

# Valens Semiconductor (NYSE:VLN)

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January 2024



We Push the Boundaries of  
Connectivity. Everywhere.





A leader in high-performance connectivity, transforming the digital experiences of people worldwide.

Valens Semiconductor's chipsets are powering state-of-the-art audio-video installations, next-generation videoconferencing, and enabling the evolution of ADAS and autonomous driving.





# Valens Semiconductor at a glance



## Multi-Billion Addressable Market

in automotive and  
diversified audio-  
video verticals



## Disruptive Connectivity Technology

with track record  
of standard  
setting innovation



## Strong Value Proposition

for ADAS<sup>1</sup> and  
Autonomous  
Driving (AD)



## Fortress Balance Sheet

\$153M Working Capital<sup>2</sup>  
\$143M Cash Balance<sup>3</sup>, no  
debt



## Broadly Deployed

across a variety of  
interfaces, applications  
and industries

(1) ADAS - Advanced Driver-Assistance Systems  
(2) Total Current Assets, less Total Current Liabilities as of September 30, 2023  
(3) Cash, cash equivalents and short-term deposits as of September 30, 2023

# Growing diversity and business opportunities in audio-video connectivity

Powering millions of products globally



## Video conferencing in corporations and education

Providing seamless video-conferencing and educational experience in remote, hybrid and in-person models in rooms of all sizes



## Industrial

Industry 4.0 increasingly relies on camera sensors and computer vision systems, and other sensor types



## Medical imaging

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



## Command and control signage

Commercial advertising on public buses; municipalities and governments conveying public safety information



# Florida modernizes classrooms in school district with over 330,000 students

- Part of an awarded Elementary and Secondary School Emergency Relief (ESSER) Funded Conference Cameras initiative, and county's 2021-2026 Strategic Plan
- Prepare for and avoid future closures of schools (K-12<sup>1</sup>) and enable improved student achievements
- Logitech Cameras and Valens Audio-Video USB and Power extension solution is an easy-to-install and cost-effective solution



Florida's largest public school district's schools and teachers can now provide learning experience to a much broader audience. Logitech's superb camera technology, coupled with Valens Semiconductor's extension solution are empowering schools like those in Florida and other educational institutions in eliminating gender disparities, increasing access, and ensuring continuous and equitable education. We believe that there is great potential for this type of collaboration between Logitech and Valens Semiconductor in K-12, academic institutions and corporations.

**Gideon Ben-Zvi**

Chief Executive Officer at Valens Semiconductor



# Constantly evolving audio-video market presents new opportunities

## Long-reach extension of USB3.2 peripherals. A new untapped large market opportunity

- Videoconferencing targets: corporate, education, industrial, and medical
- Emerging Market: well-positioned to capture a substantial market share
- VS6320 Launched in Q4 2023: several customers already started embedding into their products
- Unique proposition: cost-effective, low-power, long-reach (100m/328ft) single-chip

## Multi-camera videoconferencing for a unified meeting room experience

- Bridging the physical and virtual divide in remote/hybrid meetings
- Developing a flexible, efficient, high-performance connectivity solution
- Leveraging our automotive technology in audio-video



*Legrand | AV's global brands work together to leverage emerging technologies like the new VS6320 platform for long-reach USB 3.0 solutions. "We're excited to have the opportunity to add value to this platform for the Audio-Video and IT communities through our C2G and Vaddio portfolios by providing reliable extension of USB 3.2 connections in hybrid classrooms and meeting rooms of all sizes.*

**legrand** | AV

**Timothy Troast**

VP Technology & Product Strategy at Legrand | AV



# Playing a pivotal role in the mission to make roads safer



## ADAS & autonomous driving

Enabling OEMs to level up and provide enhanced safety as data rates rise with the unstoppable trend of proliferation of sensors and displays in vehicles.



## In cabin experience

Providing flawless in-cabin experiences in cars which are no longer simple means of transportation but entertainment centers on wheels.



## Long vehicles

360° visibility for maximum safety. Enabling unprecedented rear-view visibility for the trucking market.

Mercedes-Benz

HARMAN

Continental BOSCH molex

Stoneridge

# 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

Enhanced connectivity and processing capabilities

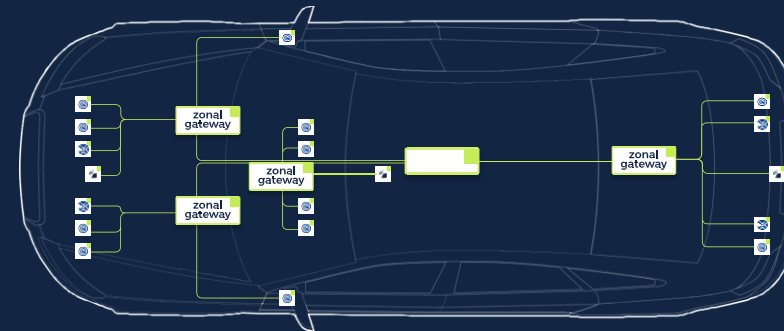
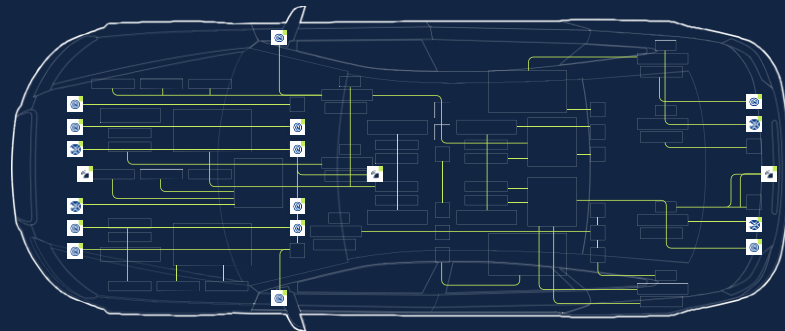
- Proliferation of cameras, radars and LiDARs increasing in-vehicle data production

Future proof technology required to enable software-defined vehicles


- Centralized processing is facilitating faster adoption of software-defined vehicles
- Increased EMI<sup>(1)</sup> resilience

Best-in-class EMC performance

- DSP-based PHY technology - the only multi-gig solution with error-free links
- High-performance, long reach connectivity, simple, low-cost channels, flexibility



# Valens provides a future proof connectivity technology, and is well-positioned with a holistic offering

 **Symmetric Data Connectivity**  
(ECU to ECU)



Mercedes-Benz



molex  BOSCH

 **Non-Symmetric Video Connectivity**  
(Sensor to ECU, ECU to Display)



A-PHY standard adoption:



Participating in several automotive OEM bids

The only high-speed connectivity solution supporting multi-gigabit connectivity over unshielded harness

# Valens' first generation VA6000 validated by automotive leaders

The only multi-gig solution over unshielded cables converging Ethernet, USB and other interfaces over a single cable.

## Enabling superior infotainment connectivity in Mercedes vehicles

- On the road and fully operational with VA6000, 1<sup>st</sup>-generation automotive chipsets
- Millions of VA6000 chips deployed
- Collaborating on multiple next-gen platforms in most car models
- Selling through leading automotive Tier-1s



Mercedes-Benz

Continental

HARMAN

molex

BOSCH

# Valens' first generation VA6000 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 for drivers and fleets and reducing fleet operating costs

## Tackle visibility limitations

- 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



# Valens' VA7000 chipsets are gaining traction

Industry standard-setter  
defining A-PHY connectivity



2020

Valens' technology selected as the baseline for MIPI A-PHY standard; Royalty-free use




2021

IEEE adopted A-PHY as an automotive standard



Valens VA7000  
An industry first



2021

First-in-industry to ship 8Gbps A-PHY compliant chipsets to leading automotive OEMs and Tier 1s (Q4/21)



2022







Progressing towards  
mass production  
design wins







Today

Participating in several automotive OEM bids

# Valens' addressable market will be further fueled by the growing adoption of ADAS and autonomous driving

	Today		Future	
	Level 2/2+  Feet Off	Level 3  Hands Off	Level 4  Eyes Off	Level 5  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	<b>4-14</b>	<b>11-23</b>	13-35	19-36+

High-Speed Video Connectivity  
ADAS<sup>1</sup> Automotive TAM (2025-2026)

-  **>90 million cars<sup>2</sup>** are expected to be manufactured per year in 2025 and 2026
-  **10 sensor links for ADAS** on average, **2 connectivity chips** (transmitter and receiver)
-  **~2 billion chips** per year
-  **~\$4 per-chip cost<sup>3</sup>**

**\$7-8B**

(1) ADAS including surround view systems  
 (2) S&P Report, December 2023 estimates 88.3 million auto sales in 2024, a 2.8% increase from 2022  
 (3) Company's projections  
 (4) Assumed projections based on industry and company estimates, for non-symmetric connectivity

# Maximizing Environmental, Social and Governance (ESG) Opportunities and Managing ESG Risks (FY2022 Report)

## Mission

- Establish cutting-edge products that can power resilient, ultra-high-performance wired connectivity for automotive and audio-video markets

## Encouraging dialogue with stakeholders

- Employees, customers, business partners, regulators, suppliers, business alliance groups, shareholders, NGOs

## Written in accordance with

- Global Reporting Initiative (GRI)
- Sustainable Accounting Standards Board (SASB)
- United Nation's Sustainable Development Goals (SDGs)



*Our high-performance connectivity solutions are designed to propel socially and environmentally responsible growth.*

*We believe that operating with the utmost ethical standards and practices is key to ensuring our continued success."*

**Gideon Ben-Zvi,**  
CEO of Valens Semiconductor

## Key Accomplishments



Office sustainability initiatives



Community development program



Lowered total electricity consumption



Activities highlighting the importance of bridging the digital divide



Lowered water usage



IT cybersecurity campaign

# UN sustainable development goals (SDGs)

Valens Semiconductor's core business and ESG strategies are applicable to the below SDGs:



## GOOD HEALTH AND WELL-BEING

- Key enabler of lifesaving ADAS
- Help enable access to high quality essential healthcare services



## QUALITY EDUCATION

- Help enable high quality remote learning, contributing to improving accessibility, equitability and stability of education



## DECENT WORK AND ECONOMIC GROWTH

- Promote equitable economical growth by driving technological innovation and creating addressable industry-wide standards
- With Valens chipsets car manufacturers can enhance efficiency by substantially removing massive amounts of heavy cables



## INDUSTRY, INNOVATION & INFRASTRUCTURE

- Contribute to more efficient use of resources and the greater adoption of green and environmentally responsible technologies and industrial processes.



## SUSTAINABLE CITIES AND COMMUNITIES

- Valens technology facilitates road safety and sustainability
- Increasingly plays an essential role in ADAS, electric cars, and autonomous vehicles, helping to reduce congestion, energy consumption and emissions.



## RESPONSIBLE CONSUMPTION AND PRODUCTION

- Aim to lower energy and material consumption across the enormous automotive industry



## CLIMATE ACTION

- Help reduce the emissions and overall environmental footprint of the automotive sector, through advanced algorithms and component regulations
- The audio-visual technology is designed to improve the quality of video conferencing reducing the need for travel.

# Third quarter financial highlights; fortress balance sheet

## Third quarter 2023

vs.

## Third quarter 2022

- Revenue: \$14.2 million
- Gross margin: 58.9% (non-GAAP<sup>1</sup>: 61.1%)
- Adjusted EBITDA<sup>2</sup>: \$(8.8) million
- Earnings (Loss) per share<sup>3</sup>: \$(0.12) (non-GAAP<sup>4</sup> (\$0.08))

- Revenue: \$23.1 million
- Gross margin: 69.7% (non-GAAP<sup>1</sup>: 70.5%)
- Adjusted EBITDA<sup>2</sup>: \$(1.7) million
- Earnings (Loss) per share<sup>3</sup>: \$(0.05) (non-GAAP<sup>4</sup> (\$0.02))

➤ Working Capital<sup>5</sup>: \$152.6 million  
(160.8 million as of end of Q2 2023)

Cash Balance<sup>5</sup>: \$142.7 million, no debt  
(\$138.0 million as of end of Q2 2023)

➤ Working Capital<sup>5</sup>: \$166.7 million

Cash Balance<sup>5</sup>: \$152.9 million, no debt

(1) Non-GAAP Gross Margin is defined as: GAAP Gross Profit excluding share-based compensation and depreciation expenses, divided by revenue. For the three months ended September 30, 2023, and 2022, share-based compensation and depreciation expenses were \$312 thousand and \$189 thousand, respectively. For reconciliation of GAAP to non-GAAP measures, see Appendix.

(2) 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 presentation for a reconciliation to the most directly comparable measure in accordance with GAAP.

(3) Weighted average number of shares used in calculation of net loss per share was 102,216,654 for Q3 2023 compared to 98,058,696 for Q3 2022.

(4) Non-GAAP Loss per Share as GAAP Net Loss adjusted to exclude the following: Stock based compensation, depreciation, and the change in fair value of Forfeiture Share divided by the weighted average number of shares used in calculation of net loss per share

(5) Working Capital is calculated as Total Current Assets Less Total Current Liabilities. Cash Balance defined as cash, cash equivalents and short-term deposits. Both as of September 30, 2023, and 2022, respectively.



# Focused on delivering value to our stakeholders



At Valens Semiconductor, we keep the focus on managing those elements within our control as we aim to reach our revenue and profitability goals. The semiconductor industry is still working through a prolonged cycle of global uncertainty resulting in inventory adjustments that are causing customers to remain relatively cautious.

We continue to focus on winning additional awards in the automotive market, where we see a significant market opportunity that has a long runway. In the audio-video market, we believe our investments in new offerings will deliver meaningful results as we expand in both our traditional markets and into new emerging verticals<sup>3</sup>.

**Gideon Ben-Zvi**

Chief Executive Officer at Valens Semiconductor

## Fourth quarter 2023 guidance<sup>1</sup>

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- Revenue: \$21.6-\$22.0 million
- Gross margin: 61.6%-62.7%
- Adjusted EBITDA<sup>1,2</sup>: \$0.0-\$0.6 million

## Full year 2023 guidance<sup>1</sup>

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- Revenue: \$83.8-\$84.2 million
- Gross margin: 62.5%-62.8%
- Adjusted EBITDA<sup>2</sup>: \$(12.5)-\$(11.9) million

(1) Guidance provided on November 8, 2023

(2) Adjusted EBITDA is a non-GAAP measure. See Appendix for a reconciliation of Net Loss to Adjusted EBITDA

(3) From CEO quote as per Third Quarter 2023 Results press release date November 8, 2023



# Valens Semiconductor

We push  
the boundaries  
of connectivity.  
Everywhere.



## Large addressable markets

Automotive and various  
audio-video verticals



## Disruptive connectivity technology

Across our targeted markets



## Industry standard setter

At the forefront of the  
industry



## Financial model

Supported by a solid  
balance sheet

# Appendix

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# Reconciliation of net loss to **adjusted EBITDA**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Net Loss</b>	(12,492)	(5,305)	(22,451)	(20,350)
Adjusted to exclude the following:				
Change in fair value of Forfeiture Shares	(89)	370	(1,618)	(3,772)
Financial expense (income), net	(368)	(221)	(1,160)	3,454
Income taxes	16	21	61	410
Equity in earnings of investee	(6)	(4)	(13)	(11)
Depreciation	400	349	1,193	1,016
Stock-based compensation expenses	3,708	3,052	11,517	8,960
<b>Adjusted EBITDA</b>	<b>(8,831)</b>	<b>(1,738)</b>	<b>(12,471)</b>	<b>(10,293)</b>

The table above 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.

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 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.



# Disclaimer

## Forward-Looking Statements

Certain statements in this presentation (this "Presentation") are "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "estimate," "plan," "project," "forecast," "intend," "will," "expect," "anticipate," "believe," "seek," "target" or other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements include, but are not limited to, statements regarding our anticipated future results, including financial results, currency exchange rates, contract wins, future economic and market conditions. These statements are based on various assumptions, whether or not identified in this Presentation, and on the current expectations of Valens' management and are not predictions of actual performance. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied on by any investor as a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond the control of Valens.

These forward-looking statements are subject to a number of risks and uncertainties, including the cyclical nature of the semiconductor industry; the effect of inflation and a rising interest rate environment on our customers and industry; the ability of our customers to absorb inventory; the effects of health epidemics, such as the recent global COVID-19 pandemic; the impact of the global pandemic caused by COVID-19 on our customers' budgets and on economic conditions generally, as well as the length, severity of and pace of recovery following the pandemic; competition in the semiconductor industry, and the failure to introduce new technologies and products in a timely manner to compete successfully against competitors; if Valens fails to adjust its supply chain volume due to changing market conditions or fails to estimate its customers' demand; disruptions in relationships with any one of Valens' key customers; any difficulty selling Valens' products if customers do not design its products into their product offerings; Valens' dependence on winning selection processes; even if Valens succeeds in winning selection processes for its products, Valens may not generate timely or sufficient net sales or margins from those wins; sustained yield problems or other delays in the manufacturing process of products; our ability to effectively manage, invest in, grow, and retain our sales force, research and development capabilities, marketing team and other key personnel; our ability to timely adjust product prices to customers following price increase by the supply chain; our ability to adjust our inventory level due to reduction in demand due to inventory buffers accrued by customers; our expectations regarding the outcome of any future litigation in which we are named as a party; our ability to adequately protect and defend our intellectual property and other proprietary rights; the market price and trading volume of the Valens ordinary shares may be volatile and could decline significantly; political, economic, governmental and tax consequences associated with our incorporation and location in Israel; and those factors discussed in Valens' Form 20-F filed with the SEC on March 1, 2023 under the heading "Risk Factors," and other documents of Valens filed, or to be filed, with the SEC. If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. There may be additional risks that Valens does not presently know or that Valens currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect Valens' expectations, plans or forecasts of future events and views as of the date of this press release. Valens anticipates that subsequent events and developments may cause Valens' assessments to change. However, while Valens may elect to update these forward-looking statements at some point in the future, Valens specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Valens' assessment as of any date subsequent to the date of this press release. Accordingly, undue reliance should not be placed upon the forward-looking statements.

## GAAP and non-GAAP Measures

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