

# SPECTRA7<sup>®</sup>

## Company Overview



TSX Venture  
Exchange

TICKER: **SEV**  
TSX VENTURE EXCHANGE



TICKER: **SPVNF**  
OTCQB VENTURE MARKET



## Cautionary Notes

This management presentation is intended to provide an overview of the business of Spectra7 Microsystems Inc. ("Spectra7," "we," "us," "our," and together with our subsidiaries and variable interest entities, the "Company"). It has been prepared for information purposes only and does not purport to be complete. It is not intended to be relied upon as advice to or as a solicitation from investors or potential investors in connection with a distribution of securities of the Company and does not take into account the investment objectives, financial situation or needs of any particular investor.

### FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. These statements include statements about our plans, strategies, financial performance, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, the actual results, performance or achievements of the Company may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "continue," "likely," "will," "would," and variations of these terms and similar expression, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company and its management team based on their experience are inherently uncertain. All statements in this presentation regarding our business strategy, future operations, financial position, prospects, business plans and objectives, as well as information concerning industry trends and expected actions of third parties are forward-looking statements. All forward-looking statements speak only as of the date as of which they are made. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions concerning future events that are difficult to predict. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, the risk factors discussed in the Company's Management's Discussion & Analysis for the year ended December 31, 2021. Management provides forward-looking statements because it believes they provide useful information to investors when considering their investment objectives and cautions investors not to place undue reliance on forward-looking information. Consequently, all forward-looking statements made in this presentation are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this presentation and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

### CAUTIONARY NOTE REGARDING FUTURE-ORIENTED FINANCIAL INFORMATION

To the extent any forward-looking statement in this presentation constitutes "future-oriented financial information" or "financial outlooks" within the meaning of applicable Canadian securities laws, such information is being provided to demonstrate the anticipated market penetration and the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such future-oriented financial information and financial outlooks. Future-oriented financial information and financial outlooks, as with forward-looking statements generally, are, without limitation, based on the assumptions and subject to the risks set out above under the heading "Forward Looking Information". The Company's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's revenue and expenses.

### INDUSTRY INFORMATION

This presentation also contains or references certain market, industry and peer group data which is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Although the Company believes these sources to be generally reliable, such information is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of data, the voluntary nature of the data gathering process and other inherent limitations and uncertainties. The Company has not independently verified any of the data from third party sources referred to in this presentation and accordingly, the accuracy and completeness of such data is not guaranteed.

### US DISCLAIMER

This document is not an offer of securities for sale in the United States or in any other jurisdiction. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.

### NON-IFRS MEASURES

This presentation may contain certain financial performance measures that are not recognized or defined under IFRS ("**Non-IFRS Measures**"). As a result, this data may not be comparable to data presented by other companies. The Company believes that these Non-IFRS Measures are useful indicators of performance and are specifically used by management to assess the current and future performance of the Company. Non-IFRS Measures should be considered together with other financial information prepared in accordance with IFRS to enable investors to evaluate the Company's performance and prospects in a manner similar to the Company's management. Accordingly, these Non-IFRS Measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### CURRENCY

All dollar amounts in this presentation are presented in US Dollars unless otherwise stated.

# Spectra7 at a Glance

## Company Overview

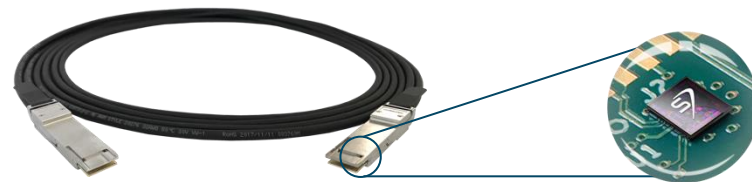


- Spectra7 Microsystems Inc. is the leader in high-performance analog semiconductor products for broadband connectivity markets
- The Company headquarters is in San Jose, CA, with sales and operations support in Dongguan, China
- Tickers: SEV (TSX-V), SPVNF (OTCQB)
- Corporate HQ: San Jose, CA
- Incorporated: 2010
- Technology backed by 55 patents

## What We Do

- Our high-performance analog chips are embedded in the connector of an active copper cable, enabling it to be ultra-thin with high-speed connectivity
- Spectra7 is the leader in the Active Copper Cable market.
- Customers deploying our Active Copper Cable solutions benefit from both CapEx and OpEx savings

## Spectra7 Product Illustration



## Blue-Chip Cable Partners and End Users

**Tencent**

**aws**

**Google**

**Microsoft  
Azure**

**molex**

**Amphenol®**

**FOXCONN®**

  
**Hewlett Packard  
Enterprise**

  
**CISCO**



# Why Spectra7

## Highly differentiated solution in fast growing market

- Focused on the high-growth massive global hyperscaler market
- Fills a critical connectivity gap with a unique, high-speed, low-power solution
- Significant operating cost advantage to customers

## Large base of design-ins converting to revenue

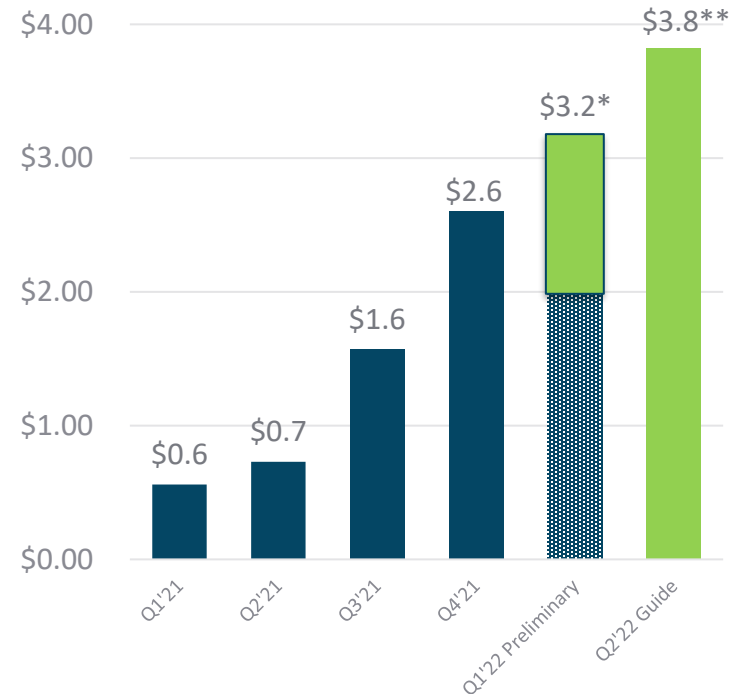
- 103 design-ins, most with major global hyperscale data center operators
- 6 design-ins already in production with a global leading customer
- Actively moving additional global customers into production phase

## Rapidly scaling revenue

- 2022 unconstrained demand is expected to exceed \$20.0 million
- 2022 starting customer orders was \$9.0 million
- Highly scalable, lean operating platform

**H1 2022 Revenue Guide:  
\$5.5 to \$7.0 million**  
**Expected unconstrained demand in  
excess of \$20.0 million in 2022**

Adjusted Revenue Trend  
\$M USD



\* Q1 revenue as pre-announced was \$2.0 million. Chart reflects revenue adjusted for the effect of \$1.2 million of customer orders for Q1, shipped and recognized as revenue in April 2022 due to the late March 2022 COVID-19 surge in key manufacturing centers in China.

\*\* Upper range of H1 revenue guidance, less adjusted Q1 revenue



# Spectra7 Technology Addressed Markets



Consumer



Augmented/Virtual Reality



Data Center



Automotive



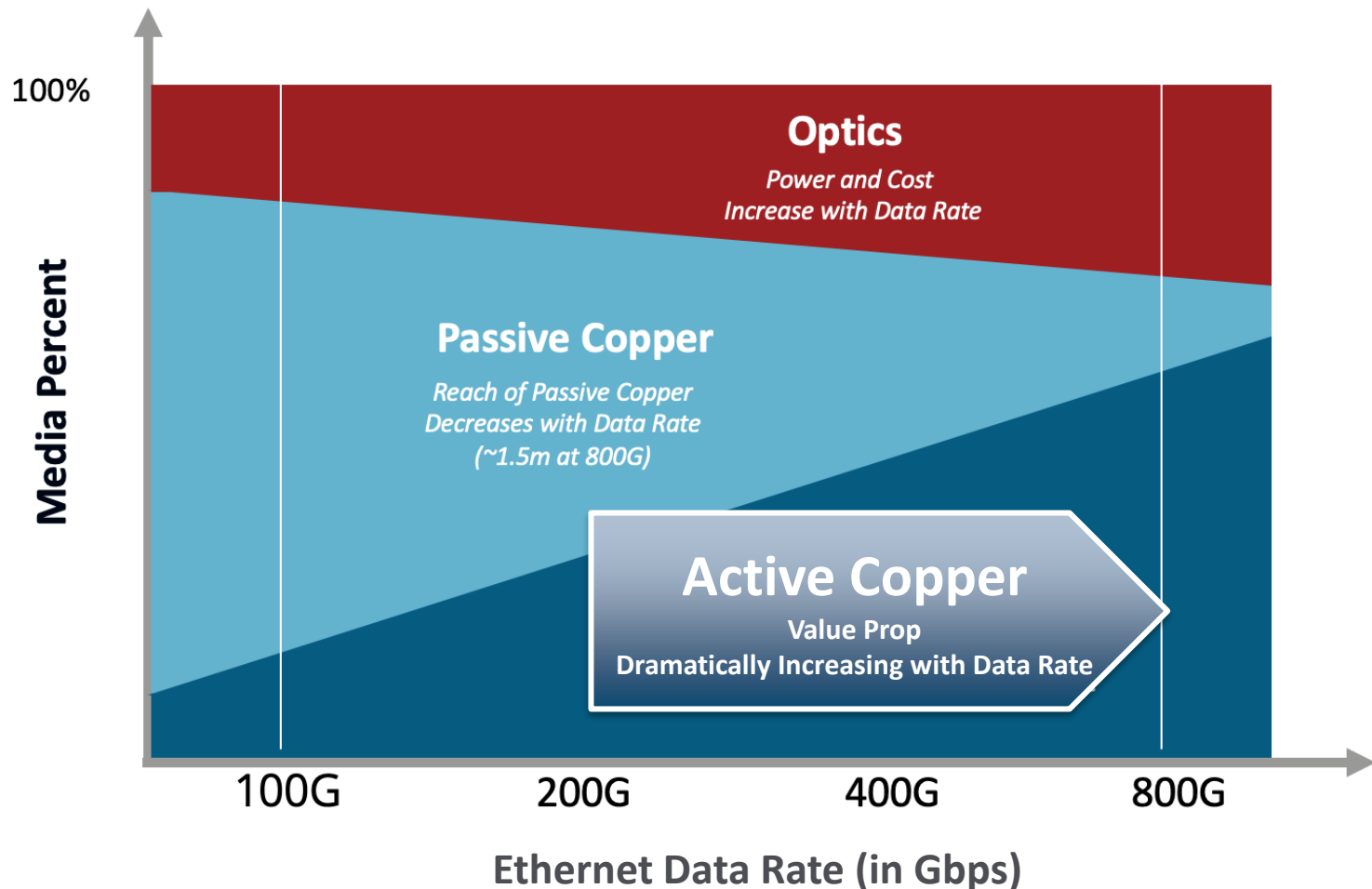
Switching Systems



5G Infrastructure

- Currently serving the data center, AR/VR and consumer connectivity markets.
- Significant growth in the near term will be driven by the data center connectivity market
- Future growth will be fueled by automotive, switching systems, and 5G infrastructure markets

# The Opportunity – Passive Copper Cables Cannot Meet Connectivity Requirements as Data Rates Increase in the Data Center



# Active Copper Is High Performing and Cost Efficient

## Benefits

### Passive Copper Cable

- ✓ Lengths of 1-2 meters
- ✓ Lowest upfront cost
- ✓ Lower power consumption

### Active Copper Cable

- ✓ Lengths of 2-7 meters
- ✓ Lower upfront cost than active optical cable
- ✓ Lowest power consumption
- ✓ High quality data transmission at high speeds
- ✓ Thin, light and flexible

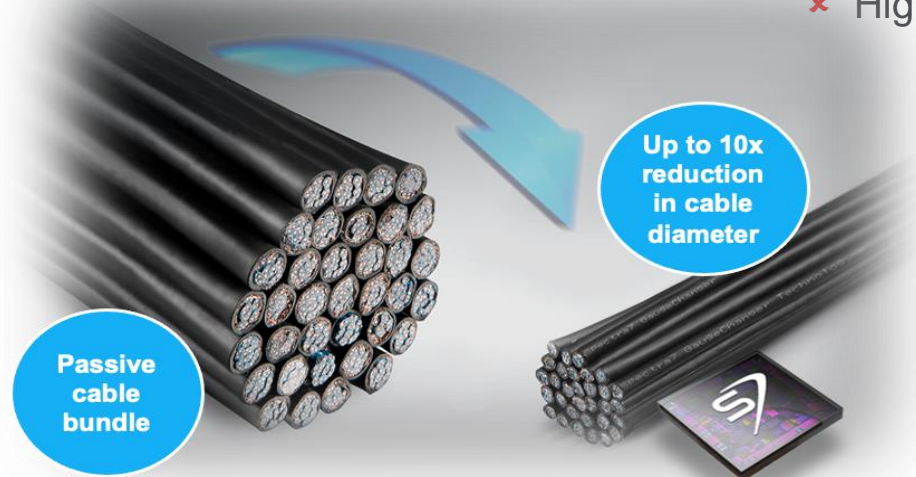
### Active Optical Cable

- ✓ Up to kilometers in length
- ✓ High quality data transmission at high speeds

## Considerations

- ✗ Limited to 2 meters at high data rates
- ✗ Bulky
- ✗ Difficult to route
- ✗ Blocks air-flow

- ✗ Highest cost
- ✗ Highest power consumption



# Hyperscale Cloud Infrastructure – a Large and Growing Market

**“Hyperscale data center capex to climb 30% in 2022”**

*- Dell'Oro*

**GMAFIA**



**BAT**



## **Market Drivers**

- Cloud Services
- Artificial Intelligence
- Deep Learning
- 5G Roll-out
- Big Data Growth



# Hyperscaler Data Center Operator Case Study

## CAPEX Savings

- Network Upgrade to 400G
- \$100 Savings per Cable
  - ACC vs. AOC

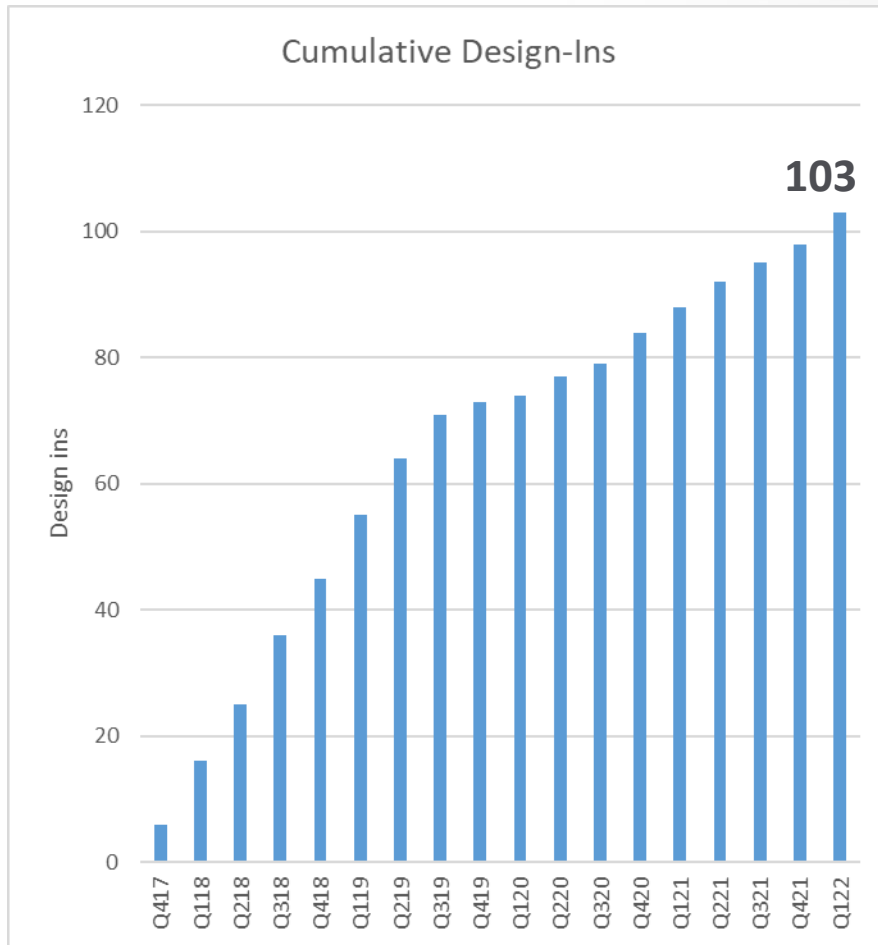
**Spectra7 Saves up to  
\$18M in CAPEX costs  
per year**

## OPEX Savings

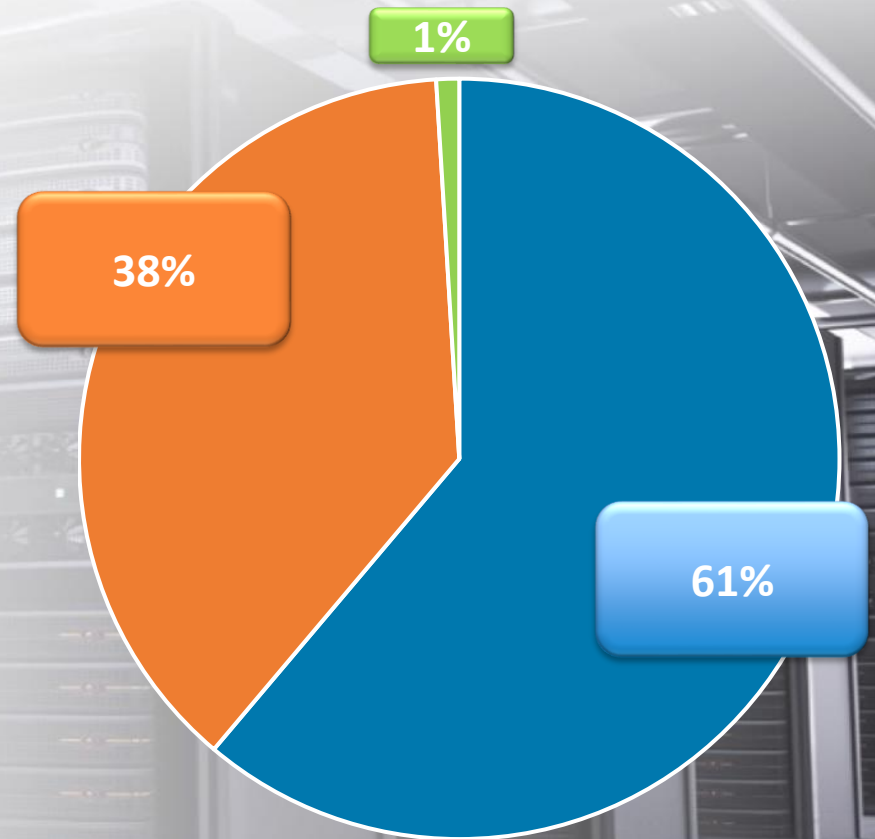
- Network Upgrade to 400G
- 22W Savings per Cable
  - ACC vs. AOC

**Spectra7 Saves up to  
\$20M in OPEX costs  
per year\***

# Strong Pipeline of Data Center Design-Ins



Operator & OEM Design-In By Region

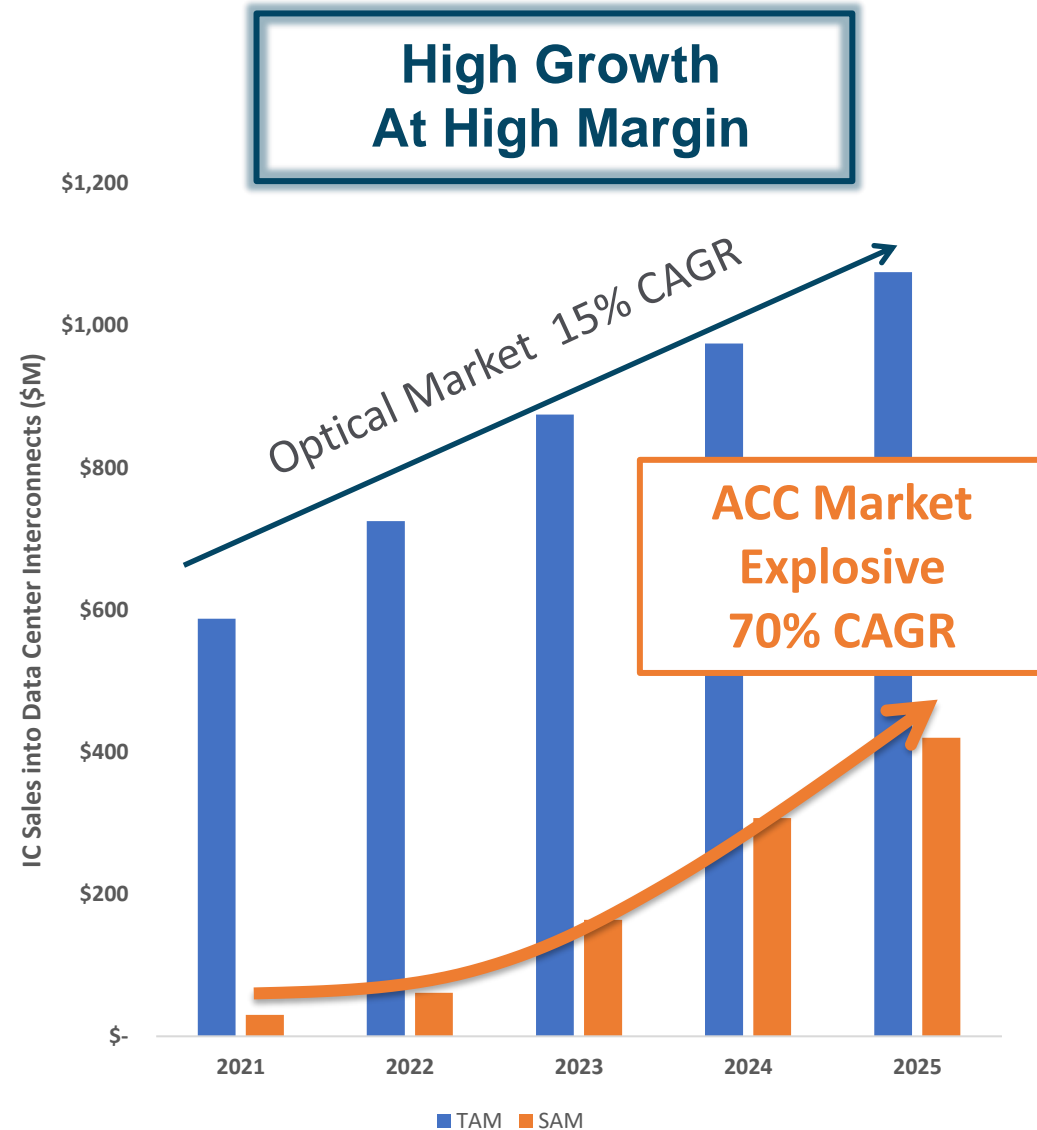
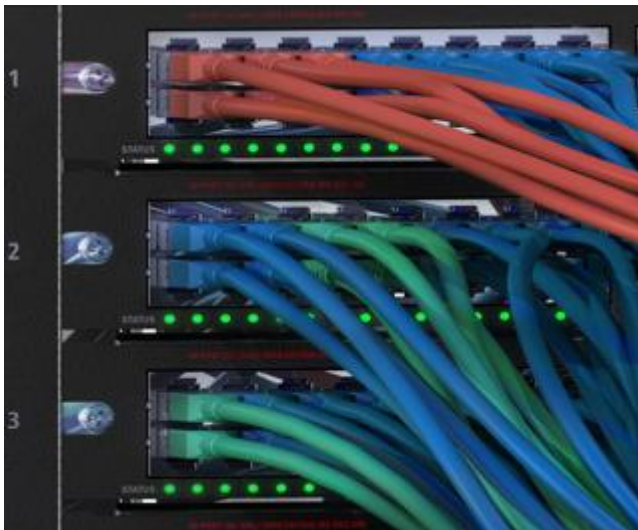


■ North America

■ China

■ Europe

# Data Center ACC Market Opportunity



# Key Financial Highlights



TICKER: **SEV**  
TSX VENTURE EXCHANGE



TICKER: **SPVNF**  
OTCQB VENTURE MARKET

Share Price <sup>1</sup>	\$ 1.21 CAD
Market capitalization	\$ 31.7M USD <sup>2</sup>
TTM revenue (FY2021)	\$ 5.5M USD
TTM gross margin (FY2021)	58%
Insider ownership	~12.1% <sup>3</sup>
Convertible Debt <sup>4</sup> (12/31/2021)	\$ 8.1M CAD

Common shares issued

33.6M

<sup>1</sup> As of 4/29/2022

<sup>2</sup> Based on CAD to USD exchange rate of 1.2809 as of 4/29/2022

<sup>3</sup> Insiders participated in capital raises and invested a total of \$1.6M in 2021

<sup>4</sup> Matures July 9, 2022, Interest at 7%, Conversion price of \$2.50 CAD



# Spectra7 Long-term Operating Model

## Business Attributes

- Large, high-growth end markets
  - Even minimal market penetration enables Spectra 7 to achieve significant revenue growth
- Attractive current and long-term gross margins
- Significant operating leverage
  - Current OpEx run-rate supports significant growth
- Capital light business model
  - Outsourced manufacturing
  - Nominal capex

## Spectra7 Target Operating Model

**Revenue Growth:**  
>60% 4-year  
CAGR

**Gross Margins:**  
60-65%

**EBITDA  
Margins\*:**  
25-30%

*\*EBITDA or earnings before interest, tax, depreciation, and amortization is a non-IFRS Measure. EBITDA excludes share-based compensation, amortization, depreciation, interest, and tax expenses.*



# Investment Highlights



I

Large addressable market in data center interconnect silicon, which in aggregate is expected to reach over \$400 million<sup>1</sup> in 2025

II

Differentiating technology driving strong traction in the data center market resulting in significant growth and long-term margin expansion.

III

Market leader in multiple consumer connectivity markets.

IV

Proven technology in active copper cable solutions, backed by a strong patent portfolio.

V

Capital light business model enables 60%+ long-term gross margins and near-term profitability

<sup>1</sup>Source: Lightcounting, 650Group and Spectra7 Model



SPECTRA7®

Thank You