Bringing Devices to Life

Nasdaq: DAIO

Anthony Ambrose

January 2024 Update

Safe Harbor

Statements in this presentation concerning economic outlook, expected revenue, expected margins, expected savings, expected results, orders, deliveries, backlog and financial positions, semiconductor chip shortages, supply chain expectations, as well as any other statement that may be construed as a prediction of future performance or events are forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such statements. Forward-looking statement disclaimers also apply to the impact of global and geopolitical events. These factors include uncertainties as to the ability to record revenues based upon the timing of product deliveries, shipping availability, installations and acceptance, accrual of expenses, business interruptions, changes in economic conditions, part shortages and other risks including those described in the Company's filings on Forms 10-K and 10-Q with the Securities and Exchange Commission (SEC), press releases and other communications.

Furthermore, the matters that we discuss today will include forward-looking statements that involve risks factors that could cause Data I/O Corporation's results to differ materially from management's current expectations. We encourage you to review the Safe Harbor statement contained in the earnings releases as well as our most recent SEC filings for a complete description.

Additionally, those forward-looking statements are made as of today, and we take no obligation to update them.

Data I/O's financial closing procedures for the fourth quarter and year-ended December 31, 2023 are not yet complete. It is possible that the final results may differ from the preliminary results between now and when results are finalized.
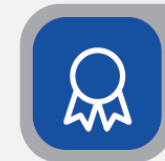
Data I/O at a Glance

We deliver the most secure and efficient systems to deploy firmware, data and secrets into automotive electronics and secure IoT devices in high volume electronics manufacturing

Founded in 1972

NASDAQ: DAIO

ISO 9001:2015 Certifications

Global Service & Support

100
Employees

1.5B
Devices Programmed Annually

>480
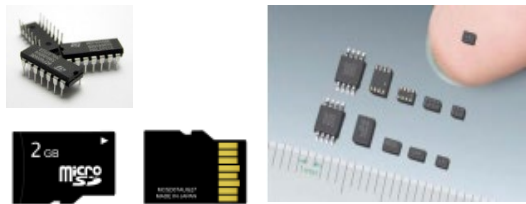Automated Programming Systems Globally

>40
Countries with Sales & Service

Supporting the Secure Digital World

Semi Supplier	OEM	Programming Center	Final Assembly	Post Production

Develop	Manufacture: OEMs, Contract Manufacturers, Programming Centers	Consume: End Users

Silicon Chips to be programmed:
Flash Memory
Microcontrollers
Secure Elements

Data iO
Data Programming and Security Provisioning Systems

Final Products

SentriX PSV

We deliver the most secure and efficient systems to deploy firmware, data and secrets into automotive electronics and IoT devices in high volume electronics manufacturing

Serving Customers Globally in Growing Markets

- The largest programming company in the world, 2-3 times larger than the next programming company

- Trusted supplier to 18 of the top 20 automotive electronics suppliers

- 20 or more new customers for 2 consecutive years

- Providing mission critical medical applications for Class I and Class II devices

- Global footprint with headquarters in Redmond, WA, USA and subsidiary offices in Shanghai, China and Munich, Germany
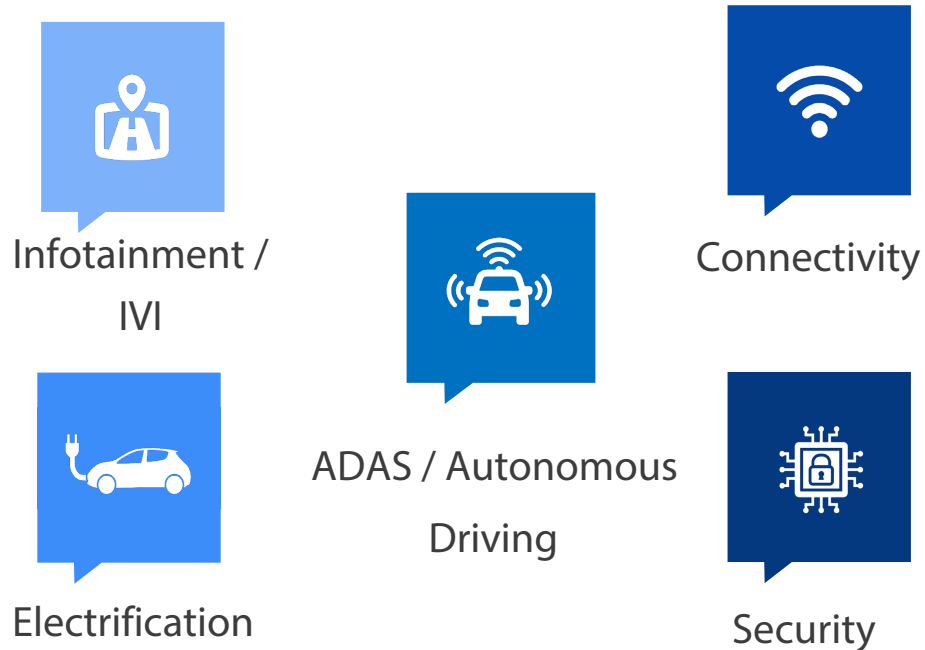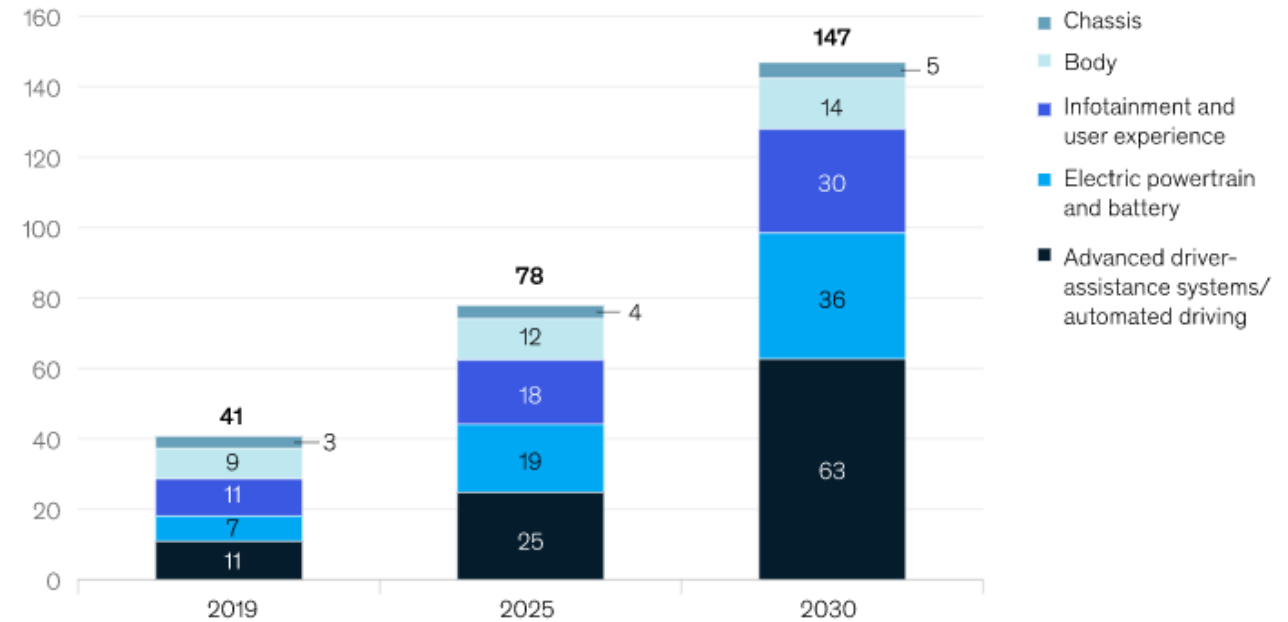
2022 Annual Orders by End Market

- Automotive — 61%
- Industrial — 28%
- Programming Centers — 11%
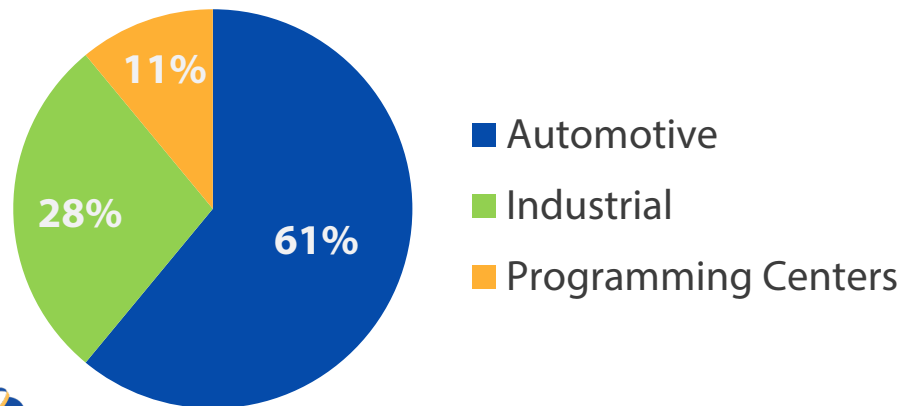
Market Outlook

Data I/O Supports Automotive Electronics Growth Areas

Infotainment / IVI

ADAS / Autonomous Driving

Connectivity

Electrification

Security

Total Automotive Semiconductor Forecast by Application

Automotive-semiconductor market, $ billion

Legend:
- Chassis
- Body
- Infotainment and user experience
- Electric powertrain and battery
- Advanced driver-assistance systems/ automated driving

2019 — Total 41: 3 (Chassis), 9 (Body), 11 (Infotainment), 7 (Electric powertrain), 11 (ADAS)

2025 — Total 78: 4 (Chassis), 12 (Body), 18 (Infotainment), 19 (Electric powertrain), 25 (ADAS)

2030 — Total 147: 5 (Chassis), 14 (Body), 30 (Infotainment), 36 (Electric powertrain), 63 (ADAS)

Source: McKinsey

Automotive Electronics Growth Areas
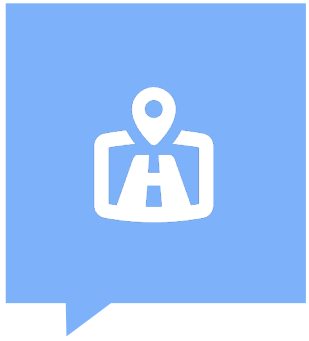
Infotainment/ IVI	Electrification	ADAS/Autonomous Driving	Connectivity	Security
2D map / application	**New powertrain**	**Sensors**	Vehicle	Ridesharing
Heads-up display	**Charging infrastructure**	High performance computing	Infrastructure	Car sharing
Digital cluster	**Better technology**	**Big data / analytics**	Cloud	Flexible bus
	Lower costs	Artificial intelligence / deep learning	Wearables & personal devices	Micromobility
		Navigation & guidance		**Fleet Management**
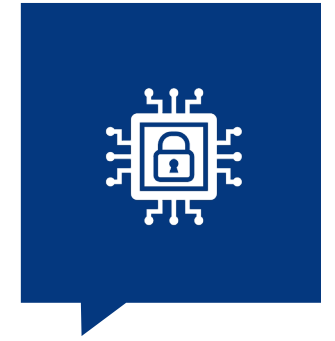
IoT Growth Across a Number of Markets
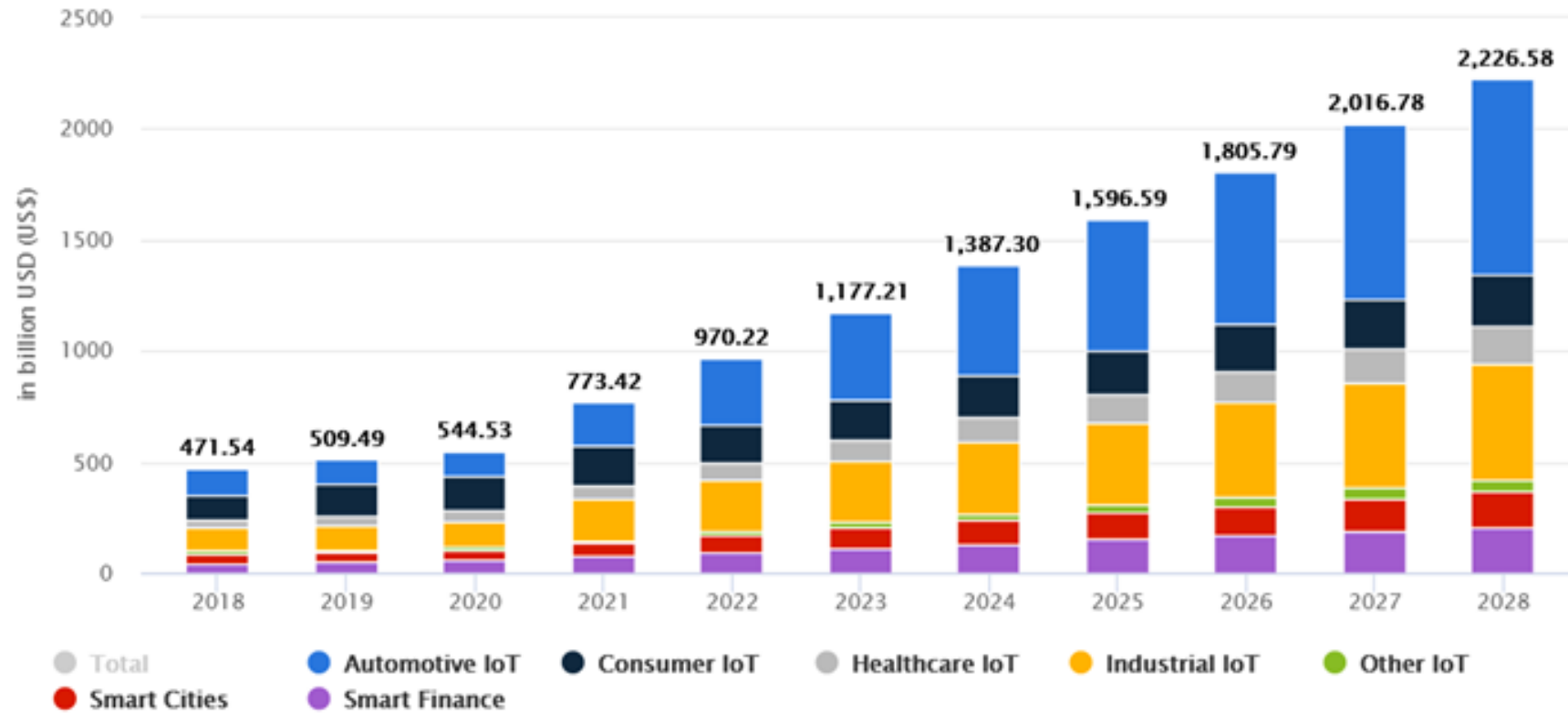
Source: Statista Market Insights: https://www.statista.com/outlook/tmo/internet-of-things/worldwide#revenue

IoT Device Security by SentriX®

SentriX secures the global electronics supply chain and protects IoT device intellectual property from point of inception to deployment in the field

With more than 20 security patents granted, SentriX from Data I/O offers a unique and highly differentiated approach for a large and fast-growing market addressing unmet cybersecurity concerns

Current market including standalone elements and MCUs in need of security estimated at 4 billion units.

SentriX Momentum:

- Clients moving in volume production: >100% growth in PPU units in '22

- SentriX® revenue increased over 100% for second consecutive year '21/'22

- 3Q23 major customer win in solar energy

- Noa Leading Co., Ltd offering SentriX® security provisioning services in Japan

- Announced partnership with Nuvoton for new microcontroller family

embeddedaward2021
nominee

Brand Protection   IP Protection   Regulation   Supply Chain Integrity

Data iO

OEMs Using Our Security Provisioning Technology

Electric Vehicle Manufacturer
An electric vehicle manufacturer is using a trusted platform module to secure its supply chain and prevent cloning of its charging network.

Water Meter OEM
Heated and chilled water metering is being mandated in Germany and requires strong security to protect revenue, secure their supply chain, and meet regulations.

Logistics Solution Provider
A logistics technology provider uses hardware Roots of Trust to protect user data and maintain privacy.

Smart Lock Company
Smart locks and the brands of the OEMs manufacturing them depend on robust security and low power consumption found in hardware security-based microcontrollers

Artificial Intelligence Accelerator Chip Manufacturer
An AI Accelerator Chip Manufacturer is using a trusted platform module to enable robust hardware-based identity.

Industrial Marking OEM
An industrial marking and traceability solutions OEM protects accessory revenue and enables supply chain integrity with a secure microcontroller.

Financial Overview

Data I/O

Company Snapshot

Recent Achievements and Trends

- Global Leader in programming revenue. Over 480 PSV systems sold since inception in 2013 representing over 1.5 billion units/year capacity in the installed base

- Strong momentum in Automotive Electronics for long-term growth

  - 18 of the top 20 Automotive Electronics companies are customers.
  - ~63% of 2023 orders from Automotive Electronics customers
  - Analysts forecast 10-15% CAGR for Automotive Semiconductors through 2030

- Emerging SentriX Security Provisioning Platform; doubling of revenue in 2021 and 2022 with key wins in automotive, artificial intelligence, intelligent metering, solar energy

Committed to Growing Shareholder Value

- Focusing programming core competencies on higher growth, higher margin vertical markets with greater recurring/consumable sales. Target to reach over 50% recurring revenue within 3-5 years

- Differentiated market position through technology leadership and global support.

- Approx. 13% of stock (fully diluted) held or managed by insiders so that management and Board are aligned with shareholders

Company Snapshot [1][2]

NASDAQ:	DAIO
Headquarters:	Redmond, WA
Established:	1972
Recent Stock Price:	$3.29
Market Cap:	$30M
Diluted Shares:	9.0M
10-Day Daily Avg. Volume:	28,000 shares
Sales (TTM):	$28.5M
Net Income (TTM):	$974,000
Diluted EPS (TTM):	$0.09
Adj. EBITDA[3] (TTM):	$2.6M
Cash & Sec. (9/30/23):	$11.9M ($1.32/share)
Debt (9/30/23):	$0.0

(1)   Stock price, market cap and volume as of 1/26/24 at market close; Source: Yahoo
(2)   Financials for the TTM period ended 9/30/23 or as noted
(3)   Adj. EBITDA is a non-GAAP financial measure. A reconciliation is provided in this presentation

Growing Recurring Revenue Mix - Systems

Growth in PSV system installed base is catalyst for diversification in recurring revenue mix
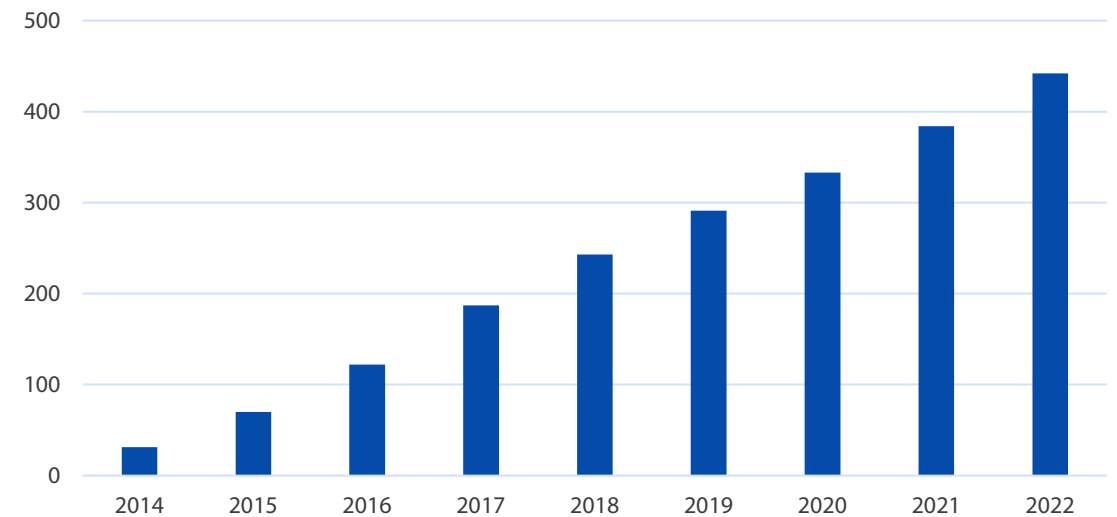
2022 Revenue Diversification

- 13%
- 30%
- 57%

- ■ Systems
- ■ Adapters
- ■ Software, SentriX, Service

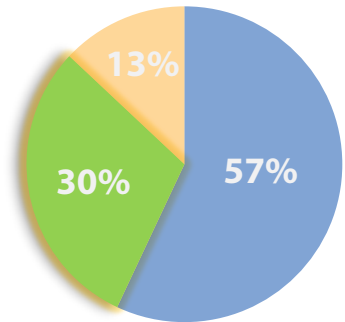## PSV Family Installed Base Growth
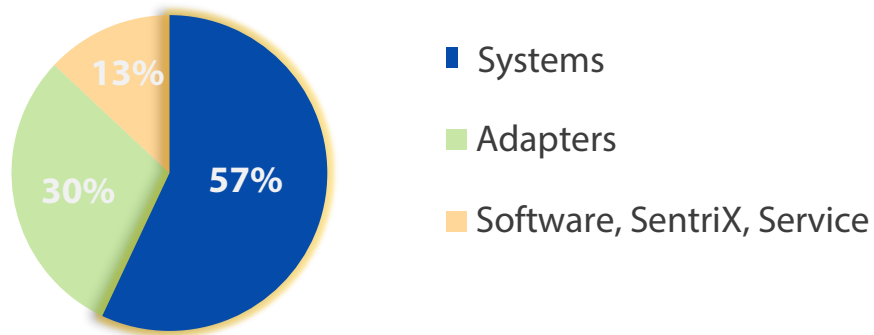
More systems in the field drives an increase in:
- Adapter sales
- Field upgrades
- Software
- Service
- SentriX revenue

Growing Recurring Revenue Mix - Adapters

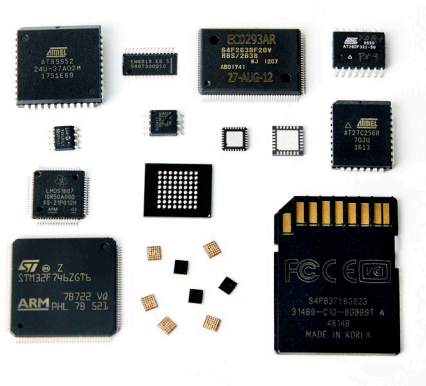## 2022 Revenue Diversification

- **Systems** — 57%
- **Adapters** — 30%
- **Software, SentriX, Service** — 13%
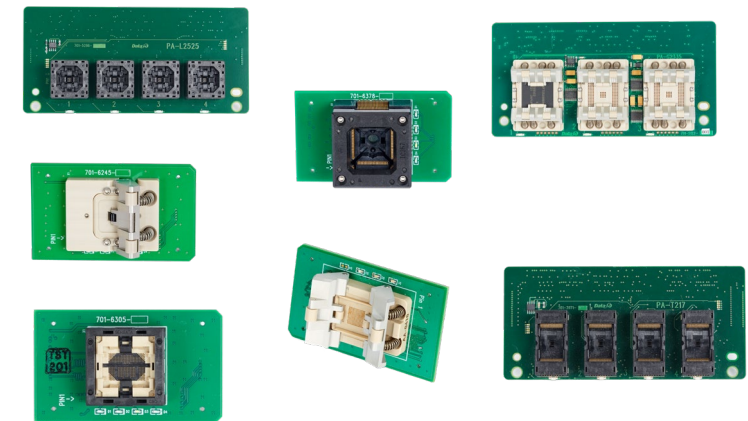
Adapter Revenue Growth Drivers:

- More systems deployed in the field
- High system utilization = repeat adapter orders
- New customers / projects = new adapters
- Multisource semiconductor devices = new algorithms and adapters

Different semiconductor devices drive new adapters
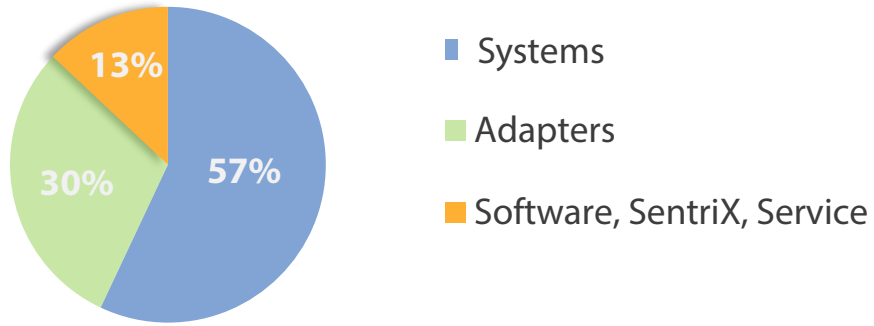
New projects drive different semiconductor devices

Growing Recurring Revenue Mix – Software, SentriX, Service

2022 Revenue Diversification

- **Systems** 57%
- **Adapters** 30%
- **Software, SentriX, Service** 13%

Value Added Software

Software, SentriX, Service Revenue Growth Drivers:

- New customers / projects = new algorithms for new adapters
- More systems = more service contracts
- New software and licensed new features extends system capability and performance
  - ConneX®
  - SentriX®
  - VerifyBoost ™
  - TurboBoost™
  - NexTeach™
- SentriX = new pay-per-use business model

 With VerifyBoost – significant performance enhancement

 Two-way integration capability to a factory MES system via APIs
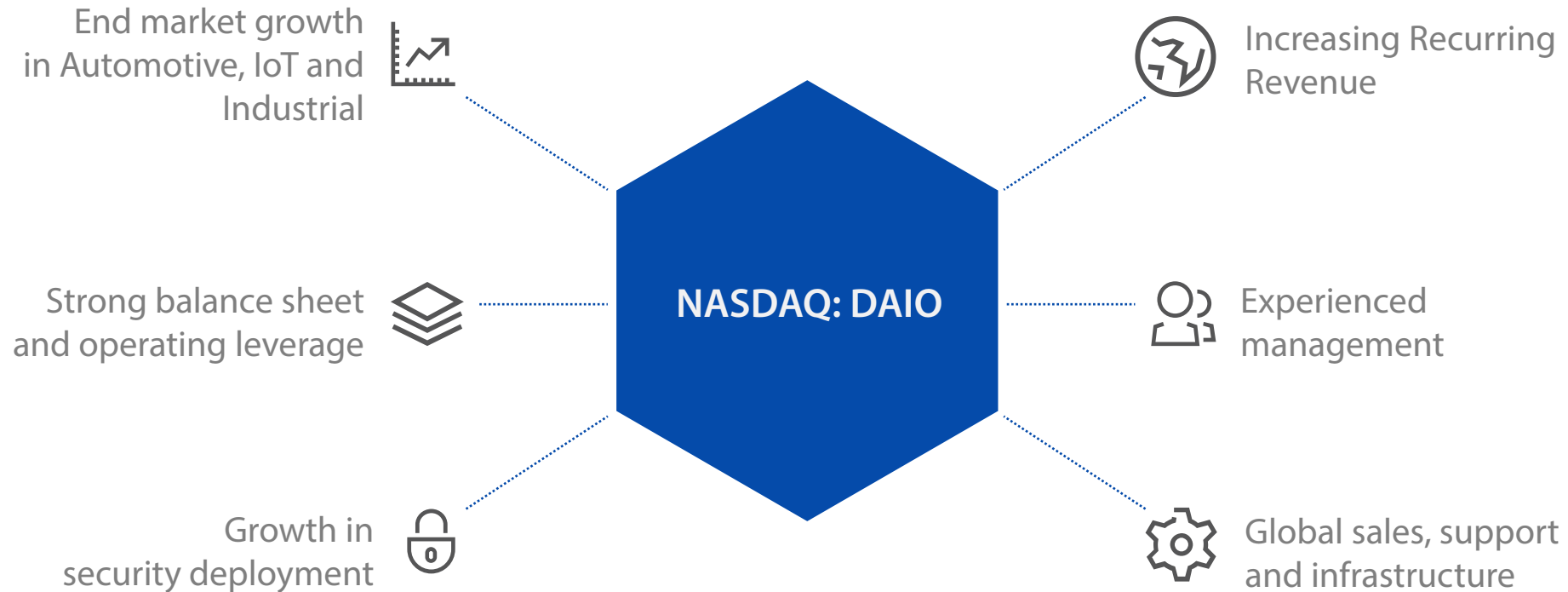
 Security Provisioning

2023 Annual Financial Outlook

- Positioned for revenue growth while driving margins, improving cash flow and investing in our future

- ✓ **Double-digit revenue growth, consistent with the long-term double-digit semiconductor growth rate in the automotive electronics industry**

- Recurring revenues expected to continue to increase toward 50% of consolidated revenue in 3-5 years

- Gross margins expected to be in the mid-to-high 50% range

- Benefit from operating expenses and inventory management controls implemented by new CFO (appointed August 2023)

- Strong operating leverage in model – approximately 40% of sales

- NOLs of approximately $15 million in the USA (with foreign subsidiaries subject to local taxes)

- Improve impressive balance sheet: Cash of $11.9 million; Working Capital of $18.1 million; No debt (at 9/30/23)

Preliminary Fourth Quarter and Full Year 2023 Results (announced on 1/29/24)
- 2023 revenue growth of 16%
- Net sales of $6.8 million and bookings of $7.2 million for the quarter
- Net sales of $28 million for the year based on strong bookings in fourth quarter and excellent operational performance
- 23 new customer wins in 2023
- Automotive Electronics represented 63% of bookings

Investment Merits: Positioned for Long-Term Growth

End market growth in Automotive, IoT and Industrial

Strong balance sheet and operating leverage

Growth in security deployment

NASDAQ: DAIO

Increasing Recurring Revenue

Experienced management

Global sales, support and infrastructure

Long Term Secular Growth in Automotive Electronics and Secure IoT Devices

Programmed with Data I/O Technology, Systems and Software

Publicly traded pure play industry leader in the rapidly growing automotive electronics and IoT/industrial/factory automation markets

Optionality with SentriX® security deployment; multiple ways of software monetization targeting all cloud-based and IoT ecosystems

Thank You!

NASDAQ: DAIO

For more information, please go to
https://www.dataio.com/Company/Investor-Relations/Data-I-O-Profile

Balance Sheet and Capital Structure Overview

Balance Sheet Highlights

At September 30, 2023:

- $11.9 million in cash and cash equivalents
- No debt
- $18.0 million of net working capital
- Total stockholders' equity of $19.6 million, or approx. $2.18 per diluted share outstanding
- EV/Sales at 0.6[3]
- NOLs of approximately $15.0 million

Balance Sheet Strategy

- Important to maintain strong balance sheet in a cyclical industry, with ~57% of revenues from system sales

- Financial flexibility allows the company to:
  - Invest in organic and acquisitive growth opportunities for the long term
  - Develop recurring revenue streams
  - Maintain strategy during cyclicality

Enterprise Value ($K)

Market Cap[1]	$ 29,676
Plus Total Debt[2]	0
Less Total Cash[2]	$ 11,900
Enterprise Value	$ 17,776
Diluted Shares Outstanding[2]	9,020,000

[1] At 1/26/24   [2] At 9/30/23   [3] Sales based on TTM through 9/30/23 financial results

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