Press release
Stockholm, October 29, 2020

Tobii Interim Report for the Third Quarter 2020

Tobii AB (publ) today announced its results for the third quarter 2020.

Comment by Tobii’s CEO Henrik Eskilsson:

"The pandemic had a negative impact on all three divisions in the quarter. However, the new I-Series continued as a major sales driver and the new Pro Glasses 3 is a success in the market. Despite covid-19 our strong teamwork, an updated product portfolio and good cost control led to a clearly improved operating result, both sequentially and compared with the previous year. Tobii made clear progress during the quarter with several key product launches, design wins and strategic collaborations with companies such as HP and Google. We see steadily increasing interest in eye tracking and are optimistic about the future."

Third quarter July - September 2020

- Consolidated revenue fell by 12% to SEK 317 million (359) compared with the third quarter of 2019. Organically, revenue declined by 4%. The covid-19 pandemic continued to have a strong negative impact on revenue in the third quarter, but this was largely offset by the positive momentum in our business.
- Gross margin was 69% (69%).
- The Group's operating loss was SEK -27 million (-32).
  Tobii Dynavox contributed SEK 26 million (30) and Tobii Pro SEK 1 million (13) to earnings, while investments in Tobii Tech had an impact of SEK -56 million (-73) on the Group's operating result.
- Earnings per share amounted to SEK -0.50 (-0.32).

Significant events

- After the end of the quarter, Tobii Dynavox announced a new collaboration with Google. Tobii and Google have worked together to integrate Google Assistant into Tobii's Snap Core First software, as well as Tobii's picture communication symbols into Google’s Android Action blocks.
- HP launched its new VR headset, the HP Reverb G2 Omniecept Edition, which is equipped with Tobii Eye Tracking to enhance the user experience, provide new analytics capabilities, and improve the product's graphics performance.
- Tobii has divested Smartbox after the end of the quarter. The expected purchase consideration is equal to the price Tobii paid for Smartbox in 2018. The transaction is not expected to result in any significant impact on Tobii's earnings and it will lower Tobii's net debt by SEK 114 million.
Comments from the CEO

The pandemic had a negative impact on all three divisions in the quarter. However, the new I-Series continued as a major sales driver and the new Pro Glasses 3 is a success in the market. Despite covid-19 our strong teamwork, an updated product portfolio and good cost control led to a clearly improved operating result, both sequentially and compared with the previous year. Tobii made clear progress during the quarter with several key product launches, design wins and strategic collaborations with companies such as HP and Google. We see steadily increasing interest in eye tracking and are optimistic about the future.

Tobii Dynavox sales continued to be negatively impacted by the covid-19 situation, especially in the US where it has been difficult to reach prescribers and people in need of assistive technology for communication. This has been offset by strong momentum in the business, with the new I-Series once again serving as a major driver. Outside of the US, Tobii Dynavox saw strong growth in most markets. Overall, revenue grew 2 percent organically and we achieved an operating margin of 13%.

After the quarter, Tobii and Google announced a collaboration, in which we have worked together to integrate Google Assistant into our Snap Core First software, as well as our picture communication symbols into Android Action blocks. This is an important piece of the puzzle in our product offering since the ability to control smart home. We also consolidated the position of our picture communication symbols-library as industry standard, which makes our communications and education software more attractive.

Over the past few quarters, we have made essential hardware and software upgrades that have introduced many new innovative features to our users, including accessibility apps, outdoor eye control in sunlight and control of smart home devices. These additions facilitate quality of life improvements for our users by promoting independence and providing the opportunity for increased participation. With this progress, we are confident that we are consolidating our position as a market leader and we believe this will help drive increased market penetration and pace of upgrades.

Tobii Pro continued to experience strong negative impact from covid-19 during the quarter. We did, however, see a gradual recovery. Revenue fell 14 percent organically compared with the third quarter of 2019 but increased significantly compared with the previous quarter. Together with well-implemented cost reduction measures, this enabled the business unit to again deliver an operating profit.

Our new product Pro Glasses 3 was very well received in the market and we expect that this flagship product will contribute to good sales growth in future years. An interesting development following the Pro Glasses 3 launch is that during the quarter we have seen increased interest related to studies in the home, where our customers want a better understanding of how different products and services are used and experienced visually.

In the short term, we expect the pandemic to continue to have a negative impact, but the division will continue its gradual recovery.

Tobii Tech’s total revenue was on par with the same quarter last year. However, revenue from external customers decreased by 7 percent organically. Revenue from development projects with customers tends to vary considerably from quarter to quarter, depending on when milestones are reached. In the second quarter, such revenue was substantially higher than usual, while in the third quarter they were lower. We also see negative effects of covid-19, as it has been more difficult to do business development, some customers have postponed projects and several established customers have had lower sales volumes recently.

During the quarter, we announced the integration of Tobii eye tracking into the HP Reverb G2 Omnicept Edition VR headset. This collaboration is another important strategic step toward establishing eye tracking as a fundamental technology in VR and demonstrates Tobii’s position as the leading provider of eye tracking technology for the VR market. We now have all the leading manufacturers of enterprise VR headsets as established customers — HTC, HP and Pico.
In addition to the HP deal, this quarter we also achieved several other design wins, including in application areas such as 3D displays, touch-free information kiosks and pediatric vision examinations.

Tobii Tech's cost reduction program, which included a reduction of about sixty consultants and employees, was well implemented. Along with temporarily lower costs owing to covid-19, the division achieved a reduction of over 30 percent in operating expenses compared with the same quarter the previous year.

**For the Tobii Group** as a whole, covid-19 continued to have a strong negative impact on business during the quarter. Thanks to good underlying demand, strong efforts from our employees and good products, sales held up well, and while we saw an organic decline in sales for the Group, it was only 4 percent.

I am pleased with the ability of the divisions to adjust costs given the current covid-19 situation. The cost-cutting measures we launched in the second quarter were well implemented. Our third quarter operating expenses decreased 16 percent organically compared with the same quarter last year. Earnings for the Group improved to SEK -27 million, thereby clearly continuing in the right direction toward profitability.

After the end of the quarter, we completed the sale of Smartbox. We are pleased that we sold Smartbox to a responsible owner at a price that is expected to return the purchase consideration that we paid and is not expected to result in any significant impact on Tobii's earnings. With this deal, Tobii has strengthened our robust cash position.

We have handled the pandemic well, while taking clear steps forward in our product offering. We are well positioned to maintain our world-leading position and with an updated product portfolio, we are optimistic about the prospects of returning to good growth and achieving profitability once the effects of the pandemic subside.

Henrik Eskilsson
CEO

**Webcast**
Today at 10:00 p.m. CET, Tobii will host a webcast presentation for media, analyst and investors. The presentation material and links to the webcast will be available via the calendar on Tobii’s website ahead of the webcast. The interim report and a recording of the webcast will be available on the same page after the publication and webcast. You can also attend the webcast through the following link.

This report has been subject to limited review by the Company’s auditors.

This is a translation of the Swedish original. In case of any inconsistency between the Swedish and English version, the Swedish version shall prevail.

This information is inside information that Tobii AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 07.30 CET on Oct 29, 2020.
Contact

Henrik Mawby, Head of IR, Tobii AB, Tel: +46 (0) 72 219 82 15 e-mail: henrik.mawby@tobii.com

About Tobii

Tobii is the global leader in eye tracking. Our mission is to improve the world with technology that understands human attention and intent. Tobii operates through three business units: Tobii Dynavox makes specially designed computers that are controlled by eye movement or touch screens for use by people with special needs due to spinal cord injuries, CP, ALS or other medical conditions. Tobii Pro develops and sells eye tracking equipment and services used today by more than 3,500 companies and 2,500 research institutions, including all of the world’s 50 highest ranked universities. Tobii Tech supplies eye tracking technology for integration into consumer electronics and other products such as personal computers, virtual reality headsets, healthcare applications, and more. Tobii is headquartered in Sweden and is listed on Nasdaq Stockholm (TOBII). The group has over 1,000 employees. For more information: www.tobii.com.