



# Q3 2022 Earnings Conference Call

Wednesday, November 2, 2022 at 5 PM ET



# Safe Harbor

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## Non-GAAP Financial Measures (Unaudited)

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# Agenda

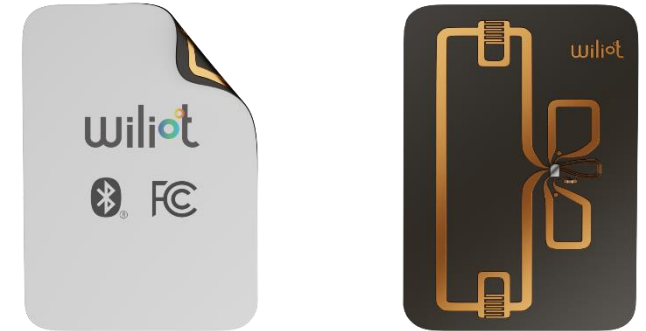
- I. Q3 2022 Highlights
- II. Financial Review
- III. 2022 and 2023 Business Drivers

# Q3 2022 Business Highlights

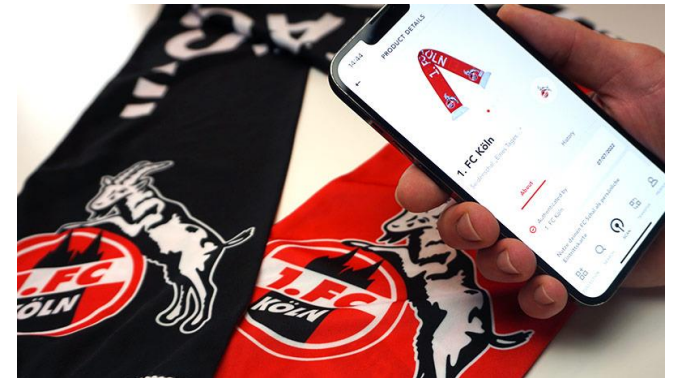
## • Q3 2022 Overview

- Revenue: Quarterly record at \$31.0 million
- Revenue in the Identity segment was a record \$19.2 million
- Record Premises revenues, up 14% year-over-year, nearly 3x the industry growth rate
- Solid Backlog
  - Total future backlog at end of Q3 2022 was record \$36.9 million, up 31% year-over-year
  - Backlog for shipments in Q4 2022 was \$16.6 million, up 42% year-over-year
- GAAP net income at \$0.5 million
- Non-GAAP Adjusted EBITDA at \$2.0 million
- Balance sheet: debt free with a healthy cash position: \$21.9 million of cash, cash equivalents, and restricted cash at quarter end
- Revenue shortfall
  - Customer de-commit \$1.5M
  - Supply shortages \$4.5M – offset \$1M in Premises
  - Identity revenue \$5M shortfall vs internal plans
- Actions taken
  - Supply chain leadership
  - Supply planning & forecasting: confirmed ship supply
  - Product re-design: Interoperable components for Premises and ID Reader products

## Identiv to Manufacture Initial Order of 25 Million Units for Wiliot's IoT Pixel Tags



## Football Club Scarves with Embedded NFC for Authentication and Consumer Engagement



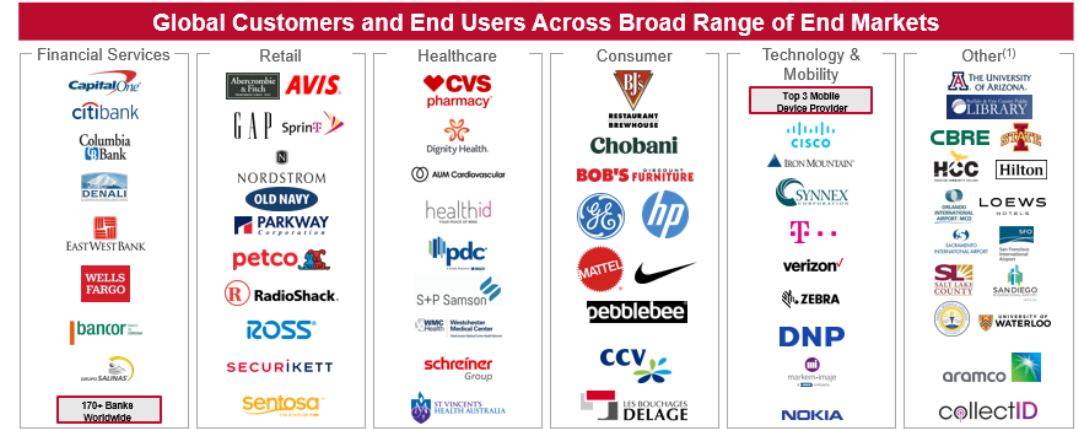
# Q3 2022 Business Highlights

## RFID Market Leadership & Customer Expansion

- Solidifying our IoT industry leadership with our specialized RFID solutions; extended track record of 100% customer retention in RFID
- Record number of non-recurring engineering (NRE) contracts grew from 38 in Q2 to 56 at end of Q3
- 25-million-unit initial order from IoT pioneer Wiliot for their breakthrough IoT Pixel tags that power the Ambient IoT ecosystem designed for the global supply chain
- Medical: 4 of top 5 autoinjector companies engaged in projects
  - 500K unit order in 2022
  - Appointed 2 new Board Directors that have deep MedTech experience
  - Transformational initiatives on track:
    - Auto-injector, Cannabis, Intelligent Prescriptions, Mobile Devices, Specialty Retail

## Premises Segment Updates

- 14% growth year-over-year → nearly 3x industry growth rate
- Commercial strength + Federal strength
  - Sustainable market growth: Demand for security solutions is non-partisan
- Managed supply chain + strong demand = on-plan revenues & record backlog
- Winning value proposition: complete platform from a single vendor that offers high security, credibility, cost effectiveness.

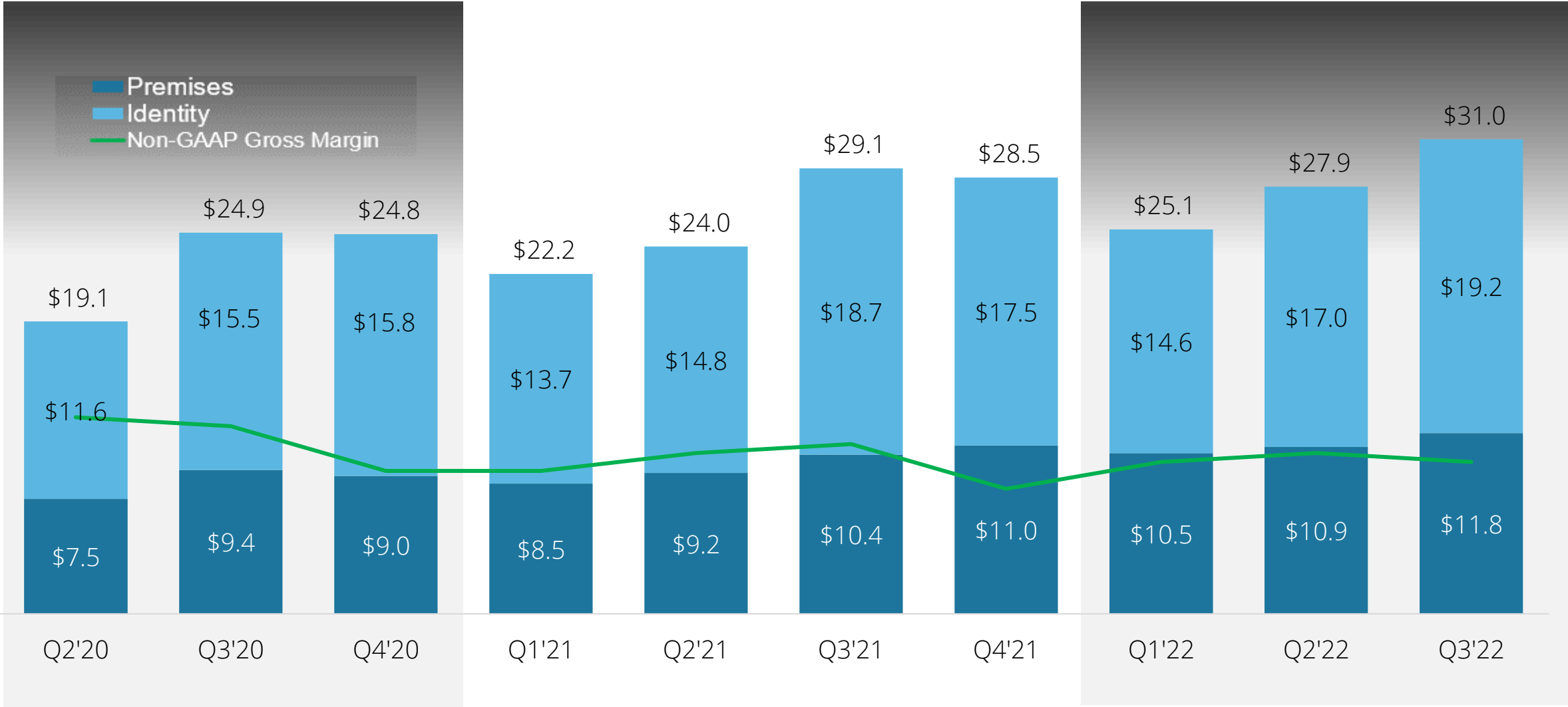


# Q3 2022 Financial Overview

# Financial Overview

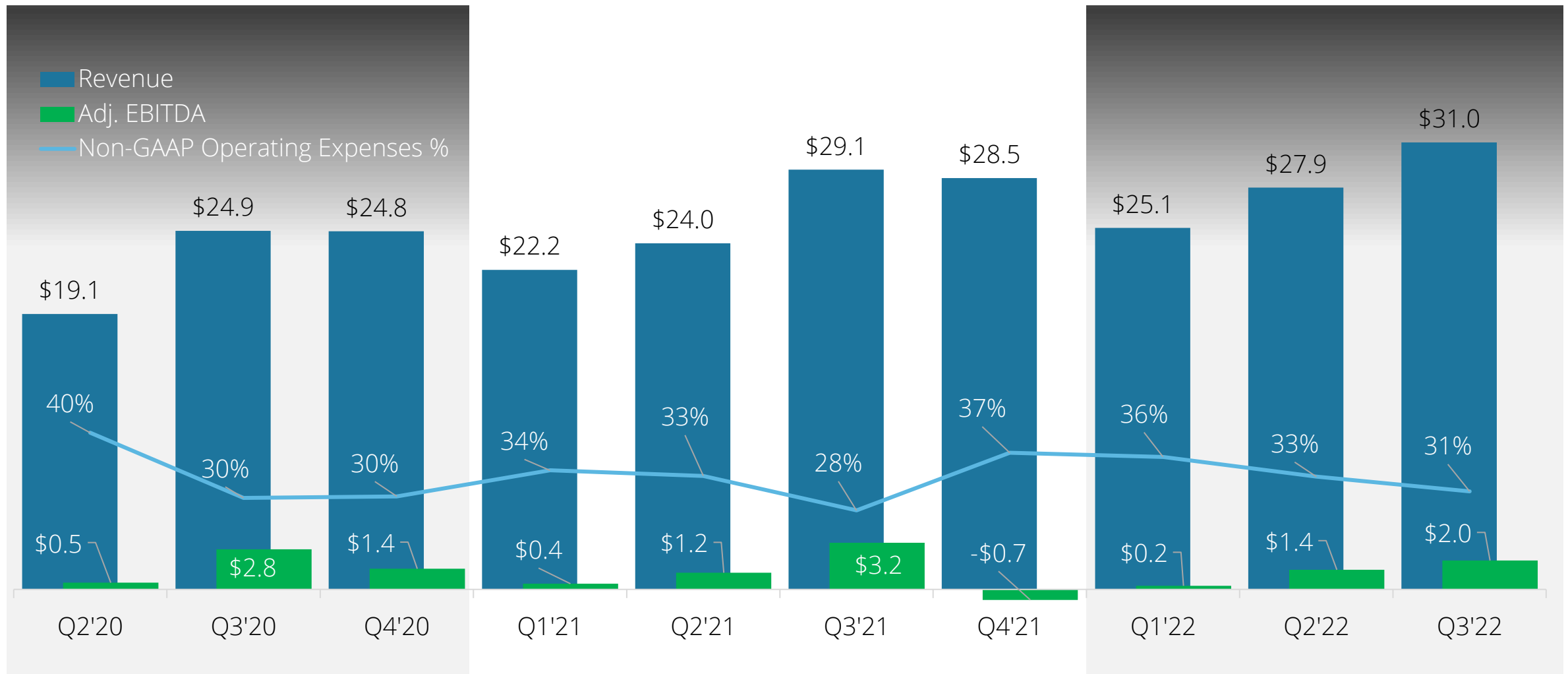
Metric	Q3'22	Q2'22	Q3'21	TTM
Revenue	\$31.0M	\$27.9M	\$29.1M	\$112.4M
Recurring Revenue (% of Revenue)	6%	5%	5%	5%
GAAP Gross Margin	36%	37%	38%	35%
Non-GAAP Gross Margin	37%	38%	39%	37%
GAAP Operating Expenses	\$10.6M	\$10.5M	\$9.1M	\$42.4M
Non-GAAP Operating Expenses	\$9.5M	\$9.2M	\$8.2M	\$38.3M
GAAP Net Income (Loss)	\$0.5M	\$(0.3M)	\$2.5M	\$(2.7M)
EPS (GAAP) Diluted	\$0.01	\$(0.02)	\$0.09	\$(0.17)
Non-GAAP Adj. EBITDA Margin	7%	5%	11%	3%

# Segment Revenue & Non-GAAP Gross Margin

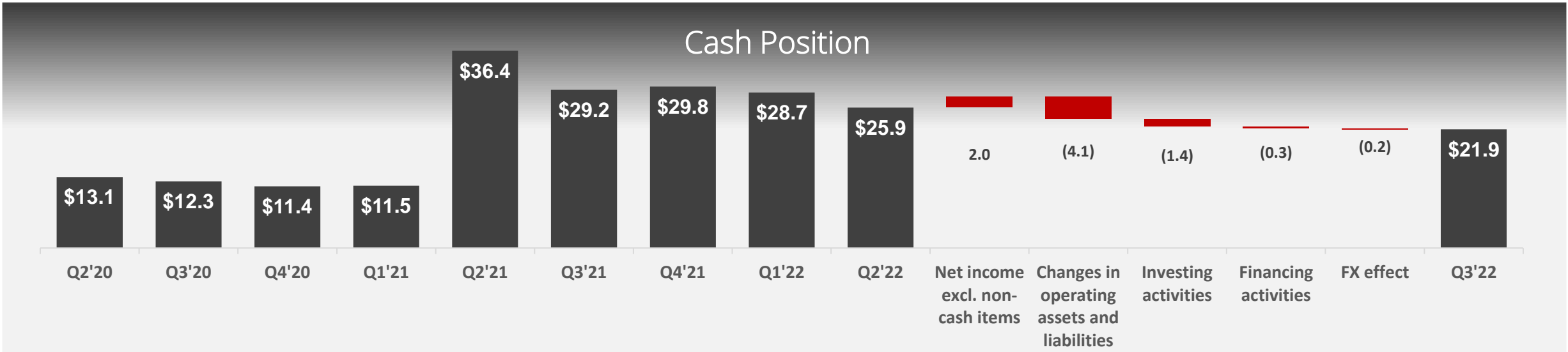




# Total Revenue & Non-GAAP Adjusted EBITDA Operating Expenses



# Q3 2022 Cash Flow and Balance Sheet (in \$M)



Assets	Q3'21			Q2'22			Q3'22			Cash Flow	Q3'21			Q2'22			Q3'22		
	Q3'21	Q2'22	Q3'22	Q3'21	Q2'22	Q3'22	Q3'21	Q2'22	Q3'22		Q3'21	Q2'22	Q3'22	Q3'21	Q2'22	Q3'22	Q3'21	Q2'22	Q3'22
Cash & cash equivalents*	29.2	25.9	21.9	Accounts payable	9.3	13.8	15.1	From operations*	2.9	(0.9)	(2.1)								
Accounts receivable	19.3	21.0	23.6	Financial liabilities	0.0	0.0	0.0	From investing	0.4	(1.1)	(1.4)								
Inventory	21.6	22.2	25.1	Other liabilities	13.2	9.1	12.3	From financing	(10.3)	(0.2)	(0.3)								
Other assets	28.7	27.3	30.8	Total equity	76.3	73.5	74.0	FX effect	(0.1)	(0.6)	(0.2)								
<b>Total</b>	<b>98.8</b>	<b>96.4</b>	<b>101.4</b>	<b>Total</b>	<b>98.8</b>	<b>96.4</b>	<b>101.4</b>	<b>Total</b>	<b>(7.1)</b>	<b>(2.8)</b>	<b>(4.0)</b>								

# 2022 and 2023 Business Drivers

# 2022 and 2023 RFID Growth Drivers



- **Q4 & 2023 RFID Growth**
  - Total backlog up 31%, backlog for Q4 delivery up 42%
  - Transformational projects:
    - Wiliot BLE IoT order: 25 million units requested for Q4; projected higher quarterly run rate throughout 2023
    - Specialty retail & consumer engagement
    - Cannabis multi-frequency RFID devices for MSO's
    - Healthcare: Projects with 4 of top 5 autoinjector companies
  - IoT SaaS platform to manage RFID-enabled IoT devices
  - Company record number of NRE engagements leading to design-in wins with a wide range of use cases – 56 projects as of Sept. 30
    - Focus on medical devices, specialty retail, and industrial verticals
    - High margin, high ASP specialized RFID applications for the IoT
    - Adding people in engineering, product, and project management to support NRE project demand
- **Headwinds**
  - Supply chain: conservative projections
  - Economic uncertainty
  - Adoption rate of new technologies in new products: Customer capital constraints
- **Risk-adjusted RFID 2023 growth 20-25%**

# 2022 and 2023 Trends & Outlook

- Premises Growth

- Growth continuing >> Industry growth rate
- Growth unconstrained by supply
- Commercial sales accelerating across multiple verticals
- Public sector markets (airports, schools)
- Long-term growth trend in federal government security spending
- Most complete physical security platform available in the market
- Investing in sales and channel, with strong customer support
- Strong reference customers: US Secret Service, San Diego Airport, others

- 2022 and 2023 Outlook

- Updating guidance range for FY 2022 and FY 2023
  - Fluctuations in demand based on macroenvironment headwinds, supply chain interruptions, or slower deployment of new technologies
- Record backlog exiting Q3 2022; shipments constrained by supply
- Positioned to continue approx. 20-25% growth in RFID, with upside volumes from transformational projects, in 2023
- Expect Premises growth 20-25% in 2023
- Overall 2023 growth 20-25%



Thank You

# Question & Answer Session

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# Income Statement

(unaudited, in \$'000)

	Three Months Ended			Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net revenue	\$ 30,996	\$ 27,857	\$ 29,097	\$ 83,914	\$ 75,252
Cost of revenue	19,808	17,647	17,979	53,550	47,602
Gross profit	11,188	10,210	11,118	30,364	27,650
Operating expenses:					
Research and development	2,625	2,479	2,088	7,633	6,556
Selling and marketing	5,326	5,273	4,471	15,709	12,682
General and administrative	2,639	2,496	2,400	7,623	7,120
Restructuring and severance	49	223	99	132	761
Total operating expenses	10,639	10,471	9,058	31,097	27,119
Income (loss) from operations	549	(261)	2,060	(733)	531
Non-operating income (expense):					
Interest expense, net	(39)	(37)	(62)	(101)	(451)
Gain on forgiveness of Paycheck Protection Program note	—	—	—	—	2,946
Gain on investment	—	6	611	30	611
Foreign currency gains (losses), net	(3)	95	(48)	111	(2)
Income (loss) before income tax benefit (provision)	507	(197)	2,561	(693)	3,635
Income tax benefit (provision)	12	(54)	(21)	(38)	(94)
Net income (loss)	519	(251)	2,540	(731)	3,541
Cumulative dividends on Series B convertible preferred stock	(304)	(300)	(289)	(902)	(859)
Net income (loss) available to common stockholders	\$ 215	\$ (551)	\$ 2,251	\$ (1,633)	\$ 2,682
Net income (loss) per common share:					
Basic	\$ 0.01	\$ (0.02)	\$ 0.10	\$ (0.07)	\$ 0.13
Diluted	\$ 0.01	\$ (0.02)	\$ 0.09	\$ (0.07)	\$ 0.12
Weighted average shares used in computing net income (loss) per common share:					
Basic	22,682	22,639	22,448	22,632	20,948
Diluted	23,315	22,639	29,330	22,632	21,861

# Balance Sheet

(in \$'000)

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 21,202	\$ 25,016	\$ 27,614	\$ 28,553
Restricted cash	698	905	1,074	1,254
Accounts receivable, net of allowances	23,588	20,951	19,452	19,963
Inventories	25,060	22,235	20,493	19,924
Prepaid expenses and other current assets	3,908	3,495	2,673	3,032
Total current assets	74,456	72,602	71,306	72,726
Property and equipment, net	6,189	5,153	4,341	4,066
Operating lease right-of-use assets	3,997	1,498	1,780	2,088
Intangible assets, net	5,533	5,869	6,182	6,445
Goodwill	10,179	10,250	10,288	10,268
Other assets	1,046	1,055	1,012	1,070
Total assets	\$ 101,400	\$ 96,427	\$ 94,909	\$ 96,663
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 15,074	\$ 13,809	\$ 11,335	\$ 10,502
Operating lease liabilities	941	949	1,143	1,269
Deferred revenue	2,072	2,035	1,489	2,153
Accrued compensation and related benefits	2,753	2,671	2,675	3,150
Other accrued expenses and liabilities	2,917	2,343	3,316	3,774
Total current liabilities	23,757	21,807	19,958	20,848
Long-term operating lease liabilities	3,185	645	748	938
Long-term deferred revenue	474	444	295	280
Other long-term liabilities	24	25	74	85
Total liabilities	27,440	22,921	21,075	22,151
Total stockholders' equity	73,960	73,506	73,834	74,512
Total liabilities and stockholders' equity	\$ 101,400	\$ 96,427	\$ 94,909	\$ 96,663



# Operating Results & Non-GAAP Adjusted EBITDA Reconciliation

(in \$M)

	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022
<b>Reconciliation of GAAP gross profit margin and non-GAAP gross profit margin</b>											
<i>GAAP gross profit margin (%)</i>	40%	35%	39%	35%	37%	38%	33%	36%	36%	37%	36%
<b>GAAP gross profit</b>	<b>\$9.9</b>	<b>\$8.6</b>	<b>\$33.7</b>	<b>\$7.7</b>	<b>\$8.8</b>	<b>\$11.1</b>	<b>\$9.4</b>	<b>\$37.1</b>	<b>\$9.0</b>	<b>\$10.2</b>	<b>\$11.2</b>
Stock-based compensation	\$0.0	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.1	\$0.0	\$0.0
Amortization and depreciation	\$0.3	\$0.3	\$1.2	\$0.2	\$0.3	\$0.3	\$0.3	\$1.0	\$0.3	\$0.3	\$0.3
<b>Total reconciling items included in GAAP gross profit</b>	<b>\$0.4</b>	<b>\$0.4</b>	<b>\$1.2</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$1.2</b>	<b>\$0.3</b>	<b>\$0.4</b>	<b>\$0.4</b>
<b>Non-GAAP gross profit</b>	<b>\$10.2</b>	<b>\$8.9</b>	<b>\$34.9</b>	<b>\$8.0</b>	<b>\$9.1</b>	<b>\$11.4</b>	<b>\$9.7</b>	<b>\$38.3</b>	<b>\$9.3</b>	<b>\$10.6</b>	<b>\$11.6</b>
<i>Non-GAAP gross profit margin (%)</i>	41%	36%	40%	36%	38%	39%	34%	37%	37%	38%	37%
<b>Reconciliation of GAAP operating expenses to non-GAAP operating expenses</b>											
<b>GAAP operating expenses</b>	<b>\$8.9</b>	<b>\$8.9</b>	<b>\$37.1</b>	<b>\$8.9</b>	<b>\$9.1</b>	<b>\$9.1</b>	<b>\$11.3</b>	<b>\$38.4</b>	<b>\$10.0</b>	<b>\$10.5</b>	<b>\$10.6</b>
Stock-based compensation	(\$0.7)	(\$0.8)	(\$2.9)	(\$0.7)	(\$0.6)	(\$0.5)	(\$0.5)	(\$2.4)	(\$0.8)	(\$0.8)	(\$0.8)
Amortization and depreciation	(\$0.5)	(\$0.5)	(\$2.1)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$1.0)	(\$0.2)	(\$0.2)	(\$0.3)
Change in fair value of earnout liability	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Acquisition related transaction costs	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Restructuring and severance	(\$0.2)	(\$0.1)	(\$1.7)	(\$0.4)	(\$0.3)	(\$0.1)	(\$0.1)	(\$0.8)	\$0.1	(\$0.2)	(\$0.0)
<b>Total reconciling items included in GAAP operating expenses</b>	<b>(\$1.4)</b>	<b>(\$1.4)</b>	<b>(\$6.4)</b>	<b>(\$1.4)</b>	<b>(\$1.2)</b>	<b>(\$0.9)</b>	<b>(\$0.8)</b>	<b>(\$4.2)</b>	<b>(\$0.9)</b>	<b>(\$1.2)</b>	<b>(\$1.1)</b>
<b>Non-GAAP operating expenses</b>	<b>\$7.5</b>	<b>\$7.5</b>	<b>\$30.7</b>	<b>\$7.6</b>	<b>\$8.0</b>	<b>\$8.2</b>	<b>\$10.5</b>	<b>\$34.2</b>	<b>\$9.0</b>	<b>\$9.2</b>	<b>\$9.5</b>
<b>Reconciliation of GAAP net income (loss) to non-GAAP adjusted EBITDA</b>											
<b>GAAP net income (loss)</b>	<b>\$0.4</b>	<b>(\$0.7)</b>	<b>(\$5.1)</b>	<b>(\$1.5)</b>	<b>\$2.5</b>	<b>\$2.5</b>	<b>(\$1.9)</b>	<b>\$1.6</b>	<b>(\$1.0)</b>	<b>(\$0.3)</b>	<b>\$0.5</b>
Income tax provision (benefit)	\$0.0	(\$0.0)	\$0.1	\$0.0	\$0.0	\$0.0	(\$0.1)	\$0.0	(\$0.0)	\$0.1	(\$0.0)
Interest expense, net	\$0.4	\$0.4	\$1.5	\$0.2	\$0.1	\$0.1	\$0.0	\$0.5	\$0.0	\$0.0	\$0.0
Gain on forgiveness of Paycheck Protection Program note	\$0.0	\$0.0	\$0.0	\$0.0	(\$2.9)	\$0.0	\$0.0	(\$2.9)	\$0.0	\$0.0	\$0.0
Gain on sale of investment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.6)	\$0.0	(\$0.6)	(\$0.0)	(\$0.0)	\$0.0
Foreign currency (gains) losses, net	\$0.2	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	(\$0.0)	(\$0.1)	\$0.0
Stock-based compensation	\$0.8	\$0.8	\$3.0	\$0.8	\$0.7	\$0.6	\$0.6	\$2.6	\$0.9	\$0.8	\$0.9
Amortization and depreciation	\$0.8	\$0.8	\$3.3	\$0.5	\$0.5	\$0.5	\$0.5	\$1.9	\$0.5	\$0.6	\$0.6
Change in fair value of earnout liability	\$0.0	\$0.0	(\$0.3)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Acquisition related transaction costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Restructuring and severance	\$0.2	\$0.1	\$1.7	\$0.4	\$0.3	\$0.1	\$0.1	\$0.8	(\$0.1)	\$0.2	\$0.0
<b>Total reconciling items included in GAAP net income (loss)</b>	<b>\$2.4</b>	<b>\$2.1</b>	<b>\$9.5</b>	<b>\$1.9</b>	<b>(\$1.3)</b>	<b>\$0.7</b>	<b>\$1.2</b>	<b>\$2.4</b>	<b>\$1.2</b>	<b>\$1.6</b>	<b>\$1.5</b>
<b>Non-GAAP adjusted EBITDA</b>	<b>\$2.8</b>	<b>\$1.4</b>	<b>\$4.4</b>	<b>\$0.4</b>	<b>\$1.2</b>	<b>\$3.2</b>	<b>(\$0.7)</b>	<b>\$4.0</b>	<b>\$0.2</b>	<b>\$1.4</b>	<b>\$2.0</b>
<i>Non-GAAP adjusted EBITDA margin (%)</i>	11%	6%	5%	2%	5%	11%	(3%)	4%	1%	5%	7%