

Movano, Inc.
Second Quarter 2021 Earnings
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Presenters

John Mastrototaro, CEO

J. Cogan, CFO

Michael Leabman, Founder & CTO

Operator

Greetings. And welcome to the Movano, Inc. second quarter 2021 earnings call. At this time all participants are in a listen only mode. A brief 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.

As a reminder, this call is being recorded.

It is now my pleasure to introduce your host, J. Cogan. Thank you, J., you may begin.

J. Cogan

Thank you, Operator. Good afternoon everyone. And thank you for joining us today. We had a very productive quarter and our CEO, John Mastrototaro, will open today's call with prepared remarks about the progress we've made. Afterward I'll cover the highlights of our second 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 and A session.

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 and A session, these forward-looking statements are subject to inherent risk and uncertainties. The 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 would like to turn the call over to our CEO, John Mastrototaro.

John Mastrototaro

Thanks, J., and welcome everyone. We appreciate you joining us today and are looking forward to updating you on what we've accomplished over the last quarter. At Movano, we believe that

good health is a fundamental human right and it's this belief that motivates us every day. In terms of progress in Q2, I'm happy to report we've taken some significant steps forward on our multi-year journey to develop simple, smart, and personalized medical devices that empower health-conscious individuals to optimize their health today for a better future.

During our Q1 earnings call I shared our crawl, walk, run strategy for commercializing our technology by adding functionality and utility in a step-by-step fashion over time to execute our vision safely and thoughtfully. Smart, innovative investments and strategies are driving us towards success. We're taking the necessary incremental steps to reach our end goal of bringing a class two FDA cleared device to the market while at the same time carving a strategic pathway to class two exempt or class one products as a way to get our technology in the hands of consumers sooner.

At our current stage of development, we're focused on proving and miniaturizing the technology to achieve the final form factor of the wearable device and build our end-to-end system that will include a supportive app and cloud infrastructure. During the first quarter earnings call we recapped our first set of external clinical studies which were conducted last December using an iPhone sized prototype that incorporated our proprietary integrated circuits.

In collaboration with an independent FDA compliant clinical lab, we completed a blood pressure study on 40 people and a glucose study on 10 persons with Type 1 Diabetes. I'm happy to report that over the past several months we've continued to mature our technology and have enhanced our ability to collect data, enabling us to capture cleaner arterial wave forms.

We've also made substantial progress on algorithm development. And in parallel, we revised the clinical protocol for blood pressure studies, outfitted our very own clinical lab in the Movano corporate office space, and received institutional review board approval to conduct studies with up to 200 participants.

As we recently highlighted in an early July press release, we enrolled and collected pulse pressure wave form data from 45 external volunteers of varying gender, age, weight, ethnicity, and blood pressure. During each session participants wore Movano's prototype device along with a hospital grade FDA cleared vital signs monitor as the control. This study marked a significant milestone, confirming our ability to quickly, seamlessly, and efficiently enroll and test subjects and collect meaningful data at the Movano clinical lab.

This bodes well for future clinical evaluations where we plan to use even smaller wearable prototypes to secure the necessary volume of data to further enhance our technology.

Speaking of milestones, I'm excited to announce that we expect our new wearable prototype device to move out of the development stage and into testing by the end of the third quarter or early in the fourth quarter of 2021. We want to be clear that there are always risks involved

with the development of new technology, including potential delays during COVID, but we're encouraged with the progress to date and hopeful to be able to share details with you by our next earnings call.

We're transitioning from the iPhone sized tethered prototype to the first iteration of our completely wireless, battery powered, wrist worn wearable device. While we've significantly reduced the size of our technology, we've also increased its functionality and eliminated the need for cables and wires. The new prototype uses Bluetooth for connectivity which facilitates direct data transfer from the device to our mobile and cloud applications.

By getting our ICs into a wearable form factor we're taking a meaningful step toward productizing our technology. We expect this new wearable prototype to advance our testing capabilities and further improve the quality and quantity of data collected as well as enable our clinical team to conduct longer and more complex studies including continuous testing over the course of the day or night. As we move closer in size to a final form factor, this new prototype is expected to also provide important data for improved signal processing and algorithm development.

Continually moving forward, we plan to put the new wearable prototype to use in a series of clinical studies, the first of which could commence in the fourth quarter of this year representing another significant milestone.

We're also progressing with miniaturization efforts, transitioning from the multi-chip platform to a single chip solution. The single chip packages all of our proprietary ICs into one integrated circuit and provides the flexibility to design innovative new form factors that will be key to developing competitive commercial products.

Core to advancing the technology over the past quarter has been the expansion of our team. Most notably, we incorporated a subsidiary in Ireland. Our Irish subsidiary provides favorable economic incentives and creates an early presence in Europe where we can access talented candidates. We're excited about the opportunity to grow our team, expand our reach, and enhance our technology capabilities.

At Movano we're confident that we're developing the right product at the right time. Healthcare is transitioning from a practice of treating the sick to a consumer driven health market focused on preventative care and longevity. As we've seen over the past year and a half, the pandemic has affected everyone, those with chronic conditions or not, and it has accelerated the desire for a connected, digitally enabled health and wellness platform predicated on devices that provide medical grade diagnostics in addition to lifestyle fitness stats.

Consumers want to take charge of their vital signs and wellness metrics to not only feel their best but also prevent or delay the onset of chronic diseases like hypertension or diabetes.

We're developing a product that's at the intersection of the medical device and consumer device market, and it will meet the new health demands of today's consumers. Our non-invasive and comfortable medical devices in multiple form factors are designed to fit into everyone's unique lifestyle.

Whether you have or are at risk of diabetes, hypertension, or are interested in maintaining a healthy lifestyle, we aim to provide you and your network of doctors and caregivers with more frequent and digestible data that offer simple actionable insights. Our solutions will incentivize people to be more proactive about their health, to help mitigate, delay, or avoid the effects of chronic disease.

We believe our patented technology provides a competitive advantage in that it can be deployed in a non-invasive and cuffless solution and be packaged in small and stylish wearables, so users feel 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 that our solutions will be priced more affordably compared to current medical devices. We believe these features will drive rapid widespread adoption.

As I wrap up my statement, I will leave you with a few key takeaways. We're assembling a top-notch team of experts to develop our product. We're making significant progress thus far and are laser focused on achieving our goals. We're vigilant in delivering value to consumers in a simple, intuitive, and personalized way. And everything we do is geared toward delighting our customers.

I'm excited about the path we're on and the momentum we're building, believing that good health is a fundamental human right and Movano can provide simple, smart, and personalized solutions that will help people on their health journey to optimize for good health today and help prevent, alleviate, and manage chronic disease in the future.

Let me turn it back to J. to discuss the quarterly results.

J. Cogan

Thanks, John. We detailed the financial results in today's 2Q 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 \$5.0 million dollars in the second quarter of 2021, compared to an operating loss of \$2.7 million in the year ago period. For the six months ended June 30th, 2021, we reported an operating loss of \$8.3 million versus an operating loss of \$4.8 million in the first half 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 second quarter, we had \$42.7 million of cash, cash equivalents, and short-term investments on our balance sheet and total assets of \$45.1 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 to our medical device and testing efforts, and continue to absorb the costs of being a public company.

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

Operator

Thank you. We'll now be conducting our 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 question queue. You may press star two if you would 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. Participants connected on the web may also submit written questions. One moment please while we pull for questions.

J., I believe there are a few web questions coming through.

J. Cogan

Yeah, thank you. The first question from one of our interested investors is as the pandemic continues to unfold how is it shaping your views on your end product?

John Mastrototaro

Well thanks, J.. Well first, we're very confident that we're developing the right product at the right time. I mean clearly the pandemic has affected everyone, those with chronic conditions or not, and it's accelerated the desire for connected, digitally enabled health and wellness platforms. Our goal is to provide a holistic solution with a number of features to help people achieve better overall health, and we're working to provide the data in a way that leads to simple and actionable insights for people overall.

Any other comments, J.?

J. Cogan

I think we're just trying to make sure that we provide a product where people will be incentivized to be more proactive about their health, receiving those meaningful insights, helping users to mitigate, delay, or avoid the effects of chronic disease. It's a significant opportunity obviously and, given the length of this pandemic and the impact it's had, we believe it's probably a bigger market opportunity today than it was when we first started this effort a couple years ago.

Let's go to the next question. On the wearable prototype device, give us a little more context about what it really means to clinical testing or potential acceleration of your commercialization prospects.

John Mastrototaro

Thanks. Well first off, I think the development of this new wearable prototype is a pretty big deal for a couple of main reasons. First off it helps demonstrate that we're moving quickly to miniaturize the technology. If you'll recollect about a year ago, we were dealing with a prototype device that was about the size of a pizza box. Then in last December we had a prototype that was about the size of a large iPhone, and now we're on the cusp of developing a wearable prototype that's about Apple watch sized.

And so we've continued to shrink down the size pretty rapidly and it's going to get even smaller as we prove out our single chip solution in the coming quarters. So this is one element of what we're doing, which is really important in terms of what this prototype means. It's another step along our pathway to getting closer to a commercial product in terms of the form factor.

Now the other thing that's really important about this wearable prototype is the fact that it's going to help us with our clinical trials. It's going to allow us to run trials that are longer in duration, have users wear the product day and night, and capture more data that our algorithm team needs to accelerate the development of the metrics for measuring different parameters in the body. So that's important.

The other piece that's important related to that is that as we shrink down the size of this wearable we can better locate the energy that we're passing into the body where we want it, and we believe we're going to get cleaner signals out which will also aid in the development of our algorithms and improve the accuracy of the data that we're collecting. So, at the end of the day all of this is really marching us towards where we want to be for a commercial product.

J. Cogan

Great. Thanks. Let's move on to the next web question. Can you give us a little more of an update on the single chip solution? What are the biggest advantages or differences versus your current multi-chip solution?

John Mastrototaro

Sure. So the current new wearable device that we're bringing out now that we just spoke of is comprised of multiple integrated circuits. The new single chip solution basically takes all of those and puts it into one. So it shrinks the size down significantly to have one chip versus many, and it optimizes for lower power so obviously that effects battery life and recharging and those types of things.

And the single chip solution is really going to form the basis of our commercial products. To be able to develop and design innovative form factors which will make us very competitive in that. And we're not going to talk about dates right now for when that chip is going to come out, but I can tell you that our IC team is laser focused on moving really quickly to get this chip taped out and get it ultimately into the product.

J. Cogan

Okay. It looks like the questions are still coming primarily to the web. So let me ask a couple more here, John. How is this chip shortage affecting your development efforts?

John Mastrototaro

Well, that's a great question. I mean we've heard of the new term chipageddon and things like that happening out there. You know, although we're a small company we have a really experienced team and board of directors, and we understand that these macro forces due to COVID and other things can have some real direct or indirect impact on our technology development and the company in general.

Fortunately to date it has not materially affected our progress and we're being very proactive to minimize any future impacts by just doing really great planning and assuring that we're taking all the right steps to identify what we need as part of the product and to access what we need early.

J. Cogan

Okay. This next question is about cash burn. I can probably take this one, John. The question is how much cash are you burning now and how far can the IPO proceeds get you?

That's a great question. As you'll remember we raised about \$45 million in net proceeds from the IPO back in March. And that combined with the cash that we had on the balance sheet at that time provided us plenty of runway in our view to prove out the potential of the technology and also unlock its value. As you're going to see in our 10-Q today which will be published shortly, if it's not on the web already, our cash from operations burn was a little bit less than \$8 million in the first half of 2021.

As we talked about on the call, we're not going to provide specific financial guidance given our early stage and as a general practice. That said, if you take a broad view, we think the IPO provided us with two years or more of runway based on our current operating model.

Okay. Next question. In dealing with potential future partners what are they telling you about your solution versus the optical solutions that they've seen?

John Mastrototaro

Okay. Well first with regard to strategic partnerships, our current plan is to develop, produce, and sell the product ourselves. But certainly we're going to be open to partnerships. There are going to be many potential opportunities considering the overlap between med-tech, digital health, and consumer electronics. But at this point we're not locking ourselves into one approach or another.

With regard to the optical technologies versus RF, I mean optical has been around and evaluated for many, many years. Optical approaches are there for certain things like PO2 and others today. As it relates to blood pressure and glucose, it's been a challenge. Optical

approaches have some advantages including the size and the cost of the technology. But there's challenges related to skin thickness, pigmentation, and other things that affect the optical wave forms and trying to make measures of various parameters.

RF technology is different than optical. It doesn't share those challenges. It has other challenges, certainly, but it doesn't have those in particular. And we know that there's some things we can do with the RF and we've seen some things in it that give us optimism about where the technology is going.

When dealing with a future partner and what they think about the technology, well, I can tell you that I used to be that future partner for 20 plus years and looked at a lot of optical and other approaches. And those partners aren't so concerned about what technology that you're using to make the measurement. They're really concerned about the data. At the end of the day, they're looking for data from patients. They're looking at the accuracy. They want to understand how the product performs.

I know exactly what they're looking for because I was one of them for 20 years. And at the end of the day what we've got to do as a company is we've got to prove that our product and the technology is able to provide those metrics with an accuracy that's commensurate with what they want to see in the product. And so I have a really good understanding of what we need to do to get there and what they're going to want to see. And the challenge for us is to develop the technology out and get there.

And so that's what we're focused on as a company today is to really get it to that point where it's going to meet muster with any partner or any consumer who's going to be using the product ultimately.

J., I don't know if you have anything you'd like to add.

J. Cogan

No, I think you covered it pretty darn well. It doesn't look like we have any questions from the phones yet. Paul, am I right with that?

Operator

Yes, there are no questions on the phone line at this time.

J. Cogan

Okay. I think we've got one more. We've covered a lot of ground from the web questions. There's one that maybe we can talk a little bit more about, John, in terms of just the competition broadly. How are we working to stay ahead, you know, the market opportunity?

John Mastrototaro

Well, that's a great question. Well first off, I think one thing that's very clear is this is a really big market opportunity. You know, right now there's 100 million people in the U.S. with diabetes or pre-diabetes, another couple hundred million with hypertension or pre-hypertension. These are big, big markets out there. And because of that fact there's an opportunity for a lot of different players.

I think that there's a couple of things that we're trying to do that's going to hopefully separate us from others. One, we want to provide the wearable component in a variety of form factors so that people have choice. And we want to make sure that it's appealing, the form factor. So that's very important to us. And fortunately, with a lot of wearables that are on the market today we've had the opportunity to watch and learn and see what people like ourselves like and don't like about the technology.

And it gives us the opportunity to improve upon some of those things. So that's one element. The other piece that we're really focused on is the user interface and how we communicate to users, how we take all these metrics and provide insights to people. And that's a big focus for us. We want to make this simple. We want to make it very smart system, but we want to do it in such a way that we can distill down all this data to something that's meaningful to folks that they can use to help improve their health and help understand how different activities or things they do in their daily lifestyle impacts certain medical metrics or vital signs that we're collecting over time.

And so we hope to incentivize people to do the right things that will lead them to better health and avoid any of the long term complications or other things present from hypertension, diabetes, or other issues and be able to have the level of healthy longevity that everyone would want to have.

J., I don't know if you have anything you'd like to add.

J. Cogan

Yeah I think we often get questions about--I want to make sure we mention it here, you know, how would a small company like yourself be able to compete against the larger entities out there. And, I mean, there are several start-ups as I'm sure many people on the call recognize that are already out there competing against the major players in the broader health market today.

They appear to be doing quite well, based on all the press reports we've seen. Products are in high demand, they're raising capital at healthy valuations. They're providing a variety of features, but not blood pressure or glucose, to date. And I think that's just a real time example of how some other start-ups are successfully making their way. And we expect to as well, as we move through time.

I think that's it for the questions today based on what I see. We want to thank you all for your time today and we look forward to sharing our progress on future calls. 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. You may disconnect your lines at this time. Thank you for your participation. Have a wonderful evening.