

Movano
3Q '21 Earnings
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Presenters

J. Cogan - Chief Financial Officer

John Mastrototaro - Chief Executive Officer

Q&A Participants

Operator

Greetings. Welcome to the Movano 3Q 2021 earnings conference call. At this time, all participants are in a listen only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. Please note, this conference is being recorded.

I will now turn the conference over to your host, J. Cogan, CFO. You may begin.

J. Cogan

Thank you, operator. Good afternoon, everyone, and thank you for joining us today. Our CEO, John Mastrototaro, will open today's call with prepared remarks about the progress we've made during Q3. Afterward, I'll cover the highlights of our third quarter 2021 operating results and provide perspective on our financial position. Finally, Movano's Founder and Chief Technology Officer, Michael Leabman, will join John and me for the Q&A.

Before we begin, I would like to remind everyone that we will make forward-looking statements during today's call. Whether in prepared remarks or during the Q&A session, these forward-looking statements are subject to inherent risk and uncertainties. These risk and uncertainties are detailed in the risk factors section of our filings with the Securities and Exchange Commission, specifically in the company's IPO prospectus and Forms 10-Q. Except as otherwise required by federal securities laws, Movano disclaims any obligation to update or make revisions to such forward-looking statements contained herein or elsewhere to reflect changes in expectations with regards to those events, conditions and circumstances.

Now, I'd like to turn the call over to our CEO, John Mastrototaro.

John Mastrototaro

Thanks, J., and welcome, everyone. We appreciate you joining us today for our Q3 earnings call and business update. During the third quarter, we continued to make critical progress on the development of our proprietary technology that will be the foundation of our commercial

product pipeline and which aims to empower and inspire individuals to live healthier, happier lives.

Since we went public in March, we've been hyper-focused on proving out the technology and building our team. We're following a roadmap that integrates our technology development and planned clinical studies, laying out a path to initial commercial products. We've been determined to make fast progress in these areas, given the significant macro forces at work across healthcare as the market transitions from a practice of treating the sick to a consumer-driven market focused on preventative care and longevity.

Over the past couple of earnings calls, I've referred to this as our crawl, walk, run strategy for product commercialization, which adds functionality and utility in a step-by-step fashion over time to execute our vision safely and thoughtfully. We're taking necessary incremental steps to reach our end goal of bringing a Class II FDA cleared device to the market while at the same time carving a strategic pathway to Class II exempt or Class I product as a way to get our technology in the hands of consumers sooner.

Today, our primary goals are as follows - one, to miniaturize our technology to be able to fit in a variety of attractive wearable form factors; two, to collect as much data as we can to further our algorithm development for blood pressure and glucose monitoring; and three, to develop a best-in-class app and cloud platform to create an exceptional user experience.

As we execute against our plan, our first end-to-end wearable device solution is taking shape. During our second quarter earnings call, we told you that we expected our wrist-worn wearable prototype to move out of the development stage and into testing by the end of the third quarter or early in the fourth quarter and that a clinical evaluation would be conducted in the fourth quarter. While the bring up of the wearable prototype took a few more weeks than expected, which isn't uncommon, especially when developing a new technology, I'm happy to report the first iteration of our wearable prototype is officially out of development and is operational and ready for clinical testing.

A special thanks to the tireless efforts of our talented engineering and clinical teams for helping us achieve this major milestone. This new wrist-worn wearable prototype contains Movano's proprietary integrated circuits and is now wireless, battery-powered and Bluetooth-enabled, allowing data to be transferred directly from the device to our mobile and cloud applications, which advances our development testing capabilities as well as taking a meaningful step toward productizing our technology. And very shortly, we plan to use the new prototype in a blood pressure study at the Movano clinical lab to obtain data which will enable our data scientists to further optimize our signal processing and blood pressure algorithms.

In addition, we are excited this year of another major milestone related to our miniaturization efforts. During previous calls, we've alluded to our focus on shrinking our multi-chip architecture down to a single-chip solution. As you'll recall, that single-chip solution packages

all our proprietary integrated circuits into one, which leaves us the flexibility to design innovative small form factors that will be key to developing competitive commercial products. A tape-out of our single-chip solution was recently completed, and the timing is spot on with our internal expectations. We expect the fabrication and testing process with our foundry partner, GlobalFoundries, to continue through the spring of 2022. We plan to keep you apprised of our progress on future calls.

Despite many factors in the broader economy that could have slowed us down, I am very proud of our team for executing on this milestone as this is another huge advance for the company.

As we build the technological foundation of our offering, we've made key strategic hires that are necessary for our next steps of evolution. In the third quarter, we brought on a seasoned Vice President of Operations, who's laying the groundwork for product manufacturing and has been instrumental in planning what it's going to take to scale our organization. Due to the significant progress we've made in developing and miniaturizing the technology over the past several months and with the addition of key resources necessary for the next stage in our lifecycle, you should expect to hear more regular updates from us as we exit 2021 and enter 2022.

To that end, next week, we'll be presenting at Bernstein's Continuous Glucose Monitoring Disruptors Virtual Conference. And in early January, we'll be at CES in Las Vegas demoing our platform. We plan to arrange meetings with a limited group of companies we believe could be potential future strategic partners as we consider opportunities to bring our technology to the market on an accelerated, effective and efficient basis.

So to recap, today's consumers are increasingly seeking connected, digitally-enabled health and wellness solutions. We're developing technology that's simple, smart and personalized, making vital health data more accessible and giving us greater control over our health journey. We're developing products that will sit at the intersection of the medical and consumer device market, providing medical grade diagnostics in addition to lifestyle fitness stats with a focus on empowering and inspiring you to live a healthier, happier life. We want you to not only feel your best, but we also want to partner with you in helping to prevent or delay the onset of chronic diseases such as hypertension or diabetes.

We believe our patented technology provides a competitive advantage in that it can be deployed in a noninvasive and cuffless (sp) solution and be packaged in small stylish wearables so users feel more like people, not patients. We want to reduce the burden of monitoring your health and we want it to look good, feel good and provide real value.

In addition, we expect our solutions will be priced more affordably compared to current medical devices. We believe these features will drive rapid, widespread adoption. We're very excited about where we are today and what lies ahead. We have a clear vision, a strong team

and great momentum. We look forward to sharing additional updates on our progress in the coming months.

With that, I'll turn it back to J. to discuss the quarterly financials.

J. Cogan

Thanks, John.

We detailed the financial results in today's 3Q earnings release, which you can find on our website, but let me focus on a few key line items. Movano reported an operating loss of \$5.2 million in the third quarter of 2021 compared to an operating loss of \$3.2 million in the year ago period. For the nine months ended September 30, 2021, we reported an operating loss of \$13.5 million versus \$7.9 million in the first nine months of 2020. The increase was primarily related to the expansion of our team and R&D initiatives as well as the inclusion of public company costs related to our March 2021 initial public offering. At the end of the third quarter, we had \$39.3 million of cash, cash equivalents and short term investments and total assets of \$41.6 million.

We will not be providing specific financial guidance but going forward, you should assume we will continue to build our team, increase R&D spending related to a variety of initiatives tied our medical device and testing efforts and continue to absorb the cost of being a public company. As we continue to move at a swift pace, make significant progress on the development of our technology and focus our efforts on an initial commercial product, we would expect our burn rate to increase in the fourth quarter and into 2022.

As that concludes our formal remarks, we'd be glad to take your questions. Operator, we are ready to begin the Q&A section of the call.

Question-and-Answer Session

Operator

At this time, we will be conducting a question and answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

J, it looks like we have questions over the webcast. Please go ahead.

J. Cogan

Thanks, Kyle.

Let's go to the first question here - strategics at CES, who will you be meeting with? John, you want to take that one?

John Mastrototaro

Sure. Look, as you can understand, we're not in a position to name potential meeting participants. But as we've discussed, we believe there are many potential opportunities for partnerships, considering the overlap our solution has in the medtech, digital health and consumer space. So our goal is to democratize healthcare and provide solutions to millions of Americans and others around the world. So any partner who could help with the development, distribution and scaling of our efforts is certainly a focus for us, and we'd certainly be interested in speaking with them.

J. Cogan

Great. Let's go to the next question, also on CES. What will you be showing at CES this year?

John Mastrototaro

Well, as you know, we've had our heads down working hard to develop simple, smart and personalized devices that will empower and inspire individuals to live happier, healthier lives. Since this is our first CES and we want to showcase the progress we've made, we're going to have exhibits that will show how we've advanced and miniaturized our solution. We've made tremendous progress on the integrated circuit front as well as in the app development and cloud platform.

We've also been furthering our algorithm development on blood pressure, glucose and other vital health data through our clinical studies, and we've been strategizing about how to bring a holistic, connected, digitally-enabled health and wellness solution to the market. There's still plenty work for us to do, but we're looking forward to showing and showcasing the great progress that we've made today.

J. Cogan

Okay. We've got a few more in the webcast, it looks like. This one says, you've been in stealth mode for a while; what's your plan for communicating going forward?

John Mastrototaro

Thanks for the question. Well, yeah, it absolutely true. We've quietly been intensely focused on advancing the technology since the IPO in March. We've really committed ourselves to making significant progress, and I think as you've seen the development of our wearable prototype, the execution of the clinical studies that we've done, the tape-out of the single-chip solution are all significant and major milestones for the company and evidence of the focus that we've had.

But we never planned to be in stealth mode forever. As we highlighted in the prepared remarks, we're now at a point where we're gonna be a bit more visible and out there,

highlighting our progress, talking about our vision for the future and ultimately preparing to bring commercial products to the market.

We're excited to participate in the Bernstein conference next week, which focuses again on continuous glucose monitoring and disruptive technology in that space, and we're certainly looking forward to our first CES as a company. As we build on the momentum that we've seen in 2021 and enter 2022, I think you can see the pace of progress and likewise the pace of communication to increase over time.

J. Cogan

Okay. Great. Next question on the webcast says, when can we expect you to launch a product? This sounds like a 2022 event, perhaps?

John Mastrototaro

Thanks for the question. We're certainly making significant progress with the development of our technology platform. We've been hitting these critical milestones in our path to ultimately launching a commercial product, and we're making necessary investments to prepare the broader organization.

But at this point, it's a little too early to put a date out there, but just know that we're very committed to delivering value to both consumers and shareholders. And I'd also say that, given the macro forces at work in the broader healthcare market with the increasing focus on preventative care and longevity, including the need to help prevent or manage chronic conditions like hypertension and diabetes, there should be plenty of room for us as a company to thrive, and we're working as hard as we can to make as much progress as we can as quickly as possible.

J. Cogan

Okay. There's one now on cash burn. I can go ahead and take this one. It says, you mentioned in your prepared remarks that your cash burn would increase in the fourth quarter and into next year. By how much?

As you're gonna see in our upcoming 10-Q, which given the holiday, will be published early tomorrow morning, our cash from operations burn was a bit over \$11 million for the first nine months of 2021 and a bit more than \$3 million for the third quarter, specifically. As we've talked about in the past, given our development stage, we're not gonna provide specific financial guidance as a general practice. But that said, taking a broad view, the more progress that we're making on the development of our health technology platform, the more money we'll want to invest in additional R&D and other areas of the organization as we begin to prepare for an initial product launch.

We've talked about this before, but just to reiterate, we take capital deployment seriously and plan to continue to be very good stewards of the cash on our balance sheet. We're going to try

to keep advancing the technology as quickly as possible while at the same time taking a measured approach to incremental investments.

And then, John, we have a question on blood pressure and glucose, generally asking about the focus on one versus the other and where we're at with the algorithm process.

John Mastrototaro

Well, look, I think when we first started as an organization, we were looking at glucose as a measurement. And then as we started to make measurements with glucose and we could see glucose signals, we also started to see these pulse pressure waveforms in the data that was being collected. And as we looked more closely at that, because we were able to see these waveforms, there was the ability and the potential to also look at blood pressure.

Our algorithm team really has two focuses. One is to clean up the data that we collect so that we have a signal that we can extract metrics from which will correlate with glucose and blood pressure, and then the other is the algorithm that specifically looks at those analytes of measure. So the first comment I'd make is that, any clinical study that we do work for either glucose or blood pressure, the work that we do to improve the sensitivity of our detection of the signals that are coming back to reduce the noise, just improving the quality of the data and the waveform is going to benefit both measures that we make.

The second thing that we opted to do recently with our in-house clinical study site is to focus on blood pressure, primarily because there's no blood involved. It's an easier study to make because you just wear the blood pressure cuff versus what we're measuring. And so by doing that, we can bring in a lot of people. We can get a wide variety of blood pressures, which are beneficial for the algorithm team to look at the deltas.

And it's just a little bit more complicated if we want to introduce blood glucose testing to compare with our device and then get a broad range of blood glucose. Obviously, both are huge markets, both tremendous opportunities. And at this point, we've elected to collect a lot of data for the blood pressure studies, but what we do there and how we resolve algorithms and whatnot is also applicable to the glucose situation. I think moving forward into 2022, you'll see that we continue to run a lot of clinical testing.

The last point I'll make is that, as we've scaled down the size of the technology, as we've gotten to the first wearable prototype, we're seeing that the data's getting cleaner, and that also improves our ability to make the measures overall. So a lot of progress in both fronts, and I think there's a lot of continued optimism as we continue to improve the technology and get to a single-chip solution.

J. Cogan

Great. Kyle, that looks like all the questions at this time. I don't see any in the--do you see any over the phone lines--I'm sorry?

Operator

There are no questions over the phone, and I will now turn the call over to J. Cogan for closing remarks.

J. Cogan

Great. Thanks, Kyle.

And thanks, everybody for your time today. As a reminder, you can stay connected and up-to-date on Movano news and events by checking out our investor website at ir.movano.com.

Operator

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.