



**2021 Fourth Quarter and Year-end Financial Results
Conference Call Transcript
March 23, 2022**

Speakers:

- Carolyne 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 and welcome to CynGN's fourth quarter and year-end 2021 financial results. 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 Carolyne 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 fourth quarter and year ended December 31, 2021, 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 before management's prepared remarks and encourage you to also log into the webcast to be able to see CynGN's technology in action and hear some of the things the Company's customers are saying about how CynGN is revolutionizing the way they operate. You will also have some time 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, 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.

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Carolyn 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 fourth quarter and year-end 2021. Lior will return to make a few concluding remarks before opening the floor for questions.

With that, let's begin with the video presentation. Thanks, everyone.

[AUDIO PLAYBACK]

Hello, my name is Lior Tal, and I am the CEO of Cyngn. For the past few months, we've been developing a partnership with the Columbia Vehicle Group, a leading industrial vehicle manufacturer. Their Stockchaser is one of the most widely used industrial vehicles in the material handling space. You can find it in thousands of industrial sites throughout the U.S. and across the world.

By adding Cyngn's DriveMod autonomous vehicle technology to Stockchasers and other industrial vehicles, we're transforming the way material handling and logistical organizations get work done. Our autonomous vehicles help to overcome labor shortages, increase safety, and reduce their costs. In November, we deployed autonomous Stockchasers to a warehouse operated by Global Logistics & Fulfillment.

For our earnings call today, we thought it would be useful to get representatives from both Global Logistics & Fulfillment and Columbia to tell you a little bit more about the Cyngn partnership, our autonomous vehicle technology, and the value these relationships are already bringing to both organizations. Please enjoy.

Greg: My name is Greg Breckley, I'm the director of business development at Columbia.

Ken: I'm Ken Morris, I'm the vice president at Global Logistics & Fulfillment.

Greg: The challenges we're seeing a lot of our customers face today are related to the supply chain. We're facing that as a manufacturer as well

Ken: Like a lot of logistics companies, one of the things we're dealing with is the rapid growth in the industry and higher labor costs are a major issue, making sure that we can find and grow in the space that we need as well as just providing more innovative services to our customers.

Greg: Columbia realized that our customers were looking for additional solutions that we currently couldn't offer. We began looking for a partner that could provide autonomous solutions, and Cyngn was top of the list. We sat through an interview process and selected Cyngn from a number of different robotics companies we interviewed.

Ken: When we started the pilot project here in our facility, I wasn't sure what to expect, that's their reality. We received a big crate, it was opened by the folks from Cyngn and inside is this amazing high-tech piece of equipment. Normally we would take a lot of our product that we are placing for our customers and someone would manually or sometimes we would use a forklift to take it to the shipping location in our facility. And in this case, we actually had set up the route so that it would pass by that fulfillment team so they could easily every 15-20-30 minutes they could drop their product on it and have it directly taken to our shipping area.

Greg: Prior to autonomy, every phase of pick-and-pack needed an employee, both in the picking on the shelves, the transporting, horizontal material handling and the unloading at the other end. With autonomy, we no longer need the employee in the middle. Employees can stay focused on picking and packing parts where they make a 3PL the most money.

Ken: One of the, I guess, surprising things for us, or for me, when we did this project, I didn't realize how quickly the team would actually start becoming accustomed to the autonomous vehicle. It got to be the point that when the pilot was over, a lot of our team basically looked around and said, hey, where's the vehicle, where's the vehicle? And so they not only were able to help to program it to make sure that it stopped a certain amount of time and were able to load the products easily onto it. But really did kind of work it into their daily operation and were using it enough that they complained about it when the pilot stopped.

Greg: I think some of the things that make it so wonderful for us to work with Cyngn are the people. We're a relationships-driven company and finding another company that's full of real people has been great. Additionally, the speed-to-action has been phenomenal.

Ken: You know, I think that one of the important things for logistics companies like ours to think about is, how we are going to integrate innovations into our industry.

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Greg: An autonomous vehicle really unlocks the opportunity for us to address labor challenges that we have never been able to address. Our vehicles have always needed an operator. Not needing an operator has opened an endless possibility of opportunities for us.

Ken: Being able to have the chance to work with Cyngn on an autonomous vehicle implementation is something that really opens our eyes up to the possibilities, and it's part of what we are expecting to plan for in the future as well.

[VIDEO PRESENTATION CONCLUDES]

Lior Tal: Thank you, and good afternoon, everyone. This is Lior Tal, Chairman and CEO of Cyngn.

I'm joined tonight by Don Alvarez, our Chief Financial Officer, and Ben Landen, our Vice President of Business Development. We are pleased to have the opportunity to discuss the most recent developments here at Cyngn, what they mean in terms of our progress and how we see the next several months ahead.

Since January, we have made several announcements that represent significant milestones on the path to commercialization of the Enterprise Autonomy Suite, our autonomous driving system. These include pilot deployments with select customers, strategic collaborations and joint ventures with technology and vehicle manufacturers, and talent acquisition.

As the video we just shared demonstrates, we have completely changed the way in which customers like Global Logistics and Fulfillment (or GL&F) and Columbia, a vehicle manufacturer, are looking at the role automation will play in tomorrow's material handling space. It is not only an effective way to address major issues facing these enterprises today, such as skilled labor shortage and high costs, but automation is something they can begin to incorporate into their operations today.

In January, GL&F chose Cyngn as its exclusive industrial automation solutions provider, following a series of pilot deployments in the second half of 2021. Those deployments included DriveMod, our self-driving technology, integrated into our partner Columbia's Stockchaser. Over the past several months, GL&F has been leveraging Cyngn's EAS to streamline its operations, allowing its team members to focus on their most mission-critical tasks, and benefit from unprecedented visibility into its core business with Cyngn Insight, our customer-facing data analytics and fleet management interfaces.

With our help, the customer has identified applications for autonomous vehicles across its expanding footprint, including additional locations in Nevada and California. We are excited to work closely with the GL&F

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team on additional deployments this year as they look to bring new facilities online.

Lior Tal:

In order to fulfill the demand for autonomous vehicles of GL&F, and other upcoming customers, Columbia Vehicle Group has kicked off production of autonomy-ready Columbia Stockchasers powered by DriveMod. This enables us to streamline the process of making our self-driving solutions available to more customers and additional facilities. These new Stockchasers will be integrated with Cyngn's DriveMod Kit for which we filed a patent application last month.

Our DriveMod Kit is a turn-key system that contains advanced sensors and hardware components, streamlining both the retrofit of industrial vehicles that customers already own as well as installation onto vehicles coming directly off of the assembly line. It is a truly scalable solution for upgrading standard industrial vehicles into tomorrow's autonomous systems, allowing for faster deployments, simpler maintenance and lower overall cost of ownership.

We are actively in talks to continue expanding upon our existing network of key strategic partners, which will enable us to leverage the strengths, dealer networks, servicing capabilities, and incumbency of organizations already well established in the material handling space. The work we are doing now will help us develop our initial core paying customer base that will serve as the foundational path to recurring revenues.

In February, we announced another very exciting key partnership. Cyngn is now working closely with Greenland Technologies, a manufacturer of electric industrial vehicles and drivetrain systems for material handling machinery and vehicles, to bring our self-driving vehicle capabilities to Greenland forklifts. In doing so, Greenland forklifts will be able to switch easily between fully autonomous, manual, and remotely-controlled modes.

Forklifts are one of the most ubiquitous industrial vehicles in the U.S. today with over 850,000 being utilized in warehouses and fulfillment centers around the country. According to OSHA, approximately 11% of these forklifts will be involved in an accident, of which nearly half will result in serious injury.

Cyngn is committed to increasing employee safety by helping to reduce the number of accidents at our customers' facilities, using advanced autonomy and active safety technologies. Vehicles that operate autonomously also increase safety by being able to operate at night or under conditions that would be dangerous to people.

In addition to cost and productivity gains, autonomous driving and electrification will play a central role in helping enterprises achieve their ESG and sustainability goals as they transition to zero-emission vehicles that are operated by intelligent systems like DriveMod. We are excited to be a part of this industrial transformation.

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To summarize, deploying our autonomous solutions to select customers, strengthening our strategic partnerships, and attracting top talent to our organization represent major milestones toward our successful productization and commercialization of EAS, which will translate into scaled deployments and recurring revenues.

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 fourth quarter and year-end 2021. Additional details can be found in our earnings press release that was issued earlier today as well as in the Form 10-K, which we anticipate filing with the SEC this week.

We are a pre-revenue company and as such did not generate any revenue for the years ended December 31, 2021, and 2020.

For the fourth quarter ended December 31, 2021, total operating expenses were \$3.6 million, compared to \$2.3 million for the same quarter of the prior year. The increase was primarily due to a \$500-thousand increase in R&D expenses related to stock-based compensation and other costs incurred for additional engineering staff and a \$1.1 million increase in G&A expenses also related to stock-based compensation as well as costs incurred for additional personnel, professional services and insurance necessary to support becoming a public company. As we have previously disclosed, we expect R&D costs to increase incrementally with each quarter as we work towards the appropriate level of engineering and other personnel to support the ongoing R&D costs of continuously developing EAS.

We reported a net loss of \$2.1 million for the 2021 fourth quarter, which is relatively flat from the prior-year quarter. The increase in total opex was offset by an increase in other income, which was primarily attributed to the forgiveness of PPP loans by the Small Business Administration amounting to \$1.6 million during the period.

Net loss per share on a basic and diluted basis was \$0.10 based on approximately 20.4 million weighted average shares for the quarter ended December 31, 2021. This compared to net loss per share on a basic and diluted basis of \$2.38 per share based on approximately 1.0 million weighted average shares outstanding in the prior-year quarter.

For the year ended December 31, 2021, total operating expenses were \$9.4 million, compared to \$8.4 million in 2020. The increase was primarily due to a \$1.0 million increase in stock-based compensation, as well as costs incurred for additional personnel and professional services necessary to support the Company's IPO and becoming a public company. This was partially offset by a \$100-thousand decrease in R&D expense

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related to a decrease in R&D personnel compared to pre-COVID-19 headcount levels.

Don Alvarez: Our net loss was \$7.8 million for the full-year 2021, compared to net loss of \$8.3 million in the prior year. As with the fourth quarter, this decrease was primarily the result of the \$1.6 million increase in other income due to the forgiveness of the PPP loans by the SBA during the year.

Net loss per share on a basic and diluted basis was \$1.33 based on approximately 5.9 million weighted average shares outstanding for the full-year 2021, compared to a net loss per share on a basic and diluted basis of \$8.76 per share based on approximately 1.0 million weighted average shares in the prior year.

Turning to the balance sheet, we ended the year with \$21.9 million in cash and cash equivalents, which includes the proceeds from our IPO. This compares to \$6.1 million at the end of 2020. Our working capital was \$22.1 million, compared to \$6.1 million at the end of 2020. And total stockholders' equity was \$22.2 million, compared to \$5.6 million at December 31, 2020.

Following our IPO, 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?

Lior Tal: Thank you, Don.

In short, lots of exciting developments here in Q1 this year, and we anticipate more to come in the weeks and months ahead.

We continue working closely with our customers and partners and look forward to sharing news on additional partnerships and deployments as they come along.

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

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

Rommel Dionisio: Good afternoon, thanks for taking my question. You guys have obviously had a busy several weeks here with new partnerships with Columbia and with Greenland. I wonder if you could just -- first of all, discuss some of the increased business investments that you plan to put into place in the near-term given these two new partnership signings.

And second, maybe just feedback on, obviously seeing two just in the last several weeks, significant acceleration of business activity, what the feedback has been? What's kind of driving-- key factors that are really

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been driving that? And how that might result in additional partnerships here over the next several weeks and months? Thank you very much.

Ben Landen: Thanks Rommel. This is Ben, the VP of Business Development. So, we are leveraging these partnerships to do exactly what the demand that we're seeing out there is, which is to provide additional access and solutions to the areas that- that need autonomous vehicle products. So, we know of the supply chain shortages that are ongoing. We know that there's difficulty hiring into these roles, these skilled labor roles, and that automating elements of these workflows are becoming a growing need just for companies to continue to be able to fulfill the demand that they're seeing from e-commerce and the like, the growing demand.

So, these are important milestones for us in taking products that are ready -- versions of EAS that are ready for commercialization for scale to end customers. GLF is a representative example of those customers. And we are increasing the focus that we have and getting vehicles into the hands of customers like GLF, that's what we'll be doing for the continuation of 2022 with these being the early proof points that as you heard in the video, that the products are delivering to the expectation that for example, a 3PL, a fulfillment center like GLF has for automation for their current business needs.

Rommel Dionisio: Great, that's very helpful. Thanks Ben. Congratulations.

Operator: Thank you. {operator instructions} Thank you. And ladies and gentlemen, it seems we've reached the end of our question-and-answer session. I'll now turn the call over to Lior Tal for closing remarks.

Lior Tal: Thank you all for your time today. We're always open to conversation with investors and welcome people to our offices in Menlo Park should you find yourself in the Silicon Valley. Please feel free to reach out to us on our Investor Relations part of the website or to The Equity Group with any additional questions. We look forward to speaking to you all again in our next quarterly call. Thank you very much.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. All parties may disconnect. Have a great day.