

This transcript has been posted on MicroVision's website for the reader's convenience. Readers should refer to the audio replays, when available, on MicroVision's website at www.microvision.com for clarification and accuracy.



**MVIS Financial and Operating Results Q4 and Full Year 2020
Conference Call Prepared Remarks**

Operator

Welcome to the Q4 2020 and full year 2020 MicroVision, Inc. Financial and Operating Results Conference Call. (Operator Instructions) Please note, today's event is being recorded. I will now turn the call over to Lindsey Stibbard. Please go ahead.

Lindsey Stibbard

Thank you. Good afternoon and welcome everyone to MicroVision's Fourth Quarter 2020 and Full Year 2020 Financial and Operating Results Conference Call. Joining me on today's call are Sumit Sharma, Chief Executive Officer, and Steve Holt, Chief Financial Officer.

The information in today's conference call includes forward-looking statements, including statements regarding exploration of strategic alternatives, sale of our product verticals or technology, sale or merger of the Company, or completing any such strategic transaction; maximizing shareholder value; managing costs; expected customer orders; future royalties; progress under and benefits of existing contracts and license agreements and the negotiation of future agreements; customer product launches; advantages of our technology; litigation; business execution; projections of future operations and financial results; availability of funds; product development applications and benefits; availability and supply of products and key components; commercialization of our technology; market opportunities and future demand; as well as statements containing words like opportunity, potential, possibly, intend, believe, goals, paths, expects, plans, will, could, would, likely, and other similar expressions. These statements

are not guarantees of future performance. Actual results could differ materially from the future results implied or expressed in the forward-looking statements.

We encourage you to review our various SEC filings, including our Annual Report on Form 10-K filed on March 12, 2020 and Form 10-Q filed on October 30, 2020 as well as various other SEC filings made from time to time in which we discuss risk factors associated with investing in MicroVision. These risk factors could cause results to differ materially from those implied or expressed in our forward-looking statements. All forward-looking statements are made as of the date of this call, and except as required by law, we undertake no obligation to update this information.

The financial numbers presented on the call today are included in our press release and in the 8-K filed today. Both are available from the [Investor Relations section of our website](#). This conference call will also be available for audio replay in the Investor Relations section of MicroVision's website at www.microvision.com.

And now I'd like to turn the call over to Sumit Sharma. Sumit?

Sumit Sharma, *Chief Executive Officer*

Thank you, Lindsey. Good afternoon everyone.

As we look back at 2020, I see it as a defining year for us. A year ago, we faced a very challenging business environment and global outlook. Despite this we made important progress that allowed us to stabilize the Company for 2021 and position us to advance our technology while pursuing strategic alternatives.

I would like to start by thanking our employees for their dedication, creativity, innovation, and execution. The potential value of this work is just starting to come into focus as the market

segment in advanced driver safety and autonomous driving sees established multi-national technology companies, software companies focused on delivering mobility as a service and traditional automotive OEMs and Tier 1 companies start to invest in and engage in preparation for this emerging market.

I would also like to thank our shareholders for their support that allows us to focus on obtaining the right value while exploring strategic alternatives, including a possible sale of the Company. This support has enabled us to have a stronger balance sheet as we continue evaluating our options while we work to complete our long-range lidar sample, which we expect to be best-in-class. I will expand on this a bit later in this call. A stronger balance sheet allows us to add staff that we believe increases the value of our Company for potential strategic partners as well as reduces risk to our 2021 development goals. I expect us to continue adding key staff through 2021 to enhance our ability to demonstrate to the market and potential strategic partners two sustainable strategic advantages of our technology. First, the ability to deliver a high-performance long range lidar sensor that is designed to meet or exceed current OEM requirements, and second, scalability of our sensor to support future price targets.

Over the last 12 months, we also welcomed three new members to our board of directors with considerable expertise in automotive and augmented reality market segments. I believe adding these new expertise and insight to our current board to augment existing expertise in business, including expertise in mergers and acquisitions, strengthens our ability to create value for shareholders.

Over the past two decades, we have leveraged our strengths to solve some of the toughest technical problems anticipated by multi-national OEMs as they looked at new market opportunities using laser beam scanning technology. In our Augmented Reality, Interactive Display, and Consumer Lidar product verticals, we pioneered scalable solutions that we believe were far ahead of global competitors. The impact and value of what we achieved was hard to measure since there were no competitive solutions for these verticals. Our Automotive Lidar

product addresses an emerging market segment that has the potential to impact millions of lives in mobility and safety, with potentially billions of dollars of sensor and vehicle sales for OEMs and multi-national technology companies over coming decades. I believe this market demand represents a great opportunity for MicroVision to showcase our competitive advantage of high performance and scalability. We expect our long-range lidar sensor to demonstrate what we believe will be the high performance required for advanced driver assistance systems and autonomous driving. This performance is calibrated to meet current OEM requirements and would include range of up to 250 meters and beyond, a high-resolution point cloud with up to 10.8 million points per second from a single return, object velocity relative to ego vehicle from a time-of-flight lidar, low latency, intensity, inertial output, and interference immunity from sunlight and other lidars. With such capabilities in our first potential product, we believe a future product could then include a lidar and camera module combined in a single sensor. We expect such a product could reduce the number of sensors required per vehicle to achieve features for advanced safety and autonomous driving. This improvement in cost could support faster adoption.

We believe our capability to demonstrate scale is important in this segment. We have successfully demonstrated our solid-state technology to achieve scale over more than a decade. Our custom MEMS and ASICs scale from 200 mm wafer technology where we have successfully delivered products for OEM programs. Our lidar is based on 905 nanometer laser diode technology that is currently available and is the plan of record for anchor technology companies. Additional innovations in injection molded free-form plastic optics and multi-axis active alignment automation, automated testing and closed loop control algorithms, among others, have prepared us to show scalability from our pilot line.

As I mentioned in our call last October regarding our A-sample timing, we expect the hardware for demonstration along with select benchmark data from our development platform will be available to interested parties in the April timeframe followed by continued benchmarking and testing. I also expect that a version of our solid-state long range lidar sensor could be available

for sale, in small quantities, in Q3 or Q4 this year. Our solid-state long range lidar sensor could enable any interested parties to perform testing with our sensor on their moving platforms such as cars and long-haul trucks. This is important because we believe scalability, being a key strategic advantage of our technology, needs to be demonstrated to help realize value for our shareholders. Also, we expect to establish a pilot line with appropriate capacity to demonstrate scalability as we have done over the last decade for multi-national technology partners. Let me be specific on this, our capabilities include delivering process maps, control plans, supply chain partnerships, automation and product integrity qualification for high yield designs that can ramp. We have confidence in our ability to scale our sensor from our pilot line.

In addition to our automotive lidar vertical, we believe we remain well positioned in Augmented Reality, Interactive Display, and Consumer Lidar product verticals for strategic alternatives. The impact of the global pandemic on consumer devices in these segments is evolving as is clarity about opportunities from OEMs focused in these markets.

In conclusion, we remain committed to exploring strategic alternatives, including a potential sale of the Company, in part or whole, to maximize value for our shareholders. I believe with our advanced technology, the continued dedication of our employees, our vision on products and markets, and the strength of our balance sheet, we can deliver a scalable best-in-class long range lidar sensor. I am profoundly optimistic about our path forward.

Finally, today the Company announced that David Westgor will retire from MicroVision. David has been a key contributor for over 15 years. He is stepping down from his current role but will be available to support the transition to a new general counsel. As he approaches his 68th birthday, he feels it is time to look to his planned retirement and enjoy time with family with the Company on a solid path forward. On behalf of our employees and shareholders, I would like to thank David for his dedication and service to MicroVision. I will miss our time together and his counsel and I wish him a wonderful retirement.

Now let me turn the call over to Steve to discuss the fourth quarter and full year results.

Steve?

Steve Holt, *Chief Financial Officer*

Thank you, Sumit. Good afternoon, everyone.

For the fourth quarter, revenue was \$395 thousand. All of the fourth quarter's revenue was royalty revenue and was attributable to our April 2017 customer.

In comparison, in the third quarter we recognized \$639 thousand of revenue, \$539 thousand in royalty revenue, and about \$100 thousand in product revenue.

Revenue for the full year was \$3.1 million. \$1.7 million from royalty revenue, and \$1.3 million in product revenue. The product revenue was mainly from shipments to our April 2017 customer in Q1 before we moved to a royalty model starting March 1, 2020.

As a reminder, I want to point out that royalties that are due to MicroVision, related to our April 2017 customer, will be credited against the prepayment made by the customer in 2017. When the prepayment is exhausted, the customer will begin making cash payments for royalties due. At the end of Q4, the balance of the prepayment stood at \$7.8 millions. As I previously reported, the \$7.8 million prepayment is not refundable to the customer. The \$7.8 million is on the balance sheet as a contract liability. During the year ended December 31, 2020, we applied a total of \$2.0 million dollars against the prepayment.

Royalties have no cost of revenue, so fourth quarter cost of revenue was zero, resulting in a gross profit of \$395 thousand. In comparison, gross profit was \$639 thousand in the prior quarter.

Operating expenses were \$4.0 million in the fourth quarter, up from \$3.5 million in the prior quarter. The increase is due to additional expenses related to our development work on our first generation lidar sensor and personnel additions we made to our engineering staff.

Let me talk for a minute about our headcount. A year ago, in February of 2020, we reduced our headcount approximately 60% because we were not sure what the future held. While lowering headcount was essential at the time, we've concluded that we need more people to advance our lidar product to a point where it would be ready to scale. Additionally, we believe having a more rounded-out or complete team makes us more attractive to those who may consider strategic transactions. Fortunately, we have been able to rehire some the employees that we were forced to lay off in February 2020 and we've added some new personnel; today our headcount stands at 53.

For the fourth quarter, our net loss was \$3.6 million or \$0.02 cents per share. This compares to a loss of \$2.8 million or \$0.02 cents per share in the prior quarter.

For the fourth quarter, cash used in operations was \$4.2 million, which compares to cash used in the prior quarter of \$3.5 million. We expect that our cash used in operations for Q1 2021 will be in the range of \$5.0 to \$5.5 million. The expected increase will be due to continued spending on parts, tooling, and contractors to develop our first generation long-range lidar, and the increase in headcount.

I'm very pleased to announce that we ended the fourth quarter with total cash and cash equivalents of \$16.9 million, up from \$5.0 million in the prior quarter. In addition to the \$16.9 million cash balance, we raised net proceeds of \$61.4 million from two ATMs we completed in January and February of 2021. This puts our balance sheet in the strongest position it has been in for many years. Based on the December 31st cash balance and the 2021 proceeds from our ATMs, we anticipate the financial statements we will be releasing shortly will no longer have a going concern opinion. We are very pleased with where the Company is today.

We will now open the call for the questions.

Q&A

Thank you, operator.

In closing, I want to once again thank our employees, business partners, and our shareholders for their continued support. I look forward to reporting on our progress in the future. Thank you.