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Participants

Perry Mulligan – Chief Executive Officer

Presentation

Perry Mulligan – Chief Executive Officer

[Slide1] Good morning, everyone. Looking forward to spending a few minutes with you and walking through an overview of the company.

[Slide 2] I'm sure you've all read the safe harbor and we're good to go.

[Slide3] Interesting story that we're presenting to you today. For those of you that have been following the company for a while, we've only publicly traded for 26 years, so we're a 26-year-old startup. But over the last little while we've reinvented this entity and we started focusing on a much sharper go to market strategy, we've built the building blocks, re-commissioned the building blocks that we need to make the modules that we're selling. We changed our corporate culture and engaged in multiple Tier 1 North American OEMs that are AI platform owners. The AI platform ownership is a key feature that we're focusing on, and we're ready for volume products in the second half of 2019 as a result of that work.

[Slide 4] For those of you that aren't familiar with the engines we make, the modules we make, we're a leader in laser beam scanning technology, and that's wrapped around core system IP, software, ASICs, MEMS, hardware and advanced manufacturing. You'll find us on Nasdaq at MVIS.

This technology bundle is a way of us explaining to you that what we do looks simple but is difficult. And it's one of the reasons why you don't find a lot of people competing with us in the space the way we do what we do. So keep that in mind as I show you where we're going, and you can understand that we think we have some advantages.

[Slide 5] Artificial intelligence is the future. There is no debate on that point. I think it's become pretty pervasive. We offer a unique input and output capability to AI connected devices, and we're going to target four product market families that help illustrate that advantage.

[slide 6] We know today that if we think of AI connected products, smart speakers, they do a good job of listening and answering basic questions and performing simple tasks. With our solutions in place, we can recognize touch and gestures, sense the surrounding environment that they're in and display some images.

[Slides 7-8] So, let's take a look at those IoT products and consumer LiDAR product offerings to see what I mean about what we bring to the party.

[Slide 9] Busy slide. I'll give you a minute to read it. No, I won't. It is in the deck so that you have a chance to take a look at it later on. Q4 2018 takeaway: More volume shipped in Q4 2018 in the smart speaker arena than all of 2017. So, we think the trajectory of growth in smart speakers is self-explanatory. We understand that while they're growing in use cases, the number of things that people are using them for are still those items that make it difficult for the AI platform owner to monetize. I can't see the products. That's why I don't buy stuff with it. I'm asking for simple questions. I'm asking it to play music. These things are not ways that the AI platform owner gets to monetize that huge investment they made. And because of that, we see that the percentage of displays that are embedded in smart speakers continues to grow, from 2% up to 13% in 2019.

But not an ideal solution. Why?

We've seen people experiment with various size LCD or traditional interactive displays. It takes up a footprint on the desktop, on your countertop, in your home that isn't being well adopted by consumers.

[slide 10] We're offering an on-demand display that's larger, 15 to 20 inches in diagonal, that's instant on, instant off, so when it's not required you don't see anything, has interactivity that allows you to swipe gesture recognition on any surface, and has embedded edge compute in it as well to improve the latency and the touch gesture recognition. These are the features that we think our display and interactive display bring to the smart speaker space to make it more user-friendly and make it more effective for the user to engage with the AI platform.

[Slide 11] We were so convinced that this was a good thing to do, that we actually licensed the display-only portion of that technology last year to a significant technology partner. They paid us $10 million for that license fee in 2018, and it requires to purchase ASICs and MEMS from us as part of that ongoing relationship. We're excited that they're going to target the same AI platform owners, smart speaker owners that we are.

We believe the display-only product works in that same environment. We think that they will have traction. So you think of that smart speaker space, we said that there will be smart speakers, we think there will be smart speakers embedded with display-only, and we think there will be smart speakers at a different price point embedded within interactive display.

[Slide 12] So, we see those three product families in existence simultaneously. The interactive display has strong interest in the Tier 1 OEMs and working on 2019 orders, some of the OEMs might be looking for 2020 product ramps, and there may be some NRE customization of this product in the second half of this year as well. So, we see these opportunities, interactive display, display only and some NRE opportunities for us in the second half of this year on the IoT products.

[Slide 13] Consumer LiDAR.

[Slides 14-16] If you think of our interactive display as existing with a LiDAR, the ability to sense where your finger is in that space, in an 8-inch space, think of consumer LiDAR now being able to interact within a 30 foot space, the size of this room. Our LiDAR provides a home hub with a sense of what's going on in this space, how many people, what are they doing, whether the owner of the house is in this space, whether there's things that have been added to the space, the number of chairs, the number of tables, the number of lights, the number of guests. The sense of what's going on, the awareness, the 3D bitmap of this space makes the home hub a much smarter home hub and allows it to control many of the other IoT products, reducing what we think is the cost of that ecosystem by eliminating the need for all of these other devices to be able to perform those same tasks and those same understanding of what's going on.

Again, we think that this capability will allow this high-fidelity sensing to control devices, entertainment content, purchasing efficiencies and home devices. We absolutely believe that the consumer LiDAR space, connected as it relates to the artificial intelligence and AI connected home hub, is going to be an interesting and very important solution for us as we look at 2020 and beyond. Again, very high-density information, low latency reduced compute power machine intelligence at the device level.

[slide 17] We started shipping these explorer kits in March of this year, and we're expecting to work with our OEMs through the course of the balance of the year and decide how they want to integrate into their product road maps for potential 2020 product launches on the consumer LiDAR front.

[Slides 18-19] We have talked about an April 2017 contract for the last two years. It is a contract that's been in development. We expect to complete that contract in Q2 for $15.1 million in development. It had a number of different aspects to it, an [indiscernible] software for a high definition display, and we are restricted from naming the customer for that contract or the product that it's in. We expect to complete the development work, as I said, in Q2 and we have orders on hand, and expect to finalize the terms of those orders so we can begin shipping products under production agreement with them in June of this year. So, that's the feedback that we provided on the last earnings call.

[Slides 20-21] All along, we've told you that we are a laser beam scanning engine that has some unique capabilities and some unique attributes. Well, those unique attributes make us very appropriate and very interesting to the automotive LiDAR space. In that automotive-LiDAR space we think we saw some of the fundamental problems that any LiDAR solution is coming to market with, ambient light rejection, oncoming traffic, blinding from another LiDAR, things of that nature. We are engaged in discussions with Tier 1 OEMs, and we'll wait to see how those discussions unfold, whether or not there's enough interest for us to continue to explore development work in that space. But very, very relevant, and with little effort and energy on our part still being courted to proceed with that work.

How our technology works. For those of you that aren't familiar with it, I'll give you a simple video here.

[Slide 22 Video]

Man: Alissa, let's get chicken dinner for four.

Alissa: Sure. Adding chicken dinner for four to your cart. Is there anything else?

Man: Let's add salad for four.

Alissa: Adding field green salad for four. You might also like these selections.

Man: Let's add two bottles of red wine.

Alissa: Red wine has been added to your shopping cart. Your shopping cart total is $117.98.

Man: Let's add white wine instead of red.

Alissa: White wine has been added to your shopping cart.

Man: Order.

Alissa: Your order is confirmed with free delivery.

Man: Alissa, set a timer for 15 minutes.

Alissa: Starting a 15-minute timer for oven.

Woman: Alissa, show me dressing options. This one looks yummy. Alissa, play this video.

Alissa: Here's a video on making maple mustard balsamic dressing.

Man: Amazing food, and great wine.

Women: It's good, it's it?

Man: What else have you got for us?

Woman: Alissa, let's play a game.

Alissa: Sure. Here are popular options to play a game.

Woman: You want that one?

Man: Alright. Let's do it.

Woman: Alright. Alissa, launch Friendly Feud.

Alissa: Name one of the 12 Olympians or ancient Greek gods. Green team buzzes in first.

Woman: Zeus.

Man: Alissa, tell driver to pick our friends up in ten minutes.

Alissa: Requesting a driver. Your driver is about two minutes to pick up.

Man: Alright. Let's go.

[Video ends]

<u>Perry Mulligan – Chief Executive Officer</u>
Real life applications. Obviously, we continue to improve the quality of the responsiveness to the device, and as I watch it, it almost looks slow by comparison of what we're delivering today and what we showed at the annual shareholders meeting a week and a half ago, so things are continuing to evolve.

[Slide 23] What are we going to do? What's our path to profitability? We're going to sell components to our customer from the April 2017 contract. I said we expect to start shipping that by the end of Q2, by the end of June this year, and that's on track. We expect to sell components for our display-only to our licensee for a Tier 1 application OEM product. We expect to sell our interactive display modules to Tier 1 OEMs, and we're working on finding the best solution to engage with our consumer LiDAR products for a 2020 launch. So, that's the path to profitability for us.

[Slide 24] To get there, we have to successfully be able to execute, and on that end, we think we have the right infrastructures in place. We're dealing with the OEMs that supply the solutions for the AI platform owners, so we know that we're connected to those folks and can supply them products.

Standard processes. We know we have the capabilities to do a high yield first pass production process for the MEMS and the modules that we make, and it's highly automated processes, so we know it's scaleable and quickly expands. We have produced financing with our working capital by ensuring that we are working with our large contract manufacturers to secure that, and we use common components. So, these devices use a lot of the same building blocks, I talked about that earlier, be it the MEMS, be it the ASICs, to help us get economies of scale so each one of them that we ship gets some cross-pollination and some advantages.

[Slide 25] Financing highlights. We have no debt structure. It's basically all common stock based. Revenue last year going to $17.6 million, cash equivalents of $7 million at the end of Q1, 100 million shares outstanding.

[Slide 26] I think I demonstrated to you that we believe we are targeting opportunities in large market spaces with our IoT products, the consumer LiDAR and the automotive LiDAR. These are big opportunities with Tier 1 players. Near term opportunities, again, we're going to be shipping the display. The April 2017 contract components to our customer. We're going to have our display-only licensee in market, and then we're going to have our strong interest in our interactive display. I think we've got the right management team in place that can execute on this without tripping at the goal line, as it were. So, as a company we're ready to execute and ready to be successful.

That's a summary of where we are. I think we've allowed ourselves five minutes for Q&A. I want to thank you for listening to this presentation. I see a lot of familiar faces, so I'm expecting that a lot of this material is not new to you.

[Q&A] *Please note the conference provider did not have microphones for the audience asking questions which caused the questions to be inaudible and not transcribed.*

Q: [Indiscernible] emerging competitors are in [indiscernible] similar product in many—

Perry Mulligan – Chief Executive Officer
Great question. For those of you online or listening to the webcast, the question is, who's the competition in the display space, and specifically I think the interactive display?

I think that most people would look at OLED, LCD based panel type displays. We know DLP is an example, is another, and there's Micro OLED displays as well. To the best of my knowledge right now, from a thermal perspective, we have some advantages for fitting inside of a smart speaker that provide laser beam scanning engine with a basic advantage. Again, to the best of my knowledge, I think we're the only solution in the market today that integrates interactivity, touch sensors, just for recognition in a single module. So, while I think others might be experimenting with that or trying to chase us down that path, I think we have a competitive advantage at this time.

Any other questions? Philip?

Q: I assume it's cloud-based, the Alissa? I'm sorry, I forgot the name already. There's so many—

Perry Mulligan – Chief Executive Officer

Thank you for that. First of all, we're not a software company, so we had to generate our own version of a mock-up so that we demonstrate the product to you. So, I would expect this to be connected to a standard perhaps name that you're much more familiar with from a platform owner like a Google, Facebook, Amazon, or someone in the Tier 1 space. So that was our attempt at demonstrating the capabilities using a mock-up platform. We're not in the smart speaker business, and I'm not an AI platform owner.

Adam?

Q: [Indiscernible] issues with [indiscernible].

Perry Mulligan – Chief Executive Officer
So we've seen—Adam Stentner's asking about the thermal issues that we've seen, and I believe that many people have attempted to use other basic display and projection technologies in smart speakers. I've recently seen articles where there are publications now stating that it is physically possible to incorporate that. I don't think it's been practically demonstrated and for the reasons you state, thermals become a big issue, because if you have to put fans in smart speakers, the resident noise issue is of concern. So, right now, again, from a display technology we believe we are capable of generating non-fan based display in a smart speaker and then added to the interactivity, and we think we're the only ones that have an integrated module, although I know there's a number of different solutions people are trying to marry together.

Perry Mulligan – Chief Executive Officer
Thank you very much for your time. I appreciate it.