

# Leading the GaN Revolution

Fiscal Q2 2024 Investor Update

November 9th, 2023

NASDAQ: TGAN

transphorm

Highest Performance, Highest Reliability GaN

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# GaN Business Growth with Pipeline and Products Momentum

## Strategic Process for Accelerated and Sustained Growth to Enhance Shareholder Value

### GaN Product revenue, Design-wins momentum and 5-year pipeline continues to grow

- Transphorm WW leadership in Robust high-power GaN: 200 Billion+ hours in the field
  - **Computing** – Server, AI, Blockchain => *Customers systems ramped in market*
  - **Energy & Industrials** – Microinverters, UPS, Servo Motors => *Customers systems ramped in market*
  - **Electric Vehicles** – 2 and 3 Wheelers (Charging), 4 Wheelers (Charging, Converter, Inverter) => *Design-Ins ongoing*
- Superior performance in low power GaN: Discrete and SiP (System-in-Package) => *Customers systems ramped in market*
  - **Adapters and Chargers** – Laptop, Mobile, Appliances => *Customers products in the market*

### Strategic review process well underway: Increase shareholder value

- Hired Bank of America to systematically engage with multiple opportunities and various inbound interests
  - **Potential M & A** – Enhanced eco-system, supercharge GaN growth
  - **Financing** – semiconductor strategic and/or traditional financing alternatives

### In process of strengthening balance-sheet, with primary focus on non-dilutive options

- **Debt** – secured and unsecured
- **Licensing** – pursuing opportunities in US (CHIPS partnerships), Asia; and co-exist with above alternatives

# Executing on Key Metrics to Fuel Growth of \$475M+ Product Pipeline

## 1) High Power Leadership & Low Power Share, 2) Capacity & Supply Chain 3) Product/Tech Leadership

Key focus areas	Achieved
1. Revenue/Products, FQ2-24	<ul style="list-style-type: none"> <li>✓ <b>\$5.0M</b>, \$3.6M Product (18% over prior Q), \$1.4M Government revenue</li> <li>✓ High Power Revenue &gt; 70%</li> </ul>
2. Low Power: Adapters/Chargers: (25W – 300W), Till date	<ul style="list-style-type: none"> <li>✓ Design-Ins: <b>115+</b> (10+ new), a 15% sequential increase in design-ins</li> <li>✓ In Production: <b>30+</b> (3 new)</li> <li>✓ <b>System-in-package</b> solutions: 2 released, 5 in design-in (Multiple IC Partners)</li> </ul>
3. High power: (300W –7.5kW), Till date	<ul style="list-style-type: none"> <li>✓ Design-Ins: <b>100+</b> (25 new), a &gt;30% sequential increase in design-ins</li> <li>✓ In Production: <b>35+</b> (3 new)</li> <li>✓ Ramped in <b>Computing</b> (Server, Blockchain, Gaming), <b>Microinverters, UPS, Industrial</b></li> <li>✓ Expanding sockets to 7.5 kW – within same customers, proliferation</li> </ul>
4. Product SKUs and Reliability	<ul style="list-style-type: none"> <li>✓ Total: <b>28 products</b> (production/sampling, <b>Auto qualified: 3</b>) – Comprehensive portfolio</li> <li>✓ Robust high-power surface mount: 3 new TOLL, 1 new TOLT top-cooled, sampling TO-247-4, drop in with SiC MOSFET and realized <b>25% lower loss vs. Industry leading SiC MOSFETs</b></li> <li>✓ Proven dynamic (actual switching) reliability superiority over e-mode from leading foundry</li> <li>✓ 1200 V preliminary datasheet with model, Short Circuit up to 5 μ–sec</li> </ul>
5. Capacity Proof Points	<ul style="list-style-type: none"> <li>✓ <b>Record Epi-wafer output</b> from Japan reactors, both reactors ramped</li> <li>✓ Established new high volume packaging sub-contractors for high/low power</li> <li>✓ Low Power product dual source/cost down for packaging on track</li> </ul>

# Key Business Update – Strategic Partnerships

## Manufacturing Capacity – Expanding to meet anticipated growing demand

- **MOCVD reactors: 2**, at GlobalWafers (Partner) in process development-qualification
  - 4 already running at Transphorm US and Transphorm Japan
- **AFSW Fab (Transphorm's JV):** – FY24 capacity in place, expansion plans for FY25 in place.
  - Efforts to reduce JV stake further with significant interest from 3<sup>rd</sup> parties to partner

## Industrial and Automotive

- **Yaskawa (Industrial)** – On track, establish and expand motor driver market, only GaN with 5 micro-second short circuit capability (Inverters for drivers and EVs require this). 12 kW power.
- **Automotive** –
  - **EV 2/3 Wheelers:** Design in with board-level testing at 2 of the companies in India
    - 350W to 2 kW, engaged with 10+ customers, Released 300W and 600W EV 2W/3W charger power supply design
    - On track for 1<sup>st</sup> win by end CY23, Ramp CY24
  - **EV 4-Wheeler** – Ongoing 5+ WW customer engagements with AEC qualified products
    - OBC, dc-dc opportunities for 650V GaN , Significant interest in new 1200V GaN
    - Japan, China, US, Europe, including customers indicating future shift from SiC

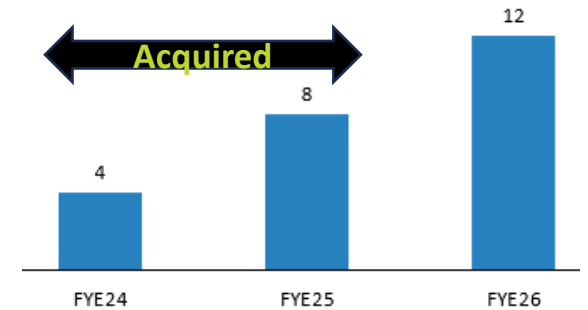
## Government Revenue and Epi Business

- New Program – Executing on new \$15 million NSTXL program, \$1.4M+ cash received

### Manufacturing and Related Funding –

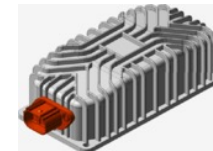
- Part of winning Microelectronics Commons Southern CA Hub - rf GaN epi, CY24 funding
- Partnership with Foundries (Licensing based)

Planned MOCVD Reactors in Production



## Transphorm's EV Charger Solutions 350W – 2kW (multiple engagements)

800W OBC



2kW



Portable, IP65 rated, Turnkey



transphorm

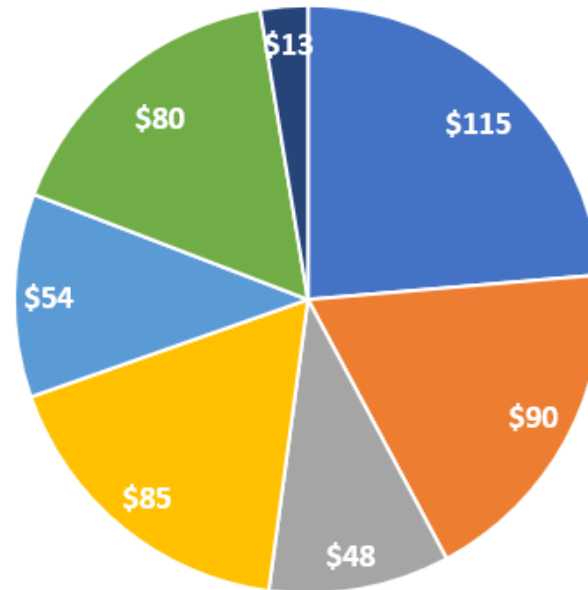
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# Large Growing Pipeline of New Business Opportunities

5%+ growth from last quarter, now exceeding \$475 Million for Power Products

\$484 M Power Products Pipeline by Market Area  
(\$185 M weighted)

- Broad Industrial
- Power Adapters (Mobile/Laptops)
- Datacenters (Server/Telecom/Blockchain)
- Renewable
- EV Mobility/Charging
- Consumer(Computing/Gaming)
- Other (Lighting, Telecom, Medical, Misc)



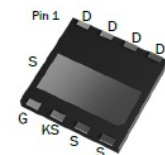
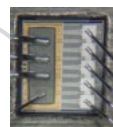
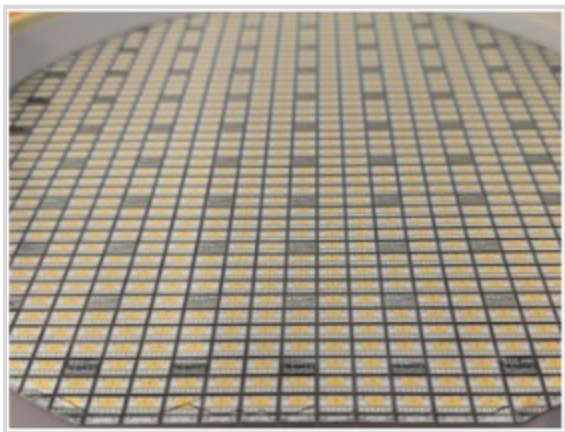
- Power products pipeline over \$475 million<sup>1</sup>
  - 70% high power (over 300 Watts)
- Wafer and Government pipeline additional
- Growing eco-system partnerships (ICs – drivers/controllers and channels) to fulfil the rapidly increasing demand

# Key Financial Highlights

	Q2 FY24	Q1 FY24	Commentary
Revenue	<b>\$5.0M</b> (~70% Product)	<b>\$5.9M</b> (~50% Product)	<ul style="list-style-type: none"> <li>Overall revenue increase of 37% Y/Y</li> <li>Product revenue growth 18% Q/Q,</li> <li>Pipeline of customers remains strong</li> </ul>
Gross Margin	<b>23%</b>	<b>36%</b>	<ul style="list-style-type: none"> <li>Margin decrease mix driven – solid production margins remain</li> <li>Y/Y margin improved from 12% to 23%</li> </ul>
OPEX (non-GAAP)	<b>\$6.4M</b>	<b>\$6.8M</b>	<ul style="list-style-type: none"> <li>Spend largely stable sequentially</li> <li>Y/Y increase driven by larger sales/apps teams and R&amp;D investment</li> </ul>
EPS (non-GAAP)	<b>(\$0.08)</b>	<b>(\$0.08)</b>	<ul style="list-style-type: none"> <li>Revenue mix impacted EPS</li> <li>Consistent OPEX and Product margins</li> </ul>
Stockholders Equity	<b>\$23.7M</b>	<b>\$22.8M</b>	<ul style="list-style-type: none"> <li>Reduced cash burn in quarter</li> <li>Company debt free</li> <li>\$8m rights offering completed and funded FQ2'24</li> <li>Supplementary non-dilutive debt in progress</li> </ul>

# Key Investment Highlights

Robust GaN Power Semiconductor Pioneer and Leader, addressing multi-billion GaN TAM and ramped in both high power and low power GaN market



**\$8B SAM**

by 2028 <sup>(1)</sup>

Server/AI/Infrastructure  
Industrial, Renewable  
EV Auto – 2/3/4 Wheeler  
Consumer – Fast Chargers

Comprehensive IP  
Portfolio of

**1,000+**  
**Patents**

From materials to  
device/process to  
package to applications

**Proprietary  
Process  
Technology**

With Own Epi and  
Wafer Fab Capacity

**Robust GaN  
Leader**

Only Pure-Play  
Vertically Integrated  
Publicly Traded GaN  
Company

**Covers Entire  
Power Spectrum**

Across Low (<300W), Mid  
(300-1500W) and High  
Power (>1500W)

**140+**

Employees Including

**18 PhDs**

Combining 300+ Years of  
GaN Experience

**50+%**

5-Year Forward  
Revenue CAGR and

**\$475+M**

Power Products Pipeline

**Highest Field  
Reliability – 200  
Billion+ Hours**

Across 18 Million  
Devices Shipped in Both  
Low and High Power <sup>(2)</sup>



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# Income Statement

## Product Revenue increase 18% Q/Q

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue, net	\$ 5,010	\$ 3,670	\$ 10,893	\$ 8,826
Cost of goods sold	3,836	3,232	7,631	7,282
Gross profit	1,174	438	3,262	1,544
Gross profit %	23.4%	11.9%	29.9%	17.5%
Research and development	3,022	1,830	5,891	3,570
Sales and marketing	1,708	1,066	3,190	2,149
General and administrative	2,942	3,044	7,458	6,361
Total operating expenses	7,672	5,940	16,539	12,080
Loss from operations	(6,498)	(5,502)	(13,277)	(10,536)
Other income (expense), net:				
Interest expense	-	184	8	366
Loss in joint venture	721	684	1,581	1,266
Changes in fair value of promissory note	-	-	-	-
Other income, net	(90)	(375)	(290)	(820)
Total other income (expense), net	631	493	1,299	812
Loss before tax expense	(7,129)	(5,995)	(14,576)	(11,348)
Tax expense	-	-	-	-
Net loss	\$ (7,129)	\$ (5,995)	\$ (14,576)	\$ (11,348)
Deemed dividend related to warrant modification and issuance of Inducement	-	-	5,612	-
Net loss attributable to common shareholders	\$ (7,129)	\$ (5,995)	\$ (20,188)	\$ (11,348)
Basic and diluted net loss per share attributable to common stockholders				
Basic and diluted net loss per share	\$ (0.12)	\$ (0.10)	\$ (0.33)	\$ (0.20)

### Revenue

- Revenue of \$5M in Quarter - Y/Y increase of 37%
- Product revenue \$3.6M – Q/Q increase of 18%

### Gross Margins

- 23% in quarter (up from 12% Y/Y)
- Driven by strong Government revenue
- Stable direct margins for Product sales
- Beat guidance

### Operating Expenses

- Non-GAAP OPEX largely stable Q/Q

### EPS

- GAAP loss of (\$0.12)
- Non-GAAP loss of (\$0.08)

# Balance Sheet

	September 30, 2023	March 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,152	\$ 15,527
Restricted cash	-	500
Accounts receivable, net, including related parties	4,571	4,396
Inventory	9,776	8,406
Prepaid expenses and other current assets	1,426	1,859
Total current assets	21,925	30,688
Property and equipment, net	7,857	7,890
Operating lease right-of-use assets	2,719	3,033
Goodwill	963	1,079
Intangible assets, net	173	321
Investment in joint venture	-	715
Other assets	652	726
Total assets	\$ 34,289	\$ 44,452
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,198	\$ 7,895
Accrued interest	-	180
Unfunded commitment in joint venture	59	-
Accrued payroll and benefits	1,557	1,458
Operating lease liabilities	525	404
Revolving credit facility	-	12,000
Total current liabilities	8,339	21,937
Promissory note	-	-
Operating lease liabilities, net of current portion	2,259	2,670
Other liabilities	-	230
Total liabilities	10,598	24,837
Commitments and contingencies		
Total stockholder's equity (deficit)	23,691	19,615
Total liabilities and stockholders' equity	\$ 34,289	\$ 44,452

## Notables

- Cash and cash equivalents of \$6.2M
  - Decreased burn in quarter from \$6.7M to \$5.1M
  - Company remains debt free after Q1 revolver settlement
  - \$8m Rights issue concluded in July
  - Additional non-dilutive debt in progress
- Shareholders equity improved \$4M to \$23.7M in the year to date

# GAAP to NON-GAAP Reconciliation

	Three Months Ended			Six Months Ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net loss, as reported	\$ (7,129)	\$ (7,447)	\$ (5,995)	\$ (14,576)	\$ (11,348)
Adjustments to net loss:					
Stock-based compensation	914	2,003	636	2,916	1,219
Depreciation	269	196	165	465	317
Amortization	74	74	74	148	148
Provision for doubtful accounts	263	—	—	263	—
Other income (expense), net	631	668	493	1,299	812
Total adjustments to loss from operations	2,151	2,941	1,368	5,091	2,496
Non-GAAP adjusted EBITDA	\$ (4,978)	\$ (4,506)	\$ (4,627)	\$ (9,485)	\$ (8,852)
GAAP net loss per share - basic and diluted	\$ (0.12)	\$ (0.22)	\$ (0.10)	\$ (0.33)	\$ (0.20)
Adjustment	0.04	0.14	0.02	0.17	0.04
Non-GAAP adjusted EBITDA per share - basic and diluted	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ (0.16)	\$ (0.16)
Weighted average common shares outstanding - basic and diluted	61,138,691	59,264,378	56,619,662	61,071,729	55,518,297
	Three Months Ended			Six Months Ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
GAAP operating expenses, as reported	\$ 7,672	\$ 8,867	\$ 5,940	\$ 16,539	\$ 12,080
Adjustments:					
Stock-based compensation	819	1,865	583	2,685	1,126
Depreciation	98	99	96	197	191
Amortization	74	74	74	148	148
Provision for doubtful accounts	263	—	—	263	—
Total adjustments to GAAP operating expenses	1,254	2,038	753	3,293	1,465
Non-GAAP operating expenses	\$ 6,418	\$ 6,829	\$ 5,187	\$ 13,246	\$ 10,615

Non-GAAP OPEX stable at (\$0.08)

Non-GAAP includes D&A, OIE, SBC and Deemed Dividend

Q1 FY24 Deemed dividend for warrant issuance (\$0.09) – fair value for both new and repriced warrants comprehended

Q1 FY24 Increased SBC - methodology change implemented