Year-End Report 2019

February 6, 2020
Welcome to our Year-End Report 2019

Henrik Eskilsson, CEO

Johan Wilsby, CFO
Strong finish to the year

• All-time high revenue in all three divisions
• Tobii Group’s revenue grew by 19%, or 12% adjusted for currency effects
  • External currency adjusted revenue growth in Tobii Tech of 69%
• EBIT improved to -21 MSEK (-33) despite negative accounting effects
  • Strong revenue growth, maintained high gross margins, reduced opex (-5%, fx-adjusted)
  • Negative impact from currency-driven revaluations, and more conservative R&D capitalization
• Several important product launches
  • Tobii Dynavox : The new I-Series
  • Tobii Pro : Tobii Pro Fusion
  • Tobii Tech : Pico Neo 2 Eye (At CES in Jan 2020) and NovaSight’s CureSight
• Continued focus on meeting the financial target for Tobii Group to reach profitability in 2020
Eyetracking is gaining ground broadly

• Progress in 2019
  • First launches of VR- and AR-products with eye tracking by Tobii customers as well as others
  • Tobii eye tracking across entire range of Dell’s Alienware gaming laptops
  • First Lenovo PC in market with Tobii Aware
  • Several examples of new innovative healthcare products based on eye tracking
  • Eye tracking well established in assistive technology and in solutions to understand human behavior
  • Supporting statements and activities from leading tech companies such as Intel, Microsoft and Qualcomm
  • Legislation and safety standards in automotive sector favoring eye tracking

• Eye tracking poised to long term become a standard feature in most devices
• Tobii is the global leader in eye tracking
Tobii Dynavox

• World’s leading supplier of assistive technology for communication
• Market share close to 40%
• Provides products that enable users with disabilities to speak and communicate effectively

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

58%

Share of Tobii’s gross sales (LTM)

Jeff is a user of the new I-series
The new I-Series, Tobii Dynavox’ medical grade eye-controlled flagship product, was launched in the Q4

- I-series accounts for about 50% of Tobii Dynavox’ sales
- The most user friendly, durable and advanced eye-tracking enabled communication device on the market
- The new I-series has been very well received by the market

“We knew she could still understand things. She would laugh in the right places and you could tell she had a feisty personality - she just couldn’t make her body work. Having the computer in front of her tells the whole world: I can talk to you and I do have an opinion. To give someone a voice that hasn’t had one for such a long time is priceless.”

Pauline Worrall

Feedback from some of our customers on the new I-series

“Game changer”

“The new way of interacting with Computer Control truly brings endless possibilities for me in terms of computer access”

"Partner Window = Genius idea for supporting natural conversations!"

"I-Series is extremely fast at identifying the eyes after a user has looked away"
All-time high revenue in Tobii Dynavox

• 251 MSEK revenue in Q4
• Revenue increase of 16%, or 9% adjusted for currency effects
• Sales driven by new I-series in Europe and touch devices in the US
• Trained almost 18,000 professionals in Q4 as part of the launch activities
• In total 60,000 professionals trained in 2019, doubled versus 2018
Tobii Dynavox Q4 financials

- Revenue increased 16% year-over-year, or 9% adjusted for currency
  - I-Series sales in Europe was the primary growth driver
  - Main impact of the new I-Series' market introduction in Tobii Dynavox largest market, the US, remains
  - Revenue affected by allowances for non-payments relating to the nature of the business with some US insurance entities

- Gross margin was 64% (66%)
  - Negatively affected by allowances for non-payments in the US

- Improved EBIT margin of 11% (8%)
Tobii Dynavox full year financials

- Revenue increased 14% year-over-year, or 6% adjusted for currency
  - The somewhat slower y-o-y revenue increase relates to the previous I-series being in the end of its life cycle
- Gross margin was 66% (67%)
- Improved EBIT margin of 11% (9%)
Tobii Pro

• World’s leading supplier of eye-tracking solutions for understanding human behavior
• Market share of 60%
• Provides eye tracking solutions consisting of hardware devices, analysis software and research consulting

Tobii Pro’s mission is to empower scientific researchers and business professionals with revolutionary insights into human behavior through the use of world-class eye tracking technology

Share of Tobii’s gross sales (LTM) 28%

Tobii Pro’s eye-tracking solutions are used for simulator-based training
Tobii Pro Fusion has been well received by the market

- Launch and market introduction of Tobii Pro Fusion
- Portable high-performance eye tracker for research outside the lab environment
Tobii Pro revenue growth was lower in 2019 than in 2018

- Q4 revenue was 131 MSEK, up 10%, or 4% adjusted for currency effects
- Full year revenue growth of 12%, or 5% adjusted for currency effects
- Year-on-year growth impacted by:
  - 2018 is tough comparison, as sales was exceptionally boosted by many customers switching to Tobii Pro following Apple's acquisition of the competitor SMI
  - Scientific Research segment negatively affected by Brexit and uncertainty around research funding in the US
  - Sales was lower for some specific older, now phased-out products
- 2017/2019 currency adjusted CAGR is 14%
- 2015/2019 currency adjusted CAGR is 16%
Tobii Pro Q4 financials

- Revenue increased 10% year-over-year, 4% adjusted for currency
  - Slower sales in the US and some European countries
  - Somewhat weaker sales of some specific older, now phased-out products
- Gross margin at 76% (76%)
- Strong EBIT margin at 15% (20%)
  - Decrease mainly driven by decreased capitalization and increased amortization within R&D
Tobii Pro full year financials

- Revenue increased 12% year-over-year, 5% adjusted for currency
  - 2018 was positively affected by customers switching to Tobii because of Apple’s acquisition of SMI
  - Slow sales in UK relating to Brexit and in the US relating to uncertainties around research funding
  - Somewhat weaker sales for some specific older, now phased-out products
- Gross margin at 75% (75%)
- EBIT margin at 12% (11%)
Tobii Tech

- World’s leading supplier of eye-tracking technology for integration into consumer electronics and other volume products

Tobii Tech’s mission is to enable devices to visually sense the user - to transform your everyday experiences to be more intelligent, intuitive and insightful

Share of Tobii’s gross sales (LTM)

14%

The e-sports event Rainbow 6 US Nationals took place in the quarter https://pro.eslgaming.com/r6/usnationals/
The Opportunity

• The PC market grew slightly to about 260 million sold units in 2019*
• Gaming laptops growing – 20m units sold in 2019*
• Over 1 billion people play games on PC
• 450m people watch e-sports. 200m practice e-sports
• Intel’s ”Project Athena” emphasizes smart user sensors

Progress in 2019

• Doubled revenue in the segment
• Started shipping Tobii IS-5 eye tracker sensor
• Dell launched Alienware Area 51m, m15 and m17 gaming laptops with built-in eye tracking from Tobii
• Tobii Aware was launched with Lenovo as the first customer
• Many millions of gamers have been exposed to Tobii eyetracking through e-sports broadcasting events and thousands of streamers

*Source : Gartner / Statista 2020, IDC / Statista 2019
Eye tracking making great strides in VR

The opportunity

- IDC estimates that VR & AR will grow from 5m units in 2019 to 10m units in 2020 and to 60m units by 2023* (excluding screen-less viewers)
- Eye tracking is a key VR-feature, for optimized performance and user experience

Progress in 2019 and beginning of 2020

- HTC launched Vive Pro Eye with Tobii eye tracking
- Qualcomm announced a second reference design with Tobii eye tracking
- Introduced Tobii Spotlight Technology
- Pico launched Neo 2 Eye with Tobii eye tracking

*Sources: IDC Quarterly Augmented and Virtual Reality Headset Tracker, 2019Q3, XR In
The opportunity

• Wide spectrum of innovative products that use eye tracking as the foundation of the value proposition
• Most applications so far are healthcare or industrial related
• High gross margins

Progress in 2019

• Numerous new design wins, several new products launches, and increasing volume by our OEM customers.

• Example customers and use-cases:
  • NovaSight’s CureSight™ - amblyopia (lazy eye) treatment
  • RightEye – vision assessments, concussion tests and recently designated a breakthrough device by FDA for Parkinson disease diagnostics
  • ControlRad – surgical x-ray optimization
  • Lexplore – reading diagnostics and training
  • Undisclosed surgery technology company – improved safety
  • PRC – assistive technology
Tobii Tech Q4 financials

- Revenue increased to 74 MSEK (48), up 55% or 42% adjusted for currency
  - External revenue increased to 51 MSEK (28), up 82%, or 69% adjusted for currency
  - PC-segment and Dell drove growth
  - Niche- and VR-segments also contributed to growth
  - Internal revenues grew to 23 MSEK (20) driven by the new I-Series

- Gross margin was 51% (46%)
  - Increase related to change in product mix

- Operating loss amounted to -70 MSEK (-74)
  - Earnings negatively impacted by decreased capitalization and unfavorable foreign exchange related effects
Tobii Tech full year financials

- Revenue increased to 222 MSEK, up 48% year-over-year, 36% adjusted for currency
  - External revenues grew to 152 MSEK (84), up 82% or 69% currency adjusted
  - PC-segment drove growth but Niche- and VR-segments also contributed to the increase
  - The internal revenues grew to 70 MSEK (66)
- Gross margin was 47% (47%)
- Operating loss amounted to -294 MSEK (-305)
  - Increased operating expenses has affected the earnings negatively but has at large been unchanged since Q2 2018
Tobii Group Q4 financials

- Revenue increased to 433 MSEK (364), up 19% or 12% adjusted for currency
  - New all-time high in all three divisions
- Gross margin was 69% (70%)
- Group EBIT was -21 MSEK (-33)
  - Decreased capitalization, increased amortization and foreign exchange effects have affected the operating result negatively - in total with 29 MSEK more than in Q4 2018.
- Note: Smartbox reported separately as of Q3
  - No effect on Group or Division Operating Result
  - Reported as “Result from discontinued operations” with -8 MSEK in the quarter
  - Assets and liabilities reported separately in Balance Sheet
Tobii Group full year financials

- Revenue increased to 1 501 MSEK (1 278), up 17% or 9% adjusted for currency
  - Growth in all three divisions
- Gross margin was 69% (71%)
- Group EBIT was -138 MSEK (-189)
  - Increased operating expenses impacted EBIT improvement, however expense growth was almost flat year-over-year when adjusting for currencies.
  - Revaluation impact on working capital was less positive compared to 2018
Balance sheet and cash flow 2019

- Cash flow from operations negatively impacted by the increase in working capital
- Smartbox assets and liabilities reported separately in Balance Sheet
- Cash position including Smartbox at 208 MSEK at the end of the quarter
- Credit facility of 50 MSEK established in Q1 2020 to support future working capital needs

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<thead>
<tr>
<th>Tobii Group (MSEK)</th>
<th>Q4 2019</th>
<th>Q4 2018</th>
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<tbody>
<tr>
<td>Total Assets</td>
<td>1630</td>
<td>1325</td>
</tr>
<tr>
<td>Equity</td>
<td>676</td>
<td>835</td>
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<tr>
<td>Equity Ratio</td>
<td>42</td>
<td>63</td>
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<tr>
<td>Cash Position (incl Smartbox)</td>
<td>208</td>
<td>192</td>
</tr>
<tr>
<td>Cash flow after continuous investments</td>
<td>-40</td>
<td>-37</td>
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Readiness to fuel growth through acquisitions

- Plan for a tap issue of 150 MSEK

  - Acquisitions are an integral part of Tobii’s strategic agenda and Tobii evaluates potential acquisition candidates on an ongoing basis.
  - 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 tap issue is expected to occur in the near future, subject to market conditions.
Smartbox status

• 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.
Summary

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• Several important product launches
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  • Tobii Pro : Tobii Pro Fusion
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• Continued focus on meeting the financial target for Tobii Group to reach profitability in 2020
Thank you!

QnA

- Pico and HTC VR headset
- NovaSight and CureSight
- RightEye
- Dell Alienware and Tobii Gaming
- Lenovo and Tobii Aware
- Trends and Tobii's blog
- New I-Series
- Tobii Pro Fusion