Fourth Quarter and Full Year 2017

February 8, 2018
Welcome to our presentation of Tobii’s year-end report

Henrik Eskilsson, CEO  
Johan Wilsby, CFO
Fourth quarter in summary

• Very strong sales growth in Tobii Pro
• Full sales recovery in Tobii Dynavox, successful new product portfolio
• Broad acceptance of eye tracking as key technology for coming generations of VR headsets
We are growing

• In 2017, we grew our team by 120 to 900 Tobiians
• #7 in Universum’s ranking of Sweden’s best employers
Tobii Dynavox

• Global leader in assistive technology for communication
• Market share close to 50%
• Provides products that enable tens of thousands of users with special needs to speak and communicate effectively

Share of the Group’s sales

59%
Cabe – uses an I-110 touch device as his voice

Michael – controls his PC using a PC Eye Plus

Ava – communicates via eye control
Full sales recovery driven by great market response to new touch solutions

**Indi**, speech tablet

**I-110**, medical-grade, touch-based speech generating device

Our revamped portfolio

Medical grade
- NEW!

Example products
- I-110
- I-Series
- PCEye Plus

Mid-range
- NEW!
- NEW!

Indi
- EyeMobile Plus
- PCEye Mini

Software
- NEW!
- NEW!
- NEW!

Snap
- Communicator
- Windows Control

Tobii Dynavox Q4 financials

- Revenues grew 20% in Q4 compared to Q3
  - Strong increase in touch device sales
  - Some
- Revenues compared to Q4 2016 declined 8%, and by 1% adjusted for currency
  - Now back on same level as before the decline
- Gross margin at 66% (71%)
  - Product mix changes
  - Non-recurring items
- EBIT margin at 16% (20%)

![Revenue (SEK million) and Gross Margin](chart1)

![EBIT (SEK million) and EBIT Margin](chart2)
Tobii Dynavox full year financials

- Revenues declined 6%
  - 6% also adjusted for currency
- Gross margin at 69% (71%)
  - Product mix changes
- EBIT margin at 11% (16%)
  - Lower revenue coupled with decline in gross margin
Updated long-term financial target

Tobii Dynavox’s mission is to empower people with disabilities to do what they once did, or never thought possible.

An overall objective is to retain and expand its position as the world leader in assistive technology for communication. Very low global penetration offers the potential for long-term market growth, driven by gradually more effective reimbursement systems in more countries and increased awareness among caregivers and professionals. Tobii Dynavox is also driving growth by developing products that are both more fit-for-purpose and easier to use, over a broad spectrum of price points.

Tobii Dynavox’s long-term financial target is to increase revenue on average by 10% per year with an EBIT margin of 15-20%.
Tobii Pro

• World leader in eye-tracking solutions for understanding human behavior
• Provides eye tracker hardware and analysis software, plus market research consulting
• 2,000 academic and 3,000 commercial customers

Share of the Group’s sales

30%
Very strong sales growth

MSEK

+40% (adjusted for FX)
Growth is driven by steadily increasing demand for powerful insights.

Academic research

Market research

User experience

Professional performance
Increased market share

- Tobii Pro’s main competitor, SMI, was acquired in Q2 2017
- A significant part of that business has been captured by Tobii Pro

60% share of the global market for eye tracking research solutions
New products contribute to growth

Eye tracking in virtual reality open up entire new domains of research

1200 hz Pro Spectrum eye tracker strengthens the position in advanced academic research
Tobii Pro Q4 financials

• Revenue increased 32%
  • 40% adjusted for currency effects
  • Strong sales across customer segments and geographies
• Gross margin at 73% (76%)
• EBIT margin at 19% (16%)
Tobii Pro full year financials

- Revenue increased 24%
  - 25% adjusted for currency effects
  - Strong sales across products, customer segments and geographies
- Gross margin at 74% (74%)
- EBIT margin at 9% (6%)
Tobii Pro’s mission is to empower professionals with revolutionary insights into human behavior, using eye tracking as our foundation.

An overall objective is to retain and expand the business area’s position as the world’s leading supplier of eye-tracking systems for behavioral studies. There is considerable potential to increase market penetration within existing customer segments, but also to expand the business area’s products and services into new segments. Growth in this market is driven by steadily increased knowledge of eye tracking in the market and by development of new products and offerings that make for higher customer value and increasingly cost-efficient use of eye-tracking across a broader spectrum of areas of use.

Tobii Pro’s long-term financial target is to increase revenue on average by 15-20% per year, and to reach an EBIT margin of 15% by 2020.
Tobii Tech

• World’s leading supplier of eye tracking technology to integration customers

• Targets high volume markets such as PC gaming, mainstream computers, virtual reality, smartphones, and specialized markets
Intense work to implement eye tracking in VR with multiple partners

- >5 major projects in proof-of-concept or product development stage
- Mostly target products in market end 2018 / 2019
- Pipeline of additional projects
- Well positioned to seize substantial long-term opportunity
Eye tracking deemed essential to the future VR and AR devices

Tobii proves that eye tracking is VR's next killer feature
Expect to see it in every future VR headset.

Tobii’s Poised For Big Wins In VR Eye Tracking
by Seth Golan January 23, 2018 at 8:45 AM

LAS VEGAS, NV – At CES 2018, Tobii showed us eye tracking inside a VR HMD that was as perfect an implementation as we’ve seen. That, coupled with the company’s unique position in the current market, places Tobii in a prime position for the market’s future.

The Demo, Improved
We’ve been, er, tracking Tobii’s eye-tracking technology for quite some time, from gaming peripheral to integration with gaming laptops to research. Back at GDC 2017, we saw the company’s eye tracking embedded into an HTC Vive, and we were sufficiently impressed. At CES 2018, Tobii showed us much of the same demo on the same HMD (although there were a couple of extra scenarios thrown in), but we were struck by how superb the eye tracking felt this time around.

No more maybes: Eye tracking is the next step for VR, and it’s almost ready to go
Expect to see it in VR headsets towards the end of 2018

Read blog: Eye tracking is VR’s next killer feature
# IDC Worldwide AR & VR Headset Tracker

## AR/VR Headset Market Share by Form Factor, 2017 – 2021

<table>
<thead>
<tr>
<th>Technology</th>
<th>Form Factor</th>
<th>2017 sold units (millions)</th>
<th>2021 sold units (millions)</th>
<th>2021 sold units (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virtual Reality</td>
<td>Screenless Viewer</td>
<td>5,6</td>
<td>8,8</td>
<td>40,1</td>
</tr>
<tr>
<td></td>
<td>Standalone HMD</td>
<td>0,4</td>
<td>15,6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tethered HMD</td>
<td>3,4</td>
<td>15,7</td>
<td></td>
</tr>
<tr>
<td>Augmented Reality</td>
<td>Screenless Viewer</td>
<td>0,1</td>
<td>0,4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Standalone HMD</td>
<td>0,1</td>
<td>12,7</td>
<td>19,1</td>
</tr>
<tr>
<td></td>
<td>Tethered HMD</td>
<td>0,0</td>
<td>6,0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>9,6</strong></td>
<td><strong>59,2</strong></td>
<td><strong>59,2</strong></td>
</tr>
</tbody>
</table>

Source: IDC Worldwide Quarterly AR and VR Headset Tracker, December 19, 2017

Tobii believes most of standalone/tethered headsets will have built-in eye tracking.
Continued investments in PC market

- Growing no. of available games. passed 100 titles milestone
- Eye tracking streaming to over a million live viewers during E-league Counterstrike Major
- Several on-going customer dialogues
New integration customers in niche applications

- Psychology/Rehabilitation
- Health testing
- Assistive technology
- Lie detection
Tobii Tech Q4 financials

• Revenue declined 10% year-over-year
  • -1% adjusted for currency effects
  • Positive launch effects and NRE in the corresponding quarter 2016
• Gross margin was 43% (39%)
• Operating loss amounted to -61 MSEK (-64)
  • Continued organizational growth
  • Significant one-off costs in Q4 2016
Tobii Tech full year financials

- Revenue increased 25% year-over-year
  - External sales increased 42%
  - Large sales increase of own end-user product Tobii eye tracker 4C
- Gross margin was 43% (43%)
- Operating loss amounted to -291 MSEK (-207)
  - Continued large organizational growth
  - Investments in next-generation eye-tracking platform for PC
  - Major investments in eye tracking technology for VR
  - Sales and marketing

Revenue (SEK million) and Gross Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (SEK million)</th>
<th>Gross Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>59</td>
<td>46%</td>
</tr>
<tr>
<td>2016</td>
<td>96</td>
<td>43%</td>
</tr>
<tr>
<td>2017</td>
<td>121</td>
<td>43%</td>
</tr>
</tbody>
</table>

EBIT (SEK million)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT (SEK million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>-176</td>
</tr>
<tr>
<td>2016</td>
<td>-207</td>
</tr>
<tr>
<td>2017</td>
<td>-291</td>
</tr>
</tbody>
</table>
Updated long-term financial target

Tobii Tech’s mission is to make technology understand humans.

A central part of Tobii’s vision is that most computers, VR and AR headsets, smartphones and vehicles will be equipped with built-in eye-tracking in the future. Given high penetration in these areas, Tobii estimates the total market in the long term can amount to more than a billion units annually. An overall objective is to retain its position as the world’s leading supplier of eye-tracking technology for integration into high-volume products and, in the long term, to achieve sales of several billion SEK with good profitability. This development is expected to take place gradually over a number of years and will require considerable investments in technology and market development.

For Tobii Tech, the financial target is to reach profitability in 2021.
Tobii Group Q4 financials

- Revenue flat year-over-year
  - 8% increase adjusted for currency effects
  - Strong growth in Tobii Pro
- Gross margin was 69% (71%)
  - Product mix changes contribute negatively
  - Some non-recurring items
- Group EBIT -11 MSEK (-10)
  - Tobii Dynavox EBIT 10 MSEK lower
  - Tobii Pro EBIT 7 MSEK higher
  - Tobii Tech EBIT down by 4 MSEK
Tobii Group full year financials

• Revenue increased 3% year-over-year
  • Tobii Pro and Tech grew materially

• Gross margin was 71% (72%)
  • Changes in product mix

• Group EBIT was -186 MSEK (-67)
  • Increased investments in R&D in all business units, especially in Tobii Tech
Balance sheet and cash flow

- Cash flow in Q417 materially stronger than previous quarters despite a material headcount ramp up over the last year.
- Continued strong cash position at 537 MSEK

### Group balance and cash flow summary

<table>
<thead>
<tr>
<th>Tobii Group (MSEK)</th>
<th>Q4 2017</th>
<th>Q4 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>1 343</td>
<td>1 487</td>
</tr>
<tr>
<td>Equity</td>
<td>1 059</td>
<td>1 215</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>79</td>
<td>82</td>
</tr>
<tr>
<td>Net Cash (+)/Net Debt(-)</td>
<td>537</td>
<td>772</td>
</tr>
<tr>
<td>Cash flow after continuous investments</td>
<td>-42</td>
<td>-23</td>
</tr>
</tbody>
</table>

### Group cash flow after continuous investments (MSEK)

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>-39</td>
<td>-16</td>
<td>-32</td>
<td>-22</td>
<td>-45</td>
<td>-56</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

-78 -42
Tobii’s mission is to fundamentally transform and improve both lives and entire industries through humanized technology. With eye-tracking as a base, Tobii creates the conditions for new insights into human behavior and user interfaces adapted to us humans.

Tobii considers the company to be fully financed to execute on its current business plan.

The financial target for the Group is to reach profitability in 2020.

Tobii conducts an active acquisition strategy in all three business units, and potential acquisitions may require separate financing.