



**2022 Second Quarter Financial Results
Conference Call Transcript
August 10, 2022**

Speakers:

- Carlyne Sohn, The Equity Group
- Lior Tal, Chairman and CEO, Cyngn
- Don Alvarez, Chief Financial Officer, Cyngn

Q&A Participants

- Rommel Dionisio, Aegis Capital Corp.

Operator: Greetings and welcome to Cyngn's second quarter 2022 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 our 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 second quarter and six months ended June 30, 2022, is available at the Investors section of the Company's website at investors.cyngn.com. A replay of this broadcast will also be made available on the website after the conclusion of this call. Of note, for those of you who have dialed into the call by phone, we are planning to broadcast a short video presentation and encourage you to also log into the webcast to be able to not only hear the client testimonial but also see our autonomous Stockchaser being used at one of Flambeau's facilities. You will have a few minutes to access the webcast now as I go over the safe harbor information. To do so, please go to the "Events & Presentations" page of the Company's IR site at investors.cyngn.com.

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, expectations regarding sales and/or revenues, growth strategy, ability to deliver sustainable long-term value, ability to respond to the changing environment and operational focus.

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

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 discuss recent operating highlights. Chief Financial Officer Don Alvarez will follow with a review of the Company's financials for the second quarter and first half of 2022. Lior will return to make a few concluding remarks before opening the floor for questions.

With that, I will turn the floor over to Cyngn's CEO Lior Tal. Lior?

Lior Tal: Thank you, Carolyne. And good afternoon, everyone.

During the second quarter of 2022, our main priorities were pilot deployments of autonomous material handling Stockchasers and recruitment. In particular, our recruitment efforts focused on expanding our engineering team. On the first point, we are very pleased to share that we launched an additional pilot deployment of our autonomous Stockchaser with Flambeau, Inc., a member of the Nordic Group of Companies. The pilot is taking place at Flambeau's 177,000-sq. foot manufacturing facility in Columbus, Indiana, where they specialize in manufacturing and distribution of products for various industries. In a few minutes, we will share a video presentation, featuring an interview with the general manager of this Flambeau facility, including footage of our autonomous Stockchaser in action as part of this deployment.

We were thrilled to expand our partnership with the Nordic Group through this deployment with Flambeau and are excited that they are immediately seeing the value autonomous material handling vehicles bring to their operations.

Another example of the impact Cyngn's Enterprise Autonomy Suite has on material handling or 3PL customers can be seen in the case study we released last month, which quantified the value that our industrial autonomy technology brings to Global Logistics and Fulfillment (or GLF), for whom we deployed autonomous Stockchasers at their Las Vegas facility, beginning in late 2021. The case study found a 64% reduction in human labor costs when compared to using manually operated forklifts, and a 33% increase in productivity when compared to using manually operated electric pallet jacks—the numbers speak for themselves. Additionally, the higher the throughput of a facility, the greater the

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potential savings and efficiencies, further increasing the value with each vehicle that is made autonomous with Cyngn's solutions.

Lior Tal:

Deployments like the ones with GLF and Flambeau have allowed us to gather client feedback and insights that have enabled us to make significant improvements to our Enterprise Autonomy Suite, culminating in EAS version 8.0 that we released just a few weeks ago. This release includes major improvements to our backend and infrastructure as well as over 100 new features, all while reducing component complexity and cloud computing costs. EAS 8.0 is a key milestone and an important step toward commercialization at scale.

Moving to the second point of focus for the first half of the year — recruitment. We were very successful in this area during the second quarter and are excited to have filled several key positions in recent months. As of July 31, 2022, Cyngn had 62 employees, a net increase of 29 since the end of last year. We have already doubled the size of our organization in just 7 months, putting the proceeds of our financings to their intended use. We believe that a highly motivated team of top talent continues to be critical to our ability to achieve future milestones and remain competitive.

Before turning to a review of the financials, we will now share a video, featuring some words from the general manager of the Flambeau facility where our autonomous Stockchaser was recently deployed.

[AUDIO PLAYBACK]

Hello. My name is Luke Renner and I'm the Director of Marketing here at Cyngn.

We recently deployed our Enterprise Autonomy Suite to a manufacturing facility in Columbus, Indiana, called Flambeau.

Today, we thought it would be interesting to get Joe Petersen, a representative of Flambeau, to tell you a little bit about what it was like to bring a self-driving vehicle to their facility. In short, the organization saw immediate value. They think it's going to increase throughput and make them more competitive.

We hope you enjoy.

My name is Joseph Petersen., I am general manager, plant manager of the Flambeau Columbus, Indiana facility and I am responsible for all the manufacturing and distribution of the product that's manufactured here.

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We have been struggling to redesign and rethink our material handling side of our manufacturing and distribution process. Cyngn's solution was one of the first times that I saw a scalable, logical, not working capital-intensive, high-value solution that will grow with us.

Flambeau is one of several companies that belong to the Nordic Group of Companies.

Flambeau itself has a handful of campuses across North America, including Mexico. We manufacture a variety of different products, and the products range from toys to sporting goods to industrial to automotive.

We also manufacture products for OEM, which means we produce other people's product and other people's brands, and we distribute all of the products that are manufactured here out of this distribution center.

We're constantly trying to expand our markets. One of the key things that we can do to do that is to be there with product faster than any of our competitors. Cyngn's DriveMod really unlocks the potential for us to start the journey of increasing throughput and decreasing the time to market from the manufacturing floor.

The feedback that I'm getting from our associates and our leadership has been nothing but positive.

I start with the associates on the floor, the people that are going to have to interact with that product, use that product, apply that product minute in and minute out. They've engaged it, they've embraced it, they see the application, they are already asking, "what else can we do?"

They're very excited to interact with the product, and the nature of the culture of this facility is one of curiosity. So they took to this almost immediately.

The autonomous vehicle isn't intended, at least at the Flambeau facility, to displace any human being. What it's doing is helping us offload the non-value add activity from our human resources and free them up to concentrate more on the efficiency of the value-added side. So we will be able to literally do more with the same amount of people and achieve our strategic goals of growing faster throughput to market competitive.

So value added in our definition is those individuals that are actually converting raw material into a sellable product. The non-value added activity would be anything required that doesn't directly include those activities like material handling, material transport, material inventory.

This vehicle will not displace anybody. The value-added activity is then freed up to increase its capacity. So it's the same investment, more capacity.

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So the experience with the Cyngn deployment team has been nothing short of fantastic.

They came in, they took a look at what the process is, what we're living with today. They looked at the product, what its application is and capability is, and then laid that into a starting point, knowing our journey is going to be targeting increased throughput.

We are really excited at Flambeau Columbus campus to get this process off the ground and start our journey to increase profitability, improve our service levels and get to market faster than anybody else.

[VIDEO PRESENTATION CONCLUDES]

Lior Tal: We are excited every time we hear from the people working alongside our autonomous vehicles—sharing the impact that this cutting-edge technology can make on their daily workflows, bringing immediate value by increasing their productivity and lowering costs. We truly believe that our industrial autonomy software and data platform will be a leading factor in the move toward Industry 4.0.

And with that, I'll turn it over to Don to review our financial results.

Don Alvarez: Thanks, Lior.

I'll quickly go over financial highlights for the second quarter and first half of 2022, covering both 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 this week.

As a pre-revenue company, we did not generate any revenue for the three months ended June 30, 2022, and 2021. However, we do anticipate the start of nominal revenue generation from pilot deployments and other products and services in the coming quarters.

Total operating expenses for the second quarter ended June 30, 2022, were \$4.6 million, compared to \$2.1 million for the same quarter of the prior year. This increase was primarily due to a \$1.4 million increase in R&D expenses related to non-cash, stock-based compensation, costs incurred for additional engineering staff and contractors, allocated occupancy costs and R&D-related travel costs. We expect these costs to continue to increase as we continue investing in resources to support commercializing EAS. G&A expenses also increased by \$1.1 million, which was also related to increased stock-based, non-cash compensation expense, costs incurred for additional personnel and professional services to support our status as a public company and higher occupancy costs related to the renewal of the Company's lease that expanded the square footage of our Menlo Park offices.

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Don Alvarez: We reported a net loss of \$4.6 million for the second quarter of 2022, compared to a net loss of \$2.1 million in the prior-year quarter, as a result of increased operating expenses.

Net loss per share on a basic and diluted basis was \$0.15 based on approximately 30.7 million weighted average shares outstanding for the quarter ended June 30, 2022. This compares to a net loss per share on a basic and diluted basis of \$2.20 per share based on approximately 1.0 million weighted average shares outstanding in the prior-year quarter.

For the first half of 2022, total operating expenses were \$8.4 million, compared to \$3.6 million in the prior-year period. This was due to a \$2.6 million increase in G&A expense and \$2.2 million increase in R&D expense.

Net loss was \$8.4 million for the six months ended June 30, 2022, compared to a net loss of \$3.6 million in the prior-year period. Net loss per share on a basic and diluted basis was \$0.29 based on approximately 28.7 million weighted average shares outstanding, compared to a net loss per share on a basic and diluted basis of \$3.83 based on approximately 1.0 million weighted average shares outstanding in the prior-year period.

Turning to the balance sheet, we had \$32.7 million in cash and investments in marketable securities at June 30, 2022, which compares to \$21.9 million at the end of 2021. Our working capital was \$32.2 million, compared to \$22.1 million at the end of 2021. And total stockholders' equity was \$33.3 million, compared to \$22.2 million at December 31, 2021.

I'd now like to turn it back over to Lior. Lior?

Lior Tal: Thank you, Don.

To close, we continue to move forward with deployments and are working closely with our partners to get our technology and platform to a point of product consistency and maturity that customers will come to expect from the Cyngn brand.

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

Operator: Thank you. And ladies and gentlemen, at this time, we will conduct our question-and-answer session. {operator instructions} Our first question comes from Rommel Dionisio with Aegis. Please state your question.

Rommel Dionisio: Thanks, thanks for taking my question. I wonder if you could just characterize the hiring environment. There are so many moving parts tight labor markets but on the flip side we hear of tech layoffs. Obviously a prominent automotive company leaving the Bay Area to move to another state. Could you maybe just give us a feel for the environment for hiring? Obviously you guys have added to the headcount very successfully, but are

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you getting the people you want at the rates you want? Give us a little granularity on that. Thank you.

Lior Tal: Sure. Hi, Rommel. Thank you for joining us today. You know, one of the things that's sort of a byproduct of COVID is organizations that went through it, including us, ended up being very effective in working in both a hybrid set-up where people can work from home or come to the office when needed, but also in a more distributed manner.

What we ended up doing is concentrating a team in Menlo Park that needs to be close to the vehicles, the test facility, and to one another, and hiring both domestic, in other states, and out of the country—places where it's more cost effective and it makes more sense for us and for other parts of the business. So at the moment, we're able to hire exactly the people we want. The prices went up but not very significantly, but some of the costs is actually compensated by the fact that you don't have everyone at the office everyday. So for us so far it's been a very successful year in recruiting.

Rommel Dionisio: OK, good. And a quick follow-up if I may. You know with some obviously overall stock market uncertainty and supply chain, you know continued issues there. Are there any- you've obviously had some successful announcements of partnerships already but do you get any sense that future potential partnerships might be in any way delayed by some of these macroeconomic issues or global uncertainty issues? Thanks.

Lior Tal: Can you just elaborate, when you say partnerships, what are you referring to?

Rommel Dionisio: I'm sorry, Lior. Say that one more time?

Lior Tal: Can you just explain, when you say partnerships, what are you referring to?

Rommel Dionisio: Oh, just potential customers. And you know, like a Columbia or a Greenland. You've announced some very successful initial strategic partners, but I just wondered if some of the macroeconomic factors and challenges that every company faces in the technology space are slowing down the marketing process or sales process from your perspective at all?

Lior Tal: It's a good question. Organizations are generally more cautious when it comes to spend but autonomy/autonomation because of the impact it makes on people's operations by reducing dependence on human labor and giving more flexibility and over time, cost reduction, is to some degree sort of recession-resilient type of product. We have sort of two sides to this market: one is the supply chain that feeds into us—the vehicles, the components for DriveMod Kit—and the other is like you said, the customer-facing. On the customer-facing, one of the things that really allows us to be able to work with the customer in the way they want is the ability to either support new vehicles that come off the Columbia line or

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retrofit an existing fleet that a customer has if they're not willing or not ready to invest in new vehicles and already have an existing operating fleet. On supply chain, one of the things we started investing more is adding more alternatives to the components we're buying, expanding our partnerships in that aspect domestically in the U.S. and in Europe and reducing the dependence on China. But in general so far, we're optimistic, we're working the plan, and everything seems to be according to the timeline.

Rommel Dionisio: OK, thank you so much.

Operator: Thank you. {operator instructions} Thank you, it appears that's all the questions we have for today. I'll turn the floor back to management for closing remarks.

Lior Tal: Thank you all for your time today. We are always open to a conversation with investors and are pleased to have hosted visitors at our offices in Menlo Park recently. We welcome you to visit us here in Silicon Valley when you're available. You can witness our vehicles and technology at work first hand, and I think it really gives a sense of the potential of this technology. We will be participating in the virtual Sidoti MicroCap Conference next week and look forward to speaking with many of you there. 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 with you all again on our next quarterly call. Thank you very much.

Operator: Thank you. This concludes today's conference. All parties may disconnect. Have a great day.