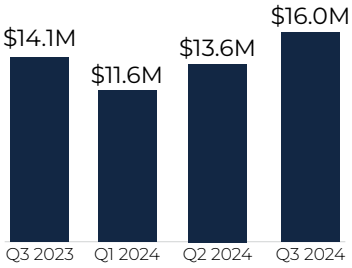
Valens NYSE:VLN

Valens Semiconductor Ltd. | Third Quarter (Q3 2024)

Exceeded All Third Quarter Guidance Metrics

Q3 2024 – Quarterly Revenues



Q3 Gross Margin

Q3 2024 GAAP 56.4%. Non-GAAP[1] 60.7%
Q2 2024 GAAP 61.4%. Non-GAAP[1] 64.5%
Q3 2023 GAAP 58.9%. Non-GAAP[1] 61.1%

Q3 Net Loss

Q3 2024 GAAP $(10.4)M
Q2 2024 GAAP $(8.9)M
Q3 2023 GAAP $(12.5)M

Q3 Adjusted EBITDA (Loss)[2]

Q3 2024 $(5.1)M
Q2 2024 $(5.2)M
Q3 2023 $(8.8)M

Q3 Earnings (Loss) Per Share

Q3 2024 GAAP $(0.10). Non-GAAP[3] $(0.03)
Q2 2024 GAAP $(0.08). Non-GAAP[3] $(0.04)
Q3 2023 GAAP $(0.12). Non-GAAP[3] $(0.08)

Working Capital[4]

Sep 30, 2024 $136.1M

Cash Balance[4]

Sep 30, 2024 $133.1M

"Valens has achieved solid results this quarter, reflecting the demand for our high-performance connectivity solutions as customers adopted our technology to create cutting-edge products. We are excited about the future as we implement strategic organizational changes to drive growth across multiple verticals.

We are pleased with our progress in the third quarter and the momentum we are seeing in our business. Given the continued validation of our industry-leading technology and our fortress balance sheet, we are well positioned to capitalize on exciting growth opportunities in both existing industries and new ones".

Gideon Ben-Zvi, CEO of Valens Semiconductor

Financial Highlights

- Third quarter 2024 revenues reached $16.0 million, exceeding our guidance of between $14.7 million dollars to $15.4 million dollars, This compared to $13.6 million in the second quarter of 2024 and compared to $14.2 million in the third quarter of 2023.
  - Audio-video revenues accounted for approximately 60% of total revenues at $9.4 million, compared to $8.1 million dollars in the second quarter of 2024 and compared to $9.7 million in the third quarter of 2023.
  - Acroname contributed revenues of $1.6 million in its first full quarter following the acquisition in May, exceeding the guidance of $1.2-1.4 million. Acroname's results are included in the Audio- Video segment results.
  - Automotive revenues accounted for approximately 40% of total revenues at $6.6 million, compared to $5.5 million dollars in the second quarter of 2024 and compared to $4.5 million in the third quarter of 2023.
- GAAP gross margin was 56.4% for the third quarter of 2024, above guidance of between 52% and 53% (non-GAAP gross margin was 60.7%). This compared to GAAP gross margin of 61.4% in the second quarter of 2024 2024 (non-GAAP gross margin of 64.5%) and 58.9% for the third quarter of 2023 (non-GAAP gross margin of 61.1%).
- On a segment basis, audio-video gross margin was 70.2% and automotive gross margin was 37.0% compared to 75.4% and 40.9%, respectively, in the second quarter of 2024 and compared to 75.8% and 21.6%, respectively, in the third quarter of 2023.
- Adjusted EBITDA loss in the third quarter of 2024 was $(5.1) million, beating the guidance range of a loss between $(6.8) million and $(6.3) million. This compared to Adjusted EBITDA loss of $(5.2) million dollars in the second quarter of 2024 and compared to $(8.8) million in the third quarter of 2023.
- GAAP net loss was $(10.4) million in the third quarter of 2024, compared to a GAAP net loss of $(8.9) million dollars in the second quarter of 2024 and compared to $(12.5) million in the third quarter of 2023.
- Strong balance sheet of $133.1 million in cash, cash equivalents and short-term deposits, and no debt, as of September 30, 2024, compared to $130.6 million on June 30, 2024, and $142.0 million on Dec 31, 2023.
- Inventory balance of $11.7 million on September 30, 2024, down compared to $14.1 million on June 30, 2024 and $13.8 million as of Dec 31, 2023.

Business Highlights



- **Proliferation of USB 3.2 Audio-Video Products:**

  More than 50 customers are in development of VS6320 based products for the audio-video market, including the new Logitech Extend.



- **Machine Vision and Industrial Verticals:**
  - VA7000 and VA6320 chipsets were well received at VISION trade show , where we showcased joint demonstrations with leading camera module manufacturers (Teledyne e2v, FRAMOS, Leopard Imaging, and others) in industrial machine vision.
  - Unveiled the breakthrough USB3 and industrial grade extender solution which eliminates the need for multiple cables and accelerates time to market for industrial vendors.

- **MIPI A-PHY Ecosystem Expansion:**

  Achieved three design wins with European automotive OEMs for the VA7000 MIPI A-PHY compliant chipset, validating Valens' position as a key supplier of ADAS connectivity solutions.



- **Leadership Transition**
  - To facilitate our growth strategy, Gabi Shriki will be stepping down as SVP, Head of Audio-Video Business. Gabi has played a key role in positioning Valens as the unrivalled leader in Professional Audio-Video connectivity. The new Head of Cross Industry Business, will join Valens on February 16, 2025.
  - Gideon Kedem, SVP, Head of Valens' Automotive Business, will be retiring at the end of 2024. After securing three new design wins with leading OEMs for Valens, Gideon Kedem is ready to pass on leadership of the Automotive Business Unit. Effective January 1, 2025, Adar Segal will assume the role as Head of Automotive Business.

Compelling Investment Proposition

Fabless semiconductor company, driving environmentally responsible growth

$1 billion addressable cross industry market in Professional Audio-Video, industrial, machine vision and medical end markets, by 2029.
$4.5 billion addressable market in automotive segment, by 2029.

- Broadly deployed across a variety of interfaces, applications, and industries
- Strong cross-industry value proposition: High-performance cost-efficient connectivity offerings
- Disruptive connectivity technology with 15+ year track record of standard setting innovation
- Fortress balance sheet provides financial flexibility which allows investing in innovations and pursuing growth opportunities

[1] Non-GAAP Gross Margin is defined as GAAP Gross Profit excluding share-based compensation and depreciation and amortization expenses, divided by revenue. For the three months ended September 30, 2024, and 2023, share-based compensation and depreciation and amortization expenses were $684 thousand and $312 thousand, respectively.
[2] Adjusted EBITDA is defined as net profit (loss) before financial income (expense), net, income taxes, equity in earnings of investee, depreciation and amortization and share-based compensation, certain batch production incident expenses and change in the fair value of the Forfeiture Shares and earnout liability, which may vary from period-to-period. We caution investors that amounts presented in accordance with our definition of Adjusted EBITDA may not be comparable to similar measures disclosed by other issuers, because not all issuers calculate Adjusted EBITDA in the same manner. Adjusted EBITDA should not be considered as an alternative to net loss or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity. Please refer to the appendix at the end of our earnings release for a reconciliation to the most directly comparable measure in accordance with GAAP. expenses and warrant valuations are not predictable due to the high variability and difficulty of making accurate forecasts. As a result, it is impractical for us to provide guidance on Net profit (loss) or to reconcile our Adjusted EBITDA guidance without unreasonable efforts. Consequently, no disclosure of projected Net profit (loss) is included. For the same reasons, we are unable to address the probable significance of the unavailable information.
[3] Weighted average number of shares used in calculation of net loss per share was 106,098,703 for Q3 2024 compared to 105,079,508 for Q2 2024 and 102,216,654 for Q3 2023.
[4] Working Capital is defined as Total Current Assets less Total Current Liabilities, and Cash Balance is defined as cash, cash equivalents and short-term deposits, both on the balance sheet.