



KVH Industries

Innovation that Enables a Mobile World™

Q3 2020 Presentation



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Forward-looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties. For example, forward-looking statements include statements regarding the size of market opportunities that may be available to us in future years, potential market share, anticipated areas of revenue growth, future average retail prices per unit (ARPU), anticipated orders for inertial navigation products, anticipated future performance and cost of our photonic chip, anticipated manufacturing scalability, anticipated margin growth, anticipated recurrence of subscription revenue, anticipated positive cash flows for AgilePlans subscriptions, and other plans and goals. Actual results could differ materially from the forward-looking statements made in this presentation. Factors that might cause these differences include, but are not limited to: the adverse impact of the COVID-19 pandemic, as well as governmental, business and other responses thereto and the resulting economic slowdown, on our revenues, results of operations and financial condition, which could be material (particularly for our media and other travel-related businesses); adverse changes in our business, prospects, financial condition or results of operations that may necessitate staffing or compensation reductions beyond those contemplated by the loan forgiveness provisions of the paycheck protection program (PPP), as a result of which we may not be entitled to any forgiveness; possible SBA determination that all or a portion of our PPP loan is not eligible for forgiveness; unanticipated changes or disruptions in our markets; new competitive entrants in our markets; the introduction of competitive technology; technological breakthroughs by competitors; changes in customer priorities or preferences; potential customer terminations; unanticipated liabilities; the potential that competitors will design around or invalidate our intellectual property rights; potential liabilities and decreased profitability and cash flow resulting from the sale of our Videotel business; a history and expectation of continuing losses as we increase investments in various initiatives; the uncertain duration of the initial adverse impact on our overall revenues of our AgilePlans and KVH Watch, under which we recognize no revenue for product sales, either at the time of shipment or over the contract term; increased costs arising from the HTS network; potential challenges or delays in the transition of customers from our legacy network to our HTS network; the uncertain impact of tax reform, federal budget deficits, government shutdowns and Congressional deadlock; the uncertain impact of changes in trade policy, including actual and potential new or higher tariffs and trade barriers, as well as trade wars with other countries; unanticipated obstacles in our photonic chip and other product and service development, cost engineering and manufacturing efforts; delays in the receipt of anticipated orders for our products and services, including significant orders for TACNAV products, or the potential failure of such orders to occur at all; continued adverse impacts of currency fluctuations; risks associated with the impact of Brexit on sales and operations in the U.K. and Europe and on the overall global economy; our ability to successfully commercialize our new initiatives without unanticipated additional expenses or delays; potential reduced sales to companies in or dependent upon the turbulent oil and gas industry; continued substantial fluctuations in military sales, including to foreign customers; the unpredictability of defense budget priorities as well as the order timing, purchasing schedules, and priorities for defense products, including possible order cancellations; the uncertain impact of potential budget cuts by government customers; the impact of extended economic weakness on the sale and use of marine vessels and recreational vehicles; the potential inability to increase or maintain our market share in the market for airtime services; the need to increase sales of the TracPhone V-HTS series products and related services to maintain and improve airtime gross margins; the need for, or delays in, qualification of products to customer or regulatory standards; potential declines or changes in customer demand, due to economic, weather-related, seasonal, and other factors, particularly with respect to the TracPhone V-HTS series, including with respect to new pricing models; increased price and service competition in the mobile connectivity market; exposure for potential intellectual property infringement; changes in tax and accounting requirements or assessments; and export restrictions, delays in procuring export licenses, and other international risks. These and other factors are discussed in more detail in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission. We do not assume any obligation to update our forward-looking statements to reflect new information and developments.

KVH: Navigation and Communications

- **Mobile Connectivity**

- Satellite broadband connections for maritime
- Value-added services

- **Inertial Navigation**

- High-performance navigation for mobile platforms
- Military tactical navigation systems

- **Innovative technology and business model**

- Innovative subscription models building robust recurring revenue stream



Commercial



Leisure/Superyacht



Inertial Navigation



Autonomous Vehicles

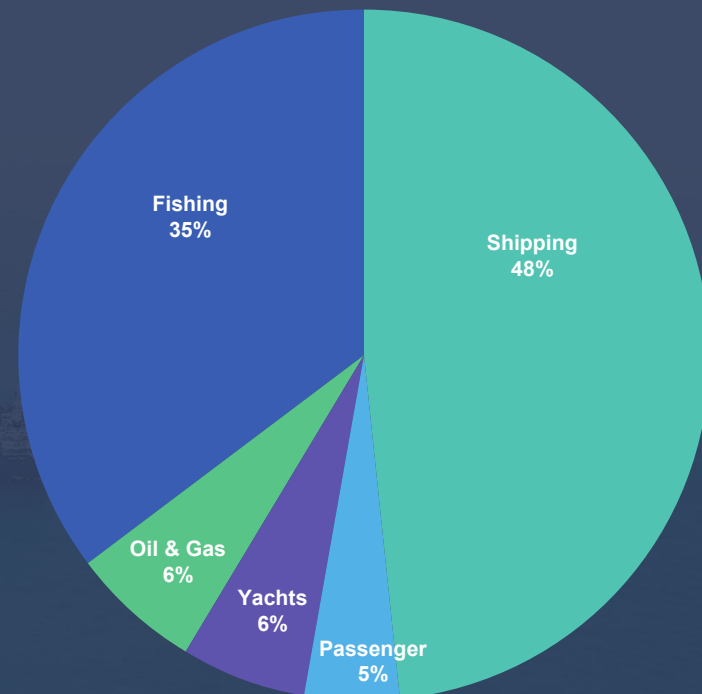
KVH: Global Leader



Maritime Broadband Connectivity Market

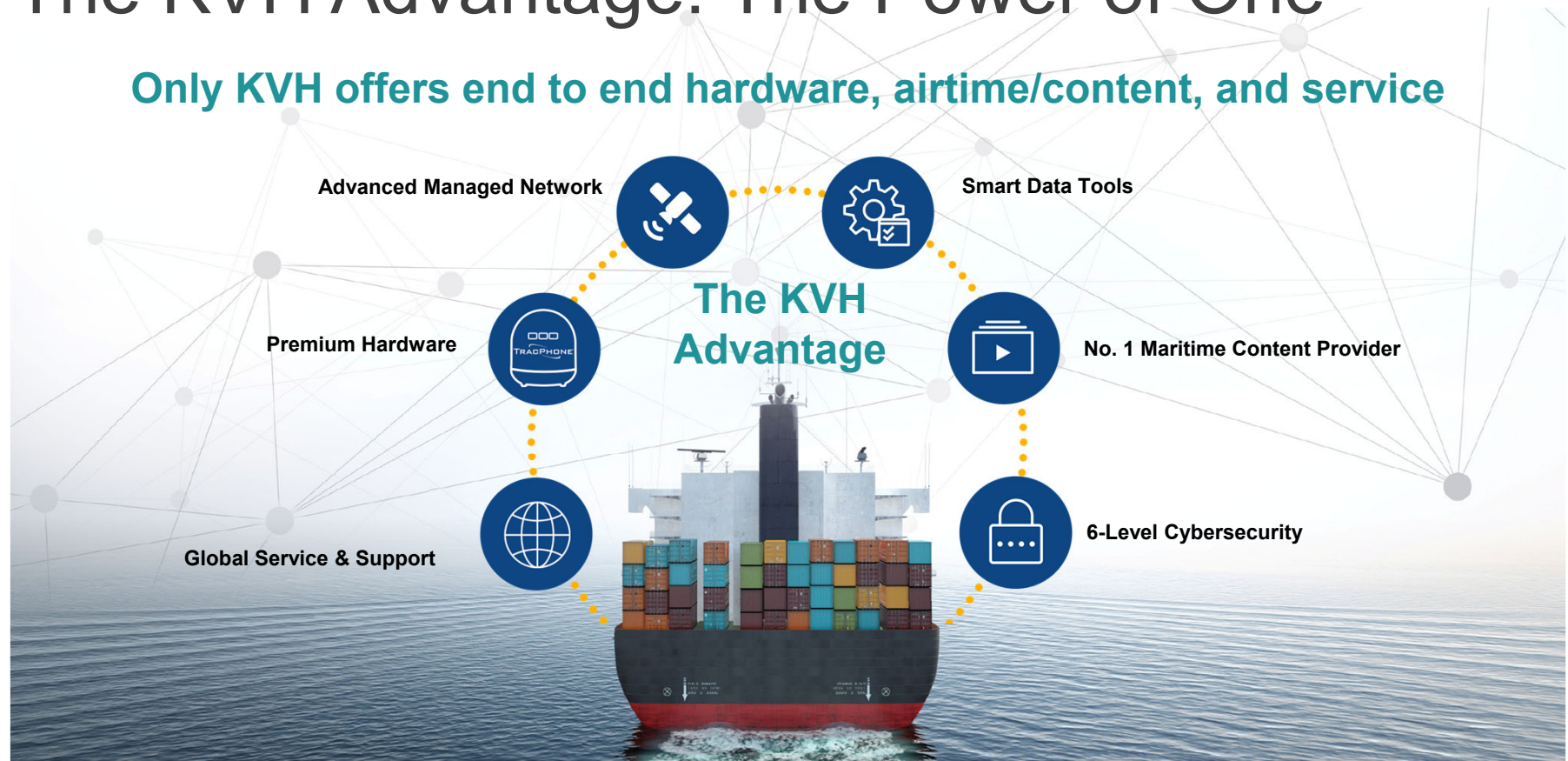
- **498,000 vessels in total connectivity market**
 - 160,000 = target for VSAT
 - 338,000 small fishing (12-24 m) = target for MSS/cellular
- **\$2.4B maritime VSAT service revenue by 2029**
 - \$2B by 2023
 - \$1.4B in 2019

NOTE: Chart represents VSAT target; chart includes fishing vessels and yachts >24m
Source: Euroconsult "Prospects for Maritime Satellite Communications 2020"

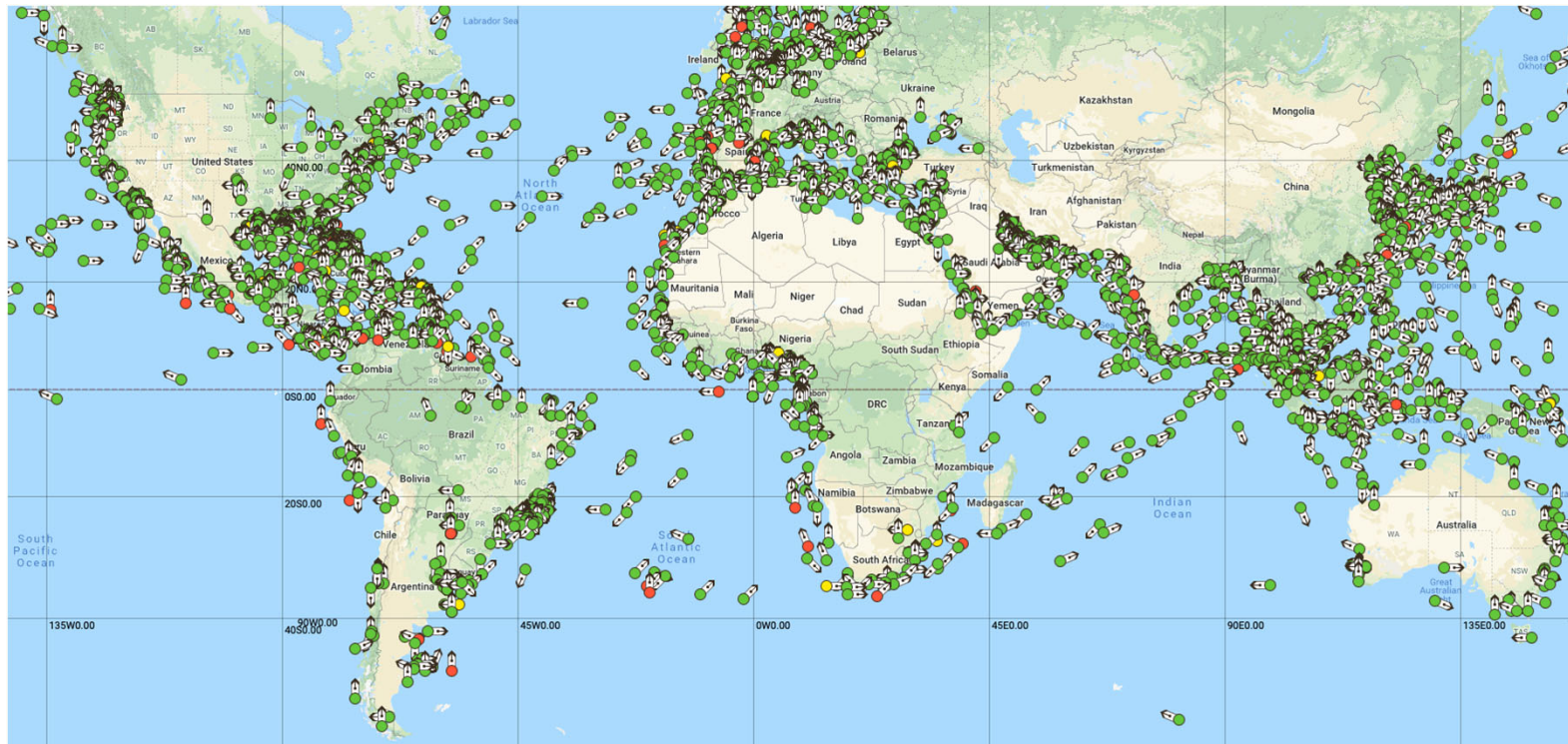


The KVH Advantage: The Power of One®

Only KVH offers end to end hardware, airtime/content, and service



mini-VSAT Broadband HTS Network Success



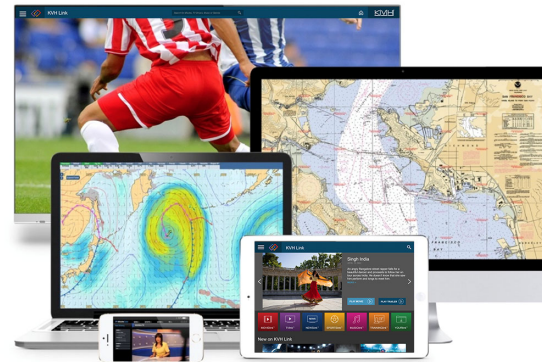
More active users on new network than legacy network

Industry-leading VSAT + High-margin Service

Transition to an all-HTS product line

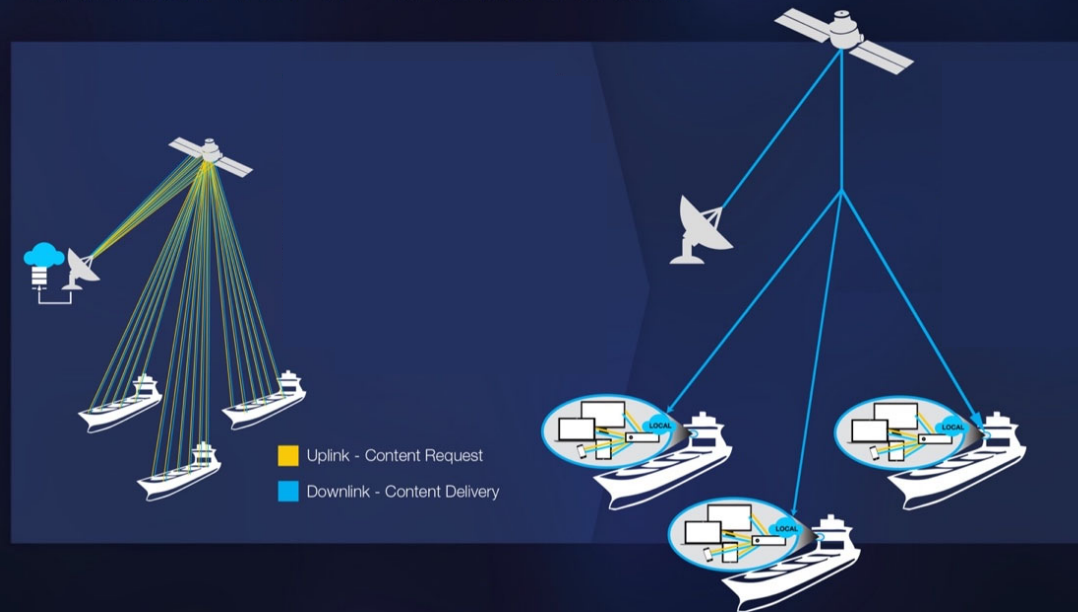


High-margin value-added services



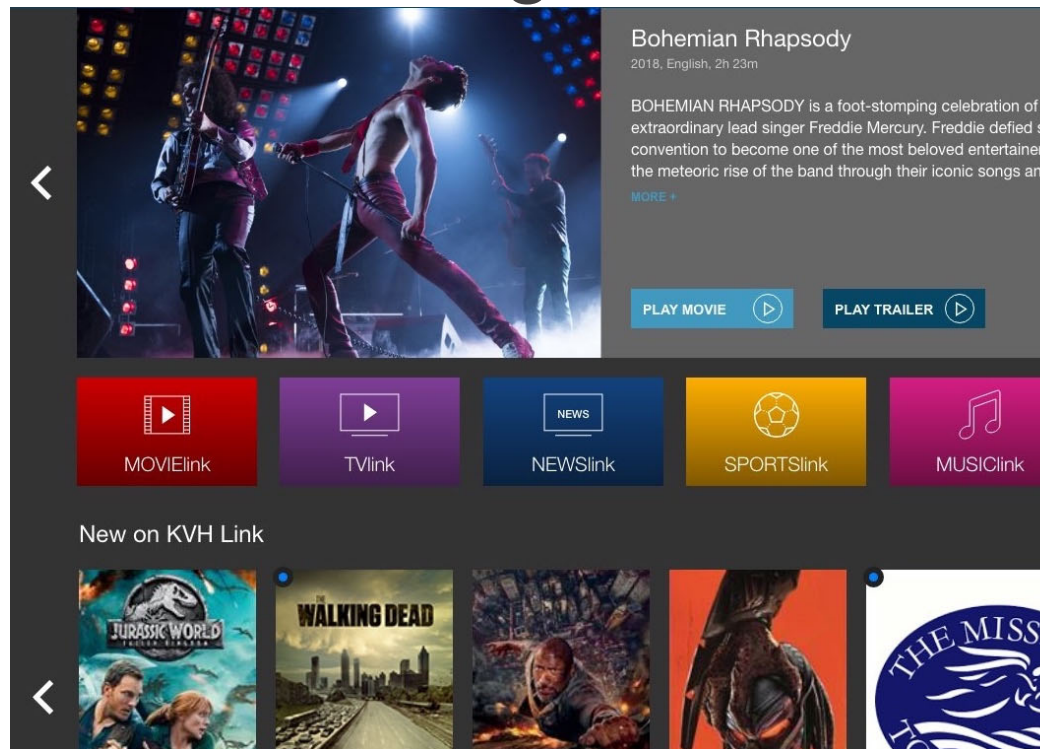
Scalable IP-MobileCast Content Delivery

Unicast vs. IP-MobileCast



- **Patented technology**
- **Delivers content without impact on data usage**
- **Licensed content catalog**
- **Stored and streamed locally**

KVH Link: Innovation in Customer Experience and Delivering Content



- **Over-the-air activation**
 - Affordable monthly subscription
- **NEWSlink**
 - TV and print news from home delivered daily
- **Exciting content bundles**
 - Music, including karaoke
 - Entertainment: movies, TV, podcasts, and viral videos
 - Sports

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Leisure Market a Significant Opportunity



- **OEMs and marinas have reopened since COVID closures**
 - Continuing demand to spend time away on boats
- **Increasing demand for streaming services**
- **ARPUs expected to increase significantly**

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Streaming Performance for Superyachts



The advertisement features a top-down view of a white superyacht moving through clear blue water, leaving a white wake. To the right of the yacht, two white satellite dishes are shown. The larger dish is labeled 'KVH TRACPHONE' and 'KVH Elite™'. The smaller dish is also labeled 'KVH TRACPHONE' and 'KVH Elite™'. Below the dishes is the SYG logo, which consists of a shield with 'SYG' inside and a crown above it.

KVH Elite™

- New unlimited streaming service
- Available now in the Caribbean and the Mediterranean
- No new equipment required, over-the-air activation
- High ARPU

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KVH Innovation
accelerating the adoption
of mobile broadband

Commercial Market Driving Significant Growth






- Largest maritime segment
- Major upgrade cycle underway
- Penetration rate for VSAT accelerating
- 30,000+ L-band systems in service
- Represents an excellent conversion opportunity

Source: COMSYS Maritime VSAT Report, 5th edition, 2020

Pioneered Connectivity as a Service

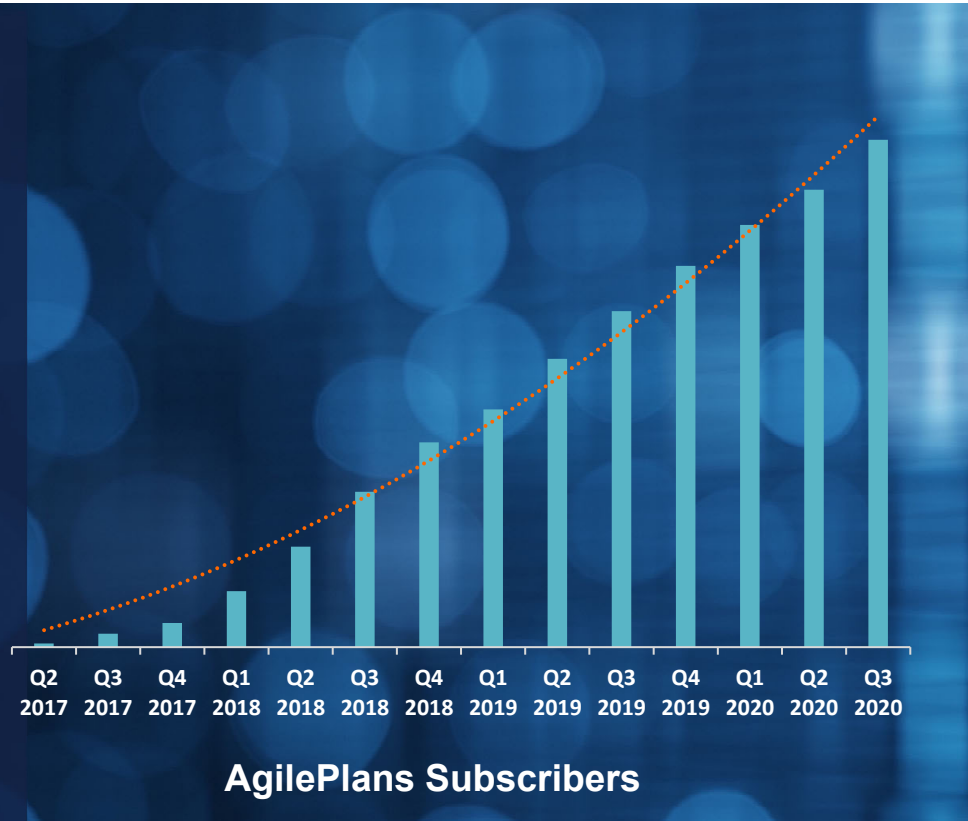
**AgilePlans®
Subscription Model**

		
Hardware	Airtime	Content

- Creating value via business model innovation
- Subscription model with one monthly fee
- AgilePlans Regional launched Q1 2020
- Installation and maintenance included

Rapid Uptake of New Business Model

- Drove record VSAT shipments
- AgilePlans 78% of Commercial VSAT shipments in Q3 2020
- Revenues up more than 55% YOY Q3 2020
- Monthly ARPUs and margins are generally higher than traditional sales



Now Targeting Maritime IoT

- **AgilePlans targeted IT networks and CIOs**
- **Operations and machinery networks are next**
- **New total addressable market**



Commercial Vessels Prime Candidates for IoT



- **Complex, expensive machinery**
- **Operating in the middle of the ocean**
- **Few skilled crew: unable to manage everything**
- **Demand heightened due to pandemic**
 - Restricted access to vessels by non-crew

IoT Opportunity Large and Growing



- IoT market needs maritime connectivity
- ~75,000 merchant vessels
- ~30 equipment manufacturers per vessel
- Maritime IoT includes more than 2.25 million equipment systems

Source: Euroconsult, "Prospects for Maritime Satellite Communications" 2020

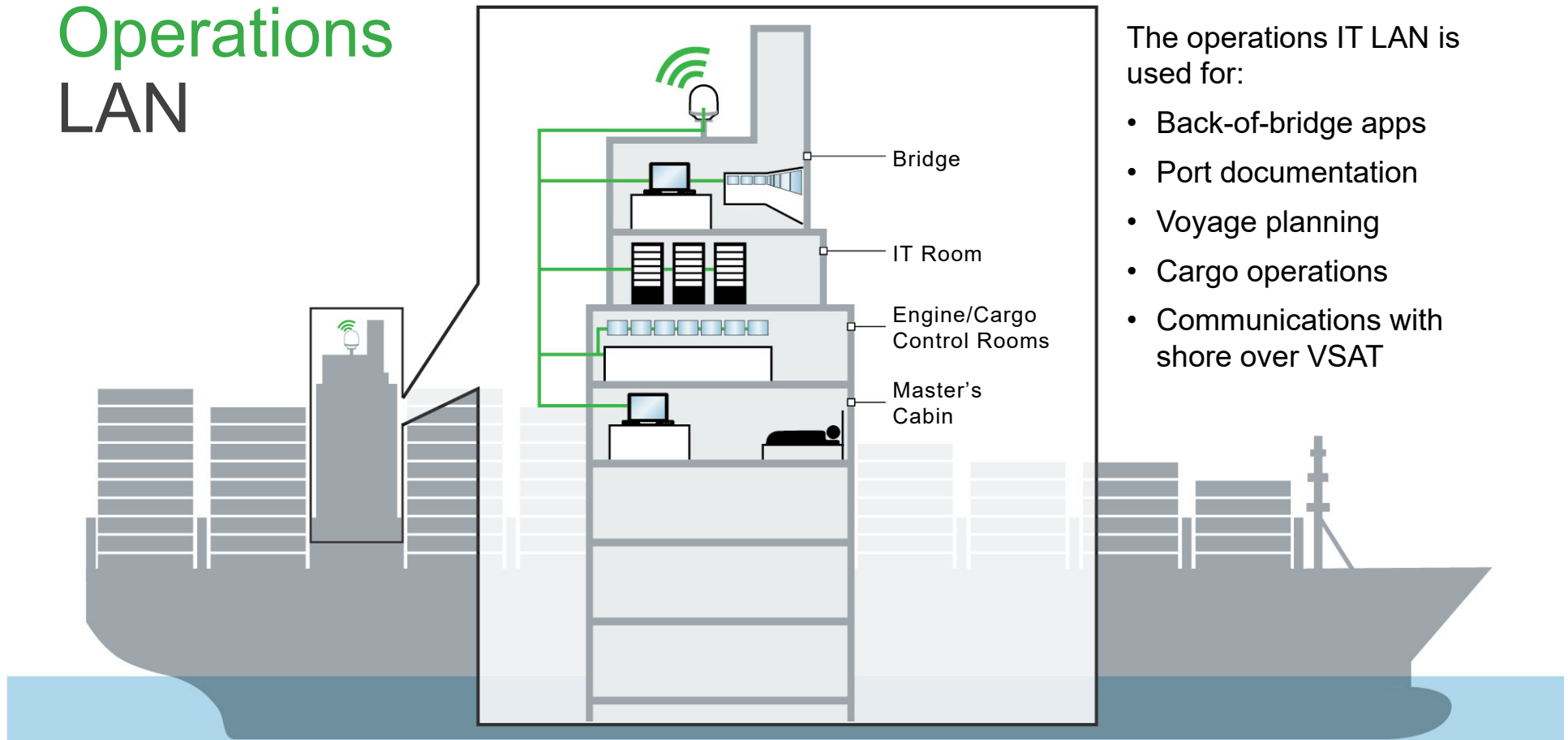
IoT Connectivity as a Service



- **KVH Watch®**
 - Flow
 - Remote Expert Intervention
- **Enables equipment manufacturers to:**
 - Deliver their machine data from vessel to cloud, 24x7
 - Give their engineers immediate access to machinery
 - Save expensive site visits

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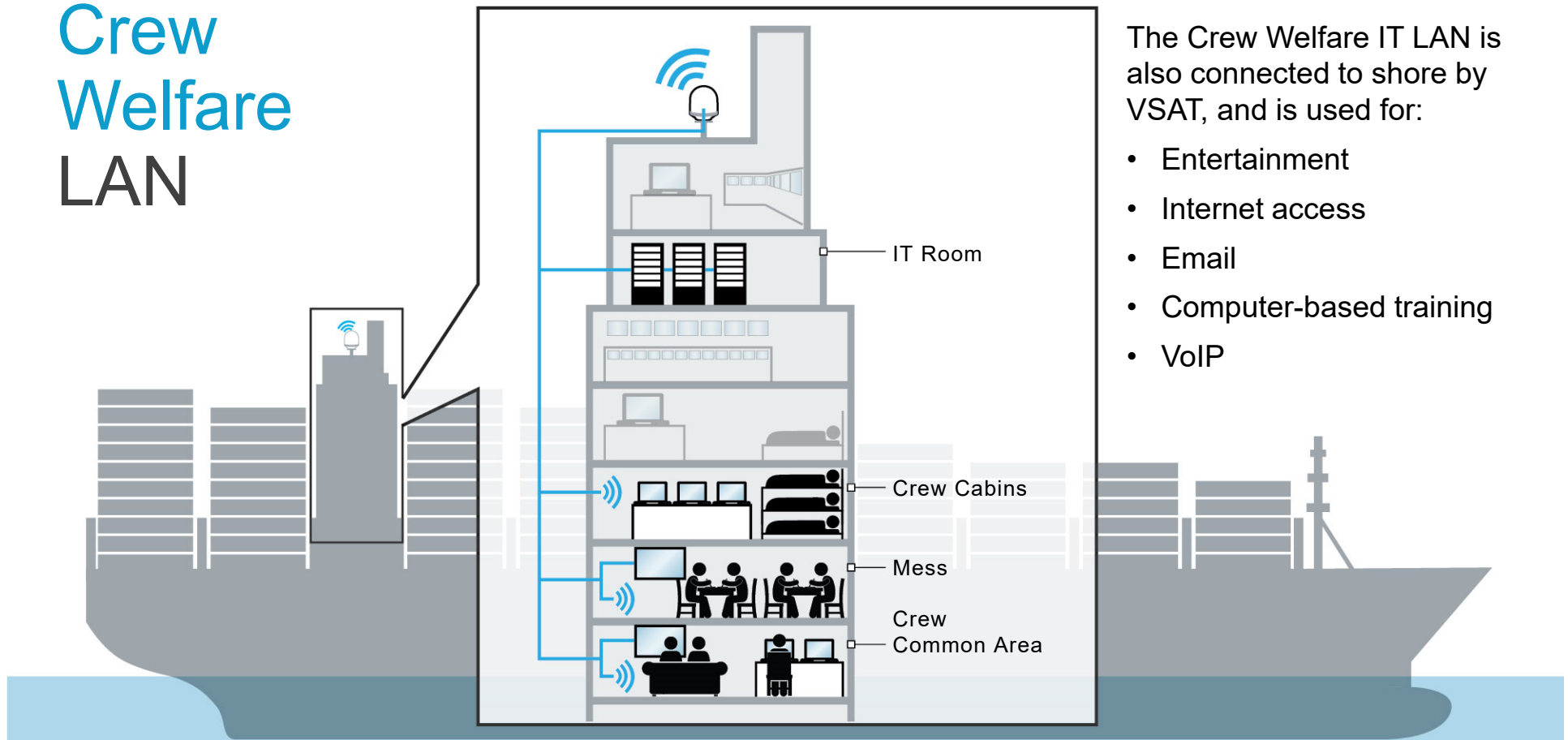
Operations LAN



The operations IT LAN is used for:

- Back-of-bridge apps
- Port documentation
- Voyage planning
- Cargo operations
- Communications with shore over VSAT

Crew Welfare LAN

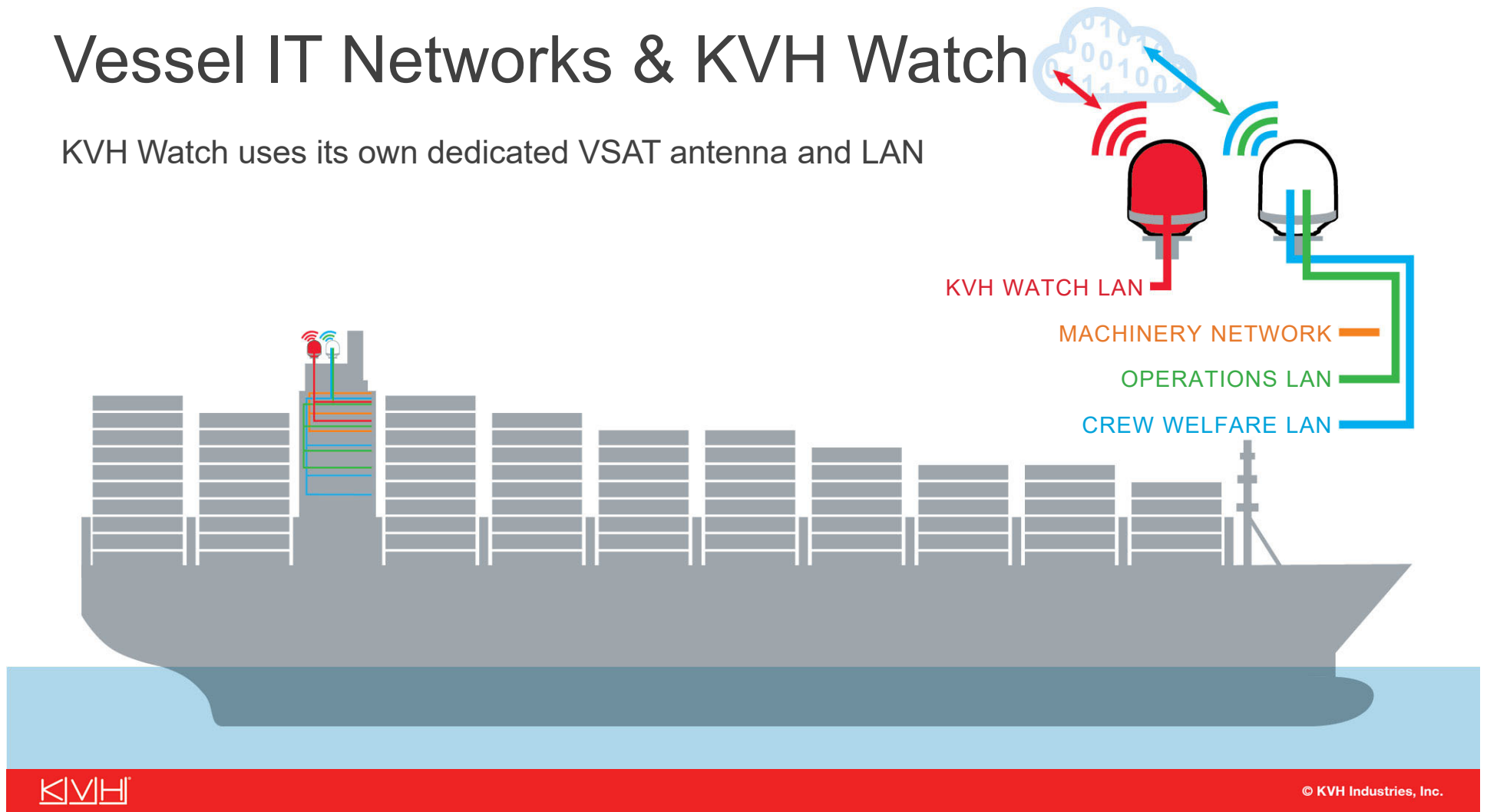


The Crew Welfare IT LAN is also connected to shore by VSAT, and is used for:

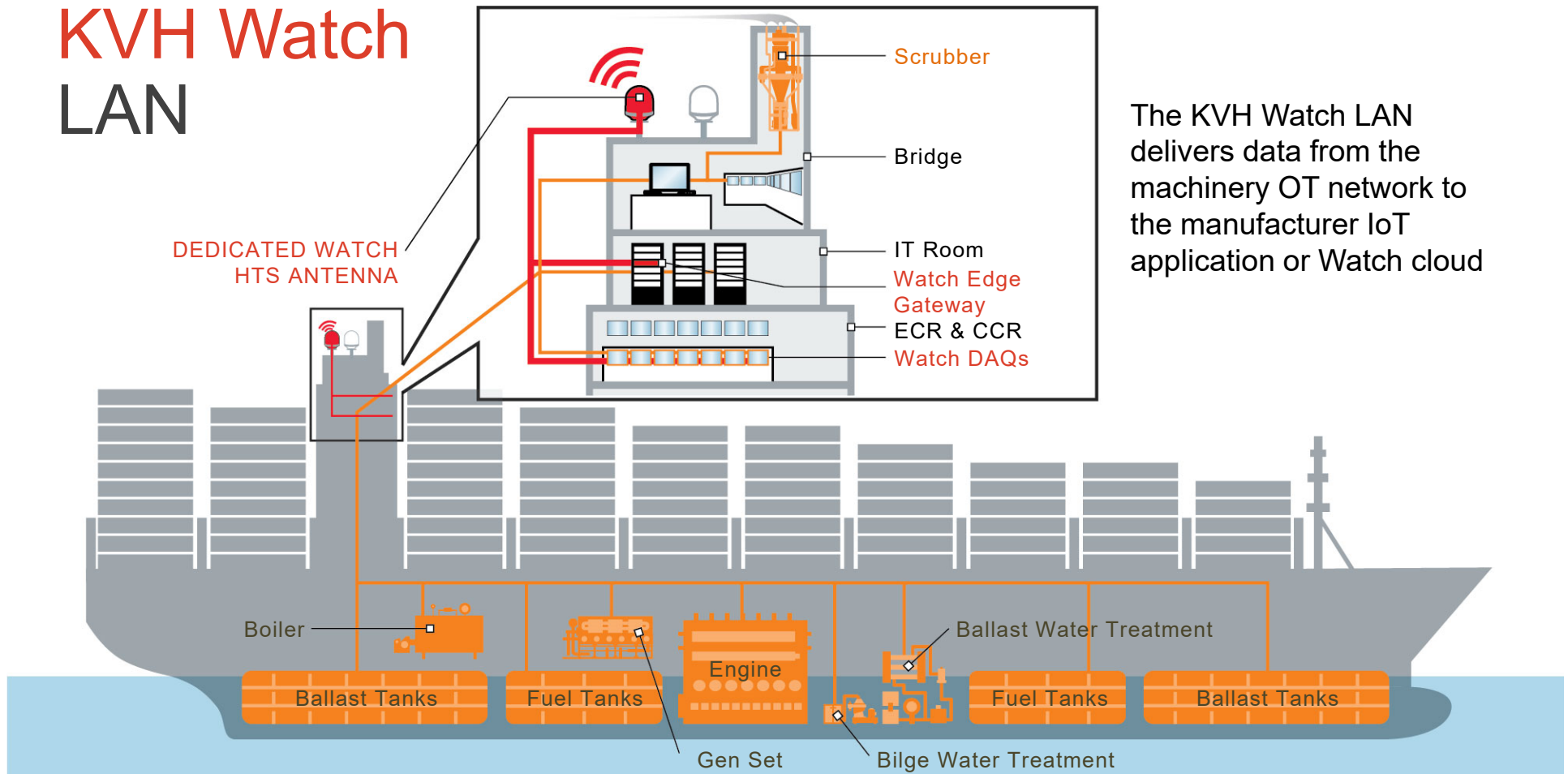
- Entertainment
- Internet access
- Email
- Computer-based training
- VoIP

Vessel IT Networks & KVH Watch

KVH Watch uses its own dedicated VSAT antenna and LAN

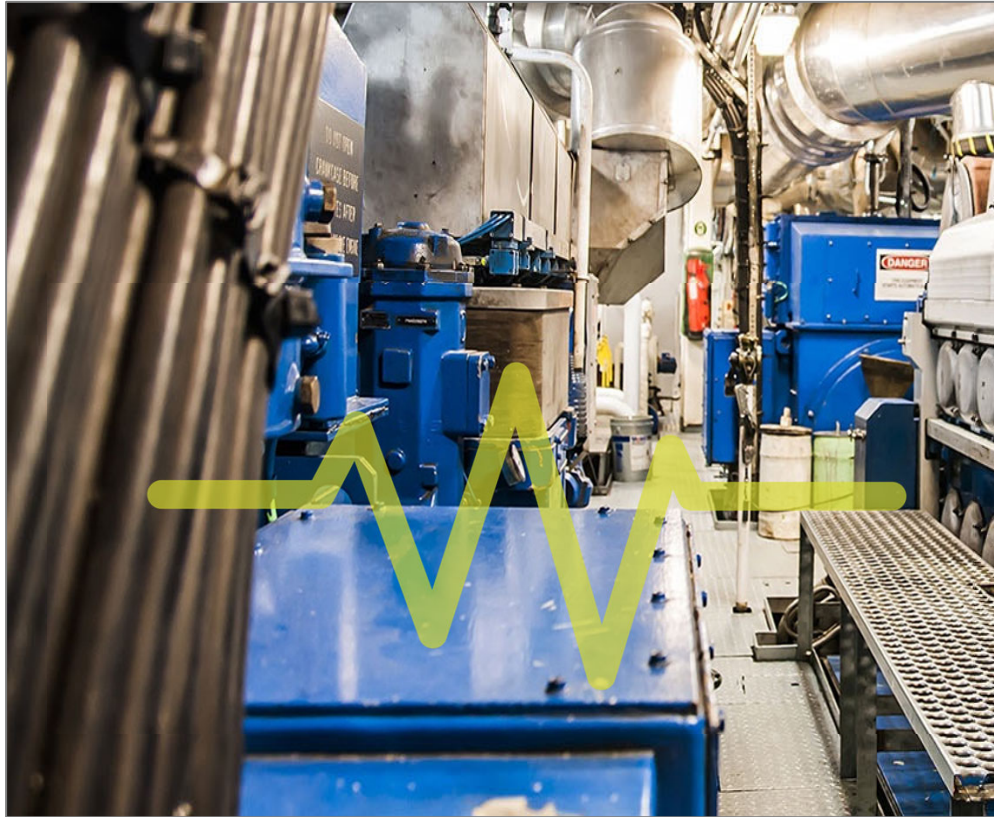


KVH Watch LAN



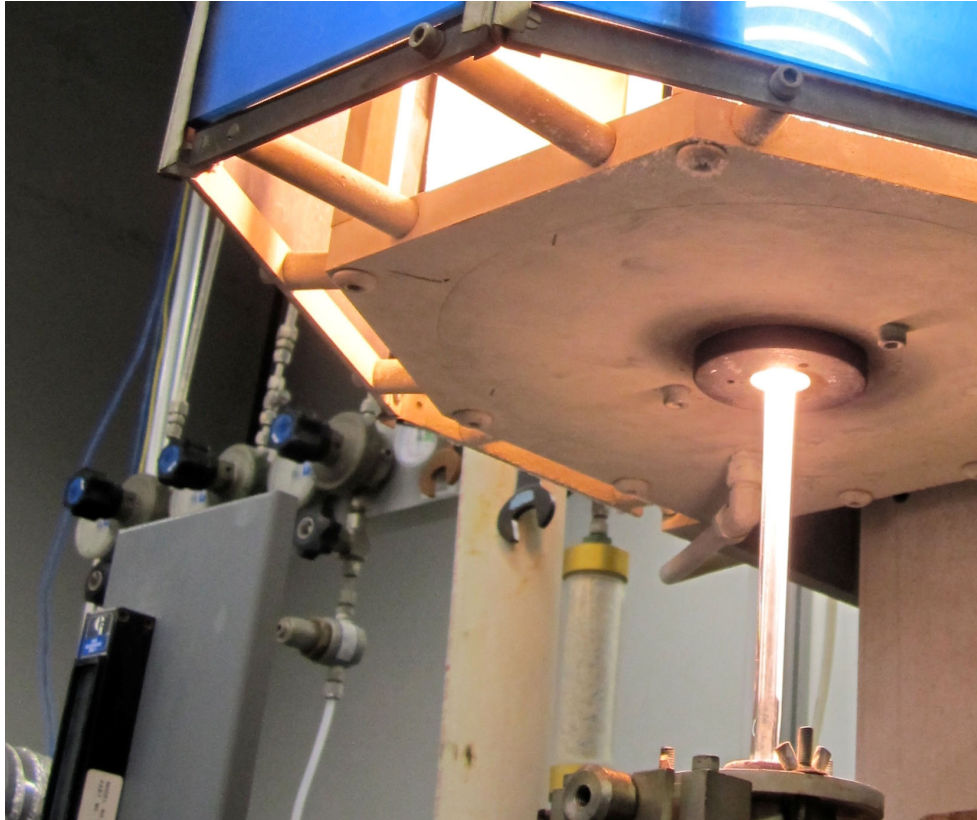
The KVH Watch LAN delivers data from the machinery OT network to the manufacturer IoT application or Watch cloud

Transforming Business at Sea



- **Leverage AgilePlans business model and technical platform**
- **Multi-tenancy**
 - Install once, sell to many
- **Potentially as disruptive as AgilePlans**

Innovation Driving Inertial Navigation Solutions



- **A market leader in precision gyros and inertial systems with patented IP**
- **Industry-leading price/performance**
 - Higher performance vs. MEMS
 - Lower cost vs. closed loop technology
- **Vertically integrated manufacturer**

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Product Line of High-precision Systems

- **Fiber Optic Gyros (FOGs)**

- Compact, rugged, solid-state systems with ultra-high bandwidth

- **Inertial Measurement Units (IMUs)**

- Combines three axes of FOGs and three accelerometers

- **Tactical Navigation Systems**

- Key military technology for Assured Position, Navigation, and Timing (A-PNT)



Growing “Autonomous Everything” Market

- **Autonomous market:**
5-year revenue CAGR projected at 31%
- **KVH innovation driving growth in our FOG business**
- **Top applications**
 - Autonomous cars, trucking, mining, industrial robots
 - Drones, AUV & ROV guidance, platform stabilization

Source: Yole, High-End Inertial Sensors 2020



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FOG Business: Many Opportunities



- **Current Programs:**
 - Remote weapons systems
 - Unmanned platforms
 - F-18 infrared seeker-tracker
- **Emerging Opportunities:**
 - Classified programs, missile programs
 - Package delivery drones
 - Mobile mapping for UAVs

Military/Gov't Market Demands Performance

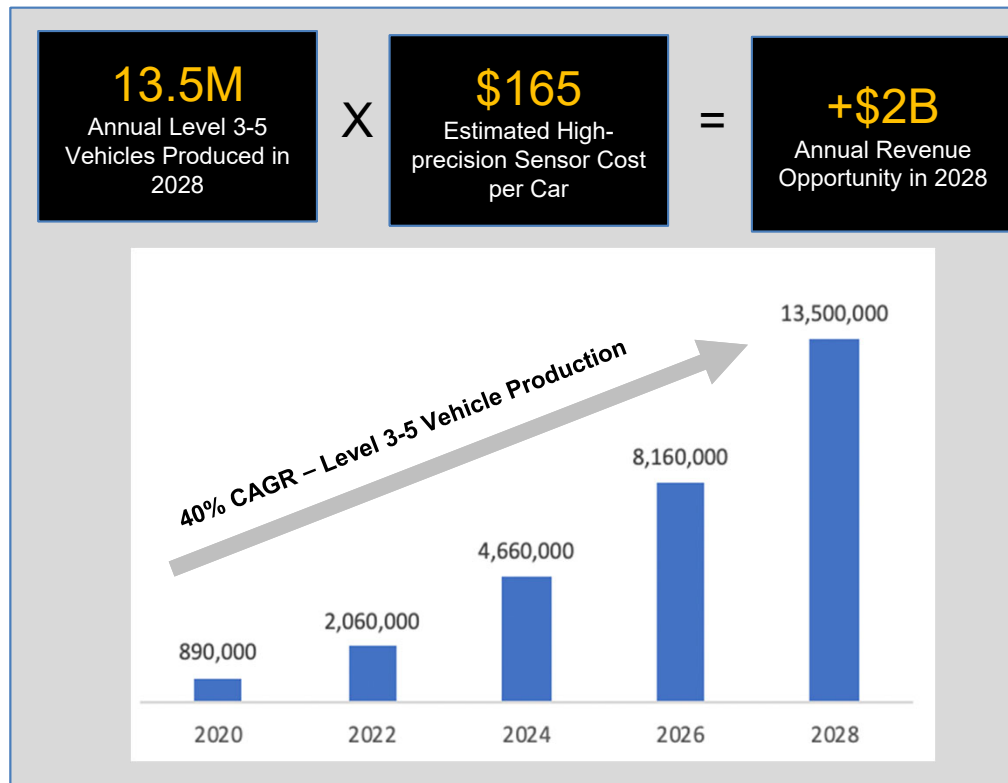


- **\$1.5+ billion market by 2025**
 - Total value of *inertial sensor* market for military/government applications relevant to KVH, including both FOG and TACNAV products
- **Military spending led by U.S., China, Europe**
 - India, Saudi Arabia, Australia increasing
- **140K+ U.S. Army vehicles are planned for the A-PNT program**

Sources: Yole, "High-end Inertial Sensors for Defense, Aerospace, and Industrial Applications" 2020 and U.S. Army A-PNT Presentation

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Autonomous Vehicles \$2B Market Opportunity

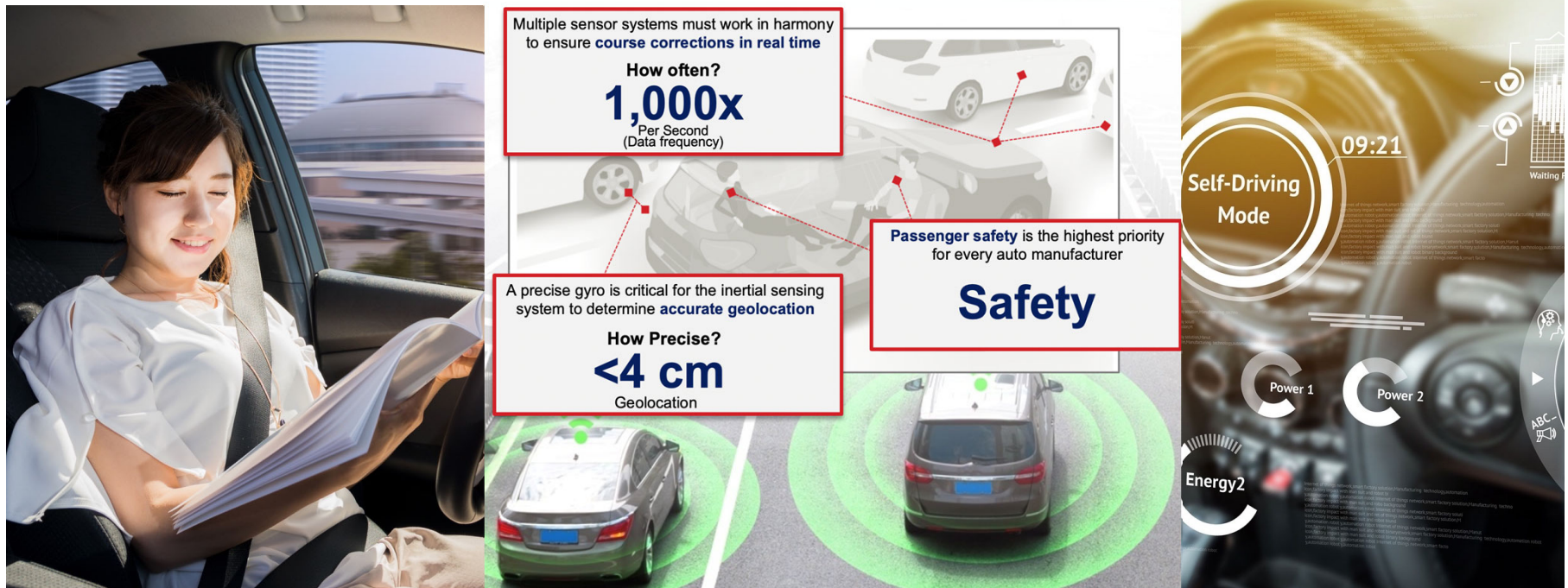


- **45% CAGR IMU revenue for autonomous cars 2020-2028**
- **FOG-based IMUs dominant 2020-2028, transition to MEMS-based IMUs after 2028**
- **KVH PIC development poised to disrupt Level 4+**

Source: Yole 2020, Sensors for Robotic Mobility; revenue estimate assumes one sensor per car

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Inertial Sensors Integral to Self-driving Success



Multiple sensor systems must work in harmony to ensure **course corrections in real time**

How often?
1,000x
Per Second
(Data frequency)

Passenger safety is the highest priority for every auto manufacturer

Safety

A precise gyro is critical for the inertial sensing system to determine **accurate geolocation**

How Precise?
<4 cm
Geolocation

Self-Driving Mode

09:21

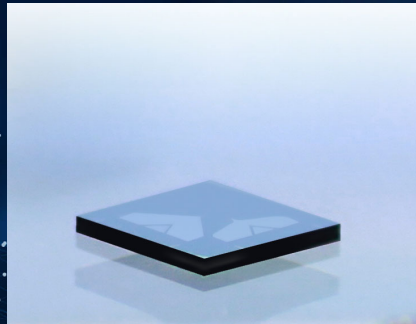
Power 1

Power 2

Energy2

Waiting for

Photonic Integrated Chip (PIC) Technology



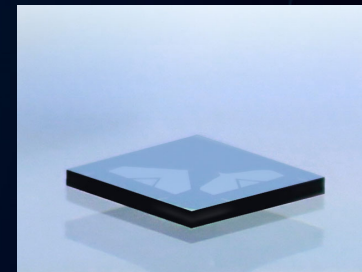
- **Patented technology**
- **Price and performance targets met**
- **Integration across current products moving into production**
- **Shipping PIC Inside product**

KVH's Leverageable Business Model

- **Revenue growth is key**
- **Margins improve due to fixed costs**
- **Recurring subscription revenue**
- **Need growth to achieve scale**
- **Focus on core business**
 - Migration to HTS network
 - Internal efficiency with new automation systems
 - Cost reduction using PIC technology in standard products

Investing in Key Growth Initiatives

- **Accelerate AgilePlans**
- **Invest in KVH Watch IoT**
- **Leverage Photonic Chip technology**

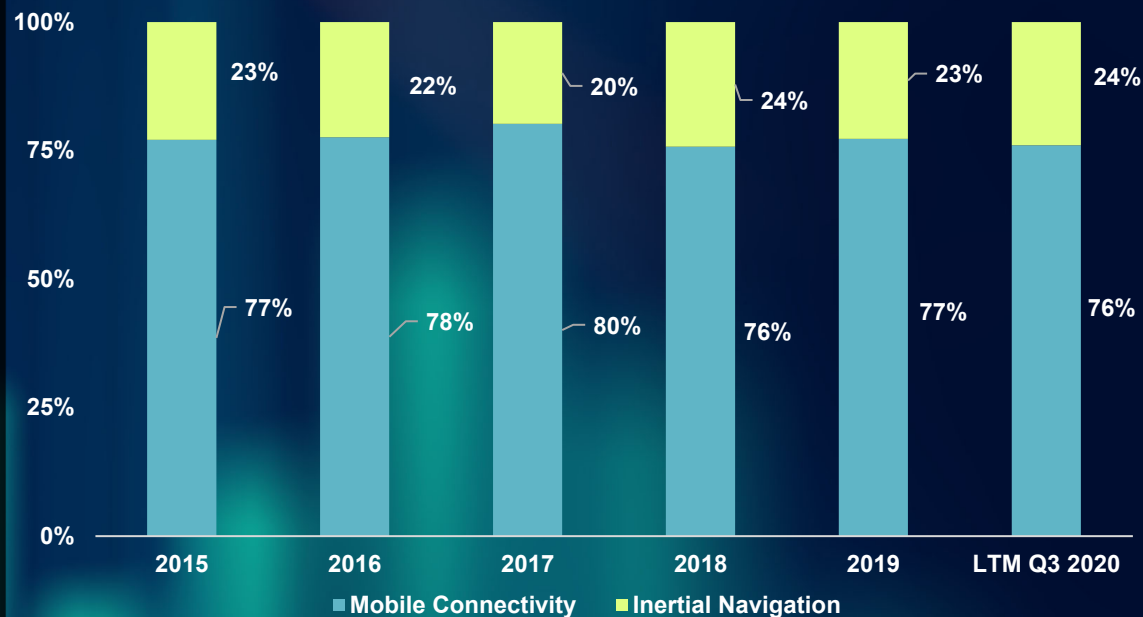




Operational & Financial Overview

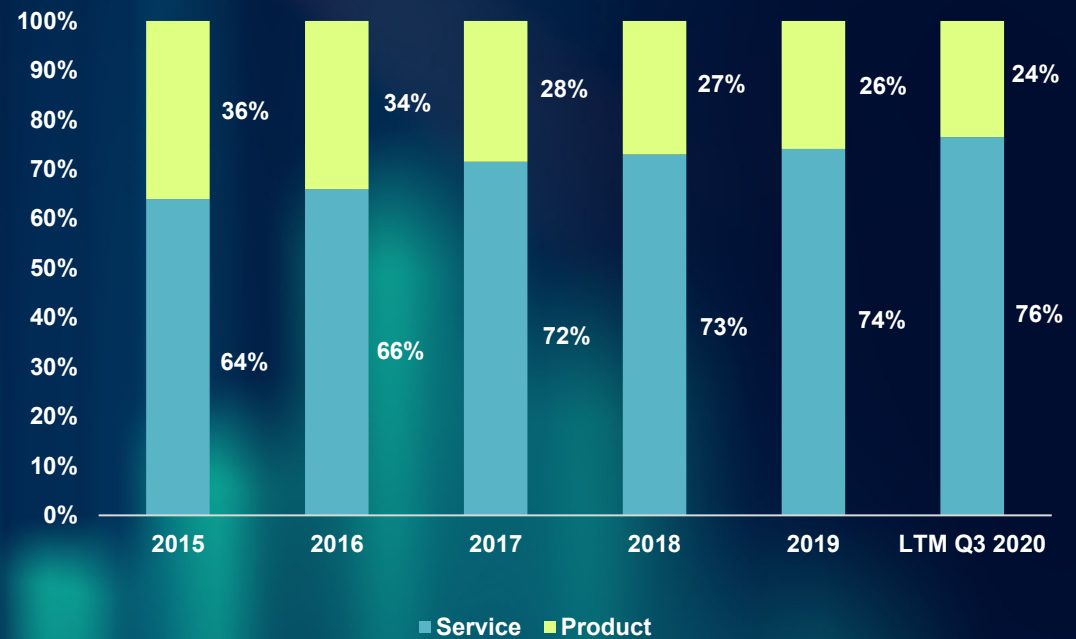
Overall Revenue by Segment

- Revenue % by segment consistent
- Mobile Connectivity >75%
- Inertial Navigation <25%



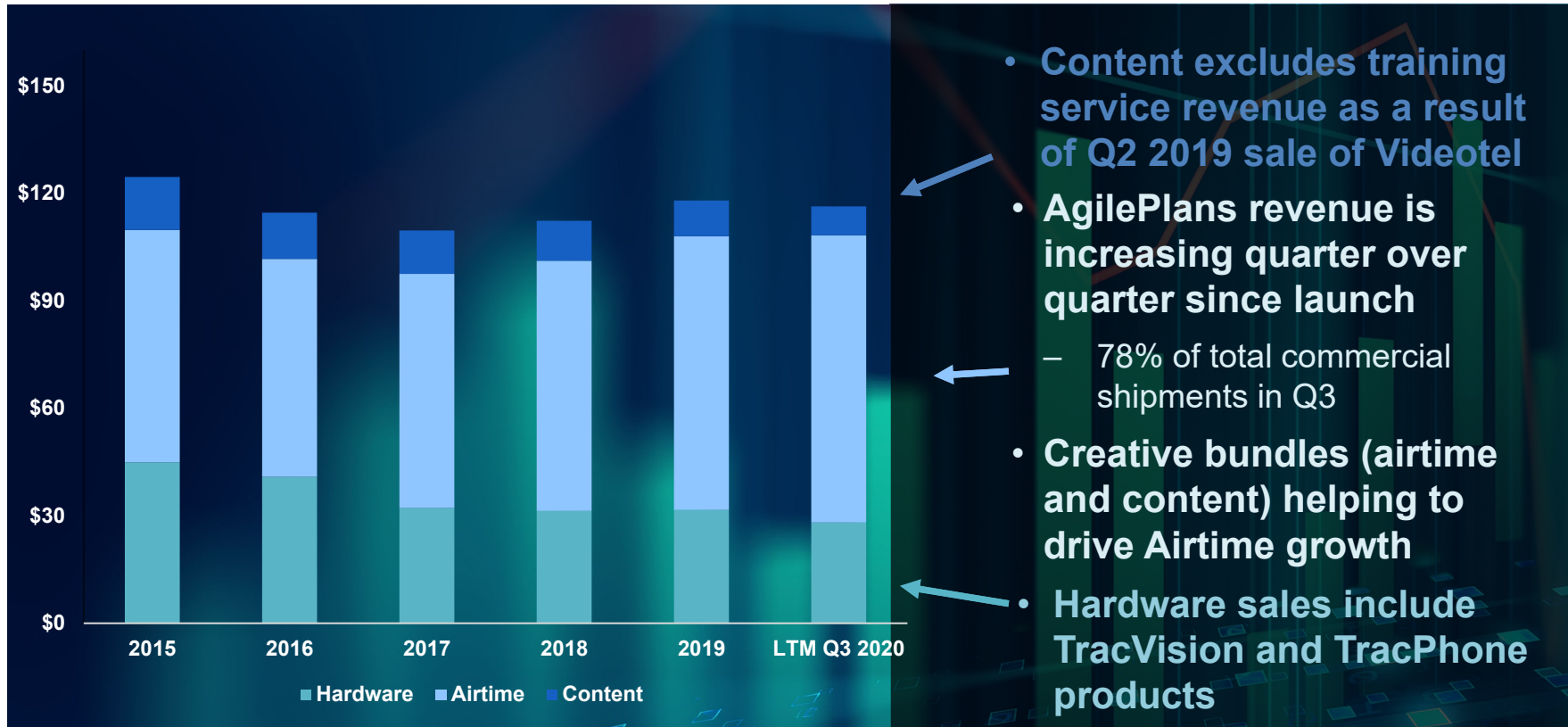
Mobile Connectivity – Service Revenues vs. Product

- Increasing *recurring* service revenue
- Service revenues LTM Q3 76% and growing



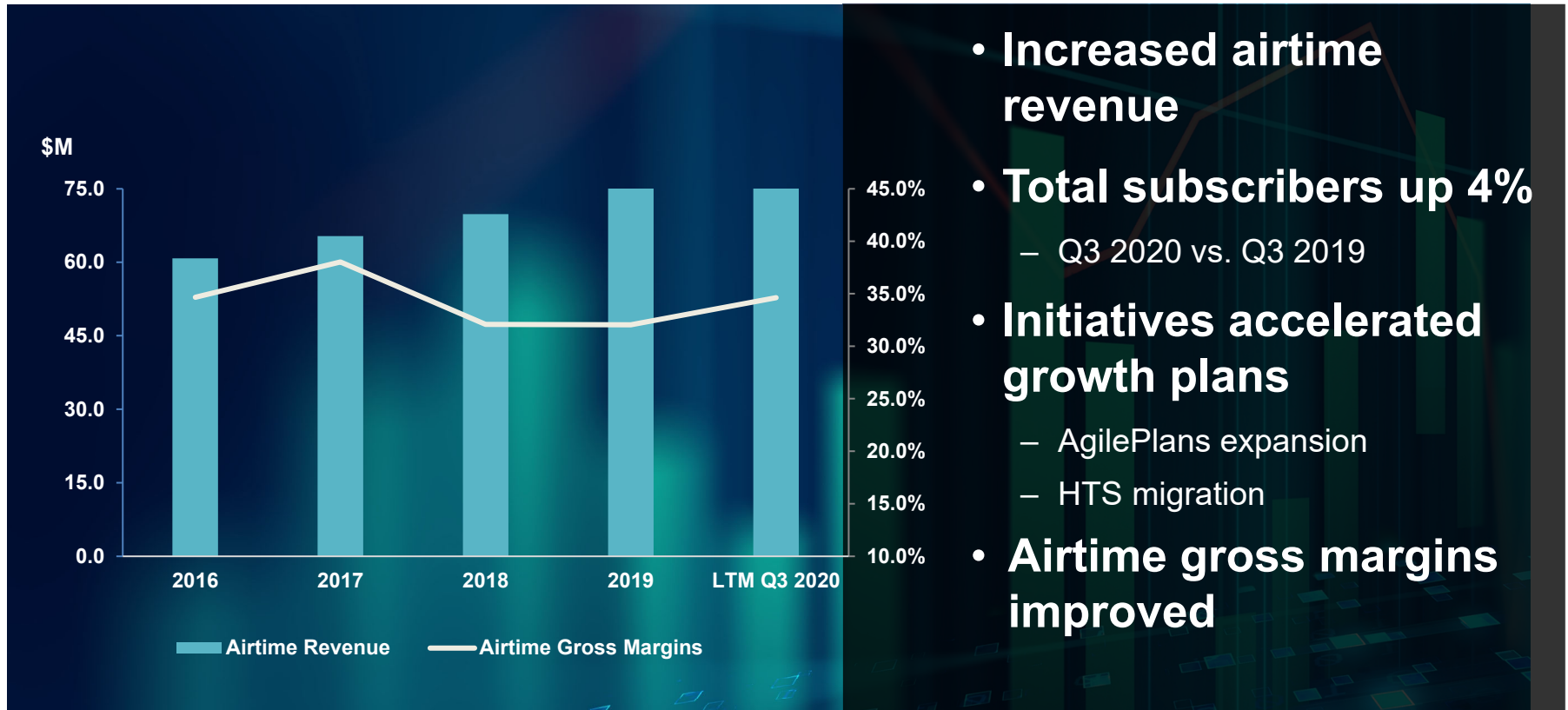
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Mobile Connectivity – Revenue by Group



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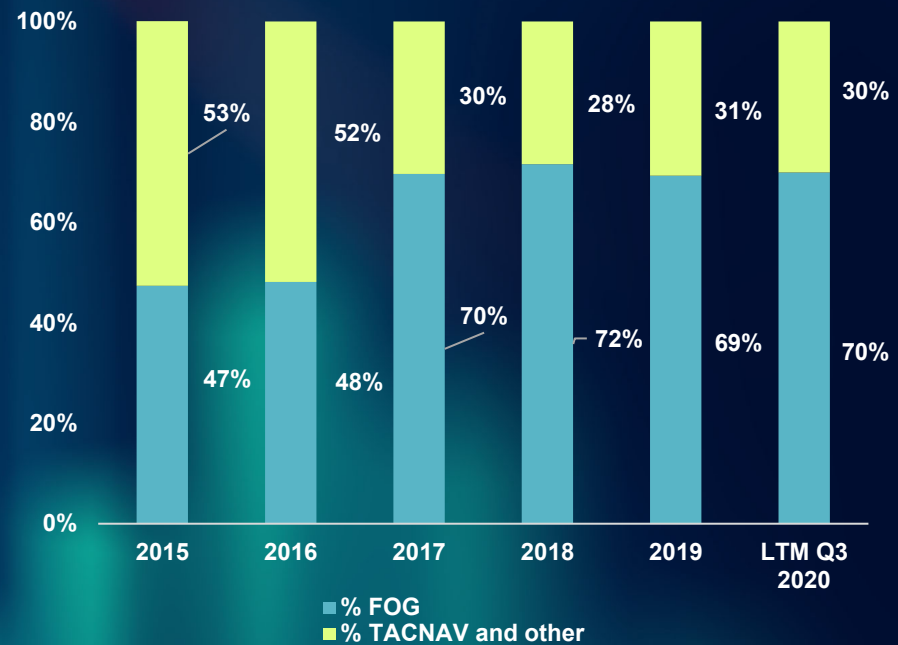
Mobile Connectivity – Airtime Revenues



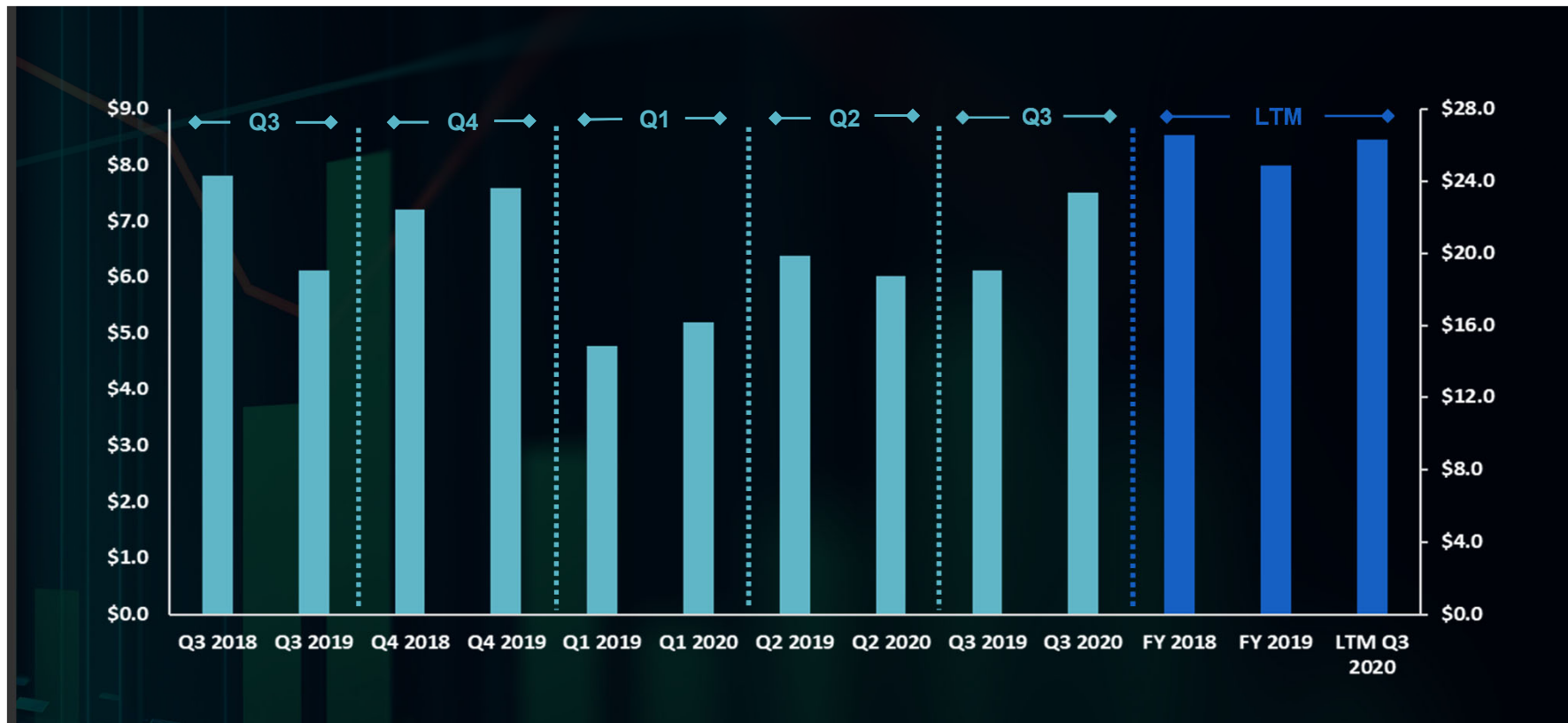
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Inertial Navigation – Revenue Composition

- **FOG remains a significant % of total**
- **TACNAV revenue lumpy and hard to predict, but very profitable**




Inertial Navigation – FOG Trend



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Q3 2020 Financial Summary – Continuing Operations



	Q3 2020	Q3 2019
Revenue	\$41.1M	\$39.3M
Service Revenue (% of Total Revenue)	60%	62%
Gross Profit Margin	38%	34%
GAAP Net Loss	(\$0.5M)	(\$3.3M)
Non-GAAP Net Income	\$1.1M	(\$2.2M)
GAAP Loss Per Share	(\$0.03)	(\$0.19)
Non-GAAP Profit Per Share	\$0.06	(\$0.12)
Adjusted EBITDA	\$3.4M	(\$1.2M)

Note: Refer to the company's Q3 2020 earnings releases, Annual Report on Form 10-K, or Quarterly Report on Form 10-Q for additional financial disclosure.

Q3 YTD 2020 Financial Summary – Continuing Operations



	Q3 YTD 2020	Q3 YTD 2019
Revenue	\$114.6M	\$115.4M
Service Revenue (% of Total Revenue)	62%	63%
Gross Profit Margin	35%	33%
GAAP Net Loss	(\$10.3M)	(\$13.1M)
Non-GAAP Net Loss	(\$4.8M)	(\$7.7M)
GAAP Loss Per Share	(\$0.58)	(\$0.75)
Non-GAAP Loss Per Share	(\$0.27)	(\$0.44)
Adjusted EBITDA	(\$0.3M)	(\$4.9M)

Note: Refer to the company's Q3 2020 earnings releases, Annual Report on Form 10-K, or Quarterly Report on Form 10-Q for additional financial disclosure.

Current Situation

- **Industry impact from COVID-19**
 - Leisure marinas & OEMs closed during Q2 but reopened during Q3
 - Commercial port calls below historic levels; restrictions starting to lift in Q3
 - Crude oil price volatility
- **Withdrew 2020 revenue & earnings guidance**
- **Temporarily reduced employee compensation, restored Q4**
- **Eliminated most discretionary spending and delayed capital outlays (except for the key strategic initiatives)**

Path Forward

- **Diverse business**
- **AgilePlans with HTS network is well positioned**
- **IoT offers significant opportunity**
- **New self-driving vehicles and “autonomous everything” need inertial precision**

KVH®