

minim

Q1 2021 Results

May 17, 2021 | 8:30 am ET





Forward Looking Statements:

This presentation contains forward-looking information relating to plans, expectations, and intentions from Zoom Telephonics, Inc. doing business as “Minim”. Actual results may be materially different from expectations as a result of known and unknown risks, including: the potential increase in tariffs on the Company’s imports; potential difficulties and supply interruptions from moving the manufacturing of most of the Company’s products to Vietnam; risks relating to global semiconductor shortages; potential changes in NAFTA; the potential need for additional funding which Minim may be unable to obtain; declining demand for certain of Minim’s products; delays, unanticipated costs, interruptions or other uncertainties associated with Minim’s production and shipping, including chip shortages; Minim’s reliance on several key outsourcing partners; uncertainty of key customers’ plans and orders; risks relating to product certifications; Minim’s dependence on key employees; uncertainty of new product development, including certification and overall project delays, budget overruns, and the risk that newly introduced products may contain undetected errors or defects or otherwise not perform as anticipated; costs and senior management distractions due to patent related matters; risks from a material weakness in our internal control over financial reporting; the impact of the COVID-19 pandemic; and other risks set forth in Minim’s filings with the Securities and Exchange Commission. Minim cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Minim expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in Minim’s expectations or any change in events, conditions or circumstance on which any such statement is based. This presentation contains certain non-GAAP financial measures. For a reconciliation of the non-GAAP financial measures to the appropriate GAAP financial measures, please see the Appendix.

OTCQB: MINM

“Our strong first quarter demonstrates that we are answering the robust demand for advanced connectivity solutions and delivering on the strategic, software-driven playbook we outlined in the merger.”

Gray Chynoweth
CEO, Minim



We are on a mission to make every connected home safe and easy to use for life and work.

We do this by delivering software-driven internet connectivity products with a global exclusive license to the Motorola brand.



Q1 2021 Overview



- **Improved top line results** - Recorded record revenue (+26% YoY) and expanded gross margins
- **Activated software strategy** - Booked software subscription revenue (Deferred Revenue) and introducing new metrics
- **Expense management** - Profitability and subsequent cash position were heavily impacted by merger fees & adjustments that we believe largely are in our rearview mirror
- **Growth-focused** with inventory investment, new credit facility, name change, and NASDAQ application
- **Announced new innovative products** under the Motorola® brand and ZOOM® brand, including first-ever CableLabs certified Low Latency Device. Hit higher launch sales velocity on 2 DOCSIS 3.1 products
- **Expanded sales channels** – Added Barnes & Noble and B&H with a record-breaking sales launch of the MG8702 in 8 retail channels & highest ASP to date (+69% from prior DOCSIS 3.0 model, no software)

The **home internet market is massive**. In 2020, the world broke **1 billion** internet subscribers.

- **\$356 billion global market** (9% CAGR to 2027) with tremendous room for growth as 50% of homes lack connectivity
- **Strong tech tailwinds** - 5G, satellite services & high-speed connectivity standards
- **Strong smart home tailwinds** – global growth in smart home tech, streaming services, gaming
- **Strong pandemic tailwinds** – Accelerated remote working, telemedicine, & education
- **US policy tailwinds** – President Biden’s Infrastructure proposal allocates \$100B to broadband infrastructure over next 8 yrs.



Our product strategy



Brand transformation

We rep the Minim brand, Motorola brand, and more

Apps you can love

Empowering parents, remote workers, gamers, streamers...

Fast, forward technology

AI-driven software-enabled products and the latest standards

Platform thinking

Value creation for retailers, partners, customers

New products

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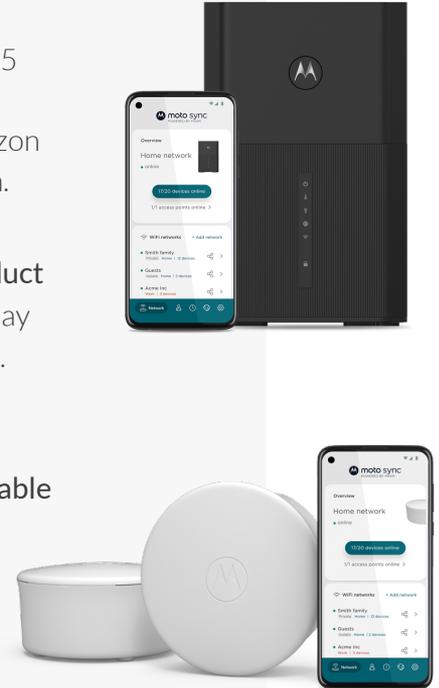
Higher launch sales velocity, higher ASP

- **Motorola MG8702** DOCSIS 3.1 Cable Modem/Router with Minim-enabled app sold **135% more units** in the first 90 days than its predecessor and **+69% ASP**
- **Motorola MB8611** 2.5 Gig DOCSIS 3.1 Cable Modem sold **12% more** units than its predecessor in the first 90 days (also D3.1 & top seller) and **+13% ASP**
- **Average Selling Price** in Amazon increased by **+15%** from the prior year quarter



Noteworthy launch announcements

- **Motorola MM1025 2.5 Gig MoCA adapter** launched 5/11 in Amazon and MotoManage.com. Sales look healthy
- **Motorola WiFi 6 Product Family** announced today and hits stores this fall. Pre-order & review program
- **Zoom® ZM.1 Expandable Mesh WiFi system** announced this past quarter and coming soon



Sales channel growth

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- Added retailers B&H, Staples, and Barnes and Noble.
- **Wider launches** - Uptake of next-gen DOCSIS 3.1 products in **8** retail channels (previous avg ~4)
- Became **#1 brand in Amazon** for cable modem products for Q1 21, rising from an estimated 22% market share in Q4 20 to **33%**, thanks to new strategy & investment
- **Exceptional Amazon performance** with **+42%** in sales from Q1 20 and **+59%** in sales from Q4 20
- **Added Russia & EU** service areas to support MicroImpuls, a new customer of Trusted Home by Irdeto and Minim
- **Signed Minim for Work customer** ANY LAB TEST NOW, now an approved vendor for over 190 retail lab test sites to secure patient data
- **Increasing business development** for our B2B channels as travel opens; attended the first WISPA Conference last month and working on new feature suite to support Connect America Fund (CAF) funding compliance



Staples

MICRO CENTER

TARGET

amazon

Walmart

BEST BUY

newegg

BARNES & NOBLE

B&H

Key investment highlights

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Big addressable market

- **1B connected homes** and growing \$356 billion global market (9% CAGR). All need reliable and secure WiFi
- **Minim is on a mission** to make every connected home safe and easy to use for life and work
- **Exclusive global license** holder to the Motorola brand for home connectivity



Transformational SaaS

- **Recurring revenue model** via SaaS distribution through 130+ ISPs & businesses, Amazon & leading retailers
- **Expanded revenue & profit margins** through sales of higher ASP products with bundled software
- **Big room to grow** – now valued ~2.5x revenue multiple, but software-driven comparables realize 4-11x (Calix, Plume, Ubiquity)



Execution & momentum

- **#1 fastest-growing cable product** brand in the U.S. in 2020. Reached the #1 seller in AMZ this quarter
- **Solid revenue track record** in 2020 of \$48.0 million (+28% YoY) with continued momentum this quarter
- **New leadership** former Dyn mgmt. (ACQ: Oracle). Now driving Minim's growth in retail channels & global ISP customers

Key milestones: looking ahead in 2021

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Acquire new customers

- Add 5 new retail channels (home goods & global) & support with fierce omnichannel marketing
- Build deferred revenue through software-enabled products

Deliver exceptional product value

- Launch high-speed WiFi 6 product family, new Motorola app
- Launch Connect America Fund technical requirements support for ISPs

Corporate risk management

- Mitigate chipset shortage risk with early orders & accurate sales forecasting
- Focus on talent acquisition and retention as workforce shifts to hybrid/remote

Financial management

- Applied to uplist to NASDAQ (complete name change to Minim)
- Responsibly fund growth; achieve profitability this year

“I’m pleased to present a record quarter to shareholders, including new metrics that illustrate that our software strategy is progressing.”

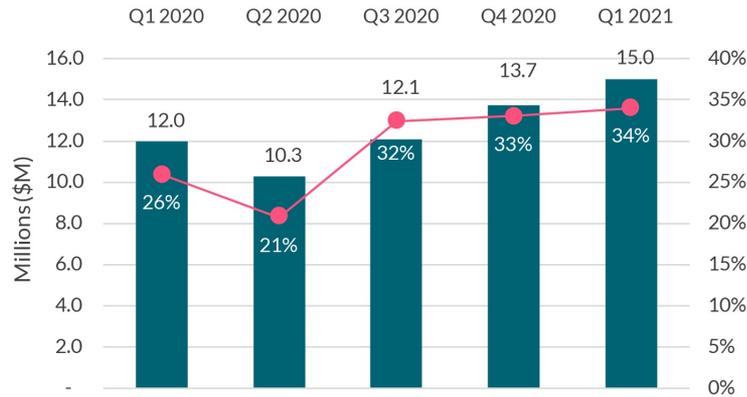
Sean Doherty
CFO, Minim



Revenue & gross margin

Revenue growth drivers

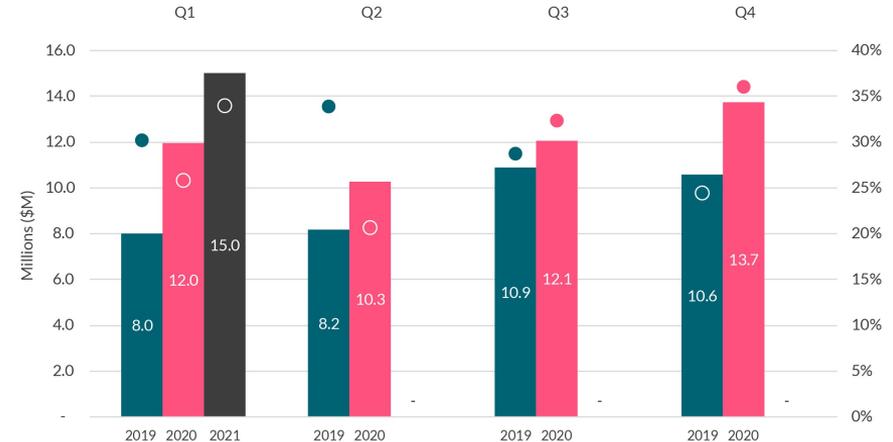
- **Existing sales channel expansion:** Amazon revenue grew 42% Q1 21 over Q4 20 & we continue to target growth here
- **New B2C sales channels:** Added retailers Staples, B&H, Newegg, Barnes & Noble. Shifts to online marketing
- **New higher ASP products** Motorola MG8702 is +69% price point from prior gen DOCSIS 3.0 product (no software)



Revenue and Gross Margin by Quarter

Planned margin expansion drivers:

- **Cost management:** Shifting production away from China to avoid tariff expenses. Limiting use of air freight
- **Introducing higher margin, higher ASP products** with software bundled in; Company targets 10-20% lift to our ASPs for bundled software



Revenue & Gross Margin by Quarter-Year

Q1 2021 Booked revenue

Bundled Hardware/Software - Unit Economics

- 90% hardware, 10% software revenue. 3-yr license for cloud-managed updates & mobile app

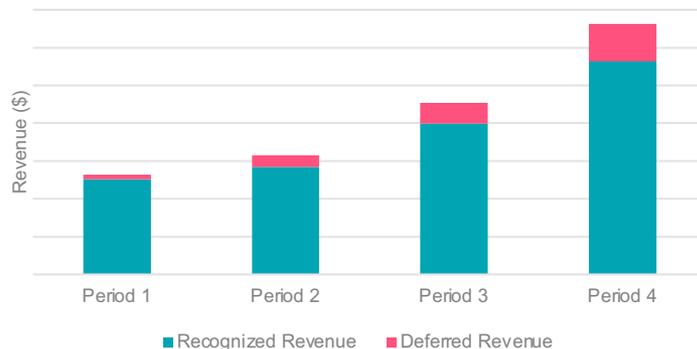
New metrics, non-GAAP¹

- **Booked Revenue (\$15.3M):** Total sales of hardware and software in the quarter
- **Earned Revenue (\$15.0M):** Total recognized revenue from hardware sales and software subscriptions
- **Deferred Revenue (\$0.3M):** Total unrecognized revenue recorded from software subscriptions

Deferred / Recognized Revenue: 2%

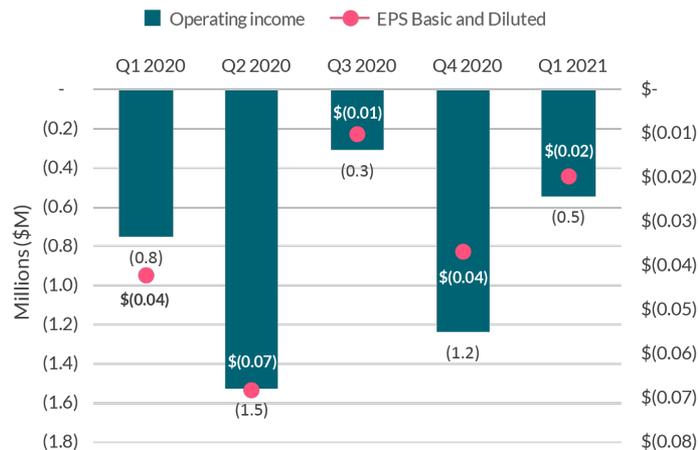
- Q1 2021 represents the first quarter of deferred revenue on the balance sheet
- Clear proof that we are delivering on our stated goal of bundling our software solution into our hardware products
- Deferred / Recognized Revenue in Q1 21: $\$0.3M / \$15M = 2\%$

Targeted SaaS Growth - Booked Revenue Over Time



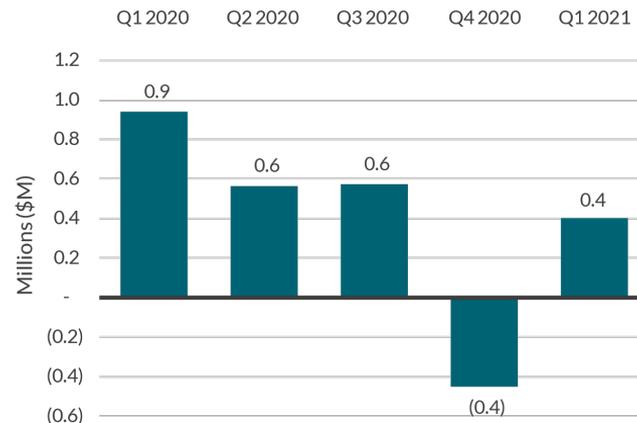
Profitability - EBITDA

- Operating income improvement Y/Y and Q/Q basis primarily driven by top-line revenue growth, combined with reduced 1-time expenses – less air freight, tariffs, and merger related expenses
- GAAP EPS improvement both Y/Y and Q/Q basis, driven by improved operational performance



Operating Income & EPS by Quarter

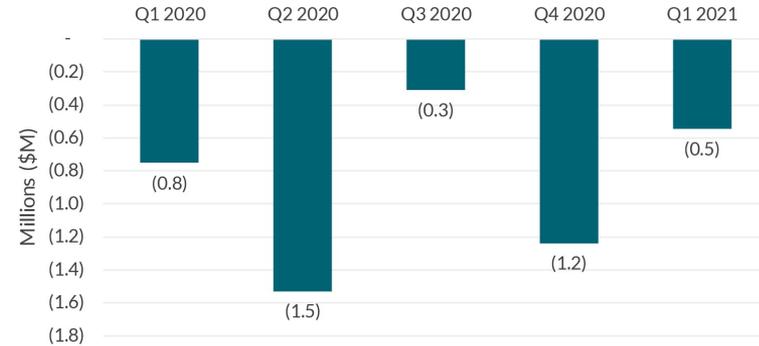
- Adjusted EBITDA returns to positivity in Q1, driven by improved operational performance
- Largest adjustment in Q1 2021 was a one-time stock-based compensation expense related to the conversion of Minim, Inc. options into combined company options



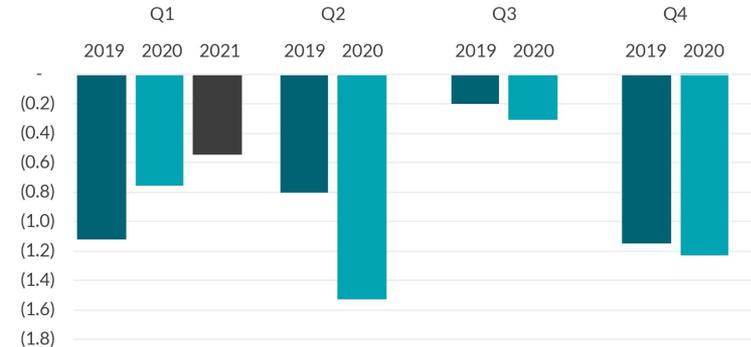
Adjusted EBITDA By Quarter

Profitability – Net Loss

- First full quarter of combined company profile demonstrates material reduction in net loss over prior quarter
- Q1 2021 net loss of \$0.5M represents an improvement of \$0.3M Y/Y and sequential Q/Q improvement of \$0.7M. Improvement primarily driven by:
 - Top-line revenue growth
 - Reduction in Air Freight expense
 - Minimization in Tariff expense
 - Reduced merger related expenses
- Continued focus on achieving profitability this year



Profitability: Net Loss by Quarter



Profitability: Net Loss by Quarter-Year

Balance sheet

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- Inventory levels continue to ramp ahead of strong customer demand and as hedge to increasingly prevalent chipset shortages, as reflected within our Inventories assets and Long Term Debt liabilities
- Ending cash balance of \$1.2M; \$1.4M cash payment from customer expected on 3/31/21 was delayed until 4/2/21 due to a system admin update
- Ability to leverage debt has been strengthened with the expanded LOC with Silicon Valley Bank that was closed during Q1
- Deferred revenue now evident on Balance Sheet – proof that the shift to a software-centric business model is in motion

	Mar 31, 2021	Dec 31, 2020
ASSETS		
<i>Current Assets</i>		
Total cash and cash equivalents	\$ 1,197,713	\$ 1,571,757
Accounts receivable, net	8,646,020	9,203,334
Inventories, net	17,984,073	16,504,840
Prepaid expenses and other current assets	402,743	399,119
Total current assets	<u>28,230,549</u>	<u>27,679,050</u>
Total other assets	2,108,153	1,931,919
Total assets	<u>\$ 30,338,702</u>	<u>\$ 29,610,969</u>
<i>Current Liabilities</i>		
Accounts payable	\$ 10,049,107	\$ 11,744,834
Current maturities of long-term debt	6,979,253	2,507,471
Current maturities of operating lease liabilities	60,368	65,651
Accrued other expenses	4,947,257	7,465,063
Deferred revenue	110,218	-
Total current liabilities	<u>22,146,203</u>	<u>21,783,019</u>
Long-term debt, less current maturities	-	15,245
Operating lease liabilities, less current maturities	9,005	22,235
Deferred revenue noncurrent	154,679	-
Total liabilities	<u>\$ 22,309,887</u>	<u>\$ 21,820,499</u>
<i>Stockholders' equity</i>		
Total stockholders' equity	<u>8,028,815</u>	<u>7,790,470</u>
Total liabilities and stockholders' equity	<u>\$ 30,338,702</u>	<u>\$ 29,610,969</u>

Appendix

GAAP to non-GAAP reconciliation

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(in thousands)

	FY 2020					FY 2021
	Q1 2020 Amount	Q2 2020 Amount	Q3 2020 Amount	Q4 2020 Amount	Total Yr Amount	Q1 2021 Amount
GAAP Revenue	11,956	10,273	12,027	13,733	47,989	15,018
Net Loss	(752)	(1,528)	(341)	(1,237)	(3,858)	(546)
Other Income	12	8	9	(991)	(962)	10
Depreciation & Amortization	59	97	140	145	441	167
EBITDA	(680)	(1,424)	(192)	(2,083)	(4,379)	(368)
EBITDA Adjustments						
Revenue Books to GAAP	-	-	-	-	-	228
Air freight	-	881	563	96	1,540	-
Tariffs	1,493	1,040	116	109	2,757	-
Merger Deal Costs	-	-	-	1,270	1,270	115
PPP Loan	-	-	-	-	-	-
Stock Compensation	127	68	87	159	441	405
Total Adjustments	1,620	1,988	766	1,634	6,008	748
EBITDA, Adjusted	939	564	573	(449)	1,629	380

Questions welcome

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Zoom Telephonics, Inc. dba as Minim (OTCQB: MINM), is the creator of innovative internet access products that dependably connect people to the information they need and the people they love. Headquartered in Manchester, NH, the company delivers smart software-driven communications products under the globally recognized Motorola® brand and ZOOM® trademark. Minim end users benefit from a personalized and secure WiFi experience, leading to happy and safe homes where things just work.

