



**2021 Third Quarter Financial Results  
Conference Call Transcript  
November 17, 2021**

**Speakers:**

- Carlyne Sohn, The Equity Group
- Lior Tal, Chairman and CEO, CynGN
- Don Alvarez, Chief Financial Officer, CynGN
- Ben Landen, Vice President of Business Development, CynGN

**Q&A Participants**

- Rommel Dionisio, Aegis Capital Corp.

Operator: Greetings. Welcome to CynGN's third quarter 2021 financial results conference call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. {operator instructions} I will now turn the conference over to your host Carlyne Sohn of The Equity Group. Thank you, you may begin.

Carolyne Sohn: Thank you, operator, and hello, everyone. Thank you for joining us.

The press release announcing CynGN's results for the third quarter ended September 30, 2021, is available at the Investors section of the Company's website at [investors.cyngn.com](http://investors.cyngn.com). A replay of this broadcast will also be made available on the website after the conclusion of this call.

Before we get started, I would like to remind everyone that this conference call and any accompanying information discussed herein contains certain forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terms such as "anticipate", "believe", "expect", "future", "plan", "outlook", and "will" and include, among other things, statements regarding the Company's continued development of the Enterprise Autonomy Suite (or EAS) and its components, growth strategy, ability to deliver sustainable long-term value, ability to respond to the changing environment, operational focus, as well as the impact of the COVID-19 pandemic on the Company's business, operations and financial results.

Although the Company believes that the expectations reflected in its forward-looking statements are reasonable as of today, those statements are subject to risks and uncertainties that could cause the actual results to differ dramatically from those projected. There can be no assurance that those expectations will prove to be correct. Information about the risks associated with investing in CynGN is included in its filings with the

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Securities and Exchange Commission, which we encourage you to review before making an investment decision.

Carolyn Sohn: The Company does not assume any obligation to update any forward-looking statements as a result of new information, future events, changes in market conditions, or otherwise, except as required by law.

On today's call, the Company's Chairman and CEO Lior Tal will provide an overview of Cyngn and its recent operating highlights. Chief Financial Officer Don Alvarez will follow with a review of the Company's financials for the third quarter of 2021. Lior will make a few concluding remarks before opening the floor for questions.

With that, I'll turn the call over to Cyngn's Chairman and CEO Lior Tal. Please go ahead, Lior.

Lior Tal: Thank you, Carolyn, and good afternoon, everyone. We are thrilled to be speaking to both new and prospective investors today on our first earnings call as a public company. We hope you had the opportunity to review our earnings release earlier today, which you can also find on the Investor Relations section of our website at [cyngn.com](http://cyngn.com).

As Carolyn said, I'm here with Don Alvarez, our Chief Financial Officer, and Ben Landen, our Vice President of Business Development. We are pleased to have this opportunity to speak with you all today, having completed our IPO and Nasdaq listing just a few short weeks ago.

Since this is our first earnings call, I want to take the opportunity to answer the question: what does Cyngn do, and how are we different from other autonomous vehicle technology companies?

Cyngn is an autonomous vehicle technology company focused on the autonomous flow of material and goods in industrial and commercial applications through our Enterprise Autonomy Suite, or EAS. EAS is a comprehensive software system that provides the in-vehicle technology to operate industrial vehicles autonomously, interfaces for people to manage and monitor autonomous fleets, and tools that support data analytics, simulation, and artificial intelligence. EAS can be used to retrofit existing industrial vehicle fleets into an autonomous system, or integrated with vehicle manufacturers to build new industrial vehicles that offer pre-installed fully autonomous driving.

Our Enterprise Autonomy Suite includes:

- DriveMod, a full-stack robotaxi-level autonomous driving software that supports off-the-shelf processors and sensors;
- Cyngn Insight, our fleet management, teleoperations and analytics system;

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- And Cyngn Evolve which includes the tools and infrastructure that our researchers and engineers use to develop, simulate, and test our software and artificial intelligence.

Lior Tal:

By partnering with leading industrial vehicle manufacturers and deploying our technologies onto their vehicles, Cyngn believes our flexible, scalable technology will transform industrial vehicles into the fully integrated self-driving fleets of the future.

Why does this matter? It matters because industrial autonomy offers an immediate solution to the skilled labor shortage and high cost of labor, while enhancing workplace safety and sustainability.

In a world that continues to battle a global pandemic at a time of unprecedented increase in demand for ecommerce, labor shortage has become a major problem for enterprises. A Deloitte report estimated that unfilled labor could cost the U.S. economy more than \$1 trillion by 2030.

The workforce that keeps enterprises running, from warehouse logistics to manufacturing, construction, and mining, is required to perform repetitive physical tasks at high accuracy. At large scale and over time, people become tired, distracted, they make mistakes – which leads to significant damages from accidents and loss of productivity.

The solution is automation. If industrial vehicles could drive themselves, these enterprises could have continued to operate in a pandemic environment; they could operate at night or under conditions otherwise dangerous to people. Automation of an industrial fleet translates into increased productivity due to less downtime (because vehicles don't really need to sleep or take breaks) and increased safety as our technology enables vehicles to process and act upon information much faster than humans can. This all leads to reduced dependence on human labor and lower associated labor costs.

We believe industrial applications are where wide adoption of autonomous vehicles will begin. Why? Because industrial facilities offer a much more controlled environment—structured operation, predictable workflows, simpler routes, lower speeds, less regulatory hurdles and more controlled interaction with trained personnel.

Our initial focus is on material handling vehicles. In 2019, close to 900,000 vehicles of this category were sold by the top 10 manufactures. In the US, annual labor costs of drivers of these vehicles are estimated at around \$119 billion, and this doesn't bring into account all the vehicles already being used by these enterprises, which number into the millions.

The industrial automation space is currently highly fragmented. Most companies either offer basic automation solutions that result in low productivity or technologies that support a single use case. Those, require customers to work with multiple vendors. In addition, most suppliers

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require customers to purchase brand new vehicles and do not offer the option to retrofit an existing fleet. These create a high barrier to entry and increase the cost and complexity of automating a site.

Lior Tal:

We are taking a different and unique approach, which leads to competitive advantages—

- First – we are a software, AI and data company and our go-to-market strategy is, by design, through collaboration with an eco-system of vehicle manufacturers, technology partners and distribution channels. This means that the end customer has the ability to choose the vehicle platform of their choice, and benefit from existing supply, service and financing solutions our vehicle partners offer;
- Second, DriveMod, our on vehicle autonomous driving solution, is designed similar to a robo-taxi driving system, which offers more agility and flexibility than existing robotic automation solutions. This translates into higher throughput from the fleet, with lower need for human support;
- Third, EAS can support a wide range of different industrial autonomy applications, which puts us in a unique position to offer multiple automation solutions to customers with mixed fleets of different vehicles that perform different tasks in their facilities; and
- Fourth, being a software solution allows us to power both existing fleets and new vehicles. DriveMod can be deployed on a wide range of industrial vehicles and in fact has already been successfully tested on 9 different vehicle types including different stock chasers, electric utility vehicles, and shuttle buses.

Last month, we announced our partnership with the Columbia Vehicle Group that will target deploying Cyngn's autonomous driving technologies onto Columbia vehicles. This partnership is a significant step forward in our ongoing effort to bring scalable, secure, and reliable autonomous vehicle technologies to industrial applications. We are very pleased to be working closely with Columbia, a company that brings decades of industrial vehicle experience and names Fortune 100 companies among their customers.

As a pre-revenue company where the development and commercialization of our product is our focus, we see great value in an eco-system of partnerships like the one with Columbia. In addition, the greatest benefit we can provide our shareholders is a more rapid development and deployment cycle for EAS, which currently is in its beta phase. As investors evaluate our business, subsequent beta deployments to select customers are key milestones to look out for as we work to productize our autonomous vehicle solutions at scale. We are targeting full-scale commercialization of EAS and recurring revenues in 2024.

To get us there, we decided to take the NASDAQ IPO path. Our registration statement on Form S-1 related to our IPO was declared effective by the SEC on October 19, 2021, and the Company's common stock began trading on the Nasdaq Capital Market on October 20, 2021.

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We successfully closed the IPO on October 22, 2021, generating proceeds of \$23.3 million after underwriter discounts, commissions and offering expenses. We are very excited about the space we're operating in and what lies ahead for our Company.

Lior Tal: With that, I'll turn it over to Don to review our financial results.

Don Alvarez: Thanks, Lior.

I'll quickly go over a few financial highlights for the third quarter of 2021 related to R&D and G&A expenses, which make up our total opex. Additional details can be found in our earnings press release that was issued earlier today as well as in the Form 10-Q, which we anticipate filing with the SEC tomorrow.

We expect annual R&D expenses in the foreseeable future to equal or exceed that of 2019 and 2020. We also anticipate that limited paid pilot deployments in 2022 and 2023 will offset some of the ongoing R&D costs of continuously developing EAS. As Lior mentioned, we are targeting scaled deployments to begin in 2024.

For the quarter ended September 30, 2021, total operating expenses were \$2.1 million, compared to \$1.8 million for the same quarter of the prior year. The increase was primarily due to a \$700-thousand increase in G&A expenses related to costs incurred for additional personnel and professional services necessary to support the Company's IPO and becoming a public company. The increase was partially offset by a \$300-thousand decrease in R&D expenses as a result of a decrease in personnel engaged in the R&D of our AV technology in 2021 compared to pre-COVID headcount levels of 2020. We plan to gradually add engineering resources and other support to support our R&D efforts and therefore expect R&D costs to increase over time.

Turning to the balance sheet, we ended the third quarter with \$1.7 million in cash and cash equivalents including restricted cash. This compares to \$6.5 million at the end of 2020. Our working capital was \$1.5 million, compared to \$6.1 million at the end of 2020. And total stockholders' equity was \$30 thousand, compared to \$5.6 million at December 31, 2020.

These numbers do not include the impact of the IPO that was completed subsequent to quarter-end. Including the proceeds from the IPO in October of 2021, pro forma cash and cash equivalents including restricted cash, working capital and total stockholders' equity as of September 30, 2021, are \$25.0 million, \$24.8 million and \$23.3 million, respectively.

That said, we are well capitalized and well positioned to execute on our strategic initiatives. I'd now like to turn it back over to Lior. Lior?

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Lior Tal: Thank you, Don.

To close, 2021 has been a landmark year for Cyngn. We are confident in our value proposition and the technologies we are developing and are excited by the opportunities we see before us to transform the way industrial and commercial enterprises operate. We look forward to keeping the investment community apprised of our progress on a regular basis as additional partnerships are established and beta deployments come on line.

With that, Alex, let's open it up for Q&A.

Operator: Thank you. At this time, we will be conducting a question-and-answer session. {operator instructions} Our first question comes from the line of Rommel Dionisio with Aegis Capital. Please proceed with your question.

Rommel Dionisio: Thanks and good afternoon, everyone. So my first question—Lior, you talked about the labor rates and how this situation is really escalating dramatically here in the United States. Also, a lot of companies reporting third quarter results are talking about increased shipping costs, increased raw materials. I'm just curious, in the last several weeks and months as these macro factors have really begun to challenge industrial companies, are you guys seeing just a greater sense of urgency in your industry from potential OEMs that really want to see this automation take place obviously maybe even faster than they may have wanted to see this in the past. Are you just seeing a greater sense of urgency there on a macro level?

Lior Tal: Definitely. And it passes from the end customers to the OEMs to us and directly to us from potential end customers. We're getting an increased amount of requests for projects and proposals, offers for projects on a pretty wide range of different applications. I want to invite Ben Landen who heads our business team to maybe talk a little bit about that.

Ben Landen: Yeah, so we're certainly seeing this—a new term that's being thrown around when it comes to the workforce and the vehicles that are being used. It's the term of "relief" so we're now in a state where the workforce and the amount of demand that's out there that's being driven largely by ecommerce is in a state where there's a realization being made that the mismatch in supply and demand is not going to necessarily be addressed by just continuing to do things in the same way that they've been done, which is to staff with additional human labor. That human labor now needs relief in the form of automated workflows that they can leverage to become more efficient. So we've certainly seen that help to drive additional interest and demand and validation for the need of autonomous vehicles within the industrial applications that we're targeting.

Rommel Dionisio: That's very helpful. And maybe I could just ask a quick follow-up. I realize this may be a little early to be asking this question. It's only been roughly a month since you guys went public, but since going public, I do hear so

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often that newly public companies get a boost in terms of the publicity and potential inquiries from strategic partners, OEMs or even competing for talent there in Silicon Valley where you're based. Are you guys seeing any of that since going public? Obviously you've got a deeper war chest with much more cash but just would love to hear your feedback in these last few weeks since being a publicly traded company. Thanks.

Lior Tal: Yeah, it's a great marketing event. We're getting a lot of interest, like you said, from both the commercial space or potential customers and interested companies in technological cooperation and commercial cooperation. The interesting thing about talent is we're seeing a surge of candidates coming from companies that work on on-road autonomy, people that work on fork trucks, passenger vehicles, robo-taxis. They're really tired from the delay in product shipment in these industries, and they'd like to see the impact of the work reach customers faster. And we see people that really are interested in the applied aspect of autonomy and want to see product reaching facilities, start really working, making an impact, making value and generating revenue. So I think for us the opportunity here is really finding the right match of partners that are bullish about the opportunity that autonomy introduces into the industrial space whether it's warehouse, manufacturing or even off-road construction and mining and people that are really passionate about building the solutions to completion and getting them into commercial stage.

Rommel Dionisio: That's great. Thanks very much.

Operator: Thank you. {operator instructions} Ladies and gentlemen, there are no further questions at this time. I will now turn the call over to management for closing remarks.

Lior Tal: Thank you all for your time today. We are always open to a conversation with investors and welcome people to our offices in Menlo Park should any of you find yourselves in the Silicon Valley. Please feel free to reach out to us or our investor relations firm The Equity Group with any additional questions. We look forward to speaking to you all again on our year-end 2021 call. Thank you very much.

Operator: Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.