

## **Transcript of Innoviz Q3 2021 Financial Results Call**

Date: November 10, 2021

Good morning, and welcome to Innoviz third quarter 2021 earnings conference call.

Joining us today are Omer Keilaf Innoviz Chief Executive Officer and Eldar Cegla Innoviz Chief Financial Officer. Following their formal remarks, we will open the call for your questions. I would like to remind everyone that this call is being recorded and will be available on the investor relations section of our website at IR.Innoviz.tech.

Before we begin, we would like to remind you that our discussions today will include forward looking statements that are subject to risks and uncertainties relating to future events and the future financial performance of Innoviz. Actual results could differ materially from those anticipated in the forward-looking statements. Forward looking statements made today speak only to our expectations as of today, and we undertake no obligation to publicly update or revise them.

For discussion of some of the important risk factors that could cause actual results to differ materially from any forward-looking statements, please see the risk factors section of our form 20-F filed with the SEC on April 21, 2021. I will now turn the call over to Omer. Please go ahead.

**Omer Keilaf:** Hi everyone and good morning. I'm Omer Keilaf CEO and co-founder of Innoviz Technologies and with me Eldar Cegla, our CFO. Very happy to be in New York and meeting with investors and talking to analysts and being able to bring our car, the Grizzly which we call, with our Innoviz One LiDAR to show and demonstrate its great performance. Happy to be here today.

Before I move on to our quarterly updates, today we have a very special guest with us. I'm very happy and honored to have Mr. Richard Rau, who is the VP of automated driving of BMW. He's joining us now today from Germany in Munich. He is here to talk about the program, the process. We are very fortunate for BMW which selected Innoviz Technologies through Magna, our Tier1 partner and I'm very excited to see you here, Richard. We've been working together for the last three or maybe four years, right now, thank you very much for accepting my invite to be here today.

**Richard Rau:** Thank you, Omer, thank you for inviting me. I'm glad to support you in this important call for Innoviz. I would like to give you all, in a few minutes, a little bit perspective on our joint project we have with Innoviz and Magna. Before I dive into this, however, I need to give a little disclaimer because we do have very strict policies at BMW that restrict me in terms of what I can say about ongoing projects within BMW, so please understand that I will not talk about specific launch dates or specific features or functionalities nor will I be commenting on the programs of other OEMs or other laser scanner programs.

With having this said, maybe I'd give you a little background on where we stand at BMW with autonomous driving and many things which I'm going to say are public knowledge, but maybe in this summary not fully present to you. First of all, we have announced this quite a few times that we do work on a full Level 3 customer system.

So true autonomous driving will launch as soon as the necessary regulations are in place and as soon as it meets all the high safety standards at BMW for the safety of our customers.

We have also, I think, talk quite a bit in public about, on conferences and alike, that for us, a LiDAR or a laser scanner is an absolute necessary component in the overall sensor setup for a true level 3 system. On that we are pretty firm and have been for the last few years, and that has not changed. You cannot build, from a BMW perspective, a true level 3 system without LiDAR systems or without at least one LiDAR in the system. For this end we have nominated Magna and Innoviz, already some time back, to develop for us, for our autonomous stack, a LiDAR for an end user customer application so that it meets all autonomous requirements and all the performance requirements we have for the system. That one was announced, I think it was in the internet, early 2018. And this project is ongoing, and I'll move on now a little bit to technological aspects of this project.

Designing a LiDAR as an integral part of an autonomous system is a very challenging task because you have to take many, many design decisions and optimizations. This whole process cannot really be reduced to single parameters as the questions, what is the right wavelength of the laser I use, what is the right type of mirror and alike - there are many, many things you have to take into consideration. For this end, we do have quite a sizable team at BMW that is doing nothing else than working on a daily basis with a highly competent team at Innoviz and in Magna to exactly designing the system, to finding the best trade-offs, the best design decisions so that we have an overall system that would meet or that does meet all the level 3 requirements we do have.

Especially on the technical side, things like you know, is it 1515 nanometer laser or 905 nanometer laser - the better option. The decisions you need to take and in specifically the specific IP Innoviz brings to the table clearly tales, from my perspective, the overall optimization towards the 905, which in specifics, Innoviz can provide.

Overall, I can say that this project that we have is right on track with respect to all important parameters, with respect to the design of the system, with respect to validation and also with respect to the industrialization, which is also an overall very challenging task because LiDARs are highly complex systems. And, overall, the project is on track that BMW, will be able to deliver with my introduction statements I have just made.

And it is, it is a real pleasure to work with a team at Innoviz because they are great in terms of their competence. They are extremely skilled, they have IP that makes a significant difference for us and that overall we are there on a very good track. So I hope this helps to give you a little bit of perspective on our work together with Innoviz and with this I would pass it back to Omer.

**Omer Keilaf:** Thank you very much, Richard I really appreciate it and I'm very, very excited to hear you talk about our team. It's been such a long journey, so far, and as you know, we are super committed to continue to work with you and help you be very successful in your journey to be the first level 3 car maker in the market. It's a real honor and I know it's a very uncommon that BMW would participate in such a forum and I believe it's really thanks to a very special relationship that we've managed to generate in the last few years, and hopefully we'll continue. Thank you very much Richard.

I think it should be enough for today but let's continue. Let me move to our presentation talking about what Innoviz has been up to in the last quarter so before I'll talk about the exact activities, are you seeing my slide? okay good okay. So, of course for the LiDAR market, there are different applications of automation whether it's a logistics and agriculture and smart cities and trucks, there are many ways, you can leverage on a good LiDAR.

Innoviz has always been very focused on one category which we thought is going to be the most important and most relevant for us, which is the passenger vehicles. When you talk about the passenger vehicle it's important to understand that this [Okay sorry Okay..] So, in order to understand this market, it's also important to understand that it's also setting the highest Bar.

It is the most cost sensitive because it's for a privately owned vehicle. It requires the highest performance because it's for highway driving for very fast cars. It has the highest standards on reliability that's for a passenger vehicle that needs to last for 15 years. It requires perception software that comes along with the sensor. It requires very strong industrialization process for a product that needs to be built in millions, as Richard just said. It has very high sensitivity to size and power consumption. And, of course, eventually, when it comes to very high volume, you need to work with Tier1s that allow you to access the market. I think that if you combine all of those unique requirements and maybe the most harsh one, this is where Innoviz stands out with our solution which is the most cost effective and highest performance.

Of course, the opportunity in this market comes because it is the largest growing market until 2030. It is the shortest validation process in order to reach the market and as opposed to level 4, level 5, level 3 is much more simplified. Customer value is already proven. OEM financial motivation is already proven as well. The car makers would be able to charge from chauffeur driving, from drivers and generate recurring revenues monthly.

Of course, when working on automotive, you generate also very good relationships, for very long term, having very strong customer loyalty, for many, many years. And since this market is about to converge and we see many, many opportunities now on a decision making for programs that are going to be launched for the following years and, of course, those programs will last for many, many years beyond that, this is our opportunity to take a very significant market share.

Now, at Innoviz, we have a certain methodology on how we develop things. Over the last five six years, every year we stop and look at what we are doing and trying to find what's the next 10X improvement, what is the game changer that we can bring into our offering that can allow us to be much more attractive. What we identified right now is that if our focus is the level 2, level 3 passenger vehicles platform, we believe that Innoviz Two, new product, is already meeting the highest performance targets and we see it as the most cost-effective solution in meeting our targets. Right now, having all of our automotive experience, makes us understand that with our ability and our financial stability, raising money through the SPAC gave us 12 months ago an understanding that in strategical point of view, we want to go and start to address this market as a dialect Tier1 supplier. That would be a very meaningful ability for us to access the market and get many benefits from it.

A standard Tier2, Tier1 is when a company, a technology company provides a certain technology, reference design, a prototype and eventually sells the components. The Tier1 takes full ownership of the process, works directly with the car maker, integrating the product, designing the tools, designing the

manufacturing, producing the samples and basically doing everything in the program while the Tier2 only sells its technology.

In our case, since we've been able to work very closely with both Magna and BMW, we were able to absorb a lot of knowledge. In this program, we are also responsible for the manufacturing of samples, we're responsible for the design for manufacturing, we're responsible for the design of the manufacturing tools. All of these assets that we were able to collect through the further years, showed us that there are still gaps between us and being a classic Tier1, but those are gaps that we can mitigate now that, since we are we're able to raise substantial money, it allows us to strategically go in that direction and offer our solution directly to car makers. So, some of those capabilities are now done in house, such as integration of the software, the operating system, the Autosar, the production validation and, of course, when it comes to high volume manufacturing, we will be able still to leverage on our existing relationship with our existing Tier1s as they have those capabilities of automotive grade, high volume manufacturing and it's really a win-win situation for everyone.

The benefits for us is, of course, having higher revenues in terms of us not just selling the components right now, we're selling the complete solution which gives us substantially higher potentially revenues and it has it allows us to be much more flexible in control of the process, when we are submitting for RFQs, now we're working directly with the customer in negotiations, understanding their needs and requirements and allowing us to be more competitive when it's needed.

Of course, when it comes to offering a product with less margin stack because we are the Tier1, it allows us to give a much more pricing fit and, of course, when it comes to amortizing, all of our efforts, which could be very tremendous for one single program, we Innoviz, since we are developing the technology, we are bringing a new product to the market, we can amortize those efforts across multiple programs in that manner, allowing us to provide a much better offering to every other customer.

From a project management, being part of a level 2, level 3 programs means a very highly complex Technology project. We, Innoviz, are a very technical company, working in a simpler project management manner will allow for simpler processes to move faster. We believe that's another value that Innoviz in our methodology to be flexible with our customer, helping them to get to the market, is going to be the benefit of our customers.

And last but not least, it's really a win-win situation for everyone, because our car maker customers can get a very strong very good pricing offer, commercial terms. Our Tier1 partners can leverage on volume production that we can bring to the table, allowing them to exercise their manufacturing sites that are already automotive certified and allow us eventually to generate additional revenues and gain more business.

In the car space, when you build a car, you have thousands of suppliers, the car makers cannot work directly with each and every supplier in the market and therefore they selectively choose who are the main Tier1s that eventually would source those technologies through them and every Tier1 that today exists, has gone through a very long process with the car makers in order for them to be recognized as a Tier1.

We've gone, I told you in the last quarter, I told you about the different audits that we were passing. The context of those audits is related to the fact that we've been audited to become a Tier1 in front of one of

the biggest car makers in the market today. Those sessions that lengthened for over several months, of the year, basically, allowed us today to say that we, with many disciplines which are related to the logistics and cybersecurity, software development and quality assurance, we've gone through a lot of effort and, eventually, I'm very happy to tell you today that we were able to formally been recognized as a direct supplier, one of the biggest car makers in the market and now eligible to be nominated as the direct supplier of the LiDAR. That nomination is part of an RFQ that is going on and we believe that we have very good chances to be nominated, eventually, yet to become.

That process gives us also higher confidence in now approaching other car makers, being able to show them that we are already fully certified as a Tier1, working directly in front of car makers now giving us a back win to work with other car makers and we are working through the same processes with additional OEMs as we speak.

This slide talks about market fit. What we are showing here is a reflection of all of the RFIs and RFQs that we've received for the last two years. As you can see, the spread of the different requirements are spread between two axes, one is the field of view, the other is the range and resolution and, as you can see, there is another element here, which is related to the cost. Of course, the premium vehicles are usually targeting very high, very fast driving of autonomous driving which pushes the performance requirements higher. Innoviz One, which was our first product to the market was designed around requirements we got from the premium vehicles, us knowing that those car companies are more likely to be in the market faster than others because they are much more technical, and since then we also brought Innoviz One Plus because the requirements in the market continuously increased.

As you can see, those products have very high performance and yet are not able to support low-cost brands, because of the price barriers. For that we designed Innoviz Two that is going to be a great fit for the entire market, it has 30 times improvement over Innoviz One and it's going to be significantly cheaper, what would allow us to meet all of the demands that we see from the different brands. I have very high confidence with this product to be a real game changer.

I want to talk about the Nvidia announcement we made yesterday. So, Nvidia is a company we announced yesterday about working and being part of their platform. Innoviz is a formal Nvidia Drive ecosystem partner. Nvidia is a very common platform used by probably most of our customers the car makers that want to develop an autonomous vehicle. As such, Nvidia recognizes that our sensor is asked by several of our customers to be integrated as fast as possible. And working with Nvidia and incorporating our LiDAR into the platform is eventually going to help our customers to move faster, solve problems, not to deal with problems that were already dealt ahead of time. Nvidia's decision to include Innoviz on its platform is a vote of confidence, initially coming from their customers who wish to integrate Innoviz LiDARs. We are appreciative of Nvidia making our LiDAR accessible to the market and believe it will help our customers accelerate the autonomous vehicle development.

I want to talk about confidence. So, when Innoviz went public six months ago and we started to prepare towards it, we had to provide some guidance on how we see our potential going forward. When doing our business model and trying to reflect what's the potential revenues over the years, there were several key elements that we took into account. The first one is related to the pipeline. I'm happy to tell you that since then, that time, many other customers have propagated into the pipeline, additional car makers that were not in our discussion a couple of years ago are now providing RFIs and RFQs. This gives us a lot

of confidence, since we see that LiDARs are now going also, not only to the premium vehicles, and we see more and more car makers with an interest to include LiDARs in very high volume.

In terms of progress through the funnel, Innoviz has continued to work with different programs and propagate it into different stages. I can say that, today, on three programs, we are at the final stage. Possibly, we know that in some of them, we are the leading candidate, and we believe that we have chances, good chances, to win this program, very meaningfully for us.

ASP - as I said earlier, now competing on programs as a direct supplier, will allow us to increase our overall potential revenues and increase our outcome.

From market fit, I want to say that when we started our discussion with the market a year and a half ago, we talked about Innoviz One, we talked about Innoviz Two and there was another product we called Innoviz SLR. Now SLR was the development of Innoviz One in terms of the improvement of performance. What we managed to do in the last year and a half and actually that was announced a few months ago, we were able to bring the 30 times improvement into Innoviz Two, which was initially only targeted the cost reduction of Innoviz One. So, Innoviz Two is now including both the cost reduction of 70% of Innoviz One and the performance improvement of 30 times. Having such a product in our hands, gives us higher confidence in our ability to acquire very meaningful business in the future.

The Tier1 role is giving us the ability to control our process, our ability to be much more flexible and competitive in this manner, and allowing us to have high confidence that we would be able to achieve bigger portion of the market.

With all of these elements which we are continuously developing, I believe that what Innoviz is now able to say is that we have a very high confidence in our ability to meet our vision and our targets.

Several announcements that we've made in the last quarter - such as integrating with Webasto which is a Tier1, using LiDARs for roof mounting, Nvidia as we were talking, EV Motors who is an importer for electric vehicles to Israel, JueFX which is a smart city infrastructure development, using our LiDARs in the Chinese region, and ModifyAI and the 3DTarget which is an AV integrator in Italy. Very thankful for all our partners. It's a real honor to grow our ecosystem, which are using our LiDARs.

Small update on our funnel. So, we have additional customers getting into advanced technology evaluation. Additional customer moved into the process of a commercial and requirements negotiation, which leads to an increase of the potential order book of \$200 million and we will continue to give you updates, as many of those programs that we're working on will materialize.

Now, I want to talk about technology development. So, as you know, we're expecting to have Innoviz Two coming along. The team has been working very difficult, very hard in the last two three weeks towards a certain milestone, with a customer to show them the Innoviz Two B sample. I have here the Innoviz Two B sample in my hand, and this is the product that the team is working to tailor and basically bring to the performance that is needed. I suppose that you are able to see the excitement of the team, and I can tell you that I've spent also several evenings with the team and today I can tell you that, yes, last night I got a picture from the lab people at 2:00 in the morning and they stayed until 4:00 in the morning. The level of passion that exists in the team on eventually providing our LiDAR to the market, bringing Innoviz Two to our customers, meeting our commitments has always been of very high importance to us.

Innoviz Two making its first steps, showing here the first lights coming from the product. There's still much work to do, but I'm very thankful for my team, and for those who are listening to me now, I'm looking forward to see it in my own eyes. It's very exciting. Thank you very much.

I will move along to Eldar to talk about the financials.

**Eldar Cegla:** Thank you very much Omer and thank you, everybody to -- for joining us today.

So, revenues for Q3 2021 were \$2.1 million, an increase of 106% compared to Q2 2021 and an increase of 13% compared to Q3 2020.

Innoviz One related revenues, in Q3 2021, were \$1.6 million or 79% of the total quarterly revenues, an increase of 36% compared to \$1.2 million or 66% of the total quarterly revenues in Q3 2020.

The company continued to see strong interest for its products and expects the positive momentum to continue.

Operating expenses for Q3 2021 were \$30 million, an increase from \$16.8 million in Q3 2020. Q3 2021 operating expenses included \$18.2 million of stock-based compensation. The increase in operating expenses compared to Q3 2020 was primarily due to increase of \$7.4 million of stock-based compensation and people related expenses.

Additionally, the company continued to invest in R&D, which R&D expenses totaling \$20.6 million of which \$3.7 million were attributable to stock based compensation compared to \$14.7 million of R&D expenses incurred in Q3 2020 of which \$0.6 million dollars was attributable to stock-based compensation.

As of September 30, 2021, the company had \$139.6 million in cash and \$185 million in short term deposits compared to \$58 million in cash as of September 30, 2020. The increase in cash was related to closing of the company's business combination transaction earlier this year.

Thank you very much for joining and I'm returning the call to Omer, thank you.

**Omer Keilaf:** Thank you very much. It's very exciting to be here in New York, and we will and be happy to see you again in next quarter and give you more updates on our progress, thank you for the support, thank you for the questions. We are very excited about what we do. Again, I think that what we are able to bring to the market now with Innoviz Two gives us a huge, I would say, self-fulfillment in our ability to deliver a product that we believe is a game changer and, eventually, will allow us to accomplish our mission and enabling autonomous driving to everyone.

Thank you very much again, thank you to my team at home. Goodbye.