Valens Semiconductor

(NYSE: VLN)

August 2022



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GAAP and non-GAAP Measures

This presentation includes GAAP and non-GAAP measures. Adjusted EBITDA is defined as net profit (loss) before financial income (expense), net, income taxes, equity in earnings of investee and depreciation and amortization, further adjusted to exclude change in the fair value of the Forfeiture Shares and share-based compensation, 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.

Although we provide guidance for Adjusted EBITDA, we are not able to provide guidance for projected Net profit (loss), the most directly comparable GAAP measures. Certain elements of Net profit (loss), including share-based compensation expenses and forfeiture share 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.

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Pushing the Boundaries of Connectivity. Everywhere.

Leading Provider of Semiconductor Products in the Large and Growing Automotive and Audio-Video Markets

Enabling Resilient, Ultra High-speed Wired Connectivity Over Simple, Low-Cost Infrastructure

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Valens Semiconductor At a Glance

Significant first mover advantage >

Standard-Setting and First-mover
Adopted by Industry Leaders

Automotive
Critical Technology for ADAS[1] and Autonomous Driving Cars

Audio-Video
Superior Connectivity, Deployed Across Multiple Verticals

Notable track record in the audio-video and automotive markets >

Multi-Billion
Addressable Markets

>30M
Chips Sold as of end of Q2 2022

>115
Patents Granted

Compelling financial profile >

$89.5M 2022E Revenues[2]
68.3% 2022E Gross Margin[2]

Fortress Balance Sheet
$168M Working Capital[3]
$157M Cash Balance[4]

Adjusted EBITDA Breakeven
Targeted Towards End of 2023[2]

(1) ADAS - Advanced Driver-Assistance Systems
(2) Mid-point of 2022 annual outlook for revenues and gross margin and 2023 Adjusted EBITDA, as provided on August 10, 2022
(3) Total Current Assets, less Total Current Liabilities as of June 30, 2022
(4) Cash, cash equivalents and short-term deposits as of June 30, 2022, without debt

Investment Highlights

Large, fast-growing addressable markets

Automotive – one-stop-shop for wired high-speed connectivity

- Rising number of sensors for ADAS requires smart high-speed connectivity
- Automotive SAM expected to reach at least $8B by 2026

Audio-Video – market leader, deployed in millions of products globally

- Demand for video-conferencing driving strong growth today
- Opportunities in multiple verticals – such as corporate, education, medical imaging, command-and-control, and industrial

Significant first-mover advantage

- Disruptive connectivity technology – unmatched speed, performance, latency, distance and EMI[1] resilience
- Audio-Video: Inventor of HDBaseT technology, the leading industry standard in audio-video connectivity
- Automotive: First-in-industry to ship MIPI A-PHY standard chipsets to leading automotive OEMs and Tier 1s

Proven track record of market leadership

- Shipped more than 30 million chips to industry leaders
- On the road in Mercedes vehicles

Compelling financial model with clear path to profitability

- Strong visibility in 2022 driven by both business segments
- 2022E revenue at mid point: ~$89.5[2] million, with high gross margins of ~68.3[3]%
- Solid balance sheet
- Breakeven for Adjusted EBITDA expected towards the end of next year, 2023[3]

(1) EMI – Electromagnetic interference
(2) As per average annual revenue and gross margin and Adjusted EBITDA guidance provided on August 10, 2022

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Go-to Market Strategy: Gain First-Mover Advantage by Setting Standards in Fast-Growing Industries

Audio-Video



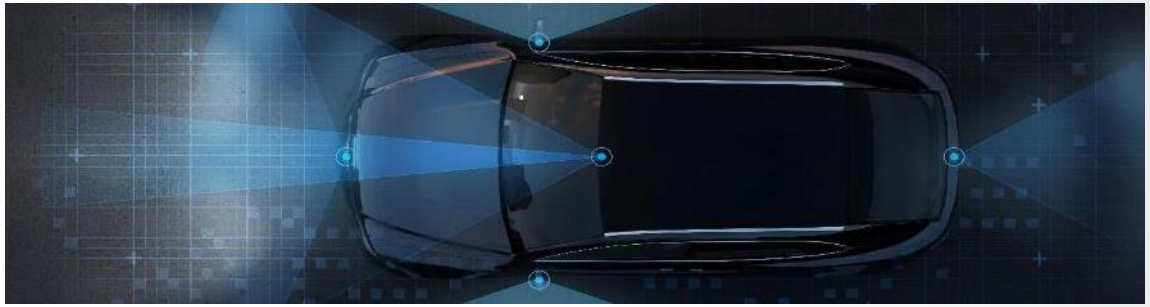
The **incumbent for high-speed audio-video connectivity**.
The de-facto industry standard, supported by the HDBaseT alliance (co-founded with LG, Samsung, and Sony Pictures)

Serving multiple verticals – corporate, education, industrial, medical, and command & control

Addressing the Next Normal trends for in-person and hybrid corporate and education environments

Established, growing and highly-profitable vertical

Automotive



In **mass production** with Mercedes-Benz since 09/2020, with VA6000, 1st-generation automotive chipsets. **Trucking safety application** partnership with Stoneridge to be in mass production in 2023

Selected as the baseline for the mipi alliance **A-PHY standard** for in-vehicle high-speed connectivity (09/2020), also adopted by the IEEE (2021)

Introduced the first in the industry MIPI A-PHY chipsets (Q4/2021). Now being evaluated by **30+** prospective customers and partners, including **8 OEMs**

Expanding adoption across the larger A-PHY ecosystem, most recently with OMNIVISION partnership for camera sensors, in addition to Sony, Mobileye, Sunny Optical, and Sumitomo Electric among others

Powering Millions of Audio-Video Products Globally

CRESTRON logitech SONY Panasonic SAMSUNG
SIEMENS EPSON NEC LG Electronics Extron HARMAN

Valens Core Enabler



Samsung's "The Wall"
Digital Signage



Logitech Rally PLUS
Ultra-HD System



Samsung "Terrace"
Outdoor TV



Dräger Evita® V800
Ventilator



Crestron FLEX Video
Conferencing



Siemens Healthineers
3D Imaging Mobile C-Arm



Epson BrightLink Interactive
Ultra Short-Throw Projector

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Growing Diversity of Business Opportunities in Audio-Video Connectivity

The Next Normal – In-person and hybrid corporate and education environments

- **Video Conferencing – in Corporates and Education**
  - Accelerated demand for seamless video-conferencing experience
  - Classrooms are undergoing a significant connectivity infrastructure upgrade

logitech CRESTRON Extron



Set to conquer a broad range of verticals



- **Industrial**

Significant growth as Industry 4.0 increasingly relies on camera sensors and computer vision systems

BECKHOFF SIEMENS ADVANTECH ABB kontron



- **Medical Imaging**

Integrated in diagnostic equipment, assisted surgical equipment, and operating room video distribution

SIEMENS Healthineers Medtronic EIZO



- **Command and-Control and Signage**

Commercial advertising on public buses; Municipalities and governments conveying public safety information in new ways

Lufthansa Technik Clever Devices

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Automotive Connectivity Market – Key Drivers

Valens Semiconductor Will Play an Essential Role in Reliable ADAS & Autonomous Driving

Today's Car Architecture has Been Pushed to its Limits

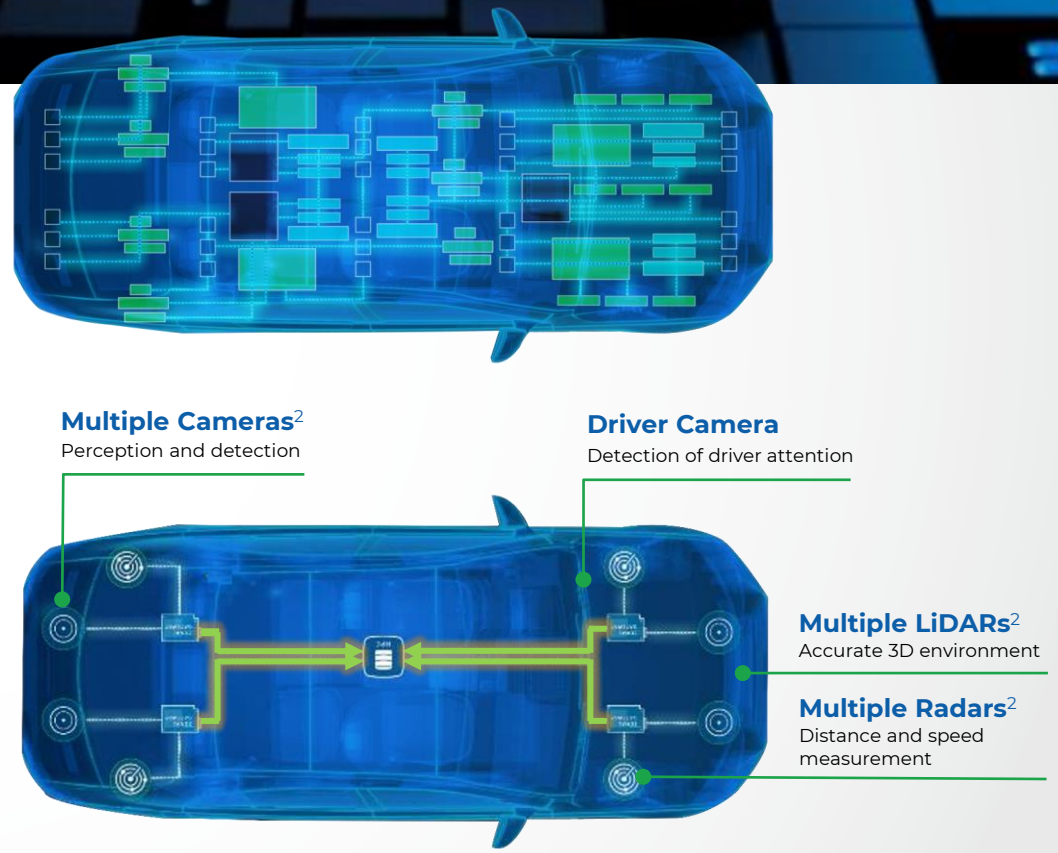
- Space, weight and complexity
- Driving a growing need for increased bandwidth, zero latency, and long-reach connectivity

Cars are Transforming into Data Centers on Wheels

- Proliferation of cameras, radars and LiDARs has led to an increase of in-vehicle data production, requiring enhanced connectivity and processing capabilities

Future Proof Technology Required

- Centralized processing is facilitating faster adoption of software-defined vehicles
- Increased EMI[1] resilience



(1) EMI – Electromagnetic interference
(2) Illustrative only – cameras, radars and Lidars cover a surround view (front, back and sides of the car)

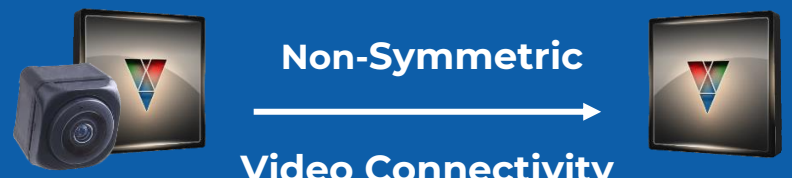
Valens Provides a Future Proof Technology, and is Well-Positioned with a Holistic Offering

Unique and Comprehensive Set of High-Speed Connectivity Solutions for Today and Tomorrow's Cars





Data Connectivity
(ECU to ECU)



Video Connectivity
(Sensor to ECU, ECU to Display)

Infotainment and Telematic Units
(VA6xxx chipset family)

ADAS and Autonomous Vehicles
(VA7xxx chipset family)

A-PHY standard adopted by mipi alliance and IEEE

Mercedes-Benz Stoneridge

>30 Prospective customers and partners
(including **8** OEMs | **>10** Tier 1s evaluating VA7xxx

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Validated By Automotive Leaders

Mercedes-Benz

"One of Daimler's strategic focuses is to be a technological leader in 'green' technologies, safety, autonomous driving and connectivity. Valens Automotive is a perfect fit as its architectural benefits, reliability and robustness lead to a superior driving experience for our customers."

Daimler
'Valens and Daimler Partner to Optimize In-Car Connectivity'



Enabling Superior Infotainment Connectivity in Mercedes Vehicles

- On the road and fully operational with VA6000, 1st-generation automotive chipsets
- More than two million VA6000 chips deployed
- Estimated contracted value of several hundred million dollars
- Collaborating on multiple next-gen platforms across many models
- Selling through leading automotive Tier-1s

Continental HARMAN molex BOSCH

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Validated By Automotive Leaders

Valens Partnered with Stoneridge, a Leading Truck Technology Manufacturer, to Solve a Tractor Trailer Connectivity Challenge

Solving a Critical Safety Hazard and Reducing Fleet Operating Costs

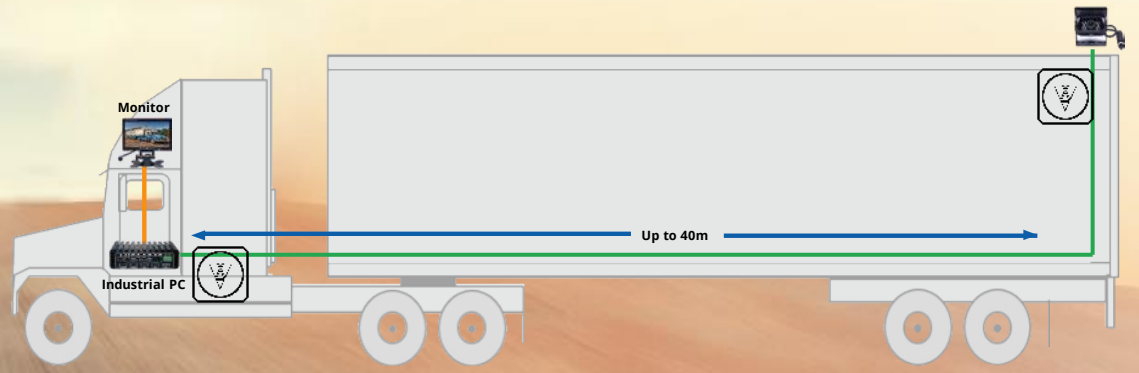


Tackle Visibility Limitations (VA6000)

- Provide video connectivity between truck's tractor and trailer while protecting lives
- Valens supports high-speed data links of up to 130ft in a very rough and noisy environment

Business Opportunity

- Foothold in profitable, high-margin truck market
- Automotive aftermarket potential



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The Next Generation, The VA7000, is Gaining Traction

First-Mover Advantage

Expanding Ecosystem

Standard-Setter – A-PHY Connectivity

mipi alliance

Valens Semiconductor's technology selected as the baseline for MIPI A-PHY standard

2020

IEEE

IEEE adopted A-PHY as an automotive standard

2021

VA7000

Was first-in-industry to ship A-PHY compliant chipsets to leading automotive OEMs and Tier-1s

Q4 2021

Continue to make progress with the VA7000 evaluation kits shipped to more than 30 prospective customers and partners, including

- 8 Automotive OEMs
- 10+ Automotive Tier 1s

August 2022

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Valens Semiconductor is Leading the Growing MIPI A-PHY Ecosystem



Valens Semiconductor is positioned to provide the underlying connectivity solution in every car sensor system that requires an A-PHY link

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mobileye An Intel Company

"We at Mobileye are working closely with Valens to make sure our next-generation platforms will comply with the MIPI A-PHY architecture."

Amnon Shashua, Founder & CEO

SONY

"We're happy to be early adopters of this automotive connectivity standard. Valens is in a leading position with A-PHY, which is why it is so important for us to start this collaboration."

Kenji Onishi, General Manager, Automotive Business Department

SUNNY OPTICAL TECHNOLOGY

"We acknowledge the momentum that the MIPI A-PHY standard is gaining in the industry... We're thrilled to partner with Valens, the leading supplier of A-PHY-compliant chipsets."

Bob Zhang, General Manager

LG Innotek

"The automotive market is racing towards standardization, and A-PHY is far and away the leading connectivity solution... Valens [is] an early pioneer of A-PHY technology."

Insoo Ryu, VP, Head of the Automotive Components & Electronics Business

SUMITOMO ELECTRIC

"At Sumitomo Electric, we view A-PHY as the connectivity infrastructure underlying the cars of tomorrow, so it was important for us to make sure our cables meet this standard's channel requirements."

Hiroki Hirai, Sumitomo Electric General Manager of CAS-EV Development Promotion Division

OMNIVISION

"It is a major step that the automotive industry can now work around a connectivity standard, which is built from the ground up to deal with the specific challenges in the car while bringing significant cost savings to the ecosystem as a whole. We look forward to taking our place in this impressive new development around MIPI A-PHY."

Boyd Fowler, Chief Technology Officer at OMNIVISION

Valens' Current Addressable Market Will be Further Fueled by the Growing Adoption of ADAS and Autonomous Driving

	Today		Future	
	Level 2/2+	**Level 3**	**Level 4**	**Level 5**
	Feet Off	*Hands Off*	*Eyes Off*	*Mind Off*
Camera	2-7	5-8	5-12	5-12
Radar	1-3	3-5	4-10	4-10
Lidar	0	1-2	2-5	2-6
Display	1-4	2-8	2-8	8+
Number of High-speed Video Links	**4-14**	**11-23**	**13-35**	**19-36+**

High-Speed Video Connectivity ADAS[1] and AD[1] Automotive TAM (2025-2026)

- **~ 100 million cars**[2] are expected to be manufactured per year in 2025 and 2026
- Assuming **10 sensor links** for **ADAS** on average, and two connectivity chips (transmitter and receiver), **~2 billion chips** per year
- Expected chip cost[3] $4 to $5

$8B-$10B TAM in 2025/2026

(1) *ADAS including surround view systems. AD: Autonomous Driving*
(2) *S&P Report, April 2022*
(3) *Assumed projections based on industry and company estimates*

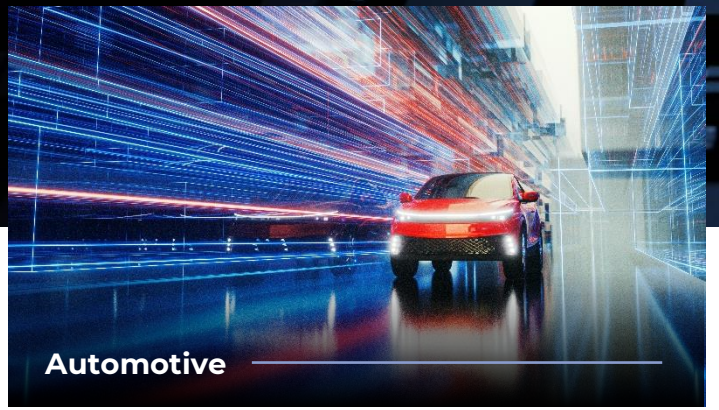
Q2 2022 Highlights



Record Quarterly Revenues Strong demand in both business segments

Met All Customer Demand in a constrained supply environment

Strong Balance Sheet with robust working capital and cash balance



Continue to Advance with Evaluation of the MIPI A-PHY New VA7000 Chipsets 30+ OEMs, Tier 1s and Tier 2s evaluating for Advanced Driver-Assistance Systems (ADAS) and surround view applications

2022 Automotive Revenues on track to double from 2021



CRESTRON announced a full suite of 24+ Professional Video products powered by VS3000 for enterprise, education and more

Received Substantial Demand for VS3000 Valens' newest audio-video product family from Tier 1 customers

Growing Interest for Valens Solutions in Medical and Education Markets

Second Quarter 2022 Financial Highlights

Second Quarter 2022	vs.	Second Quarter 2021
Revenue: $22.5 million		**Revenue**: $17.5 million
Gross profit[1]: $15.8 million		**Gross profit**[1]: $12.5 million
Gross margin: 70.2% (non-GAAP[2]: 71.0%)		**Gross margin**: 71.2% (non-GAAP[2]: 71.1%)
Adjusted EBITDA[3]: $(4.5) million		**Adjusted EBITDA**[3]: $(2.1) million
Loss per share[4]**:** $0.10 (non-GAAP[2] $(0.08))		**Loss per share**[4]**:** $0.68 (non-GAAP[2] $(0.16))

Working Capital[5]: $168.3 million
Cash Balance[5]: $156.8 million, no debt

(1) GAAP Gross Profit excluding share-based compensation and depreciation expenses, divided by revenue. For the three months ended June 30, 2022, and 2021, share-based compensation and depreciation expenses were $181 thousand and $(10) thousand respectively.
(2) For reconciliation of GAAP to non-GAAP measures, see Appendix
(3) Adjusted EBITDA is defined as net profit (loss) before financial income (expense), net, income taxes, equity in earnings of investee and depreciation and amortization, further adjusted to exclude share-based compensation and change in fair value of Forfeiture Shares, 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 this press release for a reconciliation to the most directly comparable measure in accordance with GAAP.
(4) Weighed average shares used in calculation of net loss per share was 97,442,359 for Q2 2022 compared to 11,020,299 for Q2 2021. For reconciliation of GAAP to non-GAAP measures, see Appendix
(5) Working Capital defines as Total Current Assets Less Total Current Liabilities. Cash Balance defined as cash, cash equivalents and short-term deposits. Both as of June 30, 2022.

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First Half 2022 Financial Highlights

First Half 2022	vs.	First Half 2021
Revenue: $44.1 million		**Revenue**: $30.9 million
Gross profit[1]: $31.2 million		**Gross profit**[1]: $22.0 million
Gross margin: 70.8% (non-GAAP[2]: 71.5%)		**Gross margin**: 71.3% (non-GAAP[2]: 71.4%)
Adjusted EBITDA[3]: $(8.6) million		**Adjusted EBITDA**[3]: $(6.4) million
Loss per share[4]**:** $0.15 (non-GAAP[2] $0.13)		**Loss per share**[4]**:** $1.61(non-GAAP[2] $0.57)

(1) GAAP Gross Profit excluding share-based compensation and depreciation expenses, divided by revenue. For the six months ended June 30, 2022, and 2021, share-based compensation and depreciation expenses were $321 thousand and $47 thousand respectively.

(2) For reconciliation of GAAP to non-GAAP measures, see Appendix

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(4) Weighed average shares used in calculation of net loss per share was 97,296,,206 for H1 2022 compared to 10,927,357 for H1 2021. For reconciliation of GAAP to non-GAAP measures, see Appendix

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2022 Trajectory, and Expected Adjusted EBITDA Breakeven Towards End of 2023

Remain focused on delivering value to our stakeholders by:

- Increasing revenues year after year
- Optimizing margins
- Diligently managing our operations
- Targeting Adjusted EBITDA breakeven towards end of 2023[1]
- Ultimate goal is to achieve and then continue to amplify profitability

Third Quarter 2022 Guidance[1]

- **Revenue**: $22.5-$22.8 million
- **Gross margin**: 65.4%-66.1%
- **Adjusted EBITDA**[2]: $(6.2)-$(5.6) million

Full Year 2022 Guidance[1]

- **Revenue**: Raised to $89.1-$89.8 million
- **Gross margin**: Raised to 68.0%-68.5%
- **Adjusted EBITDA**[2]: Improved to $(25.7)-$(24.3) million

- **2022 Adjusted EBITDA[2] guidance substantially better than originally anticipated**
- **Breakeven of Adjusted EBITDA[2] expected towards the end of 2023[1]**

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(1) Guidance provided on August 10, 2022
(2) Adjusted EBITDA is a non-GAAP measure. See Appendix for a reconciliation of GAAP to non-GAAP measures.

Summary

- First-mover advantage –
  Setting standards in fast growing industries
- Large addressable markets - Automotive and Audio-Video
- Track record of leadership driving increased revenues
- Compelling financial model with clear path to profitability

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Thank you
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Appendix



Reconciliation of GAAP to non-GAAP Financial Measures

	Three Months Ended June 30		Six Months Ended June 30	
	2022	**2021**	**2022**	**2021**
Net Loss	(9,995)	(3,698)	(15,045)	(10,074)
Adjusted to exclude the following:				
Change in fair value of Forfeiture Shares	(1,538)	-	(4,142)	-
Financial expense, net	3,560	(503)	3,675	(336)
Income taxes	43	124	389	179
Equity in earnings of investee	(3)	-	(7)	-
Depreciation	347	266	667	522
Share-based compensation expenses	3,117	1,695	5,908	3,290
Adjusted EBITDA	**(4,469)**	**(2,116)**	**(8,555)**	**(6,419)**

The above table provides a reconciliation of Net loss to Adjusted EBITDA, a non-GAAP measure. Adjusted EBITDA is defined as net profit (loss) before financial income (expense), net, income taxes, equity in earnings of investee and depreciation and amortization, further adjusted to exclude share-based compensation and change in fair value of Forfeiture Shares, 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.

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