



**MicroVision, Inc. (MVIS)  
Q2 2021 Earnings Conference Call  
August 4, 2021**

**Company Participants**

Lindsey Stibbard  
Sumit Sharma – Chief Executive Officer  
Steve Holt – Chief Financial Officer

**Conference Call Participants**

Glenn Mattson – Ladenburg Thalmann & Co.  
Richard Shannon – Craig-Hallum Capital Group  
Ty Bordner – Private Investor  
Mike Wolken – Private Investor

**Presentation**

**Operator**

Welcome to the MicroVision Second Quarter 2021 Financial and Operating Results Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note, this event is being recorded.

I would now like to hand the conference over to Lindsey Stibbard. Please go ahead.

**Lindsey Stibbard**

Thank you. Good afternoon and welcome everyone to MicroVision's second quarter 2021 financial and operating results conference call. Joining me on today's call are Sumit Sharma, Chief Executive Officer; and Steve Holt, Chief Financial Officer.

The information in today's conference call includes forward-looking statements, including statements regarding product roadmaps, potential product sales, potential impact of products in the market, ongoing development of technology, scalability of technology and designs, expected performance of products, comparisons with competing

products or technology, market opportunities and future demand; advantages of our technology; business execution; product development applications and benefits; availability and supply of products and key components; commercialization of our technology; strategy for customer sales; maximizing shareholder value; managing costs; future royalties; projections of future operations and financial results; availability of funds; as well as statements containing words like opportunity, potential, possibly, intend, believe, goals, paths, expects, plans, will, could, would, likely, and other similar expressions. These statements are not guarantees of future performance.

Actual results could differ materially from the future results implied or expressed in the forward-looking statements. We encourage you to review our various SEC filings, including our Annual Report on Form 10-K filed on March 15, 2021 and our Form 10-Q filed on April 30, 2021 as well as various other SEC filings made from time to time in which we discuss risk factors associated with investing in MicroVision. These risk factors could cause results to differ materially from those implied or expressed in our forward-looking statements.

All forward-looking statements are made as of the date of this call, and except as required by law, we undertake no obligation to update this information. The financial numbers presented on the call today are included in our press release and in the 8-K filed today. Both are available from the Investor Relations section of our website. This conference call will also be available for audio replay in the Investor Relations section of MicroVision's website at [www.microvision.com](http://www.microvision.com).

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

**Sumit Sharma**

Thank you, Lindsey. Good afternoon everyone.

It's great to have the chance to update you on our progress. Later in the call, I will also update you on our strategy for initial direct sales of Lidar sensors while we work on developing opportunities for sales to OEMs and Tier 1 partners. We refer to these sales opportunities to OEMs and Tier 1 partners as strategic sales. We remain profoundly confident in our ability to successfully execute this strategy that I believe will drive long-term value creation for our shareholders.

Let me start off by thanking our shareholders for their enormous support and confidence in the Company. The continued support of our shareholders has allowed the Company to fund development and maintain all ownership of rights to our technology. We are purposefully driving towards a future inflection point where I believe our cash flow from these investments will lead to significant greater value creation.

I will also provide some additional perspective on how we plan to position our technology and products towards the expected automotive Lidar market. I believe this should give you greater insight into our bullish view of the future.

I would like to sincerely thank our employees for their continued hard work and dedication. We began transitioning back to the office in July and it is great to see some normalcy return. I would also like to warmly welcome potential business partners to this call who are starting to join and follow our public updates.

I'm happy to report that we have made great progress since our last call, building on our work from the past year. Since last year, we have been submitting responses to RFIs, or requests for information, initiated by OEM, Tier 1 and Mobility-as-a-Service companies. With the completion of our A-sample, we were able to share our data from outdoor testing with OEM and Tier 1 companies that demonstrated our sensor operating at ranges greater than 200 meters, high resolution and velocity output among other features.

Our team has been actively conducting outdoor testing on various development platforms since December 2020. This has allowed us to share performance data and support various deep dives into our technology, to highlight the advantages of our hardware and software as part of these RFIs. We have been building bridges to these potential partners throughout our development.

With COVID-related international travel restrictions and constraints placed by companies in Europe and North America limiting onsite visits, we were required to share tremendous amounts of data for RFI inquiries. With travel restrictions lifting, we are now beginning to plan in-person trips and public demonstration of our Lidar technology starting with the IAA Mobility show in Munich this September.

The feedback we've received from potential customers so far has been very positive. With our proprietary active scan locking architecture, which is based on proven technologies, we believe our Lidar meets or exceeds their product expectations and will be the most cost-effective Lidar product on the market. Our features and cost are two key sustainable strategic advantages of our technology that we expect to maintain well into the future.

While we still have work ahead of us in completing partnerships, we believe our technology can clearly meet our customers' short and long-term needs.

We often get questions from our investors about publishing a comparison of our specifications versus our competitors. On our last call, I went into detail of our specifications and advantages of our technology and roadmap. Unfortunately, such clarity on relevant specifications is not available from our competitors. Since providing

incomplete comparison charts would not be constructive and could be misleading, we will instead periodically release updates from our track testing program and other validation efforts. We remain confident that our Lidar sensor is best-in-class.

I am pleased to report that this month we will start conducting moving platform testing at a third-party track. We will test our Lidar with the test vehicle at speeds typical for highway driving. The track will have various test protocols set up which are specified by the National Highway Traffic Safety Administration, or NHTSA, and Euro NCAP to achieve ADAS safety ratings for OEM vehicles.

With the interest we have received so far, we expect to continue expanding our funnel for target partnerships with the addition of a business development team in Germany. We also expect to add business development teams to address North America and Asia-Pacific markets at some point in the future. Automotive Lidar represents the biggest opportunity in the history of our Company. To successfully engage potential partners, it is important for our customers to understand our commitment and our pedigree.

To appreciate the important reason why we receive such interest from OEMs and Tier 1s we need to look back at where we've been and what we've accomplished over our Company's long history. Early applications of our technology included heads up displays for the U.S. military and automotive systems. In the market today, our technology can be found in Microsoft's HoloLens2 product. In the past, we've worked with other global brands to incorporate our core technology into their consumer products as well.

Our hardware and software teams know what it takes to develop technology that meets or exceeds extremely high expectations. Our core technology has proven its ability to successfully perform and scale to mission critical standards. Our team is very experienced and has a pedigree of delivering products that have the potential to open large markets with our laser beam scanning technology.

With our strong history of reliability, predictability, and precision, we feel confident that our automotive Lidar sensor will perform to the standards expected by the industry. I am honored to say with confidence to our potential customers that we are well established, well-funded and committed to deliver.

We see great long-term value in our Lidar strategy to address the immediate market with direct sales, and in parallel engaging OEMs and Tier 1s for potential long-term partnership for our hardware, custom ASICs, and proprietary software as part of strategic sales.

Let me first elaborate on the importance of our direct sales strategy. We expect to introduce our Lidar family of products which will include four new product models. This will include our premium product with dynamic field of view with near, mid, and far

fields of view in a single product. We believe this product could someday be considered a standard for ADAS safety. We will also introduce three additional models with fixed field of view in near, mid or far fields. All four models would be built on the current hardware with their appropriate software. Because all four products will be built on the same hardware, it will limit our inventory exposure while allowing our business development team to have flexibility in converting our sales funnel.

We believe our product with dynamic field of view will ultimately be our flagship product. By supporting our customers with fixed focus sensors and plugging gaps that may exist in their current sensor suite, we expect the opportunity of providing them a softer transition to our hardware platform. We are looking at every opportunity to accelerate sales and adoption of our hardware while targeting a blended margin in the range of 50% for direct sales opportunities.

Our capability to potentially enable ADAS safety features directly from our sensor will allow us to demonstrate to OEMs and Tier 1s how ADAS features currently in the market can be improved. Current ADAS systems utilize low-cost camera module technologies that are limited to daytime use. With our track testing program, we expect to show potential partners the capability of our Lidar to perform day or night and still be cost competitive. We are excited at this prospect.

I would now like to discuss strategic sales. Our strategic sales will focus on the biggest volume opportunity in the Lidar market we see coming from automotive OEMs and Tier 1 partnerships. About 24 million passenger vehicles are projected in 2024 to have advanced safety features ranging from Level 2 and higher, with an expected increase to about 37 million vehicles by 2030. The current industry leader selling Level 2 camera module-based safety systems has publicly announced its push into Lidar. We believe, we are ahead of this and other companies with our current sensor specifications, long-term competitive cost and proven maturity of our technology.

With a large market and significant growth ahead of us, we see a great opportunity for further value creation with our focus on strategic sales. I am excited about our dual path strategy to drive to revenue and profitability.

Now let me turn the call over to Steve to discuss the second quarter's results, and then I'll be back to provide some additional perspective. Steve?

**Steve Holt**

Thank you, Sumit. Good afternoon, everyone. For the second quarter, revenue was \$746,000, a 56% increase over last quarter's revenue of \$479,000. All of the second

quarter's revenue was royalty revenue and attributable to Microsoft Corporation, who've previously referred to as our April 2017 customer.

As I have pointed out before, royalties related to this customer will be credited against the nonrefundable prepayment the customer made in 2017. Once the prepayment is exhausted, the customer will begin making cash payments for royalties due. At the end of Q2, the balance of the prepayment stood at \$6.5 million. The \$6.5 million is on the balance sheet as a contract liability.

Our second quarter cost of revenue included a \$31,000 credit related to the reversal of a warranty accrual. The result is a second quarter gross profit of \$777,000. In comparison, gross profit was \$484,000 in the prior quarter. Operating expenses were \$15.7 million in the second quarter, which was higher than our guidance of \$13 million to \$14 million we discussed on April 29, and up from \$6.7 million in the prior quarter. The increase in OpEx was primarily due to non-cash compensation of \$7.9 million, recruiting and payroll expenses associated with an increase in headcount came to about \$800,000, and the write-off of unused production equipment related to our Interactive Display product of around \$660,000.

Our headcount at the end of June was 74, up from 57 at the end of March. We are really very pleased that we were able to attract 17 new employees in the quarter given the tight labor market. And we remain in a hiring mode and plan to hire more people primarily in engineering, but we also expect to fill positions in Sales and other Administrative functions. We expect that by the end of the year we could be up to 110 to 125 people.

Now much of the increase in the projected headcount is for our software and hardware teams. As Sumit mentioned, we plan to add features and reduce cost to enable strategic sales in the Level 2 and higher categories. These people will be needed to make that happen. Given the higher operating expenses in the second quarter, our net loss of was \$15 million or \$0.09 a share and second quarter cash used in operations of \$6.7 million. The first quarter loss was \$6.2 million or \$0.04 per share, and first quarter cash used in operations of \$4.5 million.

The increase in cash used in operations during the second quarter was primarily attributable to salaries and recruiting expenses in connection to the increased headcount, development materials and suppliers as continued development on our long-range Lidar and prepayments to vendors for materials and software tools and inventory that we expect will be used to build product in the fourth quarter.

Cash and cash equivalents at the end of the second quarter was \$135.3 million, up from \$75.3 million at the end of the prior quarter. The increase was the result of the Company raising funds on the \$140 million ATM we put in place in June. In the second quarter we

issued 4 million shares and raised \$67.8 million in net proceeds. We have not raised any additional funds on the ATM thus far in the third quarter. We were pleased to be able to put the ATM in place and raise the cash we did, as it gives confidence to prospective customers and partners, as well as employees and prospective employees. MicroVision will be a strong long-term partner in the automotive Lidar market.

Now I'd like to turn to the third quarter and give some thoughts on our spending and cash usage as we move forward through this year. Q3 will also have a significant amount of non-cash compensation. Additionally, we continue to hire and get ready for production and begin promoting our Lidar sensor direct sales. And I expect to see Q3 operating expenses in the range of \$14 million to \$16 million. As for cash used in operations, in addition to the increased expenses I mentioned, we will begin adding inventory in advance of starting production in Q4, so I expect to see cash used in operations in the \$9 million to \$11 million range in the third quarter.

Finally, let me echo Sumit's excitement about our competitive position and the progress we've made so far in 2021. We are focused on the successful start of direct sales of our Lidar sensor, and we're also focused on building a company that can succeed with longer-term strategic sales that Sumit discussed earlier.

I'll now turn the call back over to Sumit for some comments before we open up the call to questions.

### **Sumit Sharma**

Before we open the call up for questions, let me revisit a couple of important themes from this call: Today, our focus remains on establishing ourselves as a trusted partner for automotive OEM, Tier 1 and mobility-as-a-service companies. We expect our closely integrated hardware and software to enable the ADAS safety market, while also supporting potential partners in the autonomous driving market. We expect to start validating our ADAS safety capabilities through our track testing program by second quarter 2022. Nothing is more important to us than getting this right with our products and partnerships.

Our technology and company have demonstrated our pedigree and enabled large global brands. I expect us to establish ourselves and lead the ADAS and autonomous driving space with our hardware and software into the future. We remain confident in our ability to successfully execute on our strategy. I am clearly bullish on our future.

Let's open the call up for questions.

### **Question-and-Answer Session**

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## **Operator**

We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Glenn Mattson from Ladenburg Thalmann & Co. Please go ahead.

## **Q - Glenn Mattson**

Hi. Thanks for taking the questions. Summit, first of all interesting that you're able to name Microsoft finally as the customer, the April 17 customer. I know that's been pretty well known for a very long time now, but it's just curious as to why you're able to actually talk about it publicly now. And now that we're talking about it publicly, maybe can you give us a more clear sense updates on just kind of like the roadmap that they're on, what kind of growth you expect from them let's say the next 18 months with regards to that project? Any color there.

## **A - Steve Holt**

Yes, Glenn. This is Steve. So we evaluated our legal obligations and the information that was in the market and disclosed the information today. As far as any discussion of roadmap or anything like that, we have no comment on that. I will note if you're just looking for what is revenue look this year on the royalties as you're well aware, we disclosed our estimates for that in the revenue footnote in the SEC filings, so that'll be in the Q that we have. I think it's going to show about \$2.3 [million] is what's expected for 2021. But of course that's subject to change as we get more information.

## **Q - Glenn Mattson**

Okay. Thank you. And all right, so as far as the productivity possibility for early test sample product sales in Q4, is there any sense of what kind of volume you would expect?

## **A - Sumit Sharma**

You broke up there for a second. If you can repeat the question, second half of – I could not...

## **Q - Glenn Mattson**

I think you quote – you kind of talked about production and shipments in Q4 for the Lidar. So can you just give us any sense for what kind of – I know obviously it's very early, but just kind of what kind of level we should expect?



**A - Sumit Sharma**

I think as we have said, right, we just call it initial sales, so we expect it to be small. I think there is no more update into that beyond that. As you can imagine, increasing the product getting going it's already times. So I think we'll still call it just initial sales by Q4.

**Q - Glenn Mattson**

And how many of the additional personnel would you – it sounds like you're building up a bit of a salesforce to support the product. So can you get a sense on how big that salesforce would be and how difficult is it to find people in this specialized niche and just color there?

**A - Sumit Sharma**

I can't really share it like specific – but as Steve mentioned, right, we expect to be somewhere between 110 to 125 people, and there is a mix of that. But it all depends on the needs that we see ahead. Certainly, a lot of that is invested in the engineering, because we really still have to think about the bigger markets and think about the cost reductions and the improvements and the features that we would like to get done. And I think as part of the sales team is concerned to be appropriately sized, from a strategic sale standpoint and a direct sales standpoint. So we're so – we have some thoughts, right, but we're going to – as we roll out and we'll have understand more of size appropriate .

**Q - Glenn Mattson**

Okay. And on the ATM, can you give us a sense on what level of cash you feel is necessary to support the business, as cash obviously balances, gone up tremendously over the last year or so? So where should investors think that you think you need to be in terms of the cash on the balance sheet?

**A - Sumit Sharma**

Yes. We'd like to raise the remaining, roughly \$70 million that's on the ATM. We would like to, but we don't have any specific plans to do that at this time. Part of the reason, a lot of the reason for the ATM is the confidence it's giving to customers and suppliers and employees and prospective employees.

**Q - Glenn Mattson**

Okay. Did you say what comp would be in Q3? I might've missed that.

**A - Steve Holt**

I didn't give a projection on that. I expect it to be less than what it was in Q2. The volatility of the stock makes it difficult to be predictive, I'm kind of thinking \$6 million plus or minus is in that ballpark, but it is – it really matters on what the stock price is on the day of the specific grant and with our volatility that's tough to predict.

**Q - Glenn Mattson**

Okay. All right. Great, that's it for me. Thanks guys.

**Operator**

Your next question comes from Richard Shannon from Craig-Hallum Capital Group. Please go ahead.

**Q - Richard Shannon**

Well, Hey guys, thanks for taking my questions. One or two on Lidar here. I guess Sumit, the first one is, you talked about a family of four products, premium one and then three others that have a single range specs here. Maybe you can help us understand the driving force behind the split of specifications? Any way you can discuss what those specs are relative or quantitative, and then the use cases you expect for each of them. That'd be great to hear.

**A - Sumit Sharma**

Hi, that's a great question, a great question. So as you can imagine, Richard, in all the different partners that may be testing a system, perhaps they have a flash-based short range Lidar and they're lacking the capability for long range only, but they don't want to completely change over yet, because they've developed a bunch of software on it. So having four different products in the family does not force feed one solution, which may be the ultimate solution right off the bat, to accelerate sales you want to accommodate that their specific need, maybe for example mid range only needed added on because they're not going to highway speeds or somebody wants to go even longer range and short range only.

So it allows them to mix and match with their specific needs. So it allows us also the flexibility of connecting with them and offering them the benefits of our hardware platform. I still believe having a single Lidar with all three fields of view, those kinds of ranges allows you the flexibility of low speeds all the way to highway speeds. I think I've spoken about this before, and getting the resolution and the velocity, all of those at the

single Lidar level as a feature. But I think any kind of new technology being introduced allows to – like a more a softer introduction to it with the hardware.

The benefit of course is, it's all on the same piece of hardware that we have right now, that we made, that would be one single family product and for the software and other things would be slightly different in there. But that allows us to maintain our inventory levels that are very low level, there is no risk on that one. And we can provide the features – specific features that our potential customers may need. Does that makes sense? People have different needs, they may have low resolution at a certain range and they just need something to plug that in. And then they start seeing the other benefits of it and that allows them to come back onto our ecosystem.

**Q - Richard Shannon**

Okay. Maybe just to restate what I think I've heard here Sumit. So the three products with singular range of support there, those are expecting to be plugged into platforms where they have a whole in and Lidar needs there, whereas your premium one is expected to be the one around which the platform is designed. Is that a fair way to think about it?

**A - Sumit Sharma**

That's fair to say, direct sales will use the three that are fixed most likely, we will sell the dynamic field of view version as well, but yes, for strategic sale think about the dynamic field of view as a premier product.

**Q - Richard Shannon**

Okay. Well, that is helpful. My other question here, I may have missed the terminology, Sumit, so please correct me on this one, but I think you said you were expecting to started validation by second quarter of 2022. Is that with this current A-Sample as you describe it, or is there going to be a forthcoming version that you might label as a B or C sample here? Just help us understand that. And then is the ones that you're validating starting in Q2, is that the one you expect to be ramping to reduction in 2024, 2025?

**A - Sumit Sharma**

The sample that we have right now, the hardware sample is the sample that we are going to be testing part of this program in Q2 2022. Let me be sort of a little bit more clear on what that is about. So, as I mentioned in the earlier part of the call that we're starting our track testing program, so obviously, it's going to be over a long period of time. And starts with ground-truth testing and other scenarios – safety scenarios that OEMs always have to design sensor suites for.

The Q2 2022 mention that I had, that's the first opportunity, if you want to show that we can be from – right from our Lidar, that we are able to actually address some of the safety protocols – test protocols that are defined by NHTSA, Euro NCAP. Performance starts from the Lidar by itself. So it's a different kind of product. So if you think about Level 2 and Level 2++, and some of the features that are in Level 3, I think there is always a new level that's always created, Richard, those can be addressed when we believe from a Lidar load, for example, AB front collision warning, there is a whole lot of features that can be addressed.

And the bigger market, of course, still remains a Level 2, Level 2++ as you know. And we want to be able to demonstrate that from track testing someplace where NHTSA and Euro NCAP testing is done.

### **Q - Richard Shannon**

Okay. That's helpful, Sumit. Your answer here actually brings up another quick question for me, which is on the topic of safety. One, if you could talk about the importance – relative importance of safety over the last six months here, both from an OEM's perspective, but also, and I think you referred to it here briefly as regulatory bodies in the various jurisdictions worldwide. What are they seeing here? What are they expecting to do, or were you expecting them to do – we're going to see something more standardized here that will ultimately drive more Lidar penetration and faster.

### **A - Sumit Sharma**

Yes. I think the – this is a really good question, because if you think about ADAS safety, it is really determined by these governing bodies, these regulations, that test protocols you have to pass to be able to get your product qualified. And this is at the OEM level. So us being able to demonstrate that, removes barriers of adoption, the things that are hardware that could actually solve the problem early on. As far as I think you may have read I think recently in Europe, I think Germany a Level 4 system some controlled test will be allowed, but all – at the end of the day, every one of these things before it gets into a car, it has to go through qualification that these regulatory bodies will define and test protocols that every OEM Tier 1, Lidar company would have to meet.

So therefore, that's the path effectively. And so far Level 2++, those that have test protocols available, Level 3, still not dominantly available right now and Level 4 is just starting to become there. But no legislation that I read so far has been clearly defined of a timeline for Level 4 technology to be out on the available to the public effectively, maybe in some control cases, but not really openly available yet. So the main game – the main volume still remains in Level 2 and Level 2++ and other features or other sub levels that

can be created to replace the Level 3. And that's where the number I gave 24 million approximately. A bulk of that is including those levels as well, Level 2, Level 2++ and others than may arrive.

**Q - Richard Shannon**

Okay. That's interesting reflective. Appreciate the thoughts here. That's all the questions for me. Thank you guys.

**A - Sumit Sharma**

Thanks, Rich.

**A - Steve Holt**

We'll now to respond to some of the over 150 questions we receive from investors via e-mail. Many of the questions are variations on the same topic, and many of the questions were addressed in our prepared remarks. We try to consolidate the questions on the same topics, but try to address the basic issue. We won't be able to answer every question submitted, but we will go through some of them here. Then we will open up the call to investors like we did on the last call.

So the first question is, can you provide an update as to the progress on your internal testing and external validation of the sensor and supporting partner and customer confidential evaluations?

**A - Sumit Sharma**

As I mentioned earlier, we've been conducting indoor testing on various development hardware since December, 2020. Our engineering team is focused on exercising the hardware and developing features towards our objectives for initial sales. We share data from our development progress, features and progress of indoor and outdoor validation test with interested parties, potential interested parties. The commonly accepted understanding is that a laser product that has not been CE marked in the EU or has been or – has a product report submitted to the CDRH in the U.S., maybe operated by anyone else other than the manufacturer in certain cases and approved and qualified manufacturing representative.

Once the product is ready for initial sales, we will of course have Class 1 laser qualification complete and then any potential customer can purchase. Till that time, we need to be present to demonstrate the device. This is understood by folks we speak with. Folks with – also folks that internationally that we speak with, right, they understand this

as well. It is prudent that in a private event or setting, the evaluation samples that is not been CE marked is always maintained under the physical control of manufacturers personnel and not enough for the customer. So because of this restriction, right, I think we've done the best we can. We shared, as much – as I said, tremendous amounts of data that we've shared with them, the COVID restriction is still in place internationally. And of course, locally some restrictions, non-employees being onsite.

**A - Steve Holt**

The next question relates to opening the German Office. Can you shed more light on the reason for that office and did the regulatory environment have anything to do with it?

**A - Sumit Sharma**

Europeans OEMs and Tier 1s in Germany have been the most active in ADAS space, mostly because of regulation, ADAS held to safety and beyond. As we have mentioned before, we have been active, actively promoting our technology in Germany since 2019. It just made sense to have an office there that can be responsive to those companies in the same time zone and same language.

**A - Steve Holt**

We received a number of questions about the upcoming trade show in Germany. What can we expect to be shown at this event?

**A - Sumit Sharma**

Yes. We are very excited about the trade show and can show our sensor publicly and be able to highlight the advantages of our technology, I've mentioned in previous calls. We will have several displays and live demo there that I would not want to steal thunder from. But we of course will share videos from the show. We make them public during the show and after the show.

**A - Steve Holt**

Okay. The next question we had was, the question is around the ATM. I think I answered – addressed those when Glenn asked his questions about it. And again, I think the point to make here is that the ATM and the cash that we have, strong balance sheet has been advantageous when dealing with customers, suppliers, and employees. So that is a big reason for the ATM.

The next question, it was also about the April 2017 customer and which we disclosed as Microsoft. And again, we answered those questions with when Glenn asked his question.

The next one is, question is often asked about our plans for production specifically, can you provide a progress report on the long-term, on the long range Lidar sensor pilot line in Redmond or your planned Asian production line?

**A - Sumit Sharma**

Our original plan was to develop our pilot line in Redmond during COVID restrictions and transfer tooling, automation, and our process to Asia. One of the partners in this plan is in Japan. Unfortunately, Japanese COVID travel restrictions are still in place. Our team needs to travel to the partner for successful transition. Once we became aware of this in second quarter, we adapted our plan. All the automation is being delivered in to our Redmond quarters. We tend to qualify the line and produce our initial quantities for Q4 sales in Redmond. As before, we expect to transition to a partner for scaling from there, and we are evaluating all our options.

**A - Steve Holt**

Next question relates to other verticals. What is the status of these verticals and are you actively pursuing or investing in them now?

**A - Sumit Sharma**

As I shared in previous calls, all our effort is on automotive Lidar. We believe that value in other verticals and we stand ready to support a potential customer as needed, but that is not our focus now.

**A - Steve Holt**

Next question is about strategic alternatives. What can you share about strategic alternatives?

As we mentioned in the prepared remarks for the past year, we've been responding to RFI, sharing data and sharing test data. And we will continue this work, but as we have previously disclosed in SEC filings, we currently have no agreements or commitments to engage in any specific strategic transaction.

Okay. And the last question, before we take more live questions relates to the MEMS production, what can you report about your fifth generation MEMS and your MEMS fab partner?

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**A - Sumit Sharma**

I'm happy to report that we have received our first wafers from our MEMS fab partner. In fact, they are in the devices we are building now. I expect our Q4 initial sales units will use dies produced from our MEMS fab partner. Beyond that, I think there's we're not commenting any more than that.

**A - Steve Holt**

Okay. We will now take some live questions from investors. Operator, we're ready for the first question.

**Operator**

Thank you. Your next question comes from Ty Bordner [Private Investor]. Please go ahead.

**Q - Ty Bordner**

Yes. Hi. Can you guys hear me?

**A - Steve Holt**

Yes.

**Q - Ty Bordner**

Okay, great. Hey, congratulations on – for you guys in the entire company to the progress you made in Q2. So congrats on that.

Hey, Steve, I think in the last call, you mentioned that you were projecting around 80 headcount by the end of the year and obviously now that's changed. I think current projection is 110 to 125. So can you comment on why that significant increase?

**A - Steve Holt**

Yes. I tried to hit that in my prepared remarks. There's an opportunity to get our sensor into the ADAS Level 2+ and higher. And to do that, we need some software, some hardware teams to build some features and get the cost down. And so that's really the focus, we think there's an opportunity there, but we'll need some people to do that.



**Q - Ty Bordner**

Okay. So I guess that wasn't necessarily well known in back in Q1.

**A - Steve Holt**

In Q1, we talked about our future product roadmap but as we've been able to do work and dig into what the opportunity is and the timeframe of what we think we could do it in and what it would take for resources that was all happening in Q1 and Q2. We've kind of developed a plan that we think makes sense to go forward with.

**Q - Ty Bordner**

Okay. Got it. Also, in – back in the Q1 filing, you mentioned extending the contract was Sharp for an additional year. Any – can you provide any status on that? Have you had any communication with them at all?

**A - Steve Holt**

Yes. I mean, the reason we extend their contract was just to give them time because COVID was a difficult period for people to get out and make new product decisions. So, we thought it was made sense to extend that they've been a good partner and we want them to succeed. So that's really the reason for the extension. Do we communicate with them? Yeah, yeah. Today, as a matter of fact, but I don't have anything I can tell you about specifically about that, I believe they're still working to find customers.

**Q - Ty Bordner**

Okay. And last question and this is for Sumit. Sumit, you've used – a lot's changed over the last 17 months, 12 months. So MicroVision is clearly in a different position than you were then. And you used an analogy back then, specifically, I think in regards to negotiating with the large companies, you used a reference, a wrestling analogy of being on the mat. And I guess my question to you is now, do you feel like you are up off the mat now?

**A - Sumit Sharma**

All right. I'll kind of say here, the best way I can say it the way I think about it, philosophically, if you're not \$1 trillion company, you're always on the mat. All right. So you got to go build value, watch expenses and just keep going, right. That's the best answer I can give you, the most honest answer I can give you.

**Q - Ty Bordner**

Okay. Thanks. That's all I got.

**Operator**

Your final question comes from Mike Wolken [Private Investor]. Please go ahead.

**Q - Mike Wolken**

Hey guys. Great progress in Q2 and congratulations. I'm excited as well as an investor.

I wanted to talk a little bit about, you mentioned that you would be able to manufacture and sell small quantities of the automotive Lidar sensor in Q4. Are these sensors being manufactured and sold to automotive OEMs for their own internal advanced road testing, or exactly how are they or in other words, there's a small number. We don't know what that number is. What are they going to use those for? We've given them data on our own internal testing and we'll continue to, but what are these sensors for?

**A - Sumit Sharma**

I think, Mike, to think about these. These are – as we said, initial sales, small quantities. Therefore, our direct sale so there's going to be a cohort of potential customers that we will be addressing these, and they will all have different needs. That could be all different segments. It's not specifically one segment we're saying. I know there could be robotics. There could be this. There could be people in autonomous driving software development. It could also be Tier 1, Tier 2. It could be a whole group of people. So therefore the sensor by itself, right, people are going to use for different things.

So think about the market is many, many different segments. And if you think about some of our competitors, when they talk about their public sales, that are significant amount over the years, it's that kind of strategic sales where different people use for different things. So it could be hard to say like, what specific thing we use for now.

Your question about test data, test data is important because you have to validate what you are believing that you can do, how you can actually solve a big problem.

And when you think about an automotive OEM or Tier 1, they're going to make a product that they are going to support for 15 years after they make the purchase. So they look for something different, right. So before you can enter that phase of making that product forever, you have to actually do some initial work and it could be a wide range of things that could be used for. So it'd be very hard to say specifically, but the most basic thing is, if you say it does something, they have to go validate that. And they may have some

special requirements themselves that is not common to anybody else, right, that we would work with them and support them.

So it's a variety of things that could be done, but yeah, they're going to definitely test it for stationary moving, calibrating to other things that they've already done, right. So it'd be pretty hard to comment on what they will use it for.

**Q - Mike Wolken**

Right.

**A - Sumit Sharma**

...Publicly of what they are going to use.

We certainly don't know what they're using it for. But publicly, of course, we're not going to comment, Mike.

**Q - Mike Wolken**

Okay. And one other question about the business development office in Germany. Dr. Luce, who is going to be Head of Business Development there, has previously been for seven years, CEO of a company called Optoflux in Germany. And of course, he's going to go to work for the Company, which is great based on his credentials. Going to their website because Optoflux is an interesting company and I could see the possible connection between our two companies, go into their website he still is going to represent Optoflux as a managing director, even though he's taking the job of Head of Business Development in Germany for MicroVision. Is there an engineering partnership or any connection between the two companies that you can share with us?

**A - Sumit Sharma**

Right. So Thomas Luce joins MicroVision in September. So till then he is still CEO and managing director there. So once he joins MicroVision, he's going to be with MicroVision.

**Q - Unidentified Analyst**

Okay. Any connection between the two companies with respect to engineering, LRL going forward in terms of product design....

**A - Sumit Sharma**

As Steve mentioned, right, our hardware and software, our teams are going to be here based in Redmond, Washington and that's what we're doing to scale up.

**Q - Unidentified Analyst**

Okay. Thanks for answering my questions.

**A - Sumit Sharma**

Pleasure.

**A - Steve Holt**

You're welcome.

**End of Q&A**

**Operator**

There are no further questions at this time. That does conclude the conference for today. Thank you for attending today's presentation. You may now disconnect.