

Luminar Technologies

Results largely in-line, but 2024 outlook less illuminating – 4Q:23 first take

Maintain Rating: NEUTRAL | PO: 4.00 USD | Price: 2.50 USD

LAZR 4Q:23 results in-line with BofA

Luminar Technologies (LAZR) reported 4Q:23 EPS slightly below Street forecasts, but in-line with BofA. Specifically, non-GAAP EPS of \$(0.20) compared with BofAe at \$(0.20) and Bloomberg consensus of \$(0.19). Revenue was below both our estimate and consensus (\$22.1mm vs. BofAe \$27.5mm, consensus \$27.3mm), and adj. gross margin was also lower (-75.0% vs. BofAe 2.0%). LAZR had targeted a positive non-GAAP gross margin in 4Q:23, but costs were higher in part as it sought to de-risk the Volvo launch. Operating expenses (adjusted for stock-based compensation) were favorable vs. our forecast (\$66.7mm vs. BofAe \$75.2mm). Combined, this drove a non-GAAP operating loss of \$(83.6)mm, worse than BofAe at \$(74.6)mm but better than consensus at \$(84.1)mm. Share count was higher than our forecast. LAZR ended 4Q:23 with \$291mm in cash and liquidity, down from \$321mm at the end of 3Q:23 but this excludes a \$50mm+ line of credit the company recently executed on. LAZR had planned to have \$300mm+ in liquidity by the end of 2023.

2024 outlook limited as LAZR focuses on Volvo ramp

LAZR provided a limited 2024 financial outlook given uncertainty on the pace of the production ramp for the Volvo EX90. The company plans to provide more details towards 2H:24. Among its guidance, LAZR expects to achieve quarterly run-rate revenue in the mid-\$30mm range following its start of production and the ramp with Volvo, equating to a ~\$140m annualized run rate. As for other guidance, LAZR projects ending 2024 with \$150m+ in cash & liquidity, which it believes should be sufficient to support operations for 2 years from today. This may prove optimistic and we have assumed LAZR will raise additional capital in 2024/2025. Lastly, LAZR indicated its 1Q:24 financial performance will likely be in-line with 4Q:23, although revenue could be lower and cash burn higher as it builds working capital to support Volvo's production ramp.

Maintain Neutral rating on LAZR

We maintain our Neutral rating on LAZR, which is predicated on our view that it is an emerging leader in next-generation, commercial LIDAR and is uniquely levered to the industry mega-trend of vehicle autonomy. The company's strong order book should also support a meaningful inflection in revenues in 2024/2025. However, catalysts associated with an earnings and cash flow inflection are a ways out. We expect LAZR will also need to raise additional capital and the LIDAR space remains highly competitive.

Key takeaways and developments from 4Q:23

Key takeaways from LAZR's 4Q:23 earnings call and report: 1) Growth in the order book in 2023 was a bit shy of the company's target for \$1bn+, but this was largely due to timing; 2) LAZR expects "significant" growth in its order book for 2024. It also cited some macro headwinds, however, suggesting perhaps a slower start; 3) The company did not provide an update on when it expects to achieve a positive gross margin. Ultimately, getting to profitability will likely be dependent on the ramp up of volumes and LAZR's ability to take down costs. We expect the company will get to gross margin positive as Volvo production volumes ramp but may currently be opting to take a more conservative approach given uncertainty on the pace of that ramp. In our view, the lack of clear guidance on this front could push back expectations for when LAZR achieves gross margin profitability by a year or more. ...*continues on the next page...*

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Stock Data

Price	2.50 USD
Price Objective	4.00 USD
Date Established	28-Nov-2023
Investment Opinion	C-2-9
52-Week Range	2.09 USD - 10.55 USD
Mkt Val (mn) / Shares Out (mn)	964 USD / 385.6
Free Float	90.1%
Average Daily Value (mn)	17.59 USD
BofA Ticker / Exchange	LAZR / NAS
Bloomberg / Reuters	LAZR US / LAZR.OQ
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	Low

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LIDAR: Light Detection and Ranging

ADAS: Advanced Driver Assistance Systems

4) LAZR is continuing to move forward with its development contract with Nissan, which could be sizable as Nissan plans to deploy a “next-generation safety system” in their vehicles by mid-decade and on nearly all of their vehicles by 2030. Luminar’s LIDAR will likely be a key part of that system. LAZR appears confident that the development contract would convert to a series production award, which is when it would be considered part of the order book.

Exhibit 1: LAZR YoY & variance table versus BofAe

LAZR reported 4Q:23 an adjusted non-GAAP EPS loss of \$(0.20) versus BofAe \$(0.20)

	YoY Change			Variance vs BofAe		
	4Q:23	4Q:22	YoY	Actual	BofAe	Δ
Revenue	\$22,114	\$11,126	98.8%	\$22,114	\$27,475	(19.5%)
Gross Profit	(\$16,575)	(\$22,959)	(27.8%)	(\$16,575)	\$550	(3116.4%)
Operating Income	(\$83,234)	(\$94,163)	11.6%	(\$83,234)	(\$74,617)	(11.5%)
Net Income - Non GAAP	(\$83,634)	(\$94,878)	11.9%	(\$83,634)	(\$79,061)	(5.8%)
Adjusted EPS - Non-GAAP	(\$0.20)	(\$0.26)	21.6%	(\$0.20)	(\$0.20)	nm
Adjusted EBITDA	(\$76,078)	(\$91,971)	17.3%	(\$76,078)	(\$62,617)	(21.5%)
	4Q:23	4Q:22	YoY	Actual	BofAe	Δ
Gross Margin	(75.0%)	(206.4%)	nm	(75.0%)	2.0%	nm
Operating Margin	(376.4%)	(846.3%)	nm	(376.4%)	(271.6%)	nm
Adjusted EBITDA Margin	(344.0%)	(826.6%)	nm	(344.0%)	(227.9%)	Nm

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Luminar Technologies (LAZR)

Our PO of \$4 is based on an EV/Sales multiple of 4.0x on our 2025 estimates. This is somewhat lower than the average EV/Sales multiple of 4.5-5x for the Auto/Tech companies we include in LAZR's peer group, reflecting concerns about growth for ADAS and autonomous vehicle technology.

Upside risks: 1) Continued strong execution on securing series production contracts, 2) Progress on Level 2+ autonomous driving and market penetration may be faster than projected, 3) Technological breakthrough on Level 4+ autonomous capabilities and systems, 4) Market consolidation eases competitive pressures and leaves more room expansion, 5) Better than expected cost reduction and quicker scaling of operation, 5) Prices hold up better-than expected.

Downside risks: 1) Slower pace of securing series production contracts, 2) Progress on Level 2+ autonomous driving and market penetration may be slower than projected, 3) Pushout of Level 4+ autonomous capabilities and systems, 4) Necessity for LIDAR at varying levels of autonomy could change as new technology is developed, and preferences may shift to alternative sensors, 5) Inability to establish or maintain technological leadership over competition, 6) Inability to drive down cost effectively to preserve margins as ASPs decline with volume, 7) Macro/market volatility could impact customer demand and launch schedules, 8) LAZR may need to raise additional capital.

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Important Disclosures

Luminar (LAZR) Price Chart



LAZR — No Coverage — Review — PO —
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Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

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Sell	807	22.84%	Sell	383	47.46%

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