



**2022 First Quarter Financial Results
Conference Call Transcript
May 11, 2022**

Speakers:

- Carolyne Sohn, The Equity Group
- Lior Tal, Chairman and CEO, CynGN
- Don Alvarez, Chief Financial Officer, CynGN
- Ben Landen, Vice President of Business Development, CynGN

Q&A Participants

- Rommel Dionisio, Aegis Capital Corp.

Operator: Greetings and welcome to CynGN's first quarter 2022 financial results call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. {operator instructions} I will now turn the call over to our host Carolyne Sohn of The Equity Group. Thank you, you may begin.

Carolyne Sohn: Thank you, operator, and hello, everyone. Thank you for joining us.

The press release announcing CynGN's results for the first quarter ended March 31, 2022, is available at the Investors section of the Company's website at investors.cyngn.com. A replay of this broadcast will also be made available on the website after the conclusion of this call. Of note, for those of you who have dialed into the call by phone, we are planning to broadcast a short video toward the beginning of management's prepared remarks and encourage you to also log into the webcast to be able to see the commercial for CynGN's Infinitracker product, which launched last week. You will have a few minutes to access the webcast now as I go over the safe harbor information. To do so, please go to the "Events & Presentations" page of the Company's IR site at investors.cyngn.com.

Before we get started, I would like to remind everyone that this conference call and any accompanying information discussed herein contains certain forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terms such as "anticipate", "believe", "expect", "future", "plan", "outlook", and "will" and include, among other things, statements regarding the Company's continued development of the Enterprise Autonomy Suite (or EAS) and its components, expectations regarding sales and/or revenues from the Infinitracker, growth strategy, ability to deliver sustainable long-term value, ability to respond to the changing environment, operational focus, as well as the impact of the COVID-19 pandemic on the Company's business, operations and financial results.

TRANSCRIPT

Carolyne Sohn: Although the Company believes that the expectations reflected in its forward-looking statements are reasonable as of today, those statements are subject to risks and uncertainties that could cause the actual results to differ dramatically from those projected. There can be no assurance that those expectations will prove to be correct. Information about the risks associated with investing in Cyngn is included in its filings with the Securities and Exchange Commission, which we encourage you to review before making an investment decision.

The Company does not assume any obligation to update any forward-looking statements as a result of new information, future events, changes in market conditions, or otherwise, except as required by law.

On today's call, the Company's Chairman and CEO Lior Tal will discuss recent operating highlights. Chief Financial Officer Don Alvarez will follow with a review of the Company's financials for the first quarter of 2022. Lior will return to make a few concluding remarks before opening the floor for questions.

With that, I will turn it over to Lior. Please go ahead.

Lior Tal: Thank you, Carolyne, and good afternoon, everyone.

I'm joined today by Don Alvarez, our Chief Financial Officer, and Ben Landen, our Vice President of Business Development. This morning, to commemorate our recent IPO, I had the pleasure of being joined by a number of colleagues, partners, and supporters of our Company to ring the opening bell at the Nasdaq stock exchange here in New York. It was a wonderful reminder of all the people who have been involved and have worked so tirelessly for Cyngn to become the publicly traded autonomous vehicle technology company it is today.

Six years ago, when we started developing DriveMod, our autonomous driving solution for industrial and commercial use cases, we knew it could revolutionize industries by solving huge problems organizations are facing—like rapidly increasing operational costs and accidents that result from human error. But what the last two years and the global pandemic have shown us is how critical industrial automation and intelligence are to ensure *continuity* of operations; automation can overcome labor shortage and global supply chain disruption.

On today's call, we will highlight the most recent developments here at Cyngn, what they mean in terms of our progress, and how we see the next several months ahead.

On that note, let's begin with a brief video presentation that showcases Infinitracker, a new product that we launched just last week as part of Cyngn Insight, our data and analytics suite. Let's take a look at how Infinitracker addresses some of the issues that cause supply chain disruption.

TRANSCRIPT

[AUDIO PLAYBACK]

In today's economy, when you run a business, you run it everywhere. Don't you wish you had an easy way to keep track of all of this?

Introducing Infinitracker. Infinitracker is the world's longest lasting set-it-and-forget-it asset tracker. It uses an international SIM card to connect to GPS and go in this or this, on this, not to mention this. To give you global visibility on everything that makes your business run wherever your business is running.

Infinitracker comes loaded with key sensors: we're talking an accelerometer to track speeds and a thermometer to track temperature, which means you'll not only know where your stuff is but also whether it's going to arrive in one piece.

Infinitracker is also an IoT gateway. It connects to all sorts of Bluetooth devices to deliver even more information to you and your team.

The most important thing about Infinitracker: the battery lasts 15 years. That's right, 15. And you never have to charge it, like ever.

Longest-lasting, check. Set it and forget it, you get the idea.

Infinitracker: asset tracking to the ends of the Earth with a battery that lasts 15 years. Learn more at cyngn.com/Infinitracker.

[VIDEO PRESENTATION CONCLUDES]

Lior Tal:

Infinitracker is a compact GPS asset-tracking device and IoT gateway. It can be attached to just about any asset such as shipping containers, pallets, equipment, or vehicles. Infinitracker's global SIM card pushes data to the cloud from its built-in sensors or tethered Bluetooth devices anywhere in the world, enabling users to track exact location, speed, temperature, and even direction of travel through Cyngn's Infinitracker web portal or through integration with other asset management systems via API.

While most similar devices on the market today require frequent battery recharge or replacement, Infinitracker can last up to **15 years**.

As we continued to explore opportunities that would bring additional data insights to the industrial domains on which we're focusing—manufacturing, fulfillment, logistics, construction, and mining—we immediately recognized Infinitracker as the perfect complement to DriveMod and Cyngn Insight as part of the EAS family of products.

We believe the Infinitracker presents Cyngn with a near-term opportunity to begin generating revenues. We also believe that this product has significant potential for continuous growth over the long term, especially

TRANSCRIPT

as e-commerce continues to grow and the need for global fulfillment expands. We have begun offering Infinitracker through account-based enterprise sales and channel partners that will act as value-add resellers and are pleased to report that we have already received our first booking for the product with a strategic customer and resellers. We see significant opportunities that we will be pursuing with large, multi-billion dollar corporations.

Lior Tal:

Moving on to our core autonomous vehicle products, we were excited to officially launch production of DriveMod Kit, our fully-equipped autonomous vehicle hardware integration module. DriveMod Kit contains all the advanced sensors and hardware needed for AV technology integration. We filed a patent application for the DriveMod Kit back in February, and it began coming off the assembly line in early April.

While we have been working closely with Columbia Vehicle Group to develop DriveMod Kit for their Stockchaser vehicles, the kit technology can easily be adapted to fit other industrial vehicle brands and models. This is just the beginning of what we believe to be Cyngn's opportunity to lead the rapid adoption of turnkey AV solutions for both retrofit and new industrial vehicles. Installation can be done quickly and easily, with no special training required. With that in mind, manufacturers and logistics companies can begin to reap the benefits of autonomy, such as increased productivity, improved safety, and lowered operational costs, today.

On April 29, we announced the closing of a private placement funding transaction of \$20 million priced at-the-market. These funds, especially in this volatile market, will ensure we have the necessary resources to execute on our go-to-market plan. We continue working with our strategic partners on additional select deployments while building out our team with top talent, both of which are key to successful productization and commercialization of EAS. We remain on track to deliver scaled deployments and recurring revenues according to our original timeline and are excited about what's to come.

With that, I'll turn it over to Don to review our financial results.

Don Alvarez:

Thanks, Lior.

I'll quickly go over the financial highlights for the first quarter of 2022. Additional details can be found in the earnings press release that was issued earlier today as well as in the Form 10-Q, which we anticipate filing with the SEC this week.

As many of you know, we are a pre-revenue company and as such did not generate any revenue for the three months ended March 31, 2022, and 2021. We do, however, anticipate the start of revenue generation in the coming quarters, particularly with the launch of Infinitracker.

TRANSCRIPT

Don Alvarez: For the first quarter ended March 31, 2022, total operating expenses were \$3.8 million, compared to \$1.5 million for the same quarter of the prior year. The increase was primarily due to a \$1.5 million increase in G&A expense related to non-cash stock-based compensation as well as costs incurred for additional personnel and professional services to support our status as a public company. Additional occupancy costs related to the expansion of our Menlo Park offices also contributed to the increase in G&A expenses.

We also incurred a \$700-thousand increase in R&D expenses also related to non-cash stock-based compensation, costs incurred for additional engineering staff and contractors, allocated occupancy costs and R&D-related travel. As we have previously disclosed, we expect R&D costs to increase incrementally with each quarter as we work towards the appropriate level of engineering and other personnel to support our R&D efforts.

We reported a net loss of \$3.8 million for the first quarter of 2022, compared to a net loss of \$1.5 million in the prior-year quarter, as a result of the total increase in opex.

For the quarter ended March 31, 2022, net loss per share on a basic and diluted basis was \$0.14 based on approximately 26.9 million weighted shares outstanding. This compares to a net loss per share on a basic and diluted basis of \$1.63 per share based on approximately 1.0 million weighted average shares in the prior-year quarter.

Turning to the balance sheet, we had \$18.5 million in cash and cash equivalents as of March 31, 2022, which compares to \$21.9 million at the end of 2021. Our working capital was \$18.2 million, compared to \$22.1 million at the end of 2021. And total stockholders' equity was \$19.0 million, compared to \$22.2 million at December 31, 2021.

As Lior mentioned earlier, we completed a private placement at the end of April, which resulted in net proceeds of approximately \$18.1 million, after deducting underwriter fees and other offering expenses.

Including the proceeds from this transaction, pro forma cash and cash equivalents including restricted cash, working capital and total stockholders' equity as of March 31, 2022, was \$36.6 million, \$36.3 million and \$37.2 million, respectively.

Following the private placement, we are well capitalized and strongly positioned to execute on our strategic initiatives in the quarters to come.

I'd now like to turn it back over to Lior. Lior?

Lior Tal: Thank you, Don.

TRANSCRIPT

- Lior Tal: It has been a very busy first four months of 2022, and I expect nothing less in the remainder of the first half of the year. We appreciate the ongoing support of all our stakeholders and look forward to reporting more significant milestones this coming quarter.
- With that, operator, let's open it up for Q&A.
- Operator: Thank you. And ladies and gentlemen, at this time, we will conduct our question-and-answer session. {operator instructions} Our first question comes from Rommel Dionisio with Aegis Capital. Please state your question.
- Rommel Dionisio: Thank you. Good afternoon. Yea, two parter: one, obviously you've been busy on these announcements. I wonder if it's possible to just share the initial feedback that you've gotten from the marketplace on DriveMod Kit in the first several weeks. And the second part of my question is, between this and Infinitracker, how do you guys think about ramping up the marketing effort now in terms of hiring or expanding personnel to be able to really aggressively market those products? Thank you.
- Ben Landen: Hey, Rommel. This is Ben Landen here. Let me answer those in reverse order. You've touched exactly on what our focus is with Infinitracker moving forward. It is to scale up the sales and marketing effort to increase the sales effort moving forward so that we are placing more of those products with customers. So we'll be very much focused on traditional marketing avenues ranging from ads to account-based sales. We are staffing up the sales team to support that. So you've exactly keyed into what the focus for Infinitracker is for the next several months.
- And in terms of the acceptance of DriveMod Kit, I can't tell you exactly how the market has responded. You'd have to look to pick up those signals for yourself. But I can say that it certainly has resonated with our partners who we are working, again, on scaling up vehicle builds with so that we can increase the number of vehicles that are we are deploying with customers according to the plan that we have laid out for 2022, 2023 and leading into 2024 and seeing those numbers increase. And DriveMod Kit plays a significant role in enabling us to scale that effort up efficiently and build hardware so that we can get the software out operating on the vehicles with customers.
- Rommel Dionisio: OK, thanks very much. I look forward to seeing any upcoming announcements.
- Ben Landen: Thanks, Rommel.
- Operator: Thank you. {operator instructions} And ladies and gentlemen, there appears to be no additional questions at this time. I'll turn the floor back over to management for closing remarks. Thank you.

TRANSCRIPT

- Lior Tal: Thank you all for your time today. We are always open to a conversation with investors and welcome people to our offices in Menlo Park should you find yourself in Silicon Valley. We plan to be at the H.C. Wainwright conference down in Miami later this month and hope to see some of you there. Please feel free to reach out to us or our investor relations firm The Equity Group with any additional questions. We look forward to speaking to you all again on our next quarterly call. Thank you very much.
- Operator: Thank you. And with that, that concludes today's conference. All parties may now disconnect. Have a great day.