Participants

Lyron Live Bentovim; Chairman of the Board & CEO; The Glimpse Group, Inc.

Maydan Rothblum; Co-Founder, CFO, COO, Secretary, Treasurer & Non Independent Director; The Glimpse Group, Inc.

Presentation

Operator

Welcome to The Glimpse Group Quarter 3 Fiscal Year 2024 Financial Results Webinar. (Operator Instructions) As a reminder, this conference is being recorded. The earnings release that accompanies this call is available on the Investors section of the company's website at https://ir.theglimpsegroup.com/.

Before we begin the formal presentation, I'd like to remind everyone that the statements made on today's call and webcast include those regarding future financial results and industry prospects are forward-looking and may be subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the call. Please refer to the company's regulatory filings for a list of associated risks, and we would also refer you to the company's website for more supporting industry information.

I would now like to hand the call over to Lyron Bentovim, President and CEO of The Glimpse Group. Lyron, the floor is ours.

Lyron Live Bentovim

Thank you, Kat, and thank you, everyone, for joining us. I am pleased to welcome you to The Glimpse Group's Third Quarter Fiscal Year 2024 Financial Results Investor Call for our quarter ended March 31, 2024.

During this quarter, we've made concrete intangible strides that validate our strategic transition to focus on providing enterprise scale, spatial computing, cloud and AI-driven immersive recurring software solutions or Spatial Core, as we refer to it internally, led by our subsidiary company Brightline Interactive. We announced today that Brightline Interactive entered into a $4 million-plus 12-month contract with the Department of Defense, DoD entity, for a spatial computing ecosystem, integrating AI workflow, and accelerated compute for a variety of defense use cases.

The ecosystem will empower users to combine massive data sets and perform complex calculations to analyze and process spatial data in order to derive insights, make predictions and perform calculations on one-for-one digital twins addressing challenges in infrastructure, maintenance, operations, training and simulations.

In parallel, we are in the process of securing several additional multimillion dollar Spatial Core contracts with multiple government, Department of Defense and large enterprise customers. The shorter-term aggregate value of these contracts is in the $8 million to $12 million range. While there is no guarantee that some or all of these will come to fruition. We anticipate that a good portion of these will close before calendar year-end 2024 with additional potential in the pipeline for calendar year 2025.

Each one of these potential contracts has significant growth elements built into them that could lead to significant annual recurring software

revenue after the initial engagement. We believe that spatial computing represents a transformative leap forward in how enterprises interact with the digital world, seamlessly integrating it with their physical surroundings. For example, this immersive technology enable us to create comprehensive digital twins that not only mirror complex real-world environment, one-to-one, but also enhance our ability to interact, analyze and make informed decisions with potentially transformative applications across industries including industrial, military, public sector, infrastructure, training, simulations, robotic and many others.

As discussed previously, we are working closely with some of the largest players in the tech industry such as NVIDIA and Microsoft as well as with some of the leading hardware players in the space. We serve as an essential and innovative middleware, connecting their cloud and AI technologies and services with the needs of enterprises and organizations to facilitate immersive solutions and use cases at large scale.

To illustrate last week, our subsidiary Brightline Interactive together with Cesium and NVIDIA teamed at geospatial intelligence, GEOINT Symposium 2024 to introduce Brightline Spatial Core, which uses AI workflows or complex computation on top of realized data sets enabling powerful real-time massive, data-driven digital twin and simulation applications.

As we discussed in our last call, we expected our strategic transition to result in short-term reduction in revenue as we divested and shut down noncore operating assets, while we reduced our expenses, targeting other noncore opportunities.

Our other subsidiary companies, QReal, Sector 5 Digital, Foretell

Reality, and Glimpse Learning continue to generate meaningful enterprise revenues, including recently from Snap, NHL, Galderma, Halliburton, and many others. And our cash flow usual to positive from their internal operations.

Looking forward, we expect revenues to be generally flat to up in the coming 2 quarters as we finalize our divestiture plans. And then we expect revenues to grow significantly in Q4 calendar year 2024 and continue to grow into 2025 as we start recognizing the revenues from the DoD entity contracts we've recently signed and the others we expect to follow. As Maydan will detail in his prepared remarks, given the developmental details we are positioned to reach cash flow profitability in the coming months.

With that, I will now turn it over to Maydan Rothblum, Glimpse's CFO and COO, to review the financial results. Maydan?

Maydan Rothblum

Thanks, Lyron. I will limit my portion to a summary review of our financial results. A full breakdown is available in our 10-Q and press release that were filed after market close today. Please note that I'll refer to adjusted EBITDA and other non-GAAP measures. For calculation of adjusted EBITDA and other non-GAAP measures, please refer to the MD&A section of our 10-Q filing, which you can find on our website under SEC filings.

Revenue for Q3 fiscal year '24 was approximately $1.9 million compared to approximately $3.67 million for Q3 fiscal year '24, a decrease of approximately 48%. Revenue for the 9 months ended March 31, 2024, was approximately $7.1 million compared to approximately $10.6 million for the 9 months ended March 31, 2023, a

decrease of 33%. The decrease for both period reflects our strategic shift to spatial computing, cloud, and AI-driven immersive software solutions which has resulted in a turnover in our historical customer base and the divestiture of non-significant -- non-strategic assets.

Gross margin for Q3 fiscal year '24 was approximately 70% compared to 67% for Q3 fiscal year '23. We expect our gross margins to continue to remain in the 65% to 75% range.

As previously discussed, we have made significant reductions in our operating cash expense base as reflected by a 62% reduction in our operating expenses this quarter compared to the same quarter of last year. Our operational cash breakeven point is now at approximately $3 million revenue per quarter or $12 million revenue annually.

Adjusted EBITDA loss for Q3 fiscal year '24 was approximately $0.89 million compared to an EBITDA loss of approximately $1.13 million in Q3 fiscal year '23. Theoretically applying Q3 fiscal year '23 revenue which we believe is achievable again, would have resulted in a solidly cash flow positive quarter -- this quarter.

Given our current level of revenues and subject to the signing of some of the contracts, Lyron mentioned, we expect to be cash flow positive from our operations commencing in September 2024 and onwards. In such a scenario, and given our current cash balance, we expect to be self-sufficient without needing any external fundings.

As of March 31, 2024, the company has cash and cash equivalents of approximately $4.3 million. Company has no outstanding corporate debt or preferred equity obligations.

And now I'd like to pass it back to Lyron for some closing remarks, after which we will begin our Q&A session.

Lyron Live Bentovim

Thank you, Maydan. Over the last couple of quarters, we have executed on the strategic transition plan we've outlined. This morning, we reap the first fruit of this execution. Over the coming months, we expect to make additional strong progress on our Spatial Core initiative and see significant progress, which we hope to publicly share with you.

I thank you all for your interest and support of The Glimpse Group. And now I'll turn the call back over to the operator to take some questions. Kat?

Operator

(Operator Instructions) At this time, I'd like to turn the call back to management for closing remarks.

Lyron Live Bentovim

I would like to thank each of you for joining our earnings conference call. We look forward to continuing to update you on our ongoing progress and growth. If we were unable to answer any of your questions, please reach out to us directly. Thank you, and have a great afternoon.

Operator

Thank you. This does conclude today's webinar. Thank you for your participation, and have a wonderful day.

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