



Q2 2023 Earnings Call | August 10, 2023

Today's Presenters

- Urban Forssell, CEO
- Fredrik Nihlén, CFO



Legal Disclaimer

This presentation contains, and related oral and written statements of Neonode Inc. (the “Company”) and its management may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information about current expectations, strategy, plans, potential financial performance or future events. They also may include statements about market opportunity and sales growth, financial results, use of cash, product development and introduction, regulatory matters and sales efforts. Forward-looking statements are based on assumptions, expectations and information available to the Company and its management and involve a number of known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, levels of activity, performance or achievements to be materially different from any expressed or implied by these forward-looking statements. These uncertainties and risks include, but are not limited to, our ability to secure financing when needed on acceptable terms, risks related to new product development, our ability to protect our intellectual property, our ability to compete, general economic conditions including as a result of the ongoing COVID-19 pandemic or geopolitical conflicts such as the war in Ukraine, as well as other risks outlined in filings of the Company with the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Prospective investors are advised to carefully consider these various risks, uncertainties and other factors. Any forward-looking statements included in this presentation are made as of today’s date. The Company and its management undertake no duty to update or revise forward-looking statements.

This presentation has been prepared by the Company based on its own information, as well as information from public sources. Certain of the information contained herein may be derived from information provided by industry sources. The Company believes such information is accurate and that the sources from which it has been obtained are reliable. However, the Company has not independently verified such information and cannot guarantee the accuracy of such information.

Agenda

1. Summary

- 2. Q2 2023 Financial Results
- 3. Business Update
- 4. Q&A

Summary of Key Points Q2

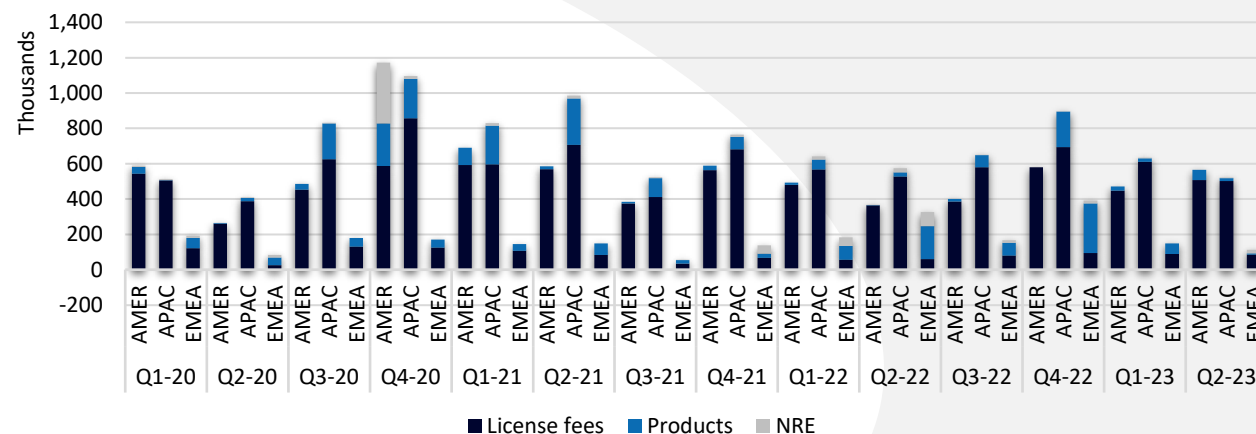
- Licensing revenues stable
 - Worldwide semiconductor supply shortage situation has improved
 - Demand for our printer and automotive customers' products remains strong
- Product sales revenues below targets
 - Weaker customer demand than expected
 - Delayed product launches in several projects
- We are adjusting our strategies and tactics to improve sales in the coming quarters
 - Increased focus on markets and segments where traction is good
 - Intensified marketing efforts
 - Development of tailored solutions to sharpen our customer offer

Agenda

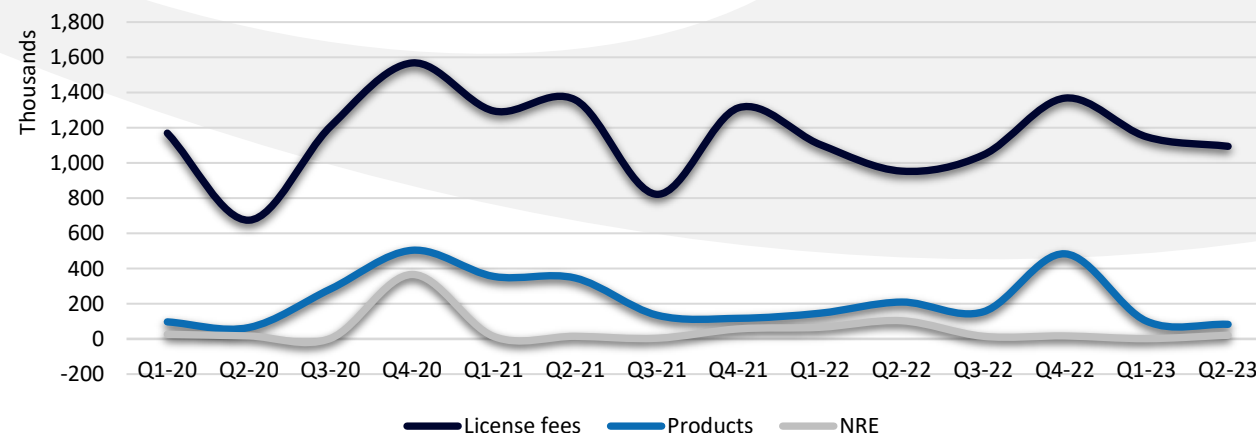
1. Summary
- 2. Q2 2023 Financial Results**
3. Business Update
4. Q&A

Q2/'23 Financial Results – Revenues

Revenues by Revenue Stream and Region



Revenues by Revenue Stream



\$1.2 million

Revenue Total
Q2 2023

▼ 5% YoY

\$1.1 million

Revenue License
Q2 2023

▲ 15% YoY

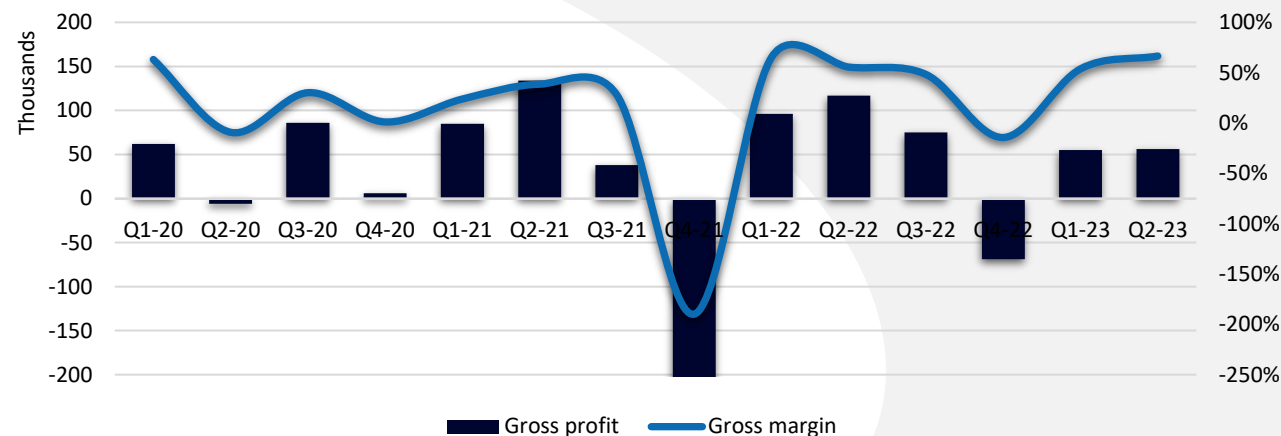
\$0.1 million

Revenue Products
Q2 2023

▼ 60% YoY

Q2/'23 Financial Results – Gross Profit/Margin

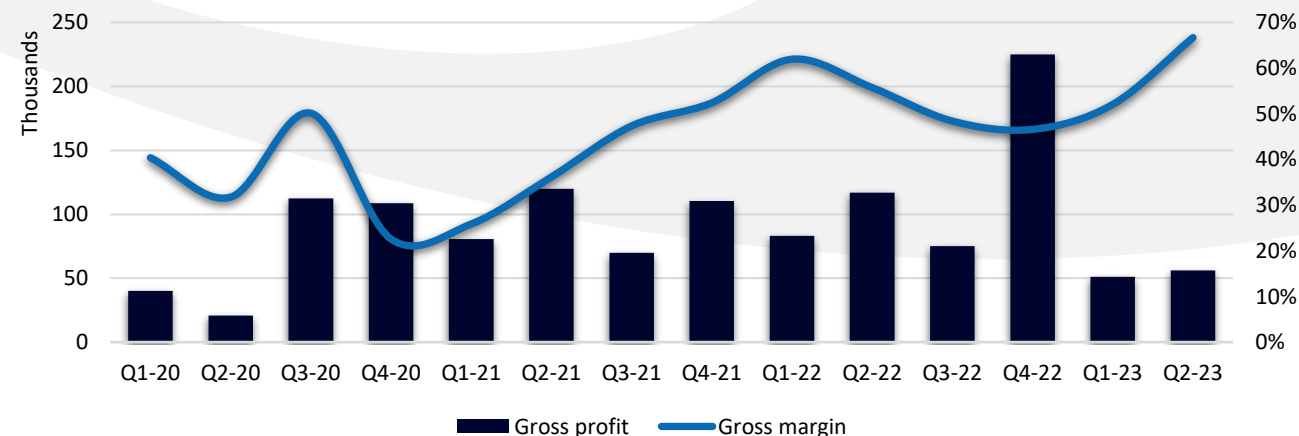
Gross Profit/Margin Products



67%
Gross Margin
Products Q2 2023

▲ 11pp YoY

Gross Profit/Margin TSMs Adjusted*

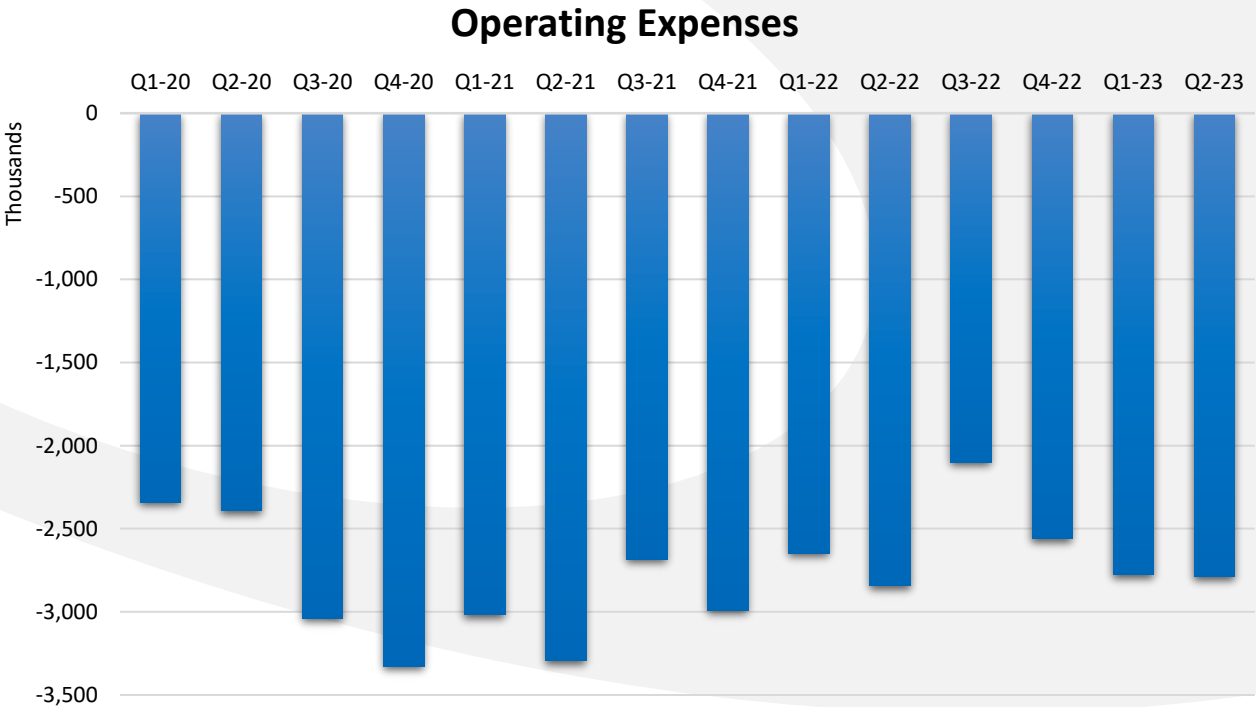


67%
Adjusted Gross Margin
TSMs* Q2 2023

▲ 11pp YoY

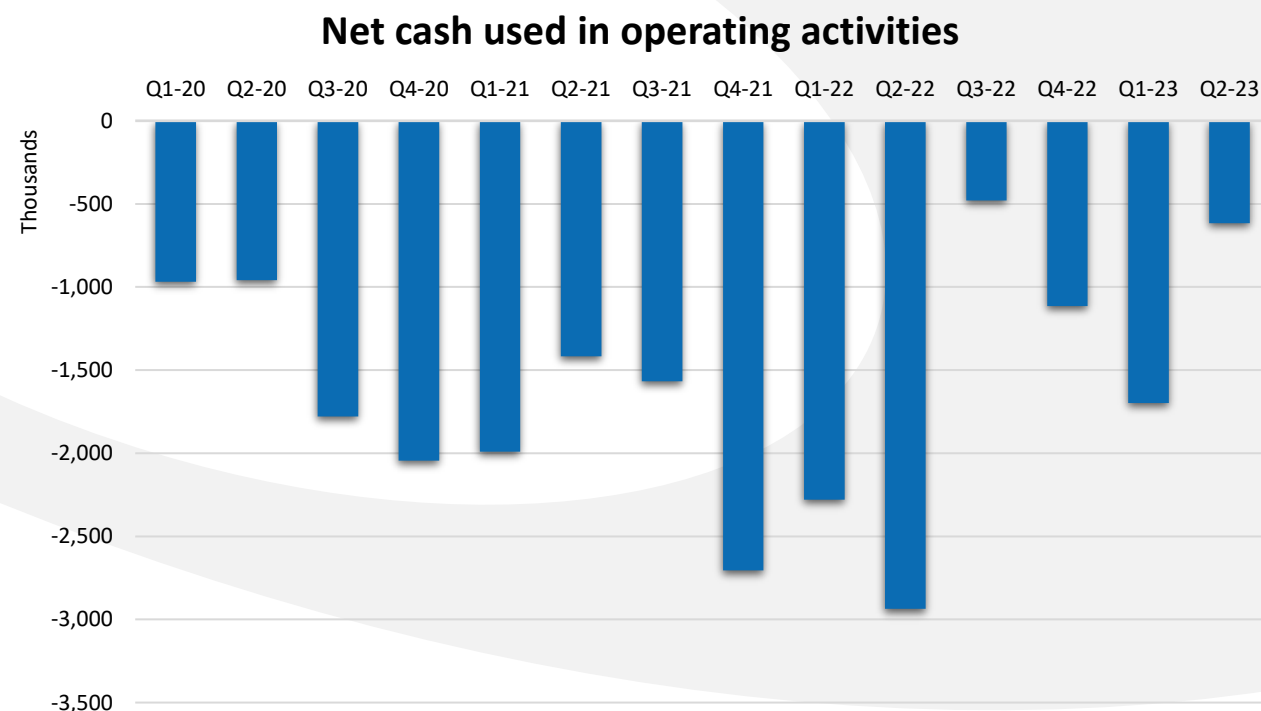
* See reconciliation in Appendix "Non-GAAP Financial Measures"

Q2/'23 Financial Results – Operating Expenses



\$2.8 million
Operating Expenses
Q2 2023
▼ 2% YoY

Q2/'23 Financial Results – Cash



**\$0.6
million**

Net Cash Burn
Operating Activities
Q2 2023

▼ 79% YoY

**\$21.6
million**

Cash and Accounts
Receivables
Jun. 30, 2023

▲ 5.3 Million
Dec. 31, 2022

Agenda

1. Summary
2. Q2 2023 Financial Results
- 3. Business Update**
4. Q&A



Touchless Solutions

Luxury Hotel, The Maybourne Riviera, Installs Contactless Controls





MyScript Collaboration Provides Handwriting Recognition Solutions to Integrators

Neonode and NXO Sign Value-added Reseller Agreement





Rugged Touch Solutions

Medtech





Automotive Commercial Vehicle and Off Highway

HUD Obstruction Detection





Driver and In-cabin Monitoring

Events Q2 2023

- IMS & HUD Expo, China
- Med-Tech Innovation Expo, UK
- Car.HMI Europe , Germany
- InCabin.Sensing Europe, Germany
- AutoSens InCabin, Belgium
- IVT Expo, Germany
- World Elevator Escalator Expo, China

Upcoming Major Events:

- CES 2024, Las Vegas, NV
- NRF 2024, New York, NY



Agenda


1. Summary
2. Q2 2023 Financial Results
3. Business Update
- 4. Q&A**

Thank you.



info@neonode.com
neonode.com



Subscribe to Neonode newsletter 

Appendix

Non-GAAP Financial Measures

In addition to presenting our financial results in accordance with accounting principles generally accepted in the United States (“GAAP”), we use adjusted gross margin to measure our financial performance. We define adjusted gross margin as gross margin excluding AirBar sales revenues and costs and adjusting for costs and lost revenues caused by a quality issue and one-time write-down of inventory. We believe adjusted gross margin is a meaningful measure because it reflects the performance of our TSM business, which is our current focus. Non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measures. Our use of adjusted gross margin, a non-GAAP financial measure, has important limitations as an analytical tool because it excludes some, but not all, items that affect the most directly comparable GAAP financial measure. You should not consider adjusted gross margin in isolation or as substitutes for analysis of our results as reported under GAAP. Our definition of non-GAAP adjusted gross margin may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

The following tables presents a reconciliation of adjusted gross margin to gross margin, the most directly comparable GAAP financial measure.

| <i>kUSD</i> | Q1-20 | Q2-20 | Q3-20 | Q4-20 | Q1-21 | Q2-21 | Q3-21 | Q4-21 | Q1-22 | Q2-22 | Q3-22 | Q4-22 | Q1-23 | Q2-23 |
|--|-----------|-----------|------------|------------|-----------|------------|-----------|-------------|-----------|------------|-----------|------------|-----------|-----------|
| Revenue Products | 98 | 66 | 284 | 502 | 355 | 346 | 136 | 118 | 147 | 210 | 155 | 483 | 102 | 84 |
| Cost of Sales Products | -36 | -72 | -198 | -496 | -270 | -212 | -98 | -342 | -51 | -93 | -80 | -552 | -47 | -28 |
| Gross Profit Products | 62 | -6 | 86 | 6 | 85 | 134 | 38 | -224 | 96 | 117 | 75 | -69 | 55 | 56 |
| Lost revenues TSM quality issue | - | - | - | - | - | -14 | 12 | 92 | - | - | - | - | - | - |
| Cost of sales TSM quality issue | - | - | - | - | - | 4 | 27 | -61 | - | - | - | - | - | - |
| Inventory write-down TSM quality issue | - | - | - | - | - | - | - | 154 | - | - | - | 294 | - | - |
| Revenue AirBar | 1 | -0 | -60 | -21 | -43 | - | - | - | -13 | - | - | - | -4 | - |
| Cost of Sales AirBar | -23 | 27 | 86 | 123 | 39 | -4 | -7 | 149 | - | - | - | - | - | - |
| Adjusted Gross Profit Products | 40 | 21 | 112 | 109 | 81 | 120 | 70 | 110 | 83 | 117 | 75 | 225 | 51 | 56 |
| Gross Margin Products | 63% | -9% | 30% | 1% | 24% | 39% | 28% | -190% | 65% | 56% | 48% | -14% | 54% | 67% |
| Adjusted Gross Margin Products | 40% | 32% | 50% | 23% | 26% | 36% | 47% | 52% | 62% | 56% | 48% | 47% | 52% | 67% |