

Q3 2018 Quarterly Report





Huddly IQ launched

Huddly IQ launched on 24 September 2018. Huddly IQ is among the first of its kind – an Artificial Intelligence (AI) powered collaboration device, featuring 150° wide-angle video, an embedded mic array and a powerful onboard neural engine that enables cutting-edge AI features and advanced meeting room analytics. Huddly IQ is among the first collaboration camera products globally to be released using Intel’s cutting edge Myriad X chip.

One of the first intelligent features to be released with Huddly IQ is Huddly Genius Framing, which detects the people in the meeting space and responds by automatically framing them for the far-end viewer, removing the need to manually control the camera. See further information about Huddly IQ [here](#).

The launch of Huddly IQ demonstrates Huddly’s continued focus on AI and machine learning as being core to Huddly’s business. You can learn more about Huddly’s focus in this area [here](#).

Consistent with this continued evolution into an AI and machine learning driven business, we have further developed our visual design profile, with a more simplistic, strong and clear approach, while still keeping our Nordic heritage.

R&D and Product

Huddly is currently preparing for shipping of the Huddly IQ. We are also conducting early field trials with selected customers to verify both quality and experience.

More broadly, our Research and Development (**R&D**) focus on training our AI model is a continuous process which will persist past the release of the Huddly IQ as a part of driving new and innovative AI and machine learning product features. As part of our continued focus on AI and machine learning, we continue to gather relevant data, label it and train our cameras on it to enhance Huddly’s object detection capability. We are also continuing to grow our AI and machine learning team capability to support our exciting product and service roadmap.



Sales

Q3 saw a record quarter in terms of the number of order bookings received by Huddly which is partly due to the Huddly IQ launch. We are seeing customers order the Huddly IQ, which has impacted Q3 sales but we believe will positively influence Q4 shipments and positively impact our product margin.

While we focus on our existing strategic accounts (e.g. [Google](#) and [Crestron](#)), growing new strategic accounts remains a core focus. We are continuing to strengthen our sales team and we are seeing solid growth in new resellers and distributors across all geographic regions. We have also further developed our partner program which we believe will result in additional sales, develop our focus on geographic regions, optimise margin and in provide our customers with access to new products and services.

Microsoft Ignite 2018

Huddly participated at Microsoft Ignite which is the Microsoft flagship end user and developer event globally with 300+ exhibitors, 30,000 attendees and covering all elements of the Microsoft's solution portfolio.

Microsoft expressed strong support to Crestron regarding their solutions incorporating our products (see the [Flex product portfolio](#)). We also continue to focus on Microsoft certification for the Huddly IQ which is important from the perspective of focus on the Microsoft solution environment.

We see Microsoft Ignite as a gateway event to strengthen our existing strategic partnerships as well as facilitating our roadmap of future products, services and features.

Changes in Huddly management team

We continue to focus on building capability in our management team to support our growth and development objectives. In line with that focus, we are excited to welcome our new Chief Financial Officer, Øystein Drageset, and we congratulate Stein Ove Eriksen (Huddly co-founder and former Chief Product Officer) for his appointment as Huddly's Chief Technology Officer.



Financials (Huddly Q3 – unaudited)

We have invoiced approximately 21,000 cameras this year, as at the end of Q3 2018, in line with the base-to-mid-case range of camera sales volumes we projected in April this year.

We have in Q3 changed reporting to be according to International Financial Reporting Standards (IFRS), which will be followed in Annual Report 2018 and following Quarterly Reports.

Total revenue in Q3 2018 was NOK 14.342m and NOK 45.700m YTD 2018. Cost of goods sold in Q3 is attributable to direct manufacturing costs in the same period. Compared to the first half of 2018 we have seen a reduction in manufacturing costs in Q3 and thus an increased gross margin percentage. This is in accordance with our projected reduction of manufacturing costs.

Payroll continues to be the primary driver of our operational expenditure and we see this increasing due to increased headcount from Q2 to Q3 primarily to drive our sales capability. R&D costs are capitalized and amortized linearly over a 3-year period.

EBITDA for Q3 2018 was negative NOK 10.040m and negative NOK 26.754m YTD 2018. The vast majority of Depreciation and Amortization is amortization of capitalized R&D costs.

Consolidated P&L	Q3	YTD
kNOK	2018	2018
Revenue	14,342	45,700
COGS	(9,431)	(31,412)
Gross Margin	4,911	14,287
OPEX	(14,951)	(41,041)
EBITDA	(10,040)	(26,754)
Depreciation and Amortization	(7,081)	(17,612)
EBIT	(17,121)	(44,366)

- Figures are reported in functional currency NOK
- All lines are accounted for according to IFRS. COGS is included as the direct cost of manufacturing. Capitalization of R&D costs and warranty accruals are included, whereas they were excluded in Q1 and Q2 report for 2018.

This document (the "Report") has been produced by Huddly AS (the "Company", "Huddly"), to provide information to authorised recipients of this document ("Recipient"). An authorised recipient is a person to whom Huddly has directly provided a copy of this document or to whom Huddly has made available via a third party authorised by Huddly. The Recipient acknowledges and agrees that all intellectual property rights in the Report vests in the Company. The Recipient may only use this Report for the sole and exclusive purpose of considering potential investment in the Company. No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including but not limited to projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein. This Report is current as at 30 September 2018 and relates to Q3 2018. There may have been changes in matters which affect the Company subsequent to the date of this Report. Neither the issue nor delivery of this Report shall under any circumstance create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed. This Report is subject to Norwegian law, and any dispute or claim arising in respect of this Report is subject to the exclusive jurisdiction of Norwegian courts.

www.huddly.com

