



**Mynaric AG (2023 HY Results)
September 14, 2023**

Corporate Speakers

- **Tom Dinges**; Mynaric AG; Vice President, Investor Relations
- **Mustafa Veziroglu**; Mynaric AG; CEO
- **Stefan Berndt-von Bulow**; Mynaric AG; CFO

Participants

- **Greg Konrad**; Jefferies; Analyst

PRESENTATION

Operator

Good day and thank you for standing by. And welcome to Mynaric 2023 Half Year Results Conference Call.

After the speaker's presentation there will be a question-and-answer session. (Operator Instructions). Please be advised that today's conference is being recorded.

I would like to introduce your host for today's conference, Tom Dinges, VP, Investor Relations. Please go ahead.

Tom Dinges – Mynaric AG - VP, Investor Relations

Thank you, operator. Welcome everyone to Mynaric's Half Year 2023 Results Webcast Call. Prior to this call, we released our half year 2023 results which are available for download on the investor relations section of mynaric.com. Before we begin today's formal presentation and remarks, I must remind you that this presentation and oral statements regarding the subject of this presentation include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended. All statements other than statements of historical or current facts contained in this presentation are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and assumptions that are difficult to predict or are beyond our control, and actual results may differ materially from those expected or implied as forward-looking statements.

The forward-looking statements included in this presentation are made only as of the day hereof. Neither we nor any other person undertakes any obligation to update any forward- looking statement to reflect events or circumstances after the date of this presentation or otherwise. This presentation may include certain financial measures not presented in accordance with IFRS. Such financial measures are not measures of financial performance in accordance with IFRS and may exclude items that are significant in understanding and assessing our financial results. Therefore, these measures should be considered in isolation or as an alternative to loss for the period or other measures of profitability, liquidity, or performance under IFRS.

With that out of the way, we have a great agenda for you today. We will begin with opening remarks by Mustafa, following that, Stefan will discuss our half year 2023 for financial results and our outlook for 2023. Following the formal presentation, we'll take questions from analysts. We anticipate this call will last no more than one hour.

On the call today are Mynaric's CEO, Mustafa Veziroglu and Mynaric's CFO, Stefan Berndt-von Bulow.

With that, it's my pleasure to turn the call over to Mustafa for his opening remarks. Mustafa?

Mustafa Veziroglu – Mynaric AG - CEO

Thank you Tom.

Mynaric reported solid results for the first half of 2023 as we prepare for significantly higher production level over the coming months. Our order momentum and funnel of new opportunities remains strong. We reported another strong increase in order backlog in terms of optical communication terminals which at end of June stood at 370. Additionally, our cash in from customer contracts in the first half of 2023 is larger than what we had reported for all of last year. We remain disciplined in our investment strategy to support the future growth of the business and our pipeline of opportunities remains the highest in our history.

Across both the commercial and government sectors, we see operators moving past the design and development stage and are actively selecting suppliers to formally launch their constellation over the coming years. Some, like the Space Development Agency are now well into their deployment phase on their initial Tranche 0 awards. SDA has completed all the announcement for Tranche 1 awards and are now starting to announce the satellite providers for their initial phases of Tranche 2. We expect to hear more Tranche 2 awards to the satellite providers in the coming months.

Following the satellite build awards to satellite vendors, we select our key subsystem providers such as those like Mynaric supplying optical communication terminals. On the commercial side, there are number of significant opportunities that are moving into RFP stage. Some of those are very large mega constellation while others are smaller, more regionally focused and specific use case focused. Specifically you've seen two major developments within the mega constellations as Rivada selected Terran Orbital and Telesat selected MDA as their satellite provider. Following the selection of the satellite provider, we would expect for the satellite provider to select key subsystem providers over the coming months.

We've also seen continued developments on the IRIS acquired constellation for Europe as the bids for the technical specifications are starting to develop, while major funding has been approved. The team has worked hard to ensure we are in position to meet the needs of these significant programs as they look to make their final selections over the coming months.

Taking a quick look back since the start of the year, we've announced a number of key awards that we believe positions us well for the future awards. As we have said many times in the past, successful execution and incumbency are powerful predictors of future success in our industry. The awards announced this year include multiple awards in support of the SDA's proliferated war fighter space architecture with key customers, such as Loft Federal and most recently, Raytheon, which when added to the previously announced awards with Northrop Grumman, we believe gives us a high market share within this program. We are extremely proud to support this program.

In addition, we secured our first award in the Japanese space market. We also signed a definitive agreement for a \$24 million award with a new undisclosed US-based customer for the delivery of CONDOR Mk3 optical communication terminals.

Finally, we've received two separate awards for the development of ground-based terminals. One, in support of Germany's QuNET initiative related to quantum key distribution. The other award is a direct award from the US SDA to develop and test connections between space-based and ground-based terminals.

Also, in the first half of this year, we delivered multiple development units to multiple primes for the SDA interoperability testing. We're executing on our plan to begin the terminal deliveries in the coming months and throughout the next year. We anticipate we should have our first terminals in space in the second half of 2024 based on our customers' current launch schedule.

As we stated on our full 2022 results call in April, we're focused on continuing to improve our operational excellence. This focus remains on three main areas including production readiness, continuous process improvements and streamlining the product development process. As sole CEO, my focus continues to be in those areas while also keeping a keen eye on the long-term strategic needs of the company. This includes ensuring that we have all the resources we need to capitalize on the tremendous multiyear opportunities we see ahead of us.

The team has continued to make great strides to ensure we are ready to handle serial production. This includes building pre-serial production units, verifying our assumptions about pack times involved in the different manufacturing and assembly steps and ensuring that our data systems are ready for the demanding requirements of complex aerospace systems production documentation.

In addition, we have accelerated our hiring plans to ensure we have the necessary levels of operations personnel needed to support current and any additional near-term orders. I can tell you we're well prepared for the opportunity ahead, and I believe we have the right team with the right products and the right operational structure and capacity to capitalize on this opportunity.

With that, let me turn it over to Stefan to walk you through our results in more detail. Stefan.

Stefan Berndt-von Bulow – Mynaric AG - CFO

Thank you Mustafa.

Let's turn to our results for the half year 2023. First, turn to two key businesses managers that we believe will continue to best demonstrate the momentum we are seeing in the business. (Technical difficulty) project, this is a key forward-looking predictor of revenue as the cash is only received as we meet contractual milestones.

There is significant lag between when cash is received from customer contracts and when shipments are made. This value is depending on contract terms. As a reminder, these are contractual payments received when certain milestones are met, and full delivery and acceptance has not been reached. In essence, this is pre-revenue cash receipts, and we believe a very significant indicator of the future revenue of the company.

As Mustafa said, cash in from customer contracts for the first half of 2023 was EUR23.0 million which is greater than the EUR18.3 million we reported for all of 2022 and up very nicely from the EUR7.9 million we reported in the first half of 2022. Second, optical communication terminal backlog in units at the half year was 370 units compared to 256 units at year-end and up

from 211 units at the half year 2022. As a reminder, our current terminal backlog is heavily weighted towards government funded contracts including programs with the SDA. We continue to see a strong and steady pipeline of opportunities for all terminal products across both government and commercial markets.

Let's look at a few other figures before opening the call for questions.

Revenue was EUR4.4 million for the half year 2023, compared to EUR4.4 million for all of 2022. The year ago period, we reported a very small amount of service revenue. Revenue in the first half of 2023 was driven by terminal shipments to multiple customers, as well as service revenue. Our current contractually committed optical communication terminal backlog primarily consisting of CONDOR Mk3 product mostly foresees CONDOR shipments starting over the coming months of 2023 throughout 2024 and into the first half of 2025.

Cost of materials decreased by more than 52% compared to the year ago period, driven by reduced costs for finalizing the development and testing of our products as well as production line testing. Raw materials and consumables used included a write-down of EUR671,000 for the half year 2023. As our production rates increase substantially over the coming months and into next year, we expect our cost of material to increase.

Personnel costs increased 8% compared to the year-ago level as we continue to add talent and capabilities to our team but at a much slower pace than we reported in the prior periods. This is in line with that we discussed this year in April during our full year 2022 results call.

Currently, our total headcount similar to the level we reported at end year 2022 at around 300 employees. Looking ahead, we expect to continue to add to our operation headcount as we look to support high level of production, which we've discussed with you previously.

We are taking a disciplined approach to adding other operating expenses. We feel comfortable with the overall investment in engineering. We believe the growth rate in personnel expenses over the near-term should remain near the first half level.

Overall, the company reported an operating loss of EUR28.3 million for the half year 2023 compared to an operating loss of EUR34.9 million for the half year 2022. The more than EUR6 million reduction in our half year reporting loss was the result of higher revenue, decreased costs for production development, setup and testing of production, capacities and other cost reductions.

Compared to the first half of last year, we reported higher personnel costs as we continue to add headcount to support our production ramp. This increase was partially offset by lower other operating costs, specifically our insurance costs.

Now let's turn to a few key balance sheet figures. Our cash balance at the end of June 2023 was more than EUR47 million compared to EUR10.2 million at the end of 2022. This includes the debt and equity raise we concluded this year as well as an impact from the prepayment of our previous line of credit along with fees and expenses. We remain in a market-leading mode and as a pre-breakeven company, we expect our cash balance to decrease from today's level through year-end before stabilizing in late 2024.

With our debt and capital raise completed in April, we believe we have a strong balance sheet and are very well positioned to capitalize on the opportunities ahead of us.

Inventories were EUR17.9 million, up from EUR13.3 million at the end of last year as we continued to invest in component inventory ahead of the expected ramp in the terminal production over the remainder of this year. Property, plant and equipment were EUR24.0 million compared to EUR22.3 million at year-end 2022.

We invested EUR1.5 million in property, plant and equipment in the first half of 2023, as compared to EUR6.4 million in the first half of 2022. We expect our investments in property, plant and equipment to increase from this level in the second half of 2023 and likely hold at this higher level next year, given the anticipated significant higher rates of production over the coming months and into 2024.

Now let me walk you through our guidance for 2023. For 2023, we continue to expect cash in from customer contracts to increase significantly for the

full year '23. Our cash in from customers in the first half of the year was driven by milestone payments and customer deposits. Over the next 12 to 18 months as our production level increase, we expect cash-in from customer contracts to be a bit more balanced in terms of deposits and milestone payment relative to delivery related to receipts.

So, as we see our shipments start to ramp, cash in from customer contracts will be much more closely correlated to shipments going forward. As noted earlier, we have had a great start to the year in terms of cash in from customer contracts which yield today cash in earlier already above last year's level and we see a strong pipeline of cash in based on secured orders and potential opportunities through year-end.

We expect continued growth in our optical communication terminal backlog by the end of this year. As we expect our year-end 2023 optical communication terminal backlog to increase significantly compared to 2022 level. As a reminder, the backlog is net of shipments, and we have a strong ramp in shipments projected for the coming months and into next year.

Additions to the year-end backlog will be a function of our ability to capitalize on a number of opportunities that could close by year-end. And our team remains well positioned to capture these. These opportunities are across both the government and the commercial sectors, as well as spanning all our product lines. As a reminder, we define a significant increase as a year-over-year increase of 30% or more.

With that, operator, would you please provide instructions for the question-and-answer session. Operator.

QUESTIONS AND ANSWERS

Operator

Yes, thank you. (Operator Instructions).

Please stand by while we compile the Q&A roster. And one moment for our first question. One moment. And our first question comes from Greg Konrad from Jefferies. Your line is now open.

Greg Konrad - Jefferies LLC, Research Division - Equity Analyst

Good morning. Maybe just to start, I mean, you mentioned pipeline is the biggest in history. Any metric or thoughts in terms of maybe the number of terminals in the current pipeline or kind of submitted bids?

Mustafa Veziroglu - Mynaric AG - CEO

So, you're talking about forward-looking statements, right?

Greg Konrad - Jefferies LLC, Research Division - Equity Analyst

Correct.

Mustafa Veziroglu - Mynaric AG - CEO

Right. So, obviously, we have a lot of identified opportunities. But I'm not sure we can really comment specifically on the aging or the opportunities or the probabilities at this point.

Greg Konrad - Jefferies LLC, Research Division - Equity Analyst

And then just on the 370 terminals in backlog, I mean, how are you thinking about the cadence of those shipments?

You shipped three in H1 and talk about a substantial ramp in the second half. But maybe contractually, I mean, how are you thinking about shipments in H2?

Mustafa Veziroglu - Mynaric AG - CEO

It's a good question, by the way.

It's all driven at the end of the day by the launch schedule for Tranche 1 for the primes. And we are working very well with all our prime customers on their schedule needs. And each one has its own variance on time and delivery. So, in terms of the ramp on that, obviously, we plan to start shipping in volume this year, and we anticipate the bulk of the shipments to continue on over the next 12 months or so.

Greg Konrad - Jefferies LLC, Research Division - Equity Analyst

And then maybe just one last one. I mean, you talked about the two ground terminals contracts and we've seen that contract come through the SDA. When you think about that opportunity, I mean, how does that compare relative to size, the terminals themselves versus kind of the ground infrastructure opportunity?

Mustafa Veziroglu - Mynaric AG - CEO

I mean, from the opportunity size, the biggest opportunity in front us is in space.

However, like any other market, it starts with one and two, and then it blossoms into larger opportunities. So we think there's potentially a significant opportunity. The quantities would not be as large since there isn't as many satellites that will be launched. But there will be a meaningful demand for ground stations, and this would be our first two forays into that market.

Greg Konrad - Jefferies LLC, Research Division - Equity Analyst

Thank you.

Operator

And thank you.

(Operator Instructions). One moment while the Q&A compiles.

And I am showing no further questions. I would now like to turn the call back over to Tom Dinges for closing remarks.

Tom Dinges - Mynaric AG - VP, Investor Relations

Thank you operator.

For further information about our upcoming engagement with the investment community, please visit the investor relations section of mynaric.com.

Thank you everyone who joined us today, and we thank you for your interest in Mynaric. We will speak with you all again when we release full year 2023 financial results. Goodbye for now.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.