

**Transcript of
MicroVision, Inc. (NASDAQ:MVIS)
Second Quarter 2022 Earnings Call
July 28, 2022**

Company Participants

Sumit Sharma – Chief Executive Officer
Anubhav Verma - Chief Financial Officer
Drew Markham – General Counsel

Operator

Good day, and welcome to the MicroVision's Second Quarter 2022 Financial and Operating Results Conference Call. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Drew Markham. Please, go ahead.

Drew Markham, MicroVision, Inc. – VP, General Counsel and Secretary

Thank you, Matt. I'm pleased to be joined today by our CEO, Sumit Sharma; and our CFO, Anubhav Verma. Following their prepared remarks, we will open the call to questions.

Please note that some of the information you'll hear today will include forward-looking statements, such as, but not limited to, statements regarding our product development, testing and performance, comparisons to our competitors, market opportunity, potential product sales and future demand, business and strategic opportunities, customer and partner engagement, projections of future operations and financial results, availability of funds, as well as statements containing words like potential, believe, expects, plans, 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 SEC filings, including our most recently filed Annual Report on Form 10-K and quarterly reports on Form 10-Q. These filings describe risk factors that could cause our actual 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.

In addition, we will present certain financial measures on this call that will be considered non-GAAP under the SEC's Regulation G. For reconciliations of each non-GAAP financial measure to the most directly comparable GAAP financial measure, as well as for all the financial data presented on this call, please refer to the information included in our press release and in our Form 8-K dated and submitted to the SEC today, both of which can be found on our corporate website at ir.microvision.com under the SEC Filings tab. This conference call will be available for audio replay on the Investor Relations section of our website at www.microvision.com.

Now, I'd like to turn the call over to Sumit Sharma. Sumit?

Thank you, Drew. Good afternoon, everyone, and welcome to our update on progress made during Q2 and into July. I would like to cover this in three areas. First, I will discuss all that we accomplished through the second quarter and into July. Second, an update on how our progress is being received by OEMs and Tier 1s. And finally, I will talk about what our 2023 may look like.

Let's dive right in. This quarter was one of the most eventful in our company's history. Our team completed our MAVIN dynamic range Lidar product, delivered our automated pilot production line that would support serial production in the future and supported OEM engagements. In our design, not only were we able to successfully include all of our target features, but we were also able to incorporate additional enhanced features tailored to the particular needs of OEM.

This last point is an important one, as it allows OEMs to tailor our base product for their specific use case. Furthermore, this level of flexibility was previously viewed by OEMs as unachievable based on the limitations of competitor solutions. This is a big win for MicroVision. The hard work of our team has put the company in a great place, as our potential customer engagements start heating up.

Our dynamic range Lidar, MAVIN DR, is a game changer. It allows high resolution at all ranges and delivers this at low latency. Prospective customers have given us feedback that this represents significantly higher performance than the current Lidar solutions that OEMs have been working with. I will elaborate a bit more about this later in my remarks.

Our team also achieved success in completing automation for our pilot production line. This paves the way for supporting serial production in the future. This is an important achievement. While some agreements for Lidar hardware have been announced by other manufacturers over the past 3 to 4 years, they are still not arrived in market. This is because OEMs are being forced to choose between low-quality products that can be produced at scale, serial production or adequate quantity, but in low volumes.

With our automation and pilot line being set up for 2023, OEMs are providing very positive feedback on our strategy to position MicroVision as a leader, not only on design, but also our capability to deliver serial production orders in the future. With these important points in place, our team remains on track to meet our second half objectives of achieving Class 1 certification and starting sample sales by Q4. This again, puts us in line with OEM expectations on timing.

We have a product that exceeds OEM expectations, combined with the best company pedigree to complete individual OEM customizations and a solid history of demonstrated reliability. We remain on track to complete our fifth generation ASICs and have automation that will go from pilot line to serial production.

The second area I would like to provide an update on is the feedback we're receiving from OEMs. Throughout the last quarter, we have continued to invest time and resources in helping OEMs understand the strengths of our technology and how it can be customized to meet their individual program needs. These OEMs have indicated they are pleased with the

maturity and capability of our solution. We have received positive feedback, including a comment that MAVIN is and I quote, "the best Lidar product they have seen to date."

As anticipated, OEMs are responding to the quality of the point cloud data that we provide and they witnessed during live demos. They see the opportunity it provides to build new high-speed safety features on their domain controllers. They are also very interested in our future software solution that could seamlessly enable their L3 features.

OEMs are also complementing the low-profile design that enables more flexible deployment options, such as behind the windshield, behind the grill or beyond. This speaks to our business model and strategy of partnering with OEMs, not just selling to them.

Looking ahead to the back half of 2022, we are on track to achieve Class 1 certification. Given our 20-plus years of expertise developing products centered on laser beam scanning technology, the Class 1 certification process is not new to the MicroVision team. We have navigated this process before.

We developed our Lidar sensor with safety in mind, incorporating our proprietary technologies like virtual protective housing that ensures safe operation to Class 1 standards.

For the third quarter, we are focused on meeting the requirements of OEMs and Tier 1s to support sample sales. We believe this objective is well in-hand.

We've also started sample sales in Q3 to OEMs and Tier 1s for Q4 deliveries. Our engineering pilot line in Redmond will support sales to OEMs and Tier 1s. I am excited about what MAVIN DR means for our future. Once implemented in serial production with a strong intellectual property supporting it, I expect this product could be the centerpiece of ADAS L3 and L2 solutions for more than a decade. I am very excited about where we are and how we're positioned for the future.

As we move into 2023, we will continue to invest in product execution and innovation. We intend to demonstrate a drive-by-wire demo system based on our Lidar hardware and our high-speed highway pilot ADAS software. We expect this will fully integrate up to two MicroVision Lidar sensors, radar, camera and ultrasonics on the MicroVision edge computing platform, together with our proprietary software running on our demo car.

Finally, I would like to summarize how we are positioning MicroVision as a high-tech, high-growth company. Lidar technology will be the centerpiece sensor required to enable ADAS safety and autonomous driving for decades to come. The limitations of camera module and radar technology is apparent in current products, and a mass adoption of Lidar is expected. With my meetings with OEMs, I feel confident in this future.

We are far ahead of the competition with our Lidar hardware as seen in the videos we're publishing. With the help of our advanced Lidar technology, we expect to expand our software offerings to enable ADAS safety and autonomous driving. Our 2023 demonstrations will expand our company to a full software and hardware solutions company.

Before I invite Anubhav to review the second quarter results and projections, I want to acknowledge and thank the MicroVision team for their hard work. We continue to set and achieve aggressive objectives on the path towards OEM partnerships. I'm proud of the progress we continue to make, and I'm excited about what is next in 2022 and 2023.

Thank you. Over to you Anubhav.

[Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer](#)

Thanks, Sumit. As Sumit discussed earlier, we are really pleased with what we accomplished in the second quarter of 2022. The launch of MAVIN brings together our product that have short, medium and long-range sensors, all combined into one to provide a dynamic view of the road ahead. The 905-nanometer Lidar optimizes power output while ensuring safety at all times. The low latency point cloud 30 hertz enable the OEM ADAS systems to make split-second decisions and take actions at high speeds.

We believe that this product offers OEMs, the following two key advantages. Number one, with the improved sound profile, MicroVision Lidar enables flexible deployment options for OEMs to place it inside the cabin behind the windshield. Second, built with materials known to OEM supply chains, MicroVision hardware is scalable, sourceable and inevitably has a lower cost structure. We are very excited about the meetings and the positive feedback received for the demo cars fitted with our product.

Additionally, we completed testing for some more complicated highway driving scenarios as well. We remain on track to achieve Class 1 certification and also expanded our R&D and production infrastructure as we ramp up our pilot production lines to start some sample sales in the second half of this year, as we outlined.

Now, before I jump into the next section to discuss the financial performance of the company, I would like to recap that our go-to-market strategy remains the same. We continue to market our product, primarily to the OEMs to suit their needs and price points and work with them. Using the estimated number of cars to be produced through 2030, we believe the revenue opportunity for MicroVision could still be between \$2 billion to \$4 billion with a corresponding cumulative EBITDA profile of \$1 billion to \$2 billion once we're able to secure the series production partnerships with the Tier 1s and OEMs for our sensor units to be included in their fleets.

Now let's discuss the current quarterly performance update. We recognized \$314,000 in royalty revenue from Microsoft in the second quarter of 2022. As a reminder, this revenue is attributable to the contract executed in April 2017, with Microsoft for using our technology in their AR display product. This recognition of revenue is directly tied to the number of units produced by Microsoft.

Please note that, no cash was received for this revenue in 2022, as we received an upfront payment of \$10 million at the contract signing in 2017. As of June 30, 2022, we have an unapplied \$4.6 million left on the contract liability. Based on Q2 shipments provided by Microsoft, we have reduced our expectations for the remainder of the year. As a result, we now expect to recognize approximately \$1.5 million in revenue for the year 2022 and against this contract liability with Microsoft.

To reiterate, please note that the lower revenue recognized from Microsoft in second quarter has no impact on our cash position or operations as all of the cash related to the revenue payment was received upfront in 2017.

Now coming back to automotive Lidar revenue. As we discussed, we plan to sell a limited number of Lidar sensors for strategic sales to OEMs and Tier 1s during the second half of this year. At the moment, we do not expect significant revenue from the sale of these Lidar sensors.

In terms of expenses, R&D expenses totaled \$7.7 million in the second quarter compared to \$7.4 million in the same period last year. Backing out the non-cash stock-based compensation expense of 2.02 and \$2.2 million respectively, cash R&D expense were \$5.7 million in the second quarter compared to \$5.2 million in the second quarter of last year.

2022 R&D expenses included lower stock-based compensation as compared to last year due to higher stock prices last year. The higher cash R&D expense is driven by higher salary and benefits due to increased headcount, inflation-based salary adjustments for all non-executive employees in the US and higher non-direct labor expenses.

SG&A expense totaled \$6.3 million in the second quarter this year as compared to \$8.4 million in the same period last year. Backing out the non-cash stock-based compensation expense of 2.1 and \$5.7 million, respectively, cash SG&A expense was \$4.2 million in this quarter, compared to \$2.7 million last year. The increase was primarily due to higher headcount and higher business insurance costs due to increased market cap as compared to last year.

We continue to invest and accelerate our business development and marketing efforts. As we march towards achieving the objectives we laid out for 2022, we continue to use stock-based performance awards to incentivize our employees, an important component as we invest in our talent pipeline and motivate our employees to share the upside in the growth of the company.

Cash used in operating activities for the second quarter of 2022 was \$9.7 million. We are very pleased with this number, as it came right along our expectations, as I outlined last quarter. Sequentially, our cash burn was reduced by 11% backed by strong financial discipline. Amid volatile global macroeconomic conditions, we believe our cash burn remains one of the lowest in the industry, as we steadily build the business.

CapEx in the second quarter of 2022 was \$0.2 million, which is sequentially 72% down. Q1 was higher, and it was primarily driven by one-time investments required in retrofitting our test cars to support track testing of our Lidar sensor, and development of the pilot production line.

We expect cash used in operating activities for the second half of 2022 to be approximately between \$18 and \$20 million as we continue to exercise the discipline of prudent investing and using non-cash stock-based compensation to incentivize employees.

We do not expect any significant CapEx in second half of 2022. We expect that tenant improvements for our new locations in Redmond will primarily be financed by incentives to leave our existing premises. While there may be some timing differences between the amount spent and cash received, we do not expect this to be a significant cash burden of the company.

We finished the quarter with cash and cash equivalents of \$93 million, including investment securities, which gives us a sufficient liquidity position at the end of the quarter. As interest rates have picked up in the year-to-date period, we have shifted our liquidity position to be in the form of one-year treasury bills to capture some yield from the market. Hence, the investment securities with maturities within 12 months have gone from \$33 million at the end of December 2021 to \$56 million at the end of June 2022.

As a company, we have always sought to be very disciplined about using cash to execute our strategic objectives. Based on the current 2022 outlook, our current cash burn rate and our current liquidity, I feel we are very well positioned compared to our peers whose burn rate ranges 3x to 5x our cash burn, especially given the macroeconomic environments.

Now let me give you an update on our ATM facility. The company remains very strategic and focused on shareholder value creation. In 2021, the ATM program was mainly used in the first half of the year when the company raised \$68 million of net proceeds, issuing 4 million shares, taking advantage of the strong equity markets back then and strengthening the balance sheet.

During second half of 2021, as well as the first half of 2022, there were no sales under the ATM program as the broader Lidar markets, including most of our peers experienced weakness in stock prices. We expect to use this ATM facility as a flexible tool to fund our growth plans, especially a drive-by-wire that we are planning in 2023. Given our current liquidity levels, we believe that we are well positioned to invest in the growth initiatives that Sumit and I have talked about.

Let me summarize the themes from this business call for our investors. Number one, we're confident in our technology and look forward to further testing to help us work towards commercialization of our solution and continued demonstration to OEMs and Tier 1s, so that they may see the superior capabilities and benefits of the MicroVision hardware and software.

Secondly, we're very excited about the business model that we are working towards. The strategic partnerships that we're looking to execute could help us build a \$1 billion to \$2 billion cumulative EBITDA business through 2030 with a high growth profile. And lastly, our current liquidity position and 2022 cash burn outlook positions us well when compared to our peers.

With this, I would like to open the line for questions.

[Question And Answer](#)

[Operator](#)

[Operator instructions] Our first question will come from Andres Sheppard with Cantor Fitzgerald. Please go ahead.

Andres Sheppard, Cantor Fitzgerald & Co., Research Analyst

Can you guys hear me okay?

Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer

Yes, Andres, we can.

Andres Sheppard, Cantor Fitzgerald & Co., Research Analyst

Wonderful. Good afternoon and congratulations on all of the accomplishments this past quarter. I'd like to maybe start with a couple of macro questions. Given the rising interest rate environment, what impact, if any, do you anticipate that to have on the business?

Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer

So let me take this question, Andres. So obviously, at this time, if only anything, it gives us an extra yield on some of the investment securities that we have shifted our liquidity position to. So we are fairly confident based on our cash burn rates and our balance sheet strength, we are very well positioned to navigate the next four to six quarters.

Andres Sheppard, Cantor Fitzgerald & Co., Research Analyst

Got it. Okay. That's very helpful, Anubhav. And maybe following up with the continued supply shortages and bottlenecks, do you anticipate that to have any sort of impact?

Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer

Not right now, because, obviously, we do not have any direct impact from some of these supply chain shortages because obviously, we feel confident of where we are with our engagements with the OEMs. And hence, that's why we do not expect any effects from these supply chains.

Andres Sheppard, Cantor Fitzgerald & Co., Research Analyst

Got it. That's great to hear. And maybe in regard to the ATM program, would you be able to give us any kind of sense on timing or how do you anticipate using it? As you know, the market to raise capital right now is not the best. And so I'm just wondering any thoughts around that and anything that you could share?

Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer

Yes. So like I said, I think the ATM program just offer us flexibility, given where we are and maybe I can just tie it up with some of the numbers here, right? So approximately second quarter was \$9.7 million used in cash and operating activities. And given we have \$93 million. So obviously, this gives us a very comfortable position. We use ATM programs as

more of a tool or a flexibility, which offers -- which is offered to us compared to some of the peers who raised obviously, significant amounts of capital during their IPOs. So we believe this tool only be used strategically as and when the market offers opportunity. And I think that's sort of what is illustrated in the last 12 months. We didn't use this ATM facility because, obviously, we didn't have the strategic need to do this. So hopefully, that sort of gives you a perspective of how we view the ATM program and where the balance sheet strength stands today for the company.

[Andres Sheppard, Cantor Fitzgerald & Co., Research Analyst](#)

Yes, absolutely. That's very insightful, Anubhav. Maybe one last question for me is, I think it's great you're starting to sell the strategic samples this year. Is the expectation for revenues to still begin ramping up in 2024? Or is there maybe an opportunity to ramp those up a little bit sooner, maybe in 2023, maybe even pursuing some nonautomotive verticals?

[Sumit Sharma, MicroVision, Inc. - CEO & Director](#)

So Andres, I think we talked about this before. I think we purchased this pilot line, and that's going to turn into a serial production line. Our intention, of course, is once we have these sample sales this year, starting next year, of course, we're going to fulfill the needs for any potential OEM or Tier 1 development requirements. But also since we are going to have extra capacity on the line, we are looking at different options to sell devices in other industrial and other markets, and we are developing those channels and pipelines now as we speak.

[Andres Sheppard, Cantor Fitzgerald & Co., Research Analyst](#)

Got it. Thank you very much. That is all I have. Congrats again on the quarter. Thank you.

[Operator](#)

I will now turn the call back to Anubhav Verma to read questions submitted through the webcast.

[Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer](#)

Thanks, Matt. So I guess we have another question about what are the normal levels of cash you feel are necessary to support the business and plan for the ATM?

So probably, I'm just going to reiterate some of the points. We used \$9.7 million in cash from operating activities, which was a sequential 11% decline from Q1, again, driven by continued financial discipline. With around \$93 million of cash and cash equivalents, we feel comfortable given our burn rate is one of the lowest in the industry with our competitors having 3x to 5x our annual burn rate. We pride ourselves in being a traditional public company with over 2 decades of operating in conservative public markets that had successfully navigated quite a few economic cycles unlike our peers. And addressing the second part of the question about the ATM, our SPAC peers raised significant amounts of capital at their respective IPOs and our remaining \$70 million ATM program gives us ample flexibility to raise capital as and when needed in response to all our publicly listed peers. The

company has not executed in the past 1 year as broader weakness in the Lidar sector, as all other SPAC companies in the Lidar sector, has come down significantly in their market valuation for their all-time IPO highs.

The next question is, how do you think MicroVision is going to be impacted by CHIPS bill?

MicroVision works on a fabless model. Hence, we're not directly affected by the CHIPS bill as the CHIPS bill is fundamentally focused towards fabs and other chip providers. However, if the CHIPS bill does get passed in the house and signed into a law, it will certainly boost the semiconductor chip production and reduce the stress in the supply chain. I think this should bode well for all the players in the automotive ecosystem, including OEMs, Tier 1s, and us.

Sumit, this one's for you. You said that you're on track to achieve Class 1 certification in the third quarter. Is Class 1 certification needed to use Lidar in public or with potential customers?

[Sumit Sharma, MicroVision, Inc. - CEO & Director](#)

This is a good question. So let me just go back to my prepared remarks, the comments, and just elaborate a little bit from there. We have a 20-plus year history in our technology. Our team builds Class 1 safety into every product from the ground up. So that's actually a very, very important part of it. And I'm actually very proud of our culture, making sure, from the ground up, things are built right. We've been doing demos for customers and all the units we demonstrate are Class 1 safe, meaning that the features are implemented. Since we're in a demo phase, a MicroVision representative, our VP of BD or myself, are always present there. In most cases, both of us are there. I can say with confidence that our team has done a great job of implementing our virtual protective housing for Class I. The demos are going incredibly well actually, and OEMs require that the demo unit is fully conforming to Class 1 standards, and the company representatives are present when we go to these demos. So that's part of the foundational piece you have to build out.

And I think the question is what's the Class 1 certification in Q3? Is Class 1 certification needed to use the Lidar in public, right? So as I just explained, for demo, that's the gap that they've created, right? Or essentially, that's what the regulation allows. When you think about full certification, as we move to sales, that's when you have to actually get the full certification done; approval, go outside third party, whatever other testing you have to do. For that to happen, you have to have all your features locked-in, everything is into the RTL, everything is locked down, and then you submit the final sample that customers will buy. Once we start selling it, it has to have full conformance whereas OEMs and Tier 1s are very, very comfortable taking those samples, they needed to be Class 1 certified because at that point, there's no company representative, and they will do their other confidential testing that they will not discuss with us, of course.

Tell a product, we certainly have to have full certification. But to develop a product, you have to have the full feature implemented operating in full safe mode with a company representative available. And this is not just new to us, every company that has done any kind of deal in Lidar or anything with a 905 nanometer laser or any kind of laser in the history of time has to go through the same process. So we're very comfortable with this process, and I think we have this objective well in hand.

Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer

Thanks, Sumit. Now the next few questions, I think are all about point cloud. So I'm going to summarize them. So let's see, I think, is the point cloud quality posted most recently on the website coming straight from the Lidar or is it simulated?

Sumit Sharma, MicroVision, Inc. - CEO & Director

This is a good question. The point cloud that we just released recently, which was about the Nuremberg drive, it is directly from the Lidar. It is streaming. There is no post-processing to make it more beautiful. There is no simulated data overlay. It is just an exact drive, and if you think about if a customer was sitting and witnessing that, that's what they saw. So this is exactly what our point cloud does. And that's why I wanted to actually post that. There are some little bugs here and there that our team is sort of fixing, but I still wanted them to just post exactly what's coming up because it is very, very impressive, and kind of proof is in the pudding. It's easier to see even for people with no background in DSP or high-end mathematics to really see and you can start understanding how much more advanced we are than anybody else.

I think for like an example that I was just talking about recently with somebody, if you think about detection of cyclists, this comes up quite often and pedestrian safety. I think in the video, it just so happens there were some cyclists on the road in front of us. And you could clearly see, you can see them pedaling, you can see all the details. You can imagine how easy it becomes to segment that, cluster that and actually identify things and tag them from drivable to non-drivable. So it's actually very, very important to see how well it runs. And this is not even the best it will be. Our teams is, of course, continuing to find bugs and fixing it. And a lot of the bugs are based on environmental conditions, based on the device, they learn, they test more, they learn more and they keep perfecting it to the point that it's pretty darn good.

I think, what this is also talking about is like if I can talk about us versus others. So the reason I'm proud of this is because this is raw. I mean there's nothing -- no post-processing we're doing. What I've seen so far from other folks, of course, is what we believe and it's pretty clear by just looking at the point clouds, that it's heavily post-processed. So they look beautiful, but the fact that there's no noise and the fact that there are certain characteristics that you can look in these data streams, you can tell that it's coming from a simulated point cloud. And I will let you guys go figure out from everybody's website who's posting what. But when you see our point cloud, that's what a real point cloud of a high density, high resolution, low latency would look like. And that's at the resolution that our customers are going to see, and that's the latency, and we are doing that. There's no playing games with different configurations. Ours is pure. That's the best way I can describe it.

Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer

Thanks, Sumit. So I think the next few questions, again, let me summarize it. I think broadly, how is MAVIN different from the prior product? And is there going to be a new data sheet with new specs?

Sumit Sharma, MicroVision, Inc. - CEO & Director

Absolutely. Actually, if you go back to September 2021, when we were in the Munich IAA show, I think we announced 4 products. There were the 3 products that were the static view Lidar, and of course, a product that is called MAVIN now, which is dynamic view back then is much higher specifications. And we talked about, it gave us the flexibility to address different customer needs. But we always believed that MAVIN is going to take a lot more attention from everybody. And that's exactly what's happened. So in case that there is a customer that wants just a static view Lidar, we provide that. In those specific case, we differentiate the product, the resolution is listed in the data sheet, as you know, are the summarized data sheet that we have there. The performance in a single field of view is okay, but all three of them are not included. And it's a significant difference as far as the value, one versus the other.

If somebody wants just a long-range Lidar, it is, let's call it, our A1 sample, which is what we talked about last year, which is the black body. And the new product, which is the MAVIN product, is the white cover as you see. And that has the resolution that were announced last year. So these are two separate bodies. Almost all the components are exactly the same. But as you can imagine, the housing and some other features inside are slightly different that allows us to give the higher resolution in all three fields of view in a single product with velocity. Whereas in the simplified product, if somebody wants, we can make the A1 sample for them as well, and they can experiment with that. So this gives us all the flexibility to address all the needs that we're hearing.

Of course, we have a flexible platform. So if a customer wants to take any one of these products and once we see some slight deviation in the common development kind of phase, to specify what a common development is, it's the same hardware, but instead of, for example, if they wanted to see low resolution on the corners of the field, but much higher in the middle, they wanted some sort of asymmetry in our smart pulsing, in some cases, they want lower power in one region, higher in the other, whatever they want, we can do that in firmware rather than having to redesign an entire product. And this, of course, is exciting for them where they're don't have to wait a year for a sample and live with the risk that comes with it. In a common development environment, experiment with the product while working with us directly and then make their decision.

We are very, very, very flexible for the customer, put their needs first and we're listening to what they want. And I'm pretty happy to say we're in a really, really good place. So I think that's the key differences, and all four of them give us the same flexibility of working with anybody in the environment they want.

Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer

Thank you, Sumit. The next question is about silicon. How does MicroVision view chip platforms like Qualcomm and NVIDIA for its design and current architecture?

Sumit Sharma, MicroVision, Inc. - CEO & Director

So our current design, think about the Lidar, our ASICs are inside our Lidar. The ASICs have to be co-located within the hardware because we have some very tight analog signals going

back and forth high speed, high density. So it's very important for our team to control that. So those ASICs cannot be put far away into another box. Our digital ASIC, which of course, is a family jewel, again, has to be co-located because everything inside the device that our engineers designed for so many years, they have to have a very tight control of it. And the foundational piece of all of this is Class 1 laser safety that cannot be moved away. So we do this in real-time logic, put into an FPGA, lock it in and we can go to an ASIC.

Some other competitors, they don't have real-time logic. They do it in a NVIDIA platform or Qualcomm. And they have all sorts of other software running that are extremely high power. So when we go to the ASIC with our features running fully pipeline, we have the shot of being the lowest power device. We've discussed this in different several meetings that I've been in, and they totally acknowledge immediately that, yes, absolutely, the path you're taking, if it's going to be the lowest power, and they're actually pretty amazed that all these features are running so well at such high speeds and that we actually have a history of making these ASICs. It's really a fifth generation ASIC, as you can imagine.

So if you think about Qualcomm and NVIDIA, those are application processors, meaning that, that could be in a second box, which is a domain controller, where a customer could be taking a lot of our data and running their software. But inside our design, in the final design that the Lidar product will be, when it goes to production in the future, that product by itself will only require the ASIC to run. And it could output the point cloud, the header file will have all the objects identified, drivable/not drivable. And it comes to the customer if they want us to stream the entire point cloud or just the header file or whatever version of it, we will not require an application processor inside. And this causes a big cost advantage because those processes are not cheap. So effectively, when we give a target of pricing and margins in the model that Anubhav has built out, we've sort of baked that in, and we're very confident where we are right now.

[Anubhav Verma, MicroVision, Inc. - VP, CFO & Treasurer](#)

Thanks, Sumit. The next question is will MicroVision's end customers be Tier 1s?

Let me take this one. I think our go-to-market strategy remains solid and there has been no changes to it. While we're focused on both OEMs and Tier 1s, we are demonstrating our products and capabilities directly to OEMs. Like I've always maintained, further series productions, OEMs need automotive grade optoelectronic devices that will have to be supplied by Tier 1s.

The next question is, I think, again, a form of a question that Andres referred to. So let me reframe the question. Is MicroVision still focused on automotive Lidar? Only the AR, VR market or other Lidar applications be considered for expansion?

As we stated before, we truly believe we have an industry-leading Lidar sensor for the automotive Lidar applications. Hence, we continue to focus our efforts only on automotive Lidar, given our current cash burn and balance sheet strength. We believe that automotive Lidar still provides for the largest total addressable market for Lidar applications and have the appropriate size for us as a company to become a multibillion-dollar business once the series production starts. Now regarding AR and VR applications, MicroVision's technology that were used in Microsoft's HoloLens already demonstrate that we are far ahead in the

AR/VR space from a technology standpoint. We stand ready to help our customers if they were to approach us for this technology. Additionally, we also believe industrial Lidar applications will probably be another very attractive market opportunity to go after additional revenue and accelerate growth on top of the automotive Lidar applications.

Next question is, I guess, again, on cash burn. Which areas does MicroVision intend to spend their cash on and what are the extra capabilities that the company is looking to gain?

I'll take this one as well, Sumit. We continue to expand our engineering team as we work with all automotive OEMs to demonstrate our breadth and depth of our technology. We recently expanded R&D and production infrastructure with the delivery of our automated pilot line and continued construction of our new testing and lab facilities. We intend to expand our team to demonstrate our software capabilities that will enable our drive-by-wire with our Lidar solutions in 2023. These are the primarily three areas where we would be spending our cash in the next few quarters to come.

I guess we're out of time. We appreciate your participation in our second quarter earnings call and your continued support of MicroVision. Thank you.

Operator

Thank you. This concludes today's conference. All parties may disconnect and have a great day.