Transcript of Innoviz Q4 2021 Financial Results Call

Date: March 02, 2022

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

Joining us today are Omer Keilaf, Chief Executive Officer and Eldar Cegla, 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 thank you very much for joining us. I'm happy to host our fourth quarter earnings call and with us today, I have Eldar Cegla, as usually joining me, our CFO and today we have a special guest, which is Oren Buskila who is one of the founders and is the chief of R&D and he will talk about our R&D progress today. With that, I will start the presentation.

I want to start with talking about how Innoviz have met our 2021 targets. We had a design win, Level 4, with an automotive company for a shuttle program using multiple of our LiDARs. A shuttle program that is still due to launch end of this year or beginning of the following one. This program is making good progress and we are very happy to be part of it. This program is using InnovizOne.

Last March we announced a new product, InnovizTwo, with a very significant performance improvement and cost reduction and we told the market that we're going to have first samples by the end of the year, and we have managed to meet that target.

We were qualified as a direct supplier by one of the largest car makers in the market, a part of us competing on the program which we are still expecting decisions to be made soon. And we're following the same process with other car makers today.

We ramped up a first automotive great high-volume production of InnovizOne with our partner Magna to support the BMW program and shuttle program for automotive great volume.

Additionally, we talked about reaching a design freeze of InnovizOne, and I am happy to say that we have managed to meet that target. Now moving our efforts to the production validation and prepare for the launch of the programs.

Additional to these efforts we've included new capabilities in the company.

As opposed to the InnovizOne efforts, where we did the design for volume manufacturing with a partner, with InnovizTwo and now with Innoviz360 we do the design for manufacturing ourselves, and we have our own NPI introduction line for small volume production of InnovizTwo in our own facilities which gives us the ability to move very, very fast. That is what allowed us to have first samples so fast.

We've announced several announcements on new partners and customers through the entire year of 21 and we will continue to do so.

Last earnings call we talked about many efforts that we are doing to meet our targets to have InnovizTwo available and show it for the first time in the consumer electronics show in Vegas and I'm happy to show you now a video of the InnovizTwo first samples.

[taken from a video screened during the earnings call]:

> "*We have a working product, this is amazing. Hi, I'm Omer Keilaf, CEO and founder of Innoviz. I'm excited to invite you to our first DEMO car of InnovizTwo, our groundbreaking technology that is going to revolutionize the autonomous driving industry. Let's jump in. This is InnovizTwo, our next generation. I'm excited looking at this, we are in the middle of Tel Aviv, seeing the product live. There are many car makers who are trying to make a decision for a LiDAR for their vehicles for 24-25. Having the ability to show them a product that already meets all of the requirements and price point is a big advantage. They don't need to take any risks, they can start collecting data and build their algorithms with a product that already meets everything they need. There's no other LiDAR that meets this performance by far and Innoviz is coming with a lot of experience in developing LiDARs for automotive, we've done this so for the last four and a half years. I don't think there is any other LiDAR company that spent so many years in developing a LiDAR for autonomous vehicles, and all of that learning is now baked into this amazing product. Makes me excited that we are already able to provide the product that the customers are looking for today. And I can actually imagine how the world will be, you know, full of this kind of sensors and will allow autonomous driving to become a reality*."

With that, I want to talk about what we managed to accomplish in the last quarter. We announced five new contracts for pre-production deals, and I will elaborate on that in the following slides.

We continue to work on several RFIs and RFQs in the market, and we have very good momentum.

One of the programs that we were hoping to announce end of last year has been pushed by the customer for these days. They've asked to make some changes in the requirements, we have responded those requirements, and we are now waiting for their decision.

We are very confident in our ability to secure very meaningful business this year. There are additional RFQs coming along and with our portfolio, I believe that we will be able to announce more this year.

We increased our order book by $200 million following progress we have in the shuttle program and specifically a decision to include more LiDARs per vehicle, and the maturity of the program allows us to increase our expected revenues in this program.

We have our first samples of InnovizTwo that allow our customers to test the product and make a decision.

We announced a new product very innovative one, Innoviz360, it's a new category, which allows Innoviz to participate and compete on many additional programs, and I will elaborate on it later.

We had a webinar for Level 3 standardization, where I introduced the White Paper we created to talk about what are the requirements for LiDAR to meet Level 3 performance and we see Innoviz as a strong peer can actually help in consolidating the requirements for this market. We had a session in MIT course for deep learning showing the progress of our perception software.

We were awarded with the IATF certification for production quality for automotive.

Other than that, we announced our new partners and customers just recently. On the five contracted pre-production deals we announced a new customer Obayashi, one of the largest construction companies in the world, using our LiDARs for automated driving.

Another customer is Syracuse, who is also using our LiDARs for automated cranes control. You can see here a video they created and using InnovizOne. It's an Israeli company we're very happy to work with. WhaleDynamic is a company we announced a quarter ago about our collaboration and now reaching an agreement in us supporting their efforts to bring autonomous level 4 platforms to the market.

We reached an agreement with an Asian company to bring automation for ports and with InnovizOne. And Twinner to support their efforts in automation in defect detection again using InnovizOne.

We are working to increase our customer work through the maturity of InnovizOne, and soon also with the InnovizTwo.

As to our funnel, so we have until today, we have two series production programs with to two big automotive companies, one is BMW, the host Richard Rau, last quarter talked about the progress of the program and more details will be shared in throughout the year about the launch of the program and the Shuttle program which I referred to earlier. We increased our pre-production program by five deals, as I described earlier. We have currently twelve companies in different stages of RFIs and RFQs and many of them reflect very meaningful opportunities of order books.

Our targets for 22 is to reach 10 pre-production programs that will allow us to meet our revenue targets and at least one more automotive program that will allow us to increase our order book by at least 30%.

Now I would like to talk with you about Innoviz strategy with respect to our business development in automotive and beyond. The way Innoviz is operating is that at every point of time we look at the total addressable market of LiDARs. There are different markets that LiDAR could be used, but it's always very important to identify which of the markets are more likely to go through an avalanche sooner. We, by studying the requirements, understanding what the frictions are, what are the requirements and the needs, and by building the right chipset or more precisely the building blocks, are able to provide to the market the best platforms, industrialized those platforms and continue to improve them, and also provide the right software tools.

To give an example to that, today there are different markets for LiDARs but the fastest growing market for LiDARs today is L2 and L3. You see, the different car companies that are doing, they are looking for a LiDARs for launching Level 2 and Level 3 and we see that as the most interesting LiDAR opportunity in the coming years. It's also interesting to understand that the decision making of those programs are these days. In the next year or so, most of the decision for this market will be taken and the car companies that will make decisions, following that would rely on the decisions that these car makers have done. We've studied L2 and L3 very thoroughly and we just introduced the White Paper that shows how deep is our

understanding in this field. And you can actually find that on our website. And then we introduced InnovizTwo. InnovizTwo meets all of the requirements we got from our customers, alongside with our perception software, which comes with a lot of maturity, a lot of experience, coming from InnovizOne. InnovizOne has hundreds of thousands of kilometers already driven, to try to find any issues that might come along. The ability to show that experience reduces the risk for any car maker that wants to make a decision today on a technology that can allow them to launch safely regarding InnovizTwo as well.

The next market that we identify as an interesting one, is the Level 4. There are actually different RFQs that we are participating in with the different customers, different prospects of this market, could be shuttles or robotic taxis or trucks. And that is expected to launch in 26 or 27 and we're working with those customers. The requirements for Level 4 are slightly different than Level 2 or Level 3. There is a lot attention for industrial design because it's not only one LiDAR for booking, rather it's multiple LiDARs around the vehicle since it's very important to reach zero blind spot configuration. For that application we introduced Innoviz360, we designed it over the last year and we introduced it just a couple of months ago. We see that as the right combination of InnovizTwo and Innoviz360 to serve those markets. Using our perception software, on top of it, provider our customers the ability to grow from Level 2 to Level 3 and now to Level 4. Beyond automotive and of course automotive aggregates very, very different applications, we also see military, surveillance and construction sites as opportunities and those aggregated opportunities will eventually surpass the automotive market. Every application today that is using today 2D sensors will eventually transition to 3D sensors. And as such we are learning the requirements of this market, which is much more fragmented, which requires much better seamless integration, it's no longer automotive process of integration for several years and requires several analytics tools that we are providing. We are looking at those markets and we are learning what additional platforms and LiDARs are required, and we will continue to provide new products to serve those very interesting opportunities and we will have them ready for the decision making, when this revenue generation opportunity will arrive.

In terms of software development and we've been developing our perception software for about six years now from the inception of Innoviz, we've identified the need for perception software from the first day. It was very clear to us that any customer that is requiring a LiDAR would not be able to use just a sensor with the raw data, but will require the object detection justification, the movement detection, guard rails, lane marking etc. and that's what we offer with the LiDAR and price it alongside the LiDAR. That will generate revenues for software, not only as a one-time fee, but also as a subscription-based support after the launch. For Level 4 and Level 5, and those are RFQs that we are looking at, there are additional requirements that we need to build which are related to multi driving direction and sensor fusion and, and of course, supporting the zero blind spot, and that also come on top of the pricing of the LiDAR.

For the non-automotive, the perception software that we already developed provides the best, I would say incremental step into this market.

Having a mature automotive grade object detection classification gives us the ability to penetrate this market very fast. We will build additional tools and the fee would be defined per application.

Our cash position is very strong. We have 370 million dollars just raised in 2021 with $300 million in our bank accounts starting this year.

We are very conservative in the way that we manage our funding as an example that you already foresee all of the planning that we need to have for our build this year and so sourced all of the components so that we will not be sensitive for the chip shortage in this year.

To summarize, Innoviz's ability to succeed in this market and to lead it, we have to significant customers that give us a very large order book and a very large pipeline ahead of us that we see a very good chances to take. We have a cutting-edge technology with the proven capabilities and a mature one, that allows car makers to have zero risk in taking that technology. We have a perception software probably with more mileage than anyone in this category. With the capital to execute our strategy, we have the industrialization experience and we have today three production lines to support it. And we have the automotive experience that is baked into everything. Of course, we also have our product line which will allow all of our customer to grow with us from Level 2 to Level 3 to Level 4 and 5 and with that we're going to grow the company and continue our efforts.

I will hand over to Oren Buskila to present the R&D efforts.

Oren Buskila: Thank you, Omer. I'm very glad to be here and really excited to share this update on the R&D progress in the past quarter. I'll start with taking a step back and looking at the six years since Innoviz started, now we started back in 2016 where the only LiDARs available for the automotive market were of very poor performance, very far from reaching the requirements of the automakers for self-driving and that was back in 2016 and since then we've made an exceptional progress with InnovizOne. In 2020 we launched the first units of the InnovizOne which provided unprecedented levels of performance, both in terms of range and terms of resolution, making the LiDAR finally suitable for automotive self-driving on public roads. And during that time, we did not neglect any of the requirements dictated by the auto industry for reliability, quality, costs, etc. And now in 2022 just six years from the inception of the company we're ready to take it to the next level with the InnovizTwo. The InnovizTwo will be an improved version or generation after the InnovizOne, which will have a dramatic boost in performance, while at the same time we'll have a dramatic cost reduction. In terms of performance the InnovizTwo will have twice the resolution in each of the axes so 0.05*0.05 degrees in X and y axes. It will have a wider field of view and taller field of view of a 120*40 degrees, all at the same time, it will have a longer range, which is only more difficult, once the resolution is finer, and this will come at the dimensions and the price point fit for level 2 consumer cars through level 5. Now, for some more details on what we've been doing in the project of the InnovizTwo in the last quarter, so, as Omer mentioned, we actually met the objective of delivering the first InnovizTwo samples back in January that was at CES Vegas where we presented the b-0 samples, the preliminary samples, of the InnovizTwo. Though preliminary, they met most of the performance objectives targeted for the InnovizTwo already in the first sample, including the field of view of 120*40 degrees, the resolution of v and the range of more than 200 meters, for a very dark 10% reflectivity target.

That was achieved with the frame rate of 10 frames per second, which is going to improve in the next versions of the product. Speaking of the next versions, the next one is the B1, the Innoviz B-1 will be available in Q3 of this year, and it will feature a massive decrease in the size so here I'm holding in my hands, and I hope you can see them, this is the InnovizTwo, B-0, that's now sampling, this is the Innoviz B-1 coming up later this year, and you can see, both from the presentation and maybe from the video that we've reduced the height of the B-1 dramatically versus the B-0 with the target of making it suitable for more diverse mounting positions on the car, including the roof line well the vertical height is a critical dimension. This is [*showing a picture of a car in the presentation*] a suggested concept design from Innoviz

of how to integrate the LiDAR with the current design and you can see a very seamless, very sleek integration with the cars' exterior.

The field of view of the B-1 was adjusted in order to accommodate the thinner height dimension. We've been able to meet the production intense frame rate with the B-1 which is 20 frames per second while not sacrificing neither the resolution nor the range of the B-0. The B-1 also is designed for manufacturing, meaning that all of its parts, components are already designed to be made in volume with high yield in low cost and parallel to developing the B-1 we're also developing and bringing up the production tools required for the production line of the B-1. Of course, this is a low volume production line later to be replaced by the mass production line of the future versions. On the top right, you can see a point cloud taken with the B-0, I think yesterday, very recently and those of you who are used to looking at point clouds, I think you will probably admire the resolution and the angular accuracy, this is really spectacular performance that we're already seeing from the B-0, and this is only going to improve with the B-1.

The InnovizTwo will also be the first product from Innoviz to include on board perception software, and this means that we are now completing the coverage of both common perception architecture of cars: (1) the first one being distributed processing architecture; (2) and the second one is centralized processing architecture. In the distributor architecture every sensor processes its own raw data locally and outputs just an object list of what it detects. So, the InnovizTwo will run the vision software on the liDAR box itself inside it, thus eliminating the need for any exterior processing of the point cloud. We will nevertheless output, both the object list and the raw point cloud in case this is of use to customers. Now this local processing reduces the compute load on the central computer of the car, simplifies the data interface and reduces the latency, all making the integration of the InnovizTwo into the car system much simpler and also reduces overall costs of parts in the car. The second architecture, which we've all supported in the past, is a centralized architecture, where all the sensors in the car, including the LiDAR do not process their data locally, but rather transport it to the central computer which does the processing and the fusion of the perception features.

Now Innoviz does not just outputting the point cloud, even in this case, but also provides the perception software to run on the central compute platform, meaning on a different chip than what resides inside the Innoviz Two.

The output is a raw point cloud and the Innoviz software running on the central computer is responsible for detecting objects on the road, as you can see in the image to the right. Now, we support most of the processors from various automotive great vendors today and we intend to expand the support to further vendors.

Now I'd like to show a quick video of the Innoviz Two B-0 here in the beautiful TV, this was also taken not very long ago. It's not even the most up to date point cloud, we are making progress every day recently, but what you can already see here is the exceptional resolution and range that is visible here. It is very important to note that this does not include any sort of aggregation of frames. Each frame here that you see was taken separately with a live recording from the LiDAR.

So that was how Innoviz is disrupting the automotive LiDAR space, but the other segments, other than automotive were until today underserved by relatively low performance LiDARs, which are also high cost and typically quite big. This is soon going to be changed with the Innoviz 360, the first LiDAR from Innoviz which will have a 360 degrees coverage, a surround view coverage of the of the LiDAR. The vertical field

of view will also be very high, 64 degrees, and all this will come in a very small package, you can see a mock-up at this point in the presentation which is very small compared with other LiDARs available today and the cost will also be exceptional compared with any other competitor today.

Now, the way that we're able to offer both this performance, this cost and very aggressive timeline towards samples is by leveraging the same components, the same optical engine that we have in the Innoviz Two, we're going to integrate that into the Innoviz 360. We're designing the Innoviz 360 around it, while only adjusting the scanning mechanism for 360 coverage.

It is important to understand why the resolution is so important, why it matters that the Innoviz 360 will have that resolution which is higher than the full high definition. So, what you see on the right and the left are actually the same scene but captured in simulation by two different LiDARs.

On the left is probably the best-in-class LiDAR available today, a spinner LiDAR, and on the right, you can see the future point cloud of the Innoviz 360 which is a factor of 10 times the number of lines. And the reason this is important is that when looking just at the center of the field of view, where the lines are dense even in the competitor LiDAR, then most objects are quite visible in the center of the field of view. But as we look towards the edges of the field of view, you can see that with few scan lines there is large very large spaces between the lines, making it possible to miss small objects which might be critical for the car to detect. So, on the right, you can see a dog and a cat (simulated ones of course) easily detectable by the coverage of the InnovizTwo while on the left, you can see that they are very hard to detect, actually they are not seen.

Innoviz is not only working on the system level, but also on the underlying components such as the ones that now are driving the InnovizOne. We are now working on the next generation of those components which will drive the future products.

The first one being the next generation ASIC, which will support an increased pixel rate and increased maximum range of up to 500 meters and will also have support for additional interfaces and future security standards which are going to be adopted in the auto industry. Samples of this ASIC are going to be available in 2023 and will support both the future products and the existing products, this is all compatible with the current LiDARs from Innoviz.

The second component that we're working on is the next generation detector which will have the best-in-class sensitivity of all the detectors of its kind enabling increased range, improved resolution and some other benefits on which will not expand now. Engineering samples are also going to be available in 2023.

Last update is on the perception software. We are now at the stage, it’s called SRS, stands for Safety Related Scenarios. These are stage scenes emulating actual road scenes that our customers might encounter, and the purpose is to validate both the point cloud performance and the performance of our perception features.

The other major effort we are now working on in the area of perception is the endurance runs. This is a massive worldwide campaign for collecting hundreds of thousands of driven miles in several countries towards the validation of, again, the point cloud and the essential features in real world conditions. This only began once we've met the KPIs necessary for production. Now we are ready, with our customer to start racking up the miles of this recording campaign.

To summarize, the Innvoiz R&D objectives for this year are: first is to complete the product validation of the InnovizOne towards the beginning of the volume production of it. Second, is to deliver the B1 sample of the InnovizTwo, which is designed for manufacturing. Third, is to reach the first engineering samples of the Innoviz 360. And, lastly, to maintain and increase Innoviz's technology leadership with our components and perception software.

With that, I wish to thank you and pass on the presentation to Eldar Cegla our CFO who will present the 2021 financial results.

Eldar Cegla: Thank you very much, Oren, and good morning everyone.

In 2021 Innoviz successfully closed a business combination with a SPAC which provided over $370M in gross proceeds. At year end we maintained a high liquidity level of $304M in cash, short term deposits, and marketable securities. Our operating cash flow during 2021 was within the planned budget. Innoviz debt-free cash assets enable it to execute its 2022 plans.

Revenues for 2021 were $5.5M, while 2020 revenues were minus $9.4M.

InnovizOne related revenues in 2021 increased by 28% to $4.3M, compared to $3.3M of the total annual revenues in 2020. The company expects InnovizOne sales to continue to increase this year and we are also targeting to sell the first samples of InnovizTwo.

Operating expenses for 2021 were $152.6M, an increase from $66.2M in 2020. Operating expenses in 2021 included $64.7M of stock-based compensation compared to $3.2 of stock-based compensation in 2020. The increase in operating expenses compared to 2020 was primarily due to the increase in stock-based compensation and people related expenses.

Additionally, Research and development expenses for 2021 were $93.3M, an increase from $57.0M in 2020. Research and development expenses in 2021 included $25.5 attributable to stock-based compensation compared to $2.6M attributable to stock-based compensation in 2020.

To conclude We will continue to focus on developing ground-breaking technology and products for the automotive market and beyond. We believe that we are well positioned to execute our strategy and growth plan this year. With that, I will turn the call back over to Omer for closing remarks.

Omer Keilaf: Yes, thank you Eldar. So again, thank you very much for joining us this day, Innoviz is working very hard to succeed. I think her have the best setup that we can wish for with very promising products and portfolio and our team is working very hard to make that happen. With that, I'd like to invite you to ask questions and happy to answer them.

[-*session of questions and answers to follow*-]