

Elliptic Labs

Q4 Presentation

March 10, 2021

AI software empowering the next billion of devices

ellipticlabs

DISCLAIMER – IMPORTANT INFORMATION

The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (“relevant persons”). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in Elliptic Laboratories AS (The Company). The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

This presentation includes and is based, inter alia, on forward-looking information and contains statements regarding the future in connection with The Company's growth initiatives, profit figures, outlook, strategies and objectives. All forward-looking information and statements in this presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for The Company. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions.

Important factors may lead to actual profits, results and developments deviating substantially from what has been expressed or implied in such statements. Although The Company believes that its expectations and the presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the presentation.

The Company is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the presentation, and neither The Company nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use. This presentation was prepared in connection with the Q3 results released on November 16, 2020. Information contained herein will not be updated.

Agenda

Introduction and Q4 2020 highlights

Financials

Summary

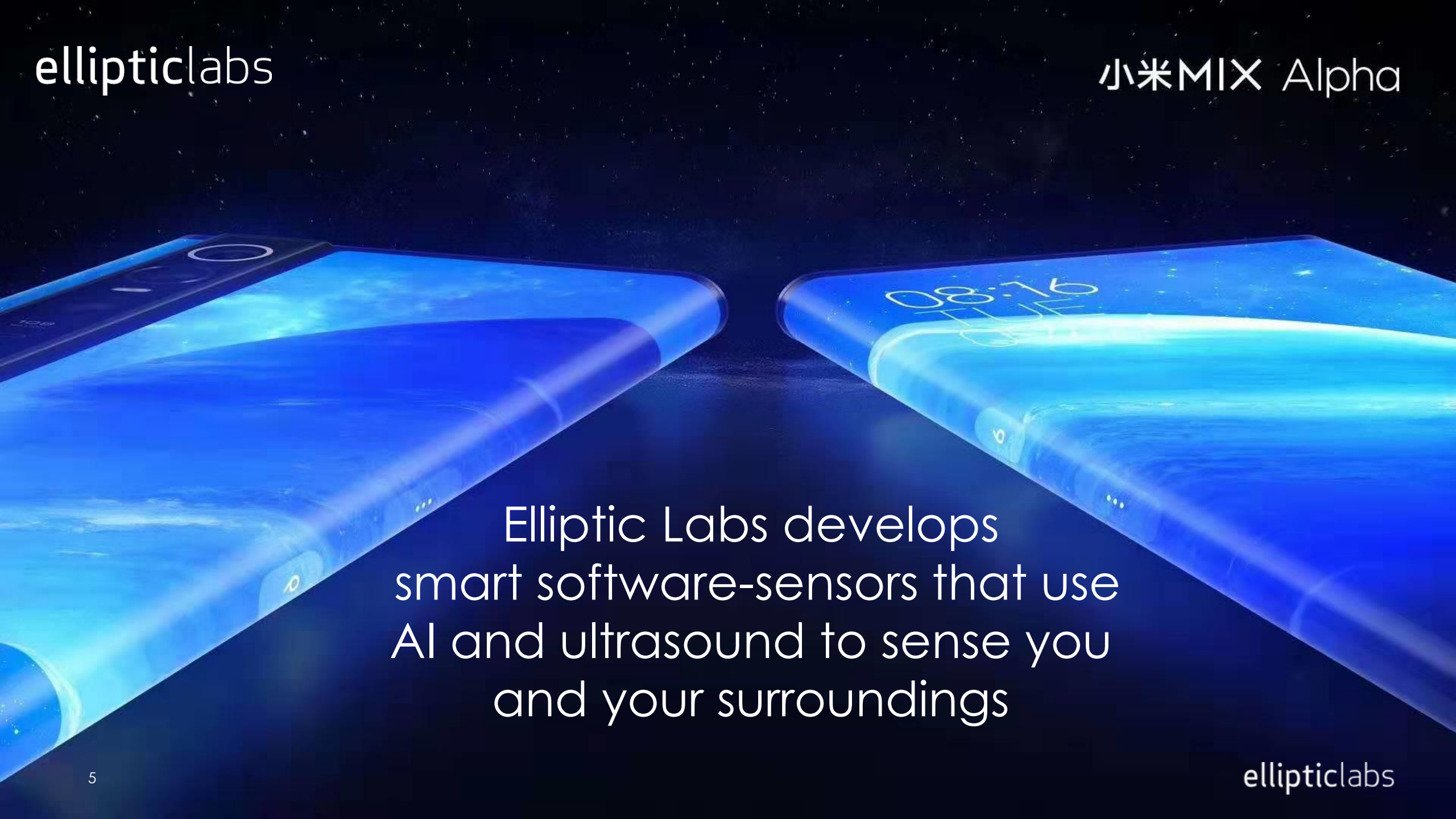
Q4 HIGHLIGHTS

Record quarter revenue along with strong EBITDA and cash flow

- Highest quarterly revenue in the history of the company with NOK 27m
- Proved scalable business model:
 - Business picked up after severe Covid19 effects in 1H 2020
 - EBITDA margin exceeding 65% in Q4
- Secured healthy financing, paid down interest bearing debt and obtained positive cash flow from operations of NOK 15m
- Expanding customer base on smartphones and signed first IoT customer
- Good progress on PoC's with leading laptop manufacturers
 - a positive outcome will change the financial performance significantly during 2021 and onwards
- Launched two high-volume smartphones with Xiaomi
- Strengthened partnerships with chip manufactures
- Expanded our patent portfolio,- now 93 patents granted/pending



ellipticlabs



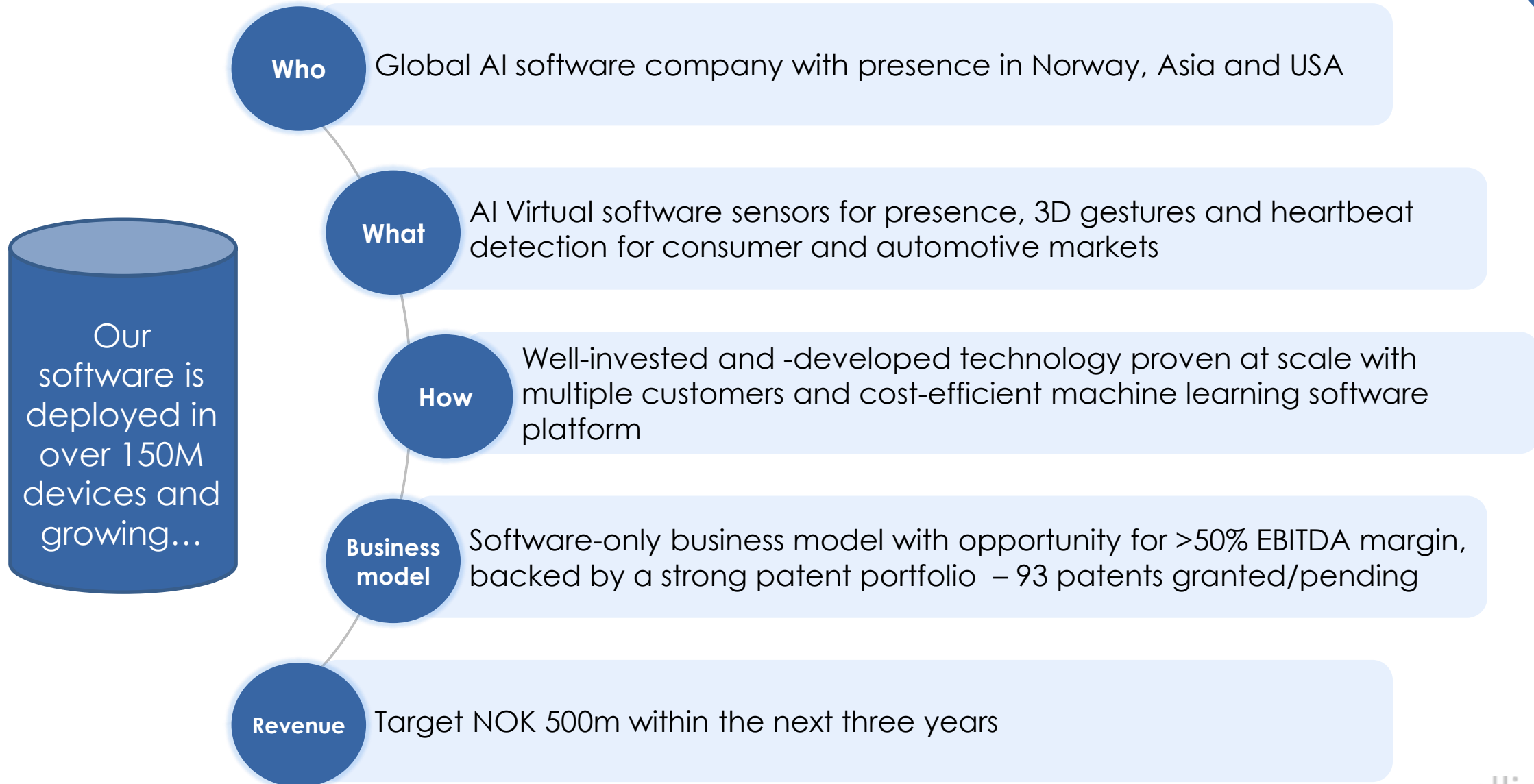
Elliptic Labs develops
smart software-sensors that use
AI and ultrasound to sense you
and your surroundings



Sensors touch every
aspect of life and drive the digital transformation

Our vision is to build the leading software platform for
all sensors, making every device smarter and more
environmentally-friendly

Today we are the ultrasound leader for consumer market



We enable critical user experiences for the smartphone, laptop, IoT & automotive markets



Virtual Smart Sensor Platform
Making Sensors More Intelligent



Proximity



Presence



Gesture



Positioning



Connection








Breathing



Heartbeat

Strengthened market opportunities

In the beginning of 2021 hardware sensor prices increased, improving our competitive advantage

MARKETS	 SMARTPHONE	 PC/LAPTOP/ TABLET	 SMART TV	 IoT	 AUTOMOTIVE
Total market size units	1.6B	460M	400M	1B++	100M
Competing <u>Hardware</u> sensors cost per unit	Infrared Sensor \$0.10-\$0.25	Time of flight/ Radar Sensor \$2.5-\$4	Time of flight Sensor \$2.50	Time of flight/Infrared \$0.10-\$2	Radar Sensor \$10-\$20
Elliptic Labs value proposition	Clean design, lower cost & more features	Cybersecurity, no supply chain & more features	Power savings & gesture	Power savings, gesture & Wellness	Save lives, heartbeat detection
Elliptic Labs Pricing model	Flexible pricing model: <ol style="list-style-type: none"> 1 Volume based license fee per unit/device, per virtual sensor 2 Subscription fee or 3 Enterprise/annual license fee 				
Market opportunity	\$200-\$400M	\$1100-\$1800M	\$1000M	\$100M++	\$1000-\$2000M

Smartphone market

More smartphone launches – added new customer

1.6B smartphones have a proximity sensor turning screen off/on when users are making calls:

- Most smartphones are using hardware sensors for proximity, that we are replacing with our smart software sensors
- Customers partner with us to reduce supply chain, cost and add new innovative features

Q4 Highlights:

- Launched on two high-volume smartphones with Xiaomi, a world leading smartphone and IoT manufactures, models:
 - “Mi 11”
 - “Redmi Note 9 Pro”
- Launched with a new smartphone customer, ByteDance, model:
 - “Nut R2” model
- Strengthened partner relationships for easier scaling of our AI software platform

Target



All Smartphones

Competing hardware sensors cost per unit

Infrared Sensor
\$0.10-\$0.25

Our Value proposition

No supply chain,
lower cost & more
features

Our Pricing model

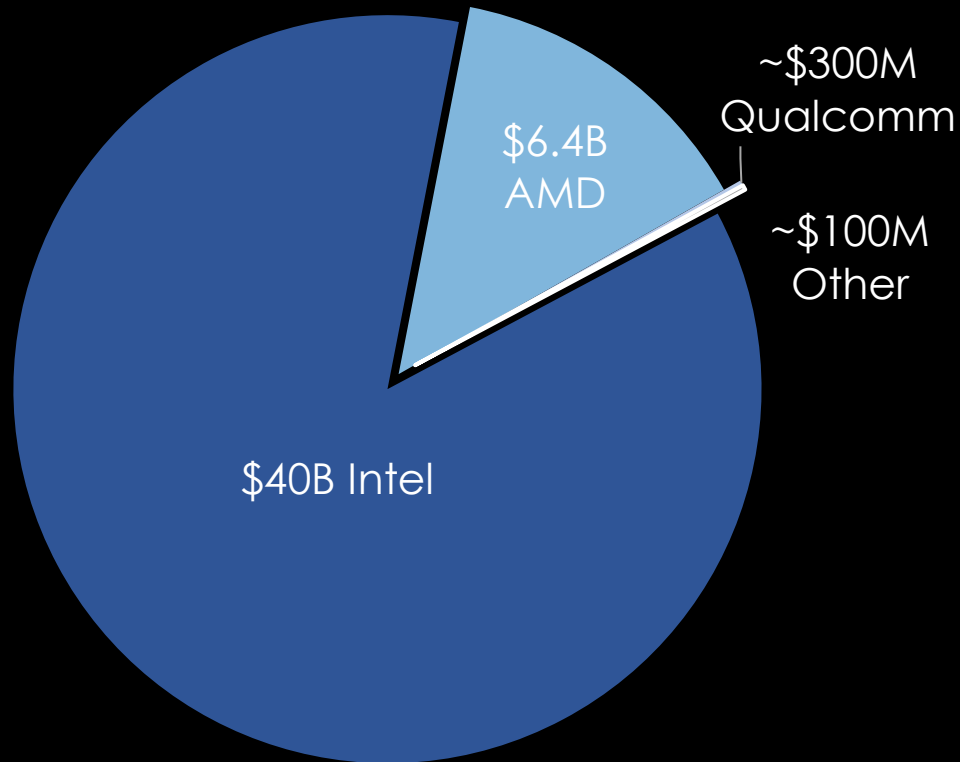
Per unit or annual
license agreement

Market opportunity

\$200-\$400M

PC market is next large vertical

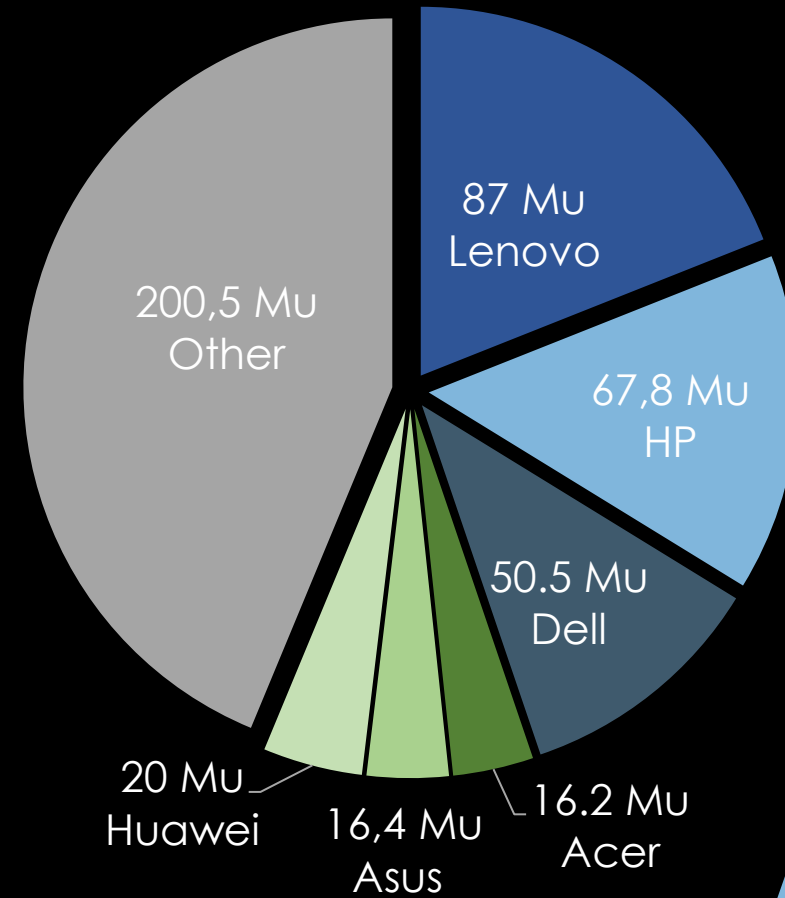
2020 PC/Laptop CPU Market Share
(Revenue)



*AMD does not separate revenues from its CPU & Graphics businesses
** Qualcomm does not separate revenues from its IoT business

Source: [AMD 2020 Financial Report](#), [Qualcomm 2020 QCT Revenue Streams Report](#) and [Intel 2020 Financial Report](#)

2020 PC/Laptop/Tablet Volumes
(Millions of units - Mu)



Source: [Canalys PC Market Pulse 2020](#) and [Gartner 2020 Annual WW PC Shipment Report](#)

PC market opportunity

Positioned to be standard provider for presence detection


Laptop OEMs want presence detection on all their devices:

- Our software sensors meet both the price-point and performance needed to broadly deploy presence-sensing capabilities to all tiers of a laptop manufacturer's product lines.
- Competing hardware sensors used for presence detection for security, require a supply chain, have longer integration cycle, and are more costly

Q4 Status:

- Signed two new PoCs with leading PC manufacturers
- Continued to strengthening our partner collaborations with all leading semiconductors on their laptop, tablet and PC platforms
- Added on PC consultant specialists in the US and Japan to strengthen organization to support PC engagements

Target

 PC/Laptop/ Tablet
Total market size units
460M
Competing hardware sensors cost per unit
ToF/Radar \$2.5-\$4
Our Value proposition
No supply chain, lower cost & more features
Our Pricing model
License per unit or annual agreement
Market opportunity
\$1100-\$1800M

Aligning roadmaps with chipset partners to streamline deployment of our solutions for joint customers



- Established partnership with MediaTek, a leading smartphone chip manufacturer, that integrated Elliptic's ultrasound API as a standard, making it easier for smartphone customers to use Elliptic Labs' AI Virtual Smart Sensor Platform (AI software platform)
- Good progress in aligning roadmaps based on customer demand, ensuring easier deployment at scale
- Symbiotic relationship and continued traction with key partners to deliver our technology to joint customers

Years of dedication and networking enables Elliptic Labs to access new markets, new verticals and leverage opportunities

Go-to-market partners continue to progress

Continued joint promotion and marketing to new and current customers and markets:

- Smartphone
- PC
- SmartTV
- SmartAppliances



Agenda

Introduction and Q4 2020 highlights

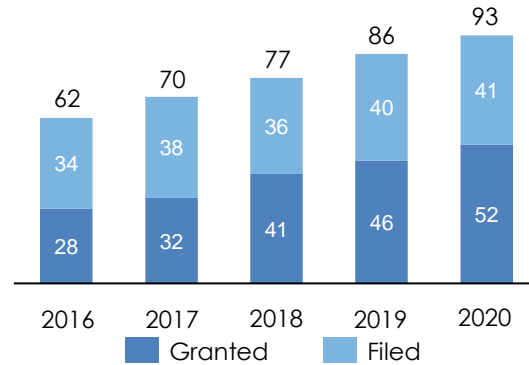
Financials

Summary

Key Elliptic Labs KPIs per Q4 2020

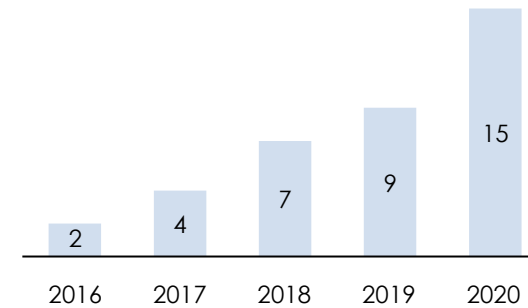
Number of granted and filed patents

Patents
(granted and
filed)



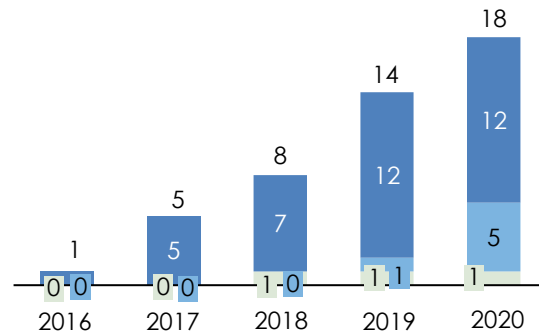
Cumulative number of partner-agreements

Of partner-
agreements
general markets



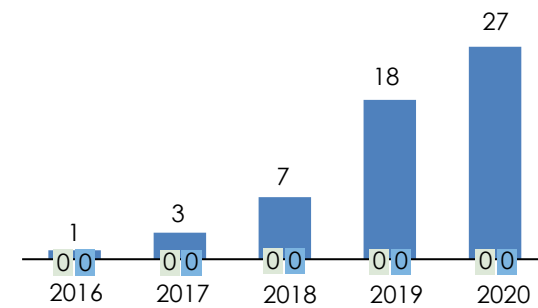
Cumulative number of PoC contracts

Of proof of
concept (POC's)
agreements per
vertical



Cumulative number of models launched

Of models
launched per
vertical
(smartphone,
laptop, IoT and
Automotive)



Q4 2020 P/L

	Q4 2020	Q4 2019	2020	2019
Revenue	24 070 924	17 003 357	30 215 044	37 957 021
Other operating income	3 190 234	1 590 701	14 517 048	14 726 017
Total revenue	27 261 158	18 594 058	44 732 092	52 683 038
Personnel expenses	5 754 435	12 659 824	36 395 858	45 650 734
Other operating expenses	3 089 349	4 908 989	13 128 132	15 631 493
Depreciation, amortisation and impairment	1 367 679	191 848	5 438 634	4 392 985
Total operating costs	10 211 462	17 760 662	54 962 624	65 675 213
Operating profit	17 049 696	833 396	-10 230 531	-12 992 175
Financial income	407 871	-186 055	1 722 760	307 049
Total financial income	407 871	-186 055	1 722 760	307 049
Financial expenses	-3 429 878	-1 330 202	-7 186 227	-4 275 169
Total financial expenses	-3 429 878	-1 330 202	-7 186 227	-4 275 169
Profit before tax	14 027 689	-682 861	-15 693 999	-16 960 295
Income tax expense	161 256	50 029	-6 158 680	-3 703 338
Profit/(loss)	13 866 433	-732 889	-9 535 319	-13 256 956

Q4 comments:

- Highest quarterly revenue in the history of the company
- Proving our highly scalable business model with SW only and no COGS
- Demonstrating strong EBITDA margin of more than 65% in Q4, for 2H in total 35% and close to neutral for 2020 as a whole

2021 guidance:

- Significantly stronger top line
- Positive EBITDA for the year as a whole
- Seasonal effects still in 2021 but less so than for 2020

Q4 2020 Balance Sheet and Cash Flow

Amounts in NOK	31.12.2020	31.12.2019
Non-current assets		
Deferred tax assets	62 827 614	56 168 887
Intangible assets	28 240 698	16 551 924
Right of use assets	5 022 739	7 255 068
Other non-current receivables	2 544 452	2 092 437
Total non-current assets	98 635 503	82 068 316
Current assets		
Accounts receivable	426 621	14 309 741
Other current receivables	21 518 540	7 116 584
Cash and cash equivalents	101 230 021	35 873 432
Total current assets	123 175 183	57 299 757
Total assets	221 810 685	139 368 073
Equity and liabilities		
Share capital	958 459	875 106
Other equity	190 120 324	79 157 649
Total equity	191 078 783	80 032 755
Finance debt	3 001 929	5 205 363
Bank borrowings, long-term	14 000 000	14 000 000
Total long-term liabilities	17 001 929	19 205 363
Bank borrowings, short-term	4 000 000	29 431 148
Trade and other payables	1 185 453	834 715
Tax payable	122 165	162 501
Accrued public taxes	2 077 011	2 669 095
Other short term liabilities	6 345 344	7 032 496
Total current liabilities	13 729 973	40 129 955
Total equity and liabilities	221 810 685	139 368 073

Balance Sheet substantially strengthened in Q4 2020

- NOK 125m in gross proceeds in equity
- NOK 25m reduction of interest bearing debt in October

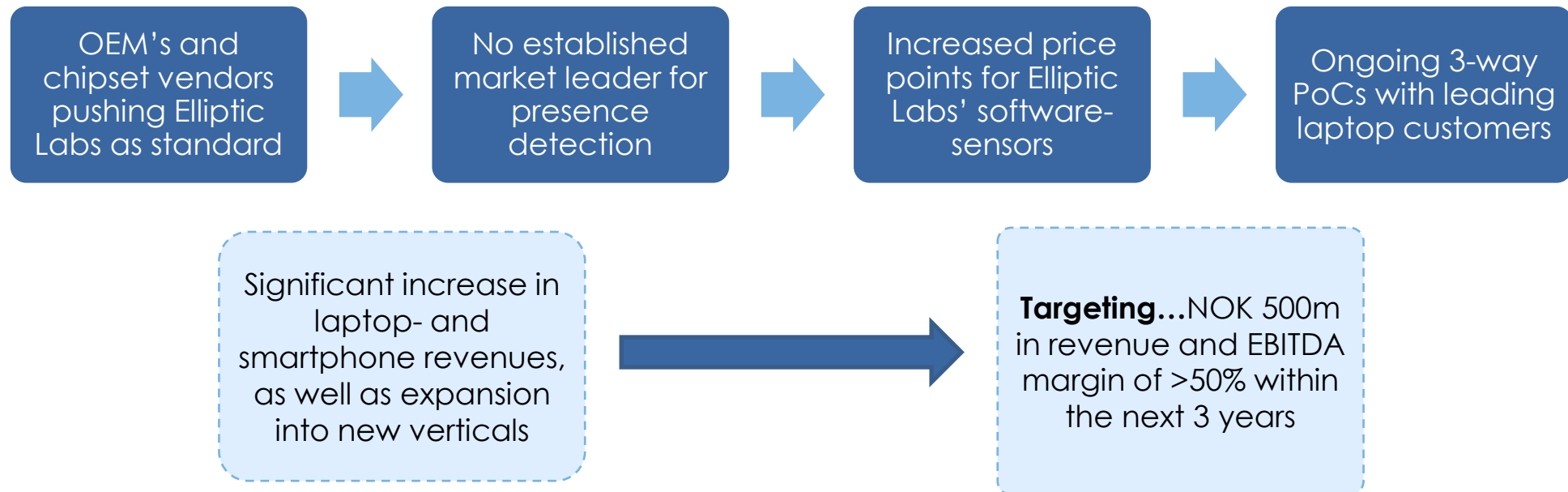
Cash flow from operations follow profitability as business scales

- NOK 15m positive cash flow from operations in Q4 but even NOK 12m positive for 2H 2020 in total and -5m for 2020 as a whole
- Software only business model with minimal working capital needs gives strong cash flow capabilities

Amounts in NOK for the period ended 31 December	Q4 2020	Q4 2019	2020	2019
Cash flow from operating activities				
Net cash flow from operations	14 997 912	-1 616 465	-4 658 766	-8 047 177
Cash flow from investments				
Net cash flow from investments	-9 440 726	-2 809 815	-17 127 407	-11 096 535
Cash flow from financing				
Net cash flow from financing	89 237 184	32 469 486	87 190 022	38 388 546
Net Change in Cash and Cash Equivalents	94 794 370	28 043 206	65 403 849	19 244 835
Cash and cash equivalents at the end of period	101 230 021	35 873 432	101 230 021	35 873 432

Clear path towards significant revenue uplift

- Revenue from smartphone to increase from new customers and new features to existing and new customers
- Larger fixed volume contracts on units/devices – increases revenue certainty
- Laptops are the largest revenue driver the nearest future as:



Shareholder Structure and Allocated Options as per March 4, 2021

SHAREHOLDER NAME	#Shares	%
Passesta AS (Chairman , Tore Engebretsen)	1,194,416	12.5%
MP Pensjon Pk	898,123	9.4%
Alden AS (Board Member , Edvin Austbø)	740,333	7.7%
Robert Horne	589,000	6.1%
Laila Danielsen (CEO)	529,680	5.5%
JP Morgan Bank Luxembourg S.A.	418,666	4.4%
Bryhni.Com AS	294,465	3.1%
Inven2 AS	288,333	3.0%
Nunatak AS	285,727	3.0%
Larne Overseas Ltd	282,000	2.9%
Ghibli AS (CFO , Thor A. Talhaug)	215,000	2.2%
Verdipapirfondet Pareto Investment	170,989	1.8%
Marie Chantal Fabres Scaler	160,000	1.7%
Portia AS	156,000	1.6%
Cipriano AS (Board Member , Einar Greve)	145,370	1.5%
Danske Bank A/S	133,333	1.4%
Danske Invest Norge Vekst	133,333	1.4%
Slåpekroken AS	131,000	1.4%
Vinterstua AS	112,148	1.2%
JP Morgan Bank Luxembourg S.A.	98,500	1.0%
Other 866 Shareholders	2,608,175	27.2%
TOTAL OUTSTANDING SHARES	9,584,591	100.0%

SHAREHOLDER NAME	#Shares	%
Shares owned By Board Of Directors	2,087,849	21,8 %
Shares owned By Mgmt. And Employees	827,180	8,6 %
Allocated Options To Employees	359,302	3,7 %
Outstanding Shares Incl. Options	9,943,893	

- Increased no of shareholders after the listing on Euronext Growth Oslo
- “Free float” close to 70%

Agenda

Introduction and Q4 2020 highlights

Financials

Summary

Elliptic Labs is set to capitalize in multiple verticals

- ✓ Proven business model with software sold and deployed to over 150 million devices
- ✓ Scalable AI software platform and closer partnerships enabling easier support for new and current verticals
- ✓ Launched on more smartphone models and added customer
- ✓ Strengthened our organization to meet the demands in the PC market
- ✓ Visibility for PC market breakthrough has increased
- ✓ Positioned to become a NOK 500m revenue company within three years

