Tobii Year-End Report 2019

Tobii AB (publ) today announced its results for the fourth quarter and full year of 2019.

Comment by Tobii’s CEO Henrik Eskilsson:

“New sales record in all three divisions.
We had a strong finish to the year, with record revenue in all three divisions and an external currency-adjusted revenue increase in Tobii Tech of 69 percent. Revenue in the quarter rose 19 percent overall, or 12 percent adjusted for currency effects, compared with the fourth quarter of 2018. The operating result for the quarter improved to SEK -21 million. For the full year we reached SEK 1.5 billion in revenue, which corresponds to an increase of 17 percent, or 9 percent after currency adjustments. We are entering the new year with a strong focus on meeting our financial target of profitability at the Group level in 2020.”

Fourth quarter October-December 2019

- Consolidated revenue rose by 19% to SEK 433 million (364), compared with the fourth quarter of 2018. Adjusted for currency effects, the increase was 12%. Tobii Tech’s external currency-adjusted sales increase was especially strong at 69%.
- Gross margin was 69% (70%).
- The Group's operating result amounted to SEK -21 million (-33). Tobii Dynavox contributed SEK 28 million (17) and Tobii Pro SEK 20 million (24) to earnings, while investments in Tobii Tech had an impact of SEK -70 million (-74) on the Group's operating result.
- Earnings per share amounted to SEK -0.49 (-0.34).

Significant events

- Tobii Dynavox launched the new I Series, the division’s medical-grade and eye-controlled flagship product
- Tobii Pro Fusion, a new portable high-performance eye tracker for research, was launched.

Significant events after the end of the period

- Pico Interactive launched the world's first standalone VR headset with eye tracking, the Neo 2 Eye at CES. The product has integrated eye tracking technology from Tobii.
- At the same trade show, NovaSight demonstrated its product CureSight, a solution for treatment of amblyopia and lazy eye, which has integrated eye tracking from Tobii.
- Tobii entered into an agreement for a loan facility of SEK 50 million with a maturity of one year, intended for the company’s working capital needs.
- In line with Tobii’s active acquisition agenda, the company evaluates potential acquisition candidates on an ongoing basis. In order to secure financial preparedness for potential future
acquisitions, Tobii has mandated Carnegie to explore the conditions for the company to issue subsequent bonds in the approximate amount of SEK 150 million under its 2019/2022 senior secured bond loan with a framework amount of SEK 600 million. The issue is expected to occur in the near future, subject to market conditions.

- The British competition regulator’s Competition Appeal Tribunal (CAT) announced that the CMA was partially correct in its decision that Tobii must divest Smartbox. Tobii awaits a final decision from CAT but continues to drive the sales process of Smartbox in parallel.

**Comments from the CEO**

*We had a strong finish to the year, with record revenue in all three divisions and an external currency-adjusted revenue increase in Tobii Tech of 69 percent. Revenue in the quarter rose 19 percent overall, or 12 percent adjusted for currency effects, compared with the fourth quarter of 2018. The operating result for the quarter improved to SEK -21 million. For the full year we reached SEK 1.5 billion in revenue, which corresponds to an increase of 17 percent, or 9 percent after currency adjustments. We are entering the new year with a strong focus on meeting our financial target of profitability at the Group level in 2020.*

**Eye tracking is advancing on a broad front** and the year has strengthened us in our view that over the next few years eye tracking will have a major impact in a wide range of applications, with the long-term potential of becoming a standard feature in most devices. During the year, VR- and AR-headsets with eye tracking have been launched by our customers HTC and Pico, as well as by other major players such as Microsoft and Magic Leap. In the PC segment, leading companies such as Dell and Lenovo launched devices with eye-tracking. In healthcare, companies such as NovaSight and RightEye launched several revolutionary products that use eye tracking to diagnose and treat various medical conditions. Eye-tracking technology is also well established in assistive technology for communication and as technology to understand human behavior. In addition, representatives of leading global tech companies such as Intel, Microsoft and Qualcomm expressed their conviction that the technology will be an important part of their future platforms, with a similar trend in the automotive industry.

Tobii is the leading supplier in eye tracking, regarding integration in volume products, and also as a supplier of solutions for both assistive technology for communication and to understand human behavior. We are therefore very well-positioned to be able to capitalize on the exciting developments of the technology which we have built our company around.

**Tobii Dynavox** ended the year on a strong note, hitting a new revenue record for the quarter with currency-adjusted growth of 9 percent and an improved operating margin of 11 percent. During the quarter we launched the new I-Series, which is Tobii Dynavox’ medical-grade and eye-controlled flagship product, redesigned from the ground up regarding both software and hardware. The product has been extremely well-received by the market. We know from experience that it takes at least one quarter to switch sales over to new products in the US health insurance system, yet sales still increased by 9 percent, adjusted for currency, during the quarter. Currency-adjusted revenue growth for full-year 2019 was 6 percent and the operating margin improved by three percentage points to 11 percent. Currency-adjusted growth was slightly lower for the year mainly because the previous I-Series, which is now phased out, was at the end of its product life cycle. The division’s touchscreen products continued to show good growth. During the year Tobii Dynavox continued its expansion with a focus on strengthening its sales channels and the product portfolio. With the launch of the new I-Series we are entering the new decade backed by the strongest and broadest product portfolio in the market. “Inclusion of all people” is a clear global trend in society
which, along with our significant training initiatives, drives the market forward. In 2019 we trained almost 60,000 prescribers, therapists and other professionals all over the world.

**Tobii Pro** did also set a new revenue record for the quarter, but the currency-adjusted increase compared with the previous year was low. The operating margin for the quarter was 15 percent. The new product **Tobii Pro Fusion**, which was launched during the quarter, was well received and clearly strengthened our offering to the academic segment. Currency-adjusted revenue growth for full-year 2019 was 5 percent and the operating margin improved to 12 percent. During the year Tobii Pro launched important new products and expanded its geographic coverage. The division was reorganized into a new segment-based structure in order to get closer to customers and to be able to address the market in a more powerful way. Revenue growth for the year was lower than our financial target of 15-20 percent, but 2018 is a challenging comparative period since many customers during that year switched to Tobii Pro as their supplier after Apple acquired Tobii Pro’s competitor SMI. Viewed over the past two years, Tobii Pro’s currency-adjusted revenue has increased by an average of 14 percent per year.

**Tobii Tech** is benefitting from the overall market trend for eye tracking, as reflected by the 42 percent increase in the division’s currency-adjusted revenue for the quarter. Revenue from external customers jumped an impressive 69 percent after adjusting for currency effects. Earlier in the year HTC launched the first major VR product with integrated eye tracking, the Vive Pro Eye. At the CES show in January 2020, Pico launched its new **Neo 2 Eye** VR headset. Pico is China’s leading manufacturer of VR headsets, and Neo 2 Eye is the world’s first standalone VR headset with integrated eye tracking. It is also the first product to reach the market based on Tobii’s close collaboration with Qualcomm. There is strong consensus within the VR/AR industry that eye tracking will be a standard technology in future headsets.

In the PC segment, over the course of the year we went from Dell having our technology integrated in one of its computer models to having Tobii eye tracking now integrated across the entire portfolio of **Alienware gaming laptops**. In the fourth quarter we saw the effects of this in our strong sales growth. During the year we also supplemented our offering in the PC segment with the Tobii Aware software solution and in the second quarter **Lenovo** became our first customer for this product. We see continued good potential to grow sales in the PC segment.

In the Niche Applications segment, we often see customers with very innovative products in which eye tracking is crucial and business with good potential and high margins. Over the course of the year we have been awarded a number of design wins, most of them in healthcare, and we see a growing number of examples where eye tracking is used for various types of medical assessments. Our customer **RightEye’s** product for early detection of Parkinson’s disease was earmarked during the quarter for assessment under the Breakthrough Device Program by the US Food and Drug Administration (FDA). At CES NovaSight also presented its new product **CureSight** which is registered with the FDA and uses eye tracking in a revolutionary way to treat amblyopia and lazy eye.

**Tobii has an active acquisition agenda** where we continuously evaluate possible acquisition candidates. The purpose of this is to accelerate growth and strengthen our market position by acquiring companies that have products, technology and / or a sales organization that complements our own and thus create opportunities for synergies in terms of revenue and costs. In the near future, we plan to issue additional bonds within the framework of our existing bond loan, primarily to finance further acquisitions.

**In summary**, eye tracking is a technology that has a bright future ahead and Tobii is the world leader in the field. In 2019 we took important steps in all our divisions to consolidate our leadership position.
and to develop the market together with users, customers and other leading players. We enter the new year with a strong focus on meeting our goal for the Group to reach profitability in 2020.

Conference call
Today at 1:00 p.m. CET, Tobii will host a conference call with web cast presentation for media, analyst and investors. Please find dial-in details on Tobii’s website under Calendar.

This report has not been subjected to 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 Feb 6, 2020.

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About Tobii
Tobii is the global leader in eye tracking. Our vision is a world where all technology works in harmony with natural human behavior. 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 further develops Tobii’s technology for new volume markets, such as computer games, personal computers, virtual reality, augmented reality and smartphones. Tobii is headquartered in Sweden and is listed on Nasdaq Stockholm (TOBII). The group has about 1,000 employees. For more information: www.tobii.com.