 0.10 – 2.0	Time-of-Flight USD 2.50	Radar USD 10 – 20
= Total addressable Market	USD 140 – 350m	USD 1.1 – 1.8bn	USD 1bn	USD 1bn	USD 1-2bn

Flexible pricing model: Volume based license fee per unit/device, per virtual sensor, Subscription fee, or Enterprise/annual license fee

Reported financials

Profit and loss

	Q3 2022 (Unaudited)	Q3 2021 (Unaudited)	YTD 2022 (Unaudited)	YTD 2021 (Unaudited)	2021 (Audited)
<i>(Amounts in 000 NOK)</i>					
Revenues from contracts with customers	27 077	13 401	42 214	19 929	54 598
Other operating income	—	2 813	—	8 438	8 438
Total revenue and other operating income	27 077	16 213	42 214	28 367	63 036
Employee benefits expenses	-16 341	-13 606	-45 867	-32 023	-50 807
Other operating expenses	-4 502	-2 985	-14 518	-8 927	-15 058
EBITDA	6 234	-377	-18 171	-12 582	-2 829
Depreciation and amortisation	-2 728	-2 083	-8 157	-6 215	-8 311
Operating expenses	-23 571	-18 673	-68 542	-47 165	-74 176
Operating profit	3 506	-2 460	-26 328	-18 798	-11 140
Financial income	7 448	590	15 391	1 708	3 730
Financial expenses	-2 532	-788	-5 335	-2 808	-5 683
Net financial income/(expenses)	4 916	-198	10 056	-1 101	-1 953
Profit/(loss) before tax	8 422	-2 658	-16 272	-19 898	-13 093
Income tax expense	-1 674	567	2 373	4 361	1 878
Profit/(loss)	6 748	-2 091	-13 898	-15 538	-11 215
Other comprehensive income:					
Foreign currency rate changes, may be reclassified to profit or loss	357	48	815	51	59
Other comprehensive income, net of tax	357	48	815	51	59
Total comprehensive income for the period	7 105	-2 043	-13 084	-15 486	-11 156

Reported financials

Cash flow

(Amounts in 000 NOK)	(Unaudited) Q3 2022	(Unaudited) Q3 2021	(Unaudited) YTD 2022	(Unaudited) YTD 2021	(Audited) 2021
Cash flow from operating activities					
Profit/(loss) before tax	8 422	-2 658	-16 272	-19 898	-13 093
Adjustment for:					
Taxes paid in the period	—	6	745	12	-12
Depreciation	2 728	2 083	8 157	6 215	8 311
Share-based payments	3 031	1 583	9 531	3 191	10 349
Items classified as financing activities	137	159	418	505	653
Change in current trade receivable	-26 265	-12 705	-12 057	-12 190	-28 599
Change in trade payables	-1 293	885	-1 862	781	2 040
Change in other accruals	3 966	1 123	10 095	-735	9 528
Net cash flows from operating activities	-9 273	-9 525	-1 245	-22 119	-10 823
Cash flow from investing activities					
Capitalized development costs	-5 444	-2 873	-15 950	-8 410	-17 610
Net cash flows from investing activities	-5 444	-2 873	-15 950	-8 410	-17 610
Cash flow from financing activities					
Payments of lease liabilities, classified as financing activities	-558	-558	-1 674	-1 674	-2 232
Repayments of current borrowings	-1 000	—	-3 000	-2 000	-4 000
Proceeds from issuing shares	350	151 801	2 972	152 157	162 218
Payments for share issue costs	—	-8 520	—	-8 520	-8 533
Interests paid, classified as financing activities	-137	-159	-418	-505	-653
Net cash flows from financing activities	-1 345	142 564	-2 120	139 458	146 800
Net Change in Cash and Cash Equivalents	-16 062	130 165	-19 314	108 929	118 367
Cash and cash equivalents at the beginning of the period	215 357	78 492	218 151	99 724	99 724
Effect of foreign currency rate changes on cash and cash equivalents	357	48	815	51	59
Cash and cash equivalents at the end of period	199 651	208 705	199 651	208 705	218 151

Reported financials

Balance sheet

Assets

<i>(Amounts in 000 NOK)</i>	30/09/22 <i>(Unaudited)</i>	31/12/21 <i>(Audited)</i>	30/09/21 <i>(Unaudited)</i>
Non-current assets			
Deferred tax assets	64 907	62 534	66 129
Intangible assets	43 235	36 564	32 109
Right of use assets	1 116	2 790	3 348
Other non-current receivables	5 003	4 517	4 315
Total non-current assets	114 261	106 406	105 902
Current assets			
Current trade receivables	41 083	29 025	10 468
Other current receivables	7 133	17 773	23 599
Cash and cash equivalents	199 651	218 151	208 705
Total current assets	247 867	264 949	242 772
Total assets	362 128	371 356	348 674

Equity & liabilities

<i>(Amounts in 000 NOK)</i>	30/09/22 <i>(Unaudited)</i>	31/12/21 <i>(Audited)</i>	30/09/21 <i>(Unaudited)</i>
Share capital	1 041	1 038	1 031
Other equity	341 148	341 731	320 289
Total equity	342 189	342 769	321 320
Non-current lease liabilities	530	530	1 225
Non-current borrowings	7 000	10 000	11 000
Total non-current liabilities	7 530	10 530	12 225
Current borrowings	4 000	4 000	4 000
Trade and other current payables	1 167	3 029	1 770
Current tax liabilities	—	—	304
Current lease liabilities	961	2 611	2 433
Other current liabilities	6 281	8 416	6 621
Total current liabilities	12 409	18 056	15 128
Total equity and liabilities	362 128	371 356	348 674

Shareholder information

Top 20 shareholders as of 28. Oct 2022

	Number of shares	% of total shares
1 PASSESTA AS	12 680 480	12,2%
2 MP PENSJON PK	8 478 999	8,1%
3 ALDEN AS	7 403 330	7,1%
4 HORNE	5 028 350	4,8%
5 VINTERSTUA AS	4 857 691	4,7%
6 J.P. Morgan SE	4 666 897	4,5%
7 DANIELSEN	4 624 150	4,4%
8 VERDIPAPIRFONDET DNB SMB	2 864 693	2,8%
9 SIX SIS AG	2 827 000	2,7%
10 NORDNET LIVSFORSIKRING AS	2 318 729	2,2%
11 GHIBLI AS	2 100 000	2,0%
12 NUNATAK AS	1 967 511	1,9%
13 FABRES SCALER	1 600 000	1,5%
14 Danske Invest Norge Vekst	1 512 700	1,5%
15 CIPRIANO AS	1 453 700	1,4%
16 VERDIPAPIRFONDET PARETO INVESTMENT	1 453 000	1,4%
17 BRYHNI.COM AS	1 450 241	1,4%
18 INVEN2 AS	1 441 670	1,4%
19 Danske Bank A/S	1 333 330	1,3%
20 SLÅPEKROKEN AS	1 310 000	1,3%
Top 20 shareholders	71 372 471	68,6%
Other	32 701 739	31,4%
Total	104 074 210	100,0%

Shares and options owned by BoD, mgmt, and employees as of 28. Oct 2022(fully diluted)

	Number of shares	Percent of fully diluted shares
Shares owned by Board of Directors	20 101 810	18,4%
Shares owned by Management	4 836 240	4,4%
Allocated Options to Employees and management in shares	5 410 540	4,9%
Other shareholders	79 136 160	72,3%
Total	109 484 750	100%

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ellipticlabs

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