INVZ FY 2022 Earnings Call Script

[SLIDE 3]

Omer Keilaf – CEO and Co-Founder of Innoviz Technologies

Thank you Rob, and good morning everyone and thank you for joining us.

I'm excited to provide another update on the progress we've been making at Innoviz. This has been a fast-moving quarter with our steady march towards 2023 production, new additions to our pipeline, expanding our order book with existing customers – and something I am particularly excited about is our special guest today – Steven Schondorf, the former Chief Engineer of ADAS systems at Ford who has recently joined us as a senior strategic advisor to the company.

And that's just on the automotive side – on the non-automotive side we hit important milestones with the unveiling of the Innoviz 360 at CES in January and the addition of non-automotive distributors since our Distributor Summit last November.

[SLIDE 4]

With that said, let's start things off with a quick update on our march towards 2023 SOP.

This continues to be a key focus for our company right now. It is something we've been working towards for over five years, and we are excited to be so close to achieving it.

Both of our 2023 launches – the BMW program and the Shuttle program – are on track, and we are making solid progress towards their volume ramp, which should come in the back half of the year.

You can even see a nice photo here of one of our test vehicles doing some final winter testing, getting ready for the launch.

[SLIDE 5]

And while we are discussing our existing customers, I wanted to let you know that we are currently under discussions to expand our existing commercial agreement with Volkswagen, to design-in Innoviz Two on additional platforms beyond the one that has already been communicated.

Our initial production win with Volkswagen was awarded in 2022 and was for one meaningful platform with multiple brands and multiple models within the Volkswagen Group.

The expansion that is currently being discussed would be in addition to the earlier award and would potentially bring our InnovizTwo LIDAR to one to two new ADAS and autonomy platforms with multiple vehicle models that were not initially designed to include a LIDAR.

Overall, we are on track for a mid-decade launch.

Expanding our order book with one of our largest customers will validate a key component of our long-term investment thesis. We believe that once you are on the shelf with an OEM, it becomes easier and easier for them to select you for additional programs, as LIDAR becomes more widely utilized and adopted across their entire vehicle footprint. This therefore has the potential to set the stage for years, if not a decade or more of growth with each new OEM we win.

This is why we view the world through the lens of OEM share. We believe that winning a first platform reduces the friction and makes it much easier to win additional business. And as those of you who are close to the automotive industry know, OEMs like Volkswagen have many platforms for us to potentially be added to.

[SLIDE 6]
And with that opportunity for growth ahead of us, we announced earlier this week that we are expanding our Munich office and growing our footprint in Germany.

We are doing this because we believe there is a long pathway for additional growth for us in Germany and Europe beyond the customers we already have.

[SLIDE 7]
For investors that are interested in learning more about our relationship with the Volkswagen group, I want to highlight a very important industry event coming up soon. EcoMotion is one of the most important platforms in the smart mobility space, and the much-anticipated EcoMotion Week conference will be held in Tel Aviv in May.

As part of that event, I invited Gero Kempf, the Executive Vice President of ADAS and autonomous driving at Audi to come by our headquarters for a visit and to join me for a fireside chat at the EcoMotion conference. In that conversation we will talk about our partnership and will give listeners a better anticipation for where our engineering and joint effort is going.

[SLIDE 8]
Moving to our RFI and RFQ pipeline… we had some exciting new growth in our pipeline during the quarter, including the addition of what I can describe as a multi-million unit RFI from a brand you will be very excited, and potentially surprised about. That's all I can say about the customer at this point, but we are obviously excited for the addition, and the entire team will be working hard on it over the next year.

One of the trends that's worth pointing out is the fact that RFI and RFQ order sizes, even for small- and mid-sized car companies appear to be trending higher over time, with RFI's increasingly coming in at the millions of units level instead of tens- or hundreds- of thousands of units. We believe this reflects planned install rates moving higher, and some OEMs increasingly exploring LIDAR as standard equipment, especially on higher-end vehicles.

The second trend that we are seeing is that there is also a little bit of an uplift with some OEM's exploring true level 4 programs, utilizing multiple LIDARs per vehicle, as opposed to a single forward-facing LIDAR in the Level 2+ and Level 3 programs.

It's still very early in both of these trends, but I believe that the developments in our pipeline give a decent look into where this industry is ultimately going to go.

Looking at the pipeline in total, we are disclosing it in the 10-15 program range. Since we described it as 11 on the last call and just mentioned a few additions, you can infer that our RFI and RFQ program count is currently at the higher end of that range.

Most of these programs are for level 2 to level 3 light vehicle programs, though there are a few that are Level 4. There are also several that are commercial truck programs and shuttle or Robotaxi programs as well. But the majority of programs are for light vehicle automotive, especially when looking at things from the volume perspective.

The majority of the programs are also with new customers. In fact, only two of the programs are expansions with existing customers on the left-hand side of this graph. So, the majority of these RFI and RFQs could represent entirely new footholds with new customers for us to grow our long-term penetration.

To help put out the opportunity into context, we are providing additional information to size the scope of the pipeline. We took the customer information on requested volumes and our expectations for anticipated ASP's and added a layer of conservatism on top of those numbers.

If you sum the total of the proposals, it is over 20 million LIDAR units. In fact, the high end has the potential to be well north of that. And we anticipate that the value of the pipeline is multiple times larger than the current forward-looking order book.

Another important factor is now that we became a Tier 1, we have the opportunity to quote for more meaningful NRE's - and many of you have heard us talk about this a lot. For those who may be newer to the Innoviz story, NRE stands for non-recurring engineering. It is cash that we receive before production begins for engineering, design and other services that we provide. Sometimes it is recognized as revenue, and sometimes it is recognized as a contra item to costs, but either way it is a cash payment that can be meaningfully finance our business.

In the automotive world we are typically designed-in roughly 3 to 4 years before the vehicle launches, and during that period the project gets funded primarily through NREs.

These services are mostly performed by our existing staff. This means that they have the potential to offset our existing costs meaningfully, offering a very high flow-through from a profit and cash perspective, and they come on earlier, before the start of production.

So, NRE's can be an important part of funding the company ahead of the production volume inflection. And that's why securing NRE's is such an important part of our overall strategy.

For the majority of the programs in our pipeline, we are seeking potentially meaningful NRE's. Summed across the current pipeline, the total NRE's that we are negotiating for is in the $150 to $250 million dollar range over the next 3 to 4 years. If we can achieve this, it will be an important part of our financial trajectory and our long-term path towards breakeven. We'll talk more about our near-term projections for NRE when we get to our 2023 outlook shortly.

But to summarize, and as you can see from this slide, there is a lot of deal activity going on right now, particularly in the automotive space. We continue to believe that the majority of OEM market share is likely to be awarded in this year, and our goal is to exit 2023 as the clear leader in automotive LIDAR.

[SLIDE 9]
Given how deep our focus is on the automotive industry and the unique opportunity that we have to capture the market leading position in LIDAR, I am excited to share that we added a pre-eminent industry executive as a senior strategic advisor.

Steven Schondorf recently retired from his role as the Chief Engineer of ADAS systems at Ford. In that position, he served as Ford's internal subject matter expert on everything ADAS-related. He was responsible for evaluating many early-stage technologies, and he built the company's system architecture and overall product strategy, including features like Ford's BlueCruise hands-free driving system, which has reached millions of customers.

Importantly, Steven isn't just an Engineer with 30 years of automotive experience and 60 patents under his belt, but he has a tremendous ability to also think strategically and drill down on a business case centered around profitability and growth.

We are excited to be able to bring his experience, expertise and deep industry relationships into Innoviz.

I'll hand it to Steven for a quick introduction and some thoughts on the LIDAR industry from an OEM's perspective.

[STEVEN SCHONDORF]
Thank you, Omer and to the whole Innoviz team. I'm really excited to be working with Innoviz, a clear early market leader in an industry that has significant exponential growth ahead of it.

Omer asked me to say a couple of words on the importance of LIDAR in Level 3 systems from an OEM's perspective, and talk about the things we've done together since I've begun working in my advisory role.

Autonomous driving is an incredibly complex problem to solve. Human eyes and brains are much more sophisticated than any camera and compute system available for cars. The world's driving infrastructure has been designed with these capabilities in mind. It hasn't been designed for computers and robots to succeed.

Most people trying to design autonomous systems want as many sensing capabilities as possible to deal with the trickiest edge and corner cases. These are expensive endeavors that autonomous teams are engaged in, and time is of the essence. It doesn't make sense to over constrain your team and jeopardize the ultimate success of your system by limiting the amount of sensory input. Of course they have to consider the overall system cost, but most people I've talked to and read about are focused on using cameras, radar and lidar to attack the problem.

I've been working with Innoviz for 3 months now and I've just returned from my first onsite visit in Israel. My mission is to help evolve Innoviz's strategy and to accelerate their path towards being the best Tier 1 direct supplier in the LIDAR space.

I already had a positive view of Innoviz's technology and expertise before I started working with the company, otherwise I wouldn't be here. But my recent trip to their facilities in Israel expanded and confirmed those impressions. In the last 15 years I've met many suppliers working on amazing

technologies, some mature and some cutting edge. Success depends on good technology, strong leadership, a highly skilled team and the right mindset. Innoviz has all of those. The team is top notch with amazing potential. I've had the opportunity to get a much closer look behind the curtain, and I feel strongly that the company is at the head of the pack from a design and technology perspective. The design is robust, the manufacturing process is well-considered, and the strategies they have in place will take them far.

So, thank you for the opportunity to work with you and the team Omer, and for giving me a chance to speak with your investors as well. I look forward to working together. I'll hand it back to you.

Thank you Steven. Having someone who can bring the mindset of an OEM more directly into the company will be a valuable asset for Innoviz going forward.

[SLIDE 10]

Now, moving from the automotive side to a product that's aimed more at the non-automotive world, I am very proud of the work that our innovation team has done over the past year to turn the Innoviz 360 from an idea into a reality.

We first announced the intention to develop the Innoviz 360 at the 2022 consumer electronics show, setting an ambitious goal to launch it the following year in 2023. It's hard to explain how ambitious of a goal this was – going from a concept to a working sample with such exceptional performance and such a compact design in only one year. And honestly, the final month before the show involved a lot of late nights making final tweaks ahead of its unveiling to the world. But as always, the Innoviz team put in the work and came through to meet the deadline.

This product is aimed largely on the non-automotive side of the industry, with very strong use cases across commercial trucks, heavy machinery, shuttles, rail, smart cities, logistics, and maritime industries.

We have heard directly from customers in these industries that there is a major opportunity for disruption here for new solutions with automotive grade specs and automotive scale price points. We are still in the product's early days, but we believe there is an opportunity to become a meaningful disruptor in the 360 space.

And on the price side, the Innooviz360 design leverages many hardware advances from InnovizTwo, including a single laser, single detector, and ASIC, and will benefit from the economies of scale, as the products will share many of the same components – particularly the highest cost components.

This means that as InnovizTwo is produced at automotive volumes in the coming years, the 360 could be very rapidly become both a performance and price leader in the non-automotive space.

[SLIDE 11]

And while we are on the non-automotive space, I wanted to give a quick recap of the distributor summit that we hosted in November and previewed on our third quarter earnings call. This was our first-ever, four-day long summit focused on industrial and non-automotive distribution channels.

The event was a big success, with nine distributors joining us at our headquarters in Israel, coming from across Asia, Europe and North America. We educated them on our technology, armed them with our marketing tools, and introduced them to our ordering and logistics platform.

We've prepared a short video to highlight the event.

As you can see from the video, leveraging distributors is an important part of our go-to-market strategy. It's a lower-cost way to amplify the efforts of our sales staff, expanding our reach in non-automotive quickly and without meaningful increases to our headcount and fixed costs.

The event was also a catalyst for additional meetings at CES and one-on-one interactions with additional distributors afterwards. These engagements are the first step in building out our distribution channel.

As we've said before, 2023 will be an important year for our growth in the non-automotive market, and we are making progress in building the partnerships and the overall foundation for success in the coming years.

[SLIDE 12]
Now, before moving on to our 2023 targets, I wanted to offer a recap of our original 2022 goals and remind you where things shook out for the year.

In the bubbles on this slide, you can see where we finished the year versus the original goals that we have set for ourselves at the onset. In terms of pre-production programs, we came into the year targeting 10, and we finished the year at 14.

In terms of automotive design wins, we came into the year targeting one, and we finished the year with two – including Volkswagen and the Asian EV-focused OEM we announced in September.

And in terms of the forward-looking order book, we originally targeted a 30% increase, and we blew that number away with a 165% increase, thanks in large part to our Volkswagen win. Wins like that offer a good reminder of how much large automotive contracts can move the needle for a company our size.

Looking at this slide, you can see that we set ambitious targets, and we over delivered on what we said we would do.

With that said, let's take a look at our 2023 goals.

[SLIDE 13]
Our top goal for the year is to bring in at least two new series production awards with all-new customers. As we said earlier in the call, and as we hope to prove by expanding our relationships with Volkswagen, we believe that winning a new OEM gives us a foothold for a relationship that we can expand with a customer for years to come as LIDAR-based Level 2+ and Level 3 and eventually even Level 4 become increasingly common.

We are also targeting at least one to two additional program awards from existing customers. If we can secure additional platforms, we believe we can offer firm evidence that validates this key aspect of our long-term investment thesis.

For the full year 2023, we are targeting $12 to $15 million dollars of revenue, more than double the 2022 base. In addition to that, and related to these goals, is our target to achieve $20 to $40 million dollars of new NRE bookings in 2023. Internally, this is how we are running the business – with our primary focus on winning additional programs and securing substantial NREs, in order to help drive revenue growth going forward.

We see tremendous opportunity for growth in both the near and the long term. As we noted when reviewing the pipeline, we believe there's a total pool of roughly $150 to $250 million dollars of NREs across the 10 to 15 programs that are already in the pipeline, with most of those deals offering NREs in the $10 to $50 million dollar range each.

NRE's are an important indicator of our performance because each deal we take across the finish line would offer meaningful growth for our top-line from the 2023 base and could rapidly accelerate the rate at which we compound our top line once the new programs enter the production phase.

Securing the NREs could also play a major role in funding our business. Many of the services within the NREs will be performed by our existing engineering headcount. The revenues would largely go to offset existing fixed costs, offering a very high flow-through that could materially extend our cash runway.

And lastly, every deal that we win is a deal that's no longer available for a competitor. When we look at our pipeline, we can see that the bulk of early OEM share in the LIDAR space is going to be decided in 2023, with nearly every major global OEM likely to have given an award by 2024.

Make no mistake - this is a land grab, and given that these contracts can last for 8-10 years, like our Volkswagen and BMW contracts, we believe this is an opportunity to lock up early automotive LIDAR market share not only for years to come, but possibly the next decade or more.

And that is why we are so deeply focused on winning new deals and securing additional NREs.

One more point that I will make before moving on is that NRE's are typically only available in large amounts to Tier 1's. This was a huge part of our logic to shift from a Tier 2 to a Tier 1. Not only does this move give us more direct control in the bidding process, it also gives us the opportunity to secure more meaningful pre-production revenues, which can be an important part of our medium-term financial trajectory.

With that, I'll turn it over to Eldar to go over the financials.

[SLIDE 14]
Thank you, Omer, and good morning, everyone.

[SLIDE 15]
Before going too deep into the financials, I first wanted to take a moment to give an update on our unit sales from the fourth quarter.

As you remember, our third quarter revenue was impacted by the move of our company headquarters and the associated downtime of our calibration and testing lines. At the time of our third quarter call we communicated the volumes were recovering nicely into Q four.

I am pleased to announce that units sold were up an impressive 170% from 3Q and 164% versus the fourth quarter of last year.

And when looked at on the full year basis, units were just shy of doubling, coming in at growth of 99%.

These numbers highlight the impressive progress we have made over the last year on the manufacturing side as we ramp up our capabilities ahead of our SOP launches later this year.

[SLIDE 16]

Moving to the 2022 financials.

Starting with cash - We ended 2022 with approximately $186.2M in cash, short term deposits, short term restricted cash and marketable securities on the balance sheet.

Our largely matured cost structure and our operating cash outlays remained mostly stable during the quarter and were in-line with our 2022 budget.

Moving to the income statement, revenues in 2022 came in at $6.0M, compared to 2021 revenues of $5.5M, representing growth of 10.2% YoY.

The difference between the unit volume growth of 99% and revenue growth of over 10% comes from the non-repeat of 2021 machinery and other revenues, coupled with the natural decline in ASPs as we pivot from sample unit pricing to production-level pricing for our largest customers.

This phenomenon is likely to continue into 2023 as we move towards full production with the BMW program and our shuttle program. For the BMW program specifically, we will transition from selling full LIDAR sample units to selling components to Magna, who will in turn manufacture the components into LIDARs for BMW. To help put this into context in very broad strokes. A sample unit can often sell in the 5,000-10,000 dollar range, whereas at production-level volumes components are sold below 1,000 dollars.

Naturally, these lower ASP's should be offset by higher unit volumes, which should begin in the back half of 2023 as volumes ramp. That said, trough revenues should occur in the first quarter of 2023, with each consecutive quarter thereafter looking stronger as those volumes come on, with the bigger inflection expected in the back half of the year.

While there are a lot of moving parts here, it's important to look at the overall picture. Even with the headwinds from ASP's, we expect the step-up in volume growth to be a meaningful net positive with revenues more than doubling to the $12-15M range for the year.

Moving further down the income statement…

On the cost side, operating expenses for 2022 were $124.6M, a decrease from $152.6M in 2021.

2022 operating expenses included $19.3M of share-based compensation compared to $64.7M in 2021.

The year-over-year decrease in operating expense was primarily due to lower level of share-based compensation partially offset by an increase in head count, InnovizTwo development costs, depreciation and amortization costs & facilities costs.

Research and development expenses for 2022 were $95.1M, an increase from $93.3M in 2021.

The year included $12.0M attributable to share-based compensation compared to $25.5M in 2021.

In conclusion, we grew our revenues, delivered a record number of units to our clients, improved our manufacturing throughput, and made meaningful progress on the march towards SOP with the BMW and Shuttle programs launching later this year. We believe there is a strong momentum in the Automotive space we can leverage on. And with mature products at hand, we can generate additional revenues from non-automotive segments.

And with that, I will turn the call back to Omer.

[SLIDE 17]

Thank you Eldar. I have just one housekeeping item before we transition over to Q&A.

As we've indicated in the past, we've had some customer pushback on communicating changes to the forward-looking order book in real time as deals are announced, as this can be a source of competitive intelligence. So, going forward in 2023, we are going to transition to communicating the total new order amounts, including NRE awards, annually, on our year-end call. I just wanted to flag that change in advance.

As you've already heard today, 2023 is going to be a big year for Innoviz with multiple milestones. The entire team is excited for the year ahead and we have our heads down, focusing on our SOP launch and converting as many customers from the pipeline into our order book as possible.

With that, I will turn the call over to the operator to take us into Q&A.