

Movano
Q1 2022 Earnings Call
May 12, 2022

Presenters

John Mastrototaro, CEO

J. Cogan, CFO

Michael Leabman, CTO

Operator

Greetings. Welcome to the Movano Q1 2022 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. And please note that this conference is being recorded. I will now turn the conference over to J. Cogan. Thank you, sir, you may begin.

J. Cogan

Thank you, operator. Good afternoon, everybody. 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 the first quarter of 2022. Afterward, I'll cover the highlights of our quarterly operating results and provide perspective on our financial position. Finally, Movano's founder and chief technology officer, Michael Leabman, will join me for the Q&A.

Before we begin, I'd 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 risks and uncertainties. These risks and uncertainties are detailed in the risk-factors section of our filings with the Securities and Exchange Commission, specifically in the company's forms 10-Q and 10-K. 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 would like to turn the call over to our CEO, John Mastrototaro.

John Mastrototaro

Welcome, everyone. We appreciate you joining us for our first quarter earnings call. In my 30-plus years in the healthcare industry, I've led teams that have brought numerous novel medical devices to the market, which have significantly improved the lives of people with chronic conditions. While those initiatives were certainly rewarding, I believe the technology we're currently developing at Movano is some of the most cutting edge and exciting I've had the pleasure to work on throughout my career. What excites me most is the opportunity we have in front of us - the opportunity to positively impact a much broader range of people, the hundreds

of millions of individuals globally, who have or are at risk of getting diabetes or hypertension, or who just aren't feeling like themselves and want to regain control of their wellbeing and bring back their vitality.

Consumers are more aware of their health today than ever before, and in general, we collectively understand that to feel our best as we age, we need to put more emphasis on making healthy day-to-day decisions. After announcing the Movano Ring at CES this year, we continue to receive many messages each week from people who are looking for a way to interpret their body's signals and understand how they can implement changes to feel better and ultimately position themselves to achieve a more well balanced, healthier, and happier life.

To overcome the rising rates of chronic conditions worldwide and the associated and overwhelming healthcare costs, we need technology that promotes prevention and does so in fresh consumer friendly ways. At Movano, we're developing technology that combines the best of the consumer and medical worlds to provide equitable access to health data with timely feedback through beautifully designed products. We're moving healthcare technology in a direction that's more accessible, both in price and in experience, arming consumers with medically validated data and key insights they can trust and packaging it into a solution that looks good, feels good, and provides real value so it becomes a seamless part of their everyday life.

Our first product is being developed for women because we wanted to offer a solution that addresses a significant gap in the healthcare space. While at this juncture we can't reveal all the features of the Movano Ring for competitive reasons, we can assure you that it is going to be anything but a "me too" product. And our future plans are to develop solutions for everyone, as well as provide additional form factors that support the way people manage and think about their health.

2022 has proven to be a year of significant growth for our company. We're making major strides on the path to launching our first commercial product, the Movano Ring, and today we want to share some of the highlights from Q1 and recent weeks to demonstrate this progress.

As of our last earnings call in March, we had received our single chips back from Global Foundries and we were just beginning to conduct testing. We expected the testing to last through the spring. And as you may have seen in our press release today, we successfully validated the functionality of our proprietary and patented System-on-a-Chip, in the timeline we previously outlined.

At 4 millimeters by 6.7 millimeters, System-on-a-Chip combines multiple antennas and a variety of frequencies in the smallest ever radio-frequency enabled, integrated circuit designed specifically for blood pressure or glucose monitoring systems. Reaching this point is one of the most important milestones we have achieved as a company today.

While most competitors in the wearable technology sector use off the shelf components, we developed our sensing system from the ground up because we strongly believe the standard approach cannot deliver the level of accuracy, flexibility of form factor, or cost we're aiming to achieve. Our integrated sensor uses mmWave RF frequencies, which offers an opportunity for increased accuracy across a broader population because it is not affected by different skin pigmentation, as can be the case with optical sensors.

In addition, our solution is fabricated using the latest processes in semiconductor technology, meaning the size can be smaller and the materials more cost effective, giving us greater flexibility in the design of future medical devices and in our ability to offer a solution that's affordable, so we can reach a larger, more diverse segment of people.

This decision came at no small cost. We've spent more than four years developing, designing and shrinking this novel non-invasive technology. Our unique investment in R&D, which has been led by engineers with decades of experience in RF, highlights our commitment to providing more accurate data and unique small and affordable form factors. The completion of testing coincides with the addition of one new patent issued to Movano, making a total of seven US patents in our portfolio. The new patent protects innovations around Movano's multi-band chip design, which uses signal diversity and advanced signal processing capabilities, and will be integrated into various devices in the future.

While the sensor is now operational, we're integrating it into a new prototype system, which will be closer in size and shape to our final product and will be used for additional blood pressure and glucose studies in the near term. With a smaller prototype, we'll be able to conduct longer and more complex studies that will help us gather additional data to further improve our algorithms. Every time we size down from a larger prototype system to something smaller, we've improved upon the cleanliness of the data, and our ability to process and filter the data. And, we believe this will be the case in this instance as well.

In addition to conducting more glucose and blood pressure studies, we've got a busy schedule of other clinical trials for the remainder of the year. We'll be pursuing clearances on our heart rate, blood oxygen saturation, and respiration rate monitoring capabilities, and conducting the necessary studies to do so. We believe our decision to pursue FDA clearances to give users medically validated data is a major point of differentiation amongst the competition and we are taking an aggressive approach to achieve these goals as soon as possible.

We continue to position ourselves for the successful launch of the Movano ring and future medical devices on the personnel front as well. We've recently added two key members to the team in April, Nan Kirsten Forte, a pioneer in the healthcare media industry with a track record of success and marketing, partnerships, go-to market execution, and mergers and acquisitions joined our board of directors. Over her 30 year career, Nan has been an entrepreneur in successful startups and an intrapreneur at public companies such as WebMD and now at Everyday Health Group.

Nan is fiercely passionate about the healthcare space, and has many accomplishments including over 100 awards for health journalism and groundbreaking health and wellness programs. She also spearheaded the development of WebMD symptom checker and helped grow the WebMD audience from 1 million to over 120 million monthly users.

Additionally, we've hired Chief Marketing Officer, Tyla Bucher. Tyla brings over two decades of experience building and launching global integrated consumer marketing campaigns for top tier brands. In her most recent role as Senior Vice President of Marketing for Hydrow, maker of the leading at-home connected rower, she successfully launched the company's first full funnel brand campaign, doubling brand awareness, and contributing to its impressive revenue growth. Prior to Hydrow, Tyla held various brand strategy and marketing leadership role roles at Hasbro and 20th Century Fox. As Movano's CMO, Tyla will oversee the company's brand, communication, and marketing strategies as well as work cross-functionally to develop partnerships and sales strategies.

Between Nan, Tyla, and recent hires Stacy Salvi, our VP of Strategy, who is a former Google and Fitbit employee, and Michael Sole, our VP of Business Development, who has experiencing managing global sales, strategy, and new business development at a number of consumer products and medical device companies, we're developing a world class team with tremendous experience bringing new products to the market.

They are currently planning for our limited beta release, as well as putting the foundation in place to prepare for a broader market launch following a successful beta program. To help accelerate go-to market strategy, we're continuing to have conversations with potential strategic partners. We are so fortunate to have Nan and several others on our team, who have a wealth of knowledge and experience executing partnerships, which we will draw upon to guide us through the process.

Overall, we feel great about our discussions today and the level of interest from potential strategic partners. As we've noted in the past, given our positioning at the intersection of medical and consumer devices, we believe there are several healthcare and consumer sub sectors that would be a great fit from Movano's solution.

In summary, the progress we've made over the past year has been exceptional. Since the IPO last March, we've more than doubled our team and brought on a new board member to augment our go-to market strategy. We've taped out and miniaturized our multi-chip architecture into a single sensor solution, which is now functional, patented and ready to be implemented into a new prototype system. We've completed multiple blood pressure studies in our own lab, as well as another glucose pilot study with the help of an independent, FDA-compliant clinical lab. We've announced and are actively planning for our first beta release.

The company is also beginning to make a name for itself in the industry. We have recently joined the American Heart Association Center for Health Technology and Innovation's Innovator's Network, so we can leverage their network and best-in-class science from the American Heart Association to help fulfill our company goals. And, we are continuing to find opportunities to increase our visibility amongst investors, consumers, and partners. We have accomplished so much over the course of the past year with a very small, talented team, and I'm looking forward to seeing what we can achieve this next year as we continue to invest in our technology, grow our team, and deepen our commitment to our mission and goals. 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 first quarter earnings release, which you can find on our website, but I'll share a few key line items. Movano reported an operating loss of \$6.9 million in the first quarter of 2022, compared to an operating loss of \$3.3 million in the year ago period. The increase was primarily related to the expansion of our team and R&D initiatives, as well as the full quarter inclusion of public company costs related to our March 2021 initial public offering.

At the end of the first quarter of 2022, we had \$27.7 million of cash, cash equivalents, and short term investments, and total assets of \$29.6 million. We will not be providing specific financial guidance. But as you've heard in today's quarterly report, as well as through our commentary on previous quarterly calls, we're making great progress and doing so on a capital-efficient basis - as evidenced by today's news regarding the successful validation of the functionality of a proprietary and patented System-on-a-Chip, our plans for several more clinical studies in 2022 as we pursue a wide range of FDA clearances and the build out of our go-to market team, which is positioning the company for a beta release of the Movano Ring in the back half of 2022 and a broader commercial launch following a successful beta program.

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

Operator

Thank you. At this time, we'll 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 that your line is in the 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 any star keys. One moment while we pull for questions.

J. Cogan

Okay, Operator, while you're working on the phone lines, why don't we go ahead and take some questions from the webcast. I'll go ahead and ask those.

The first question has to do with balance sheet and cash. And generally, if we have enough funds to launch on a direct-to-consumer basis without raising additional capital. I'll go ahead and take this. Our cash burn was just under \$6 million in the first quarter of 2022. Pretty similar to what it was in the fourth quarter of 2021. And again, to reiterate, we had \$27.7 million in cash, cash equivalents, and short-term investments at the end of the first quarter. Capital deployment and efficiency are very important strategic objectives for the company. We've been making very targeted investments over the past four years, including team building, clinical studies, and tech development, which has served us well. And we expect to continue to be very efficient as we go. Both on an absolute basis, and also, relative to our peer set.

As we've talked about before, we don't provide financial guidance and we can't comment on the potential timing of capital raises, etc., as you're well aware. But as we've noted in our financial filings in the past, we expect to raise more capital over time. And we plan to continue to make good progress between now and whenever that might be.

John, I think the second question is going to be for you. Today's news on your single-chip solution sounds like an important catalyst. Can you give us some additional insights on what it all means? How it plays into your plans to launch commercial products, including both the monitoring of blood pressure and glucose?

John Mastrototaro

Sure, Thanks, J. Yeah, look, I'd have to say that today's news regarding the functionality of our single-chip solution is arguably the biggest milestone reached by our team today. And, you know, if you take a step back, we made a decision to build our own proprietary system on a chip to generate the greatest accuracy and cost efficiency in the market and allow us to reach the widest possible audience.

I think it's also important to note that this is not something that can be easily replicated, given our team's deep experience in RF and sensor development, as well as the significant IP that we've developed around it. And now it's very much de-risked from an investment standpoint, which we believe is quite attractive for our current and future investors. So what this means moving forward, is it'll further improve and accelerate our blood pressure and glucose clinical studies process, as well as our algorithm development initiatives. As you can imagine, we're building new prototypes in clinical testing as we speak and plan to do further testing in 2022.

Second, the single-chip solution is key to our commercialization pipeline, as it layers in blood pressure, glucose, and a range of other analytes and conditions we plan to measure, monitor, and provide important insights about and many of these we've yet to announce for competitive reasons. And also, due to the small size of the chip, we can integrate it into any form factor, including a ring.

So to summarize, the chip is proprietary, it's patented, and it's valuable in that there's simply nothing like it in the world with its capabilities. And we're really thrilled to have reached this significant milestone.

J. Cogan

Okay, let's move on to the next question. This one, I think will also be for you, John. Can you be a little more specific about the beta launch of the Movano ring as well as the broader launch to consumers? We had a few questions on this through the webcast and I think that will cover all those questions.

John Mastrototaro

Sure. Well, first, I'd like to reiterate that the beta launch is on track for the second half of the year, as we had announced in our last quarterly earnings call. And we've assembled a terrific go-to market team to help ensure a successful test of our first product. We have no shortage of interested beta testers, we've received more than 5,000 personalized messages from supportive individuals since unveiling the Movano Ring, most of whom have volunteered to participate in the beta launch. And of course, we're also looking at other opportunities for beta evaluation as well.

The beta program is going to provide us a valuable opportunity to collect feedback on our platform outside of the laboratory. And meanwhile, while that's happening, our go-to market team is actively preparing for the broader market launch following the successful beta program. And while we haven't announced the launch date, you can rest assured we're moving as fast as possible as we have with our other efforts as a company today.

J. Cogan

Okay, there's a general question about strategic partners, just looking for a little more insight and an update as to our process and progress.

John Mastrototaro

Well, the announcement of our plans to launch the ring certainly provided a catalyst for Movano to engage with potential strategic partners. As you can understand, we're not in a position today to be specific about the status of such conversations. But as we've noted in the past, we're seeing interest from a broad cross section of the healthcare, consumer, and technology sectors. In fact, the level of interest has definitely surpassed our expectations. And I think it speaks to the tremendous appeal of the Movano ring and the value that our solution could bring to consumers and potential partners.

There's several elements of the ring and our mission that have resonated broadly in our conversations: the focus on women, the aesthetically pleasing design of the ring, the medical grade data and pursuit of FDA clearances, the intelligent insights that connect cause and effect to help people understand how activities of their daily life affect their health, and finally, providing a solution that's affordable enough that it can be attractive to a mass audience. I think

those five things in general have really resonated with everyone that we've spoken to at this point in time.

J. Cogan

Okay, and there's one more here from the webcast. I think I can probably handle this one. And then we'll see what's happening on the phone lines after this.

Can you provide a little bit more detail on the ring in terms of the price, whether it's gonna be a subscription model, etc.?

We've talked about this in a few calls in the past but just to reiterate, we want our solution to be attractive and accessible to a wide audience, not a niche market. We remain very committed to that, as we believe good health is a fundamental right. We've also discussed that we've been leaning towards a subscription model that would be approachable to consumers and potential partners, and would also enable the company to reinvest in our solution, adding more features over time.

We're continuing to do research on this. And as we move through 2022, we'll keep you posted on the progress and the details. We're definitely looking at an economic model that's going to work both for our customers as well as for shareholders.

Okay, Operator, are there any questions on the phones?

Operator

At this time, I'm not seeing any questions coming in. I'd like to just remind the audience that if they'd like to ask a question, you may press star one.

J. Cogan

Okay, we'll give it a second there.

Operator

Okay, I'm not seeing anything coming in. I'd like to pass it back over to J. Cogan for any closing remarks.

J. Cogan

Thanks, Operator.

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

Thank you. This does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation and have a great day.