

Quarterly Presentation Q4 2019

February 7, 2020



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This presentation was prepared in connection with the Q4 results released on February 7, 2020. Information contained herein will not be updated. The following slides should also be read and considered in connection with the information given orally during the presentation.

Record Quarter– strong order backlog

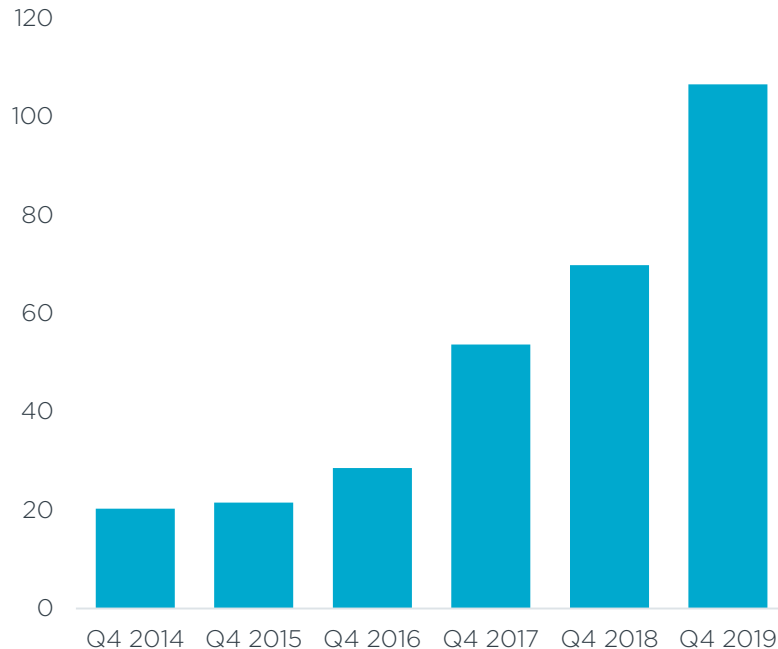
Q4 2019

Revenue		Gross margin	
USDm 83.1		51.6%	
+36.0% y-o-y	+1.2% q-o-q	+0.6%p y-o-y	+1.8%p q-o-q

- All time high revenue of USD 83.1m (+36%)
- Gross margin of 51.6%, supported by product mix
- Bluetooth revenue of USD 65.5m (+63%)
- Order backlog of USD 107m (+52%)

Tier 1 customers fuel backlog development

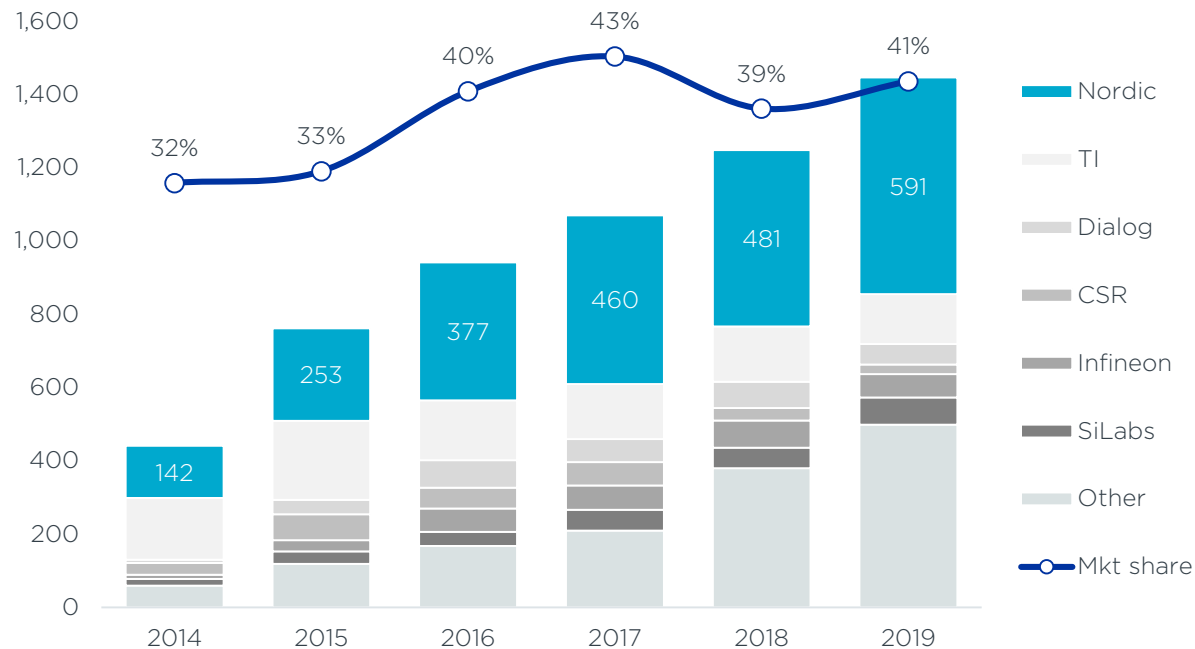
Backlog (USDm)



- Order backlog of USD 107m, +52% compared to Q4 2018
- Strong year-on-year development reflecting increased Bluetooth Tier 1 business
- Tier 1 customers typically offer more predictable production and longer order backlog horizons

Continued high certification level

Bluetooth Low Energy end-product certifications*



End-product certifications, Nordic Q4 19

136

39% mkt share

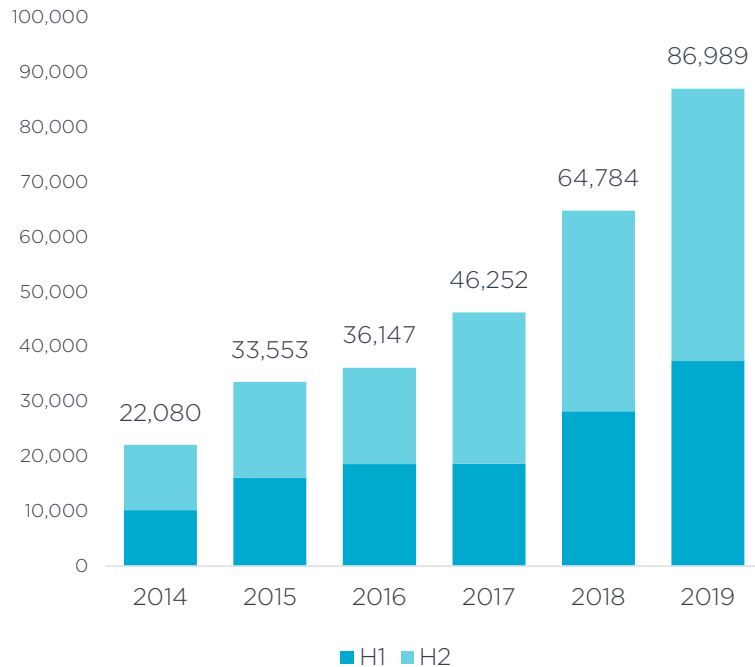
+2%
y-o-y

-19%
q-o-q

*Source: DNB Markets/FCC

Working to excite developers

Kit shipments



Total kit shipments **+34%** in 2019

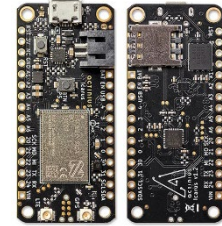
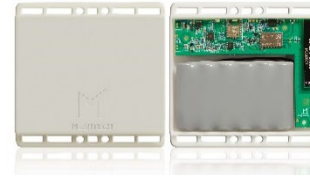
Shipped 49,600 kits in H2 2019

Significant contribution from nRF52840 development kits

Cellular gaining traction with Nordic Thingy:91 attracting attention

Total nRF9160 development kit shipments increased to 5,600 in H2 2019 from 2,700 in H1 2019

Broad range of new product launches in Q4



Tile
nRF52811

Asset tracking

APS Detector
nRF52840

Asset tracking

Colgate
nRF52832

Electronic toothbrush

Meshtech
nRF9160/nRF52811

Asset tracking

Actinius
nRF9160

Development kit with
“firmware as a service”

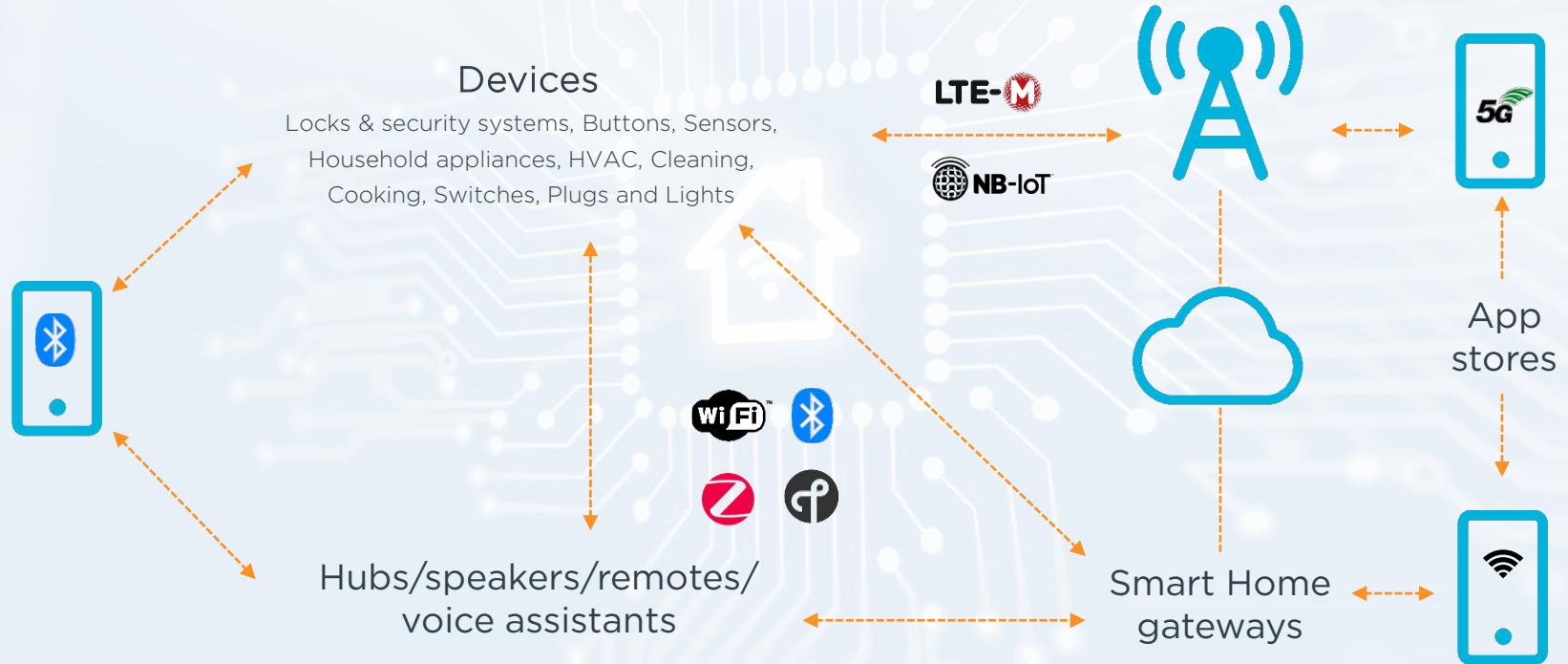
Well positioned in the Smart Home universe

- Nordic has the largest pool of multiprotocol customers in the broad market
- Attractive partner to ensure connectivity and interoperability for the platforms



Connecting the Smart Home

Keys: Interoperability - coexistence - security



Project Connected Home over IP (CHIP)

- Working group initiated in December 2019 to develop a new open-source connectivity standard for smart home products
- Aims to make it easier for device manufacturers to build compatible devices and to deliver benefits to consumers faster
- Leveraging technology from market leaders Amazon Alexa, Apple HomeKit and Google Weave
- Nordic's broad range of multiprotocol SoCs supporting both Thread and Bluetooth LE will be compatible with the new standards

Initiating companies



amazon

Google

zigbee
alliance

Part of working group since January 2020

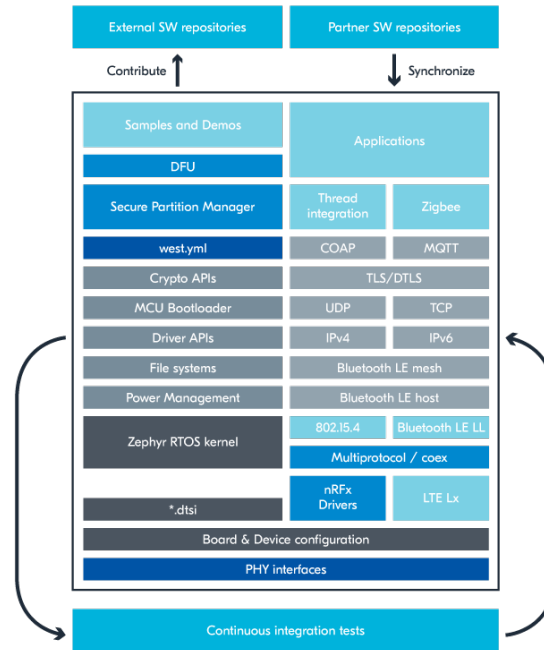


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Complete solution from board to cloud

A scalable software framework for next generation IoT devices

- Higher scalability in software development
- Supports advanced multi processor devices
- Platform for devices, cloud, tools and services
- Improves partner engagement by enabling partner contribution
- Strong fundament for AI/ML development



Unifying

- Support for all Nordic ICs
- Support for all Nordic wireless technologies
- Complete solution from board to cloud

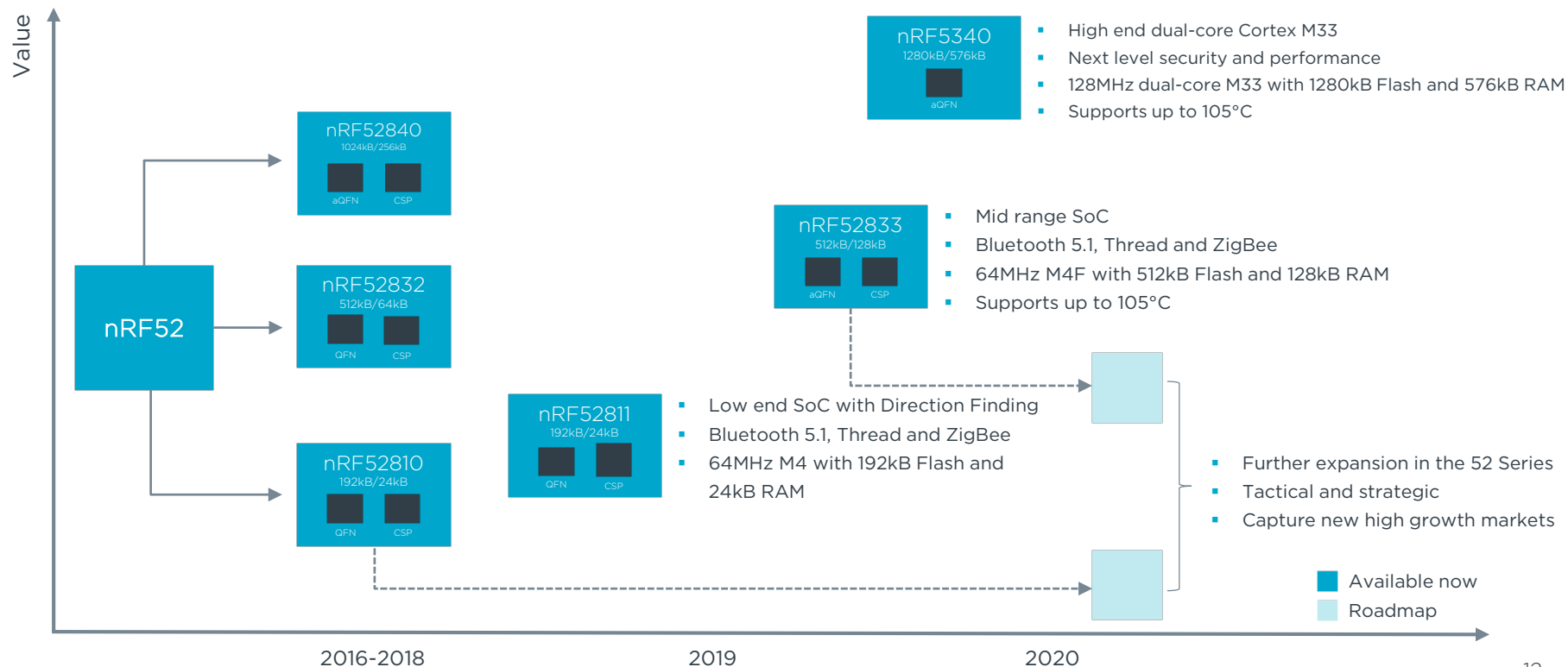
Modern

- RTOS integration for complex designs
- Open source when and where it makes sense
- Modern development and distribution model

Scalable

- For low and high complexity applications
- For single core and multi-core SoCs
- Allow customer to focus on application

Broad product range maximizes customer value



Recent product launches expand our position

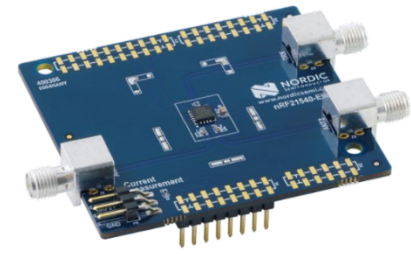
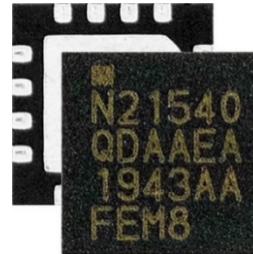
nRF5340 high-end multiprotocol SoC



- The world's first wireless SoC with two Arm® Cortex®-M33 processors
- Bluetooth LE 5.2, Thread, Zigbee, NFC, Bluetooth mesh
- Advanced security; TrustZone and root of trust
- 105°C extended operating temperature
- 1.7-5.5 V supply voltage range

Application examples: professional lighting, advanced wearables, and other complex IoT applications

nRF21540 RF Front End Module



- Nordic's first power amplifier/low noise amplifier product
- Enables range extension of up to 16x for Nordic's nRF52 and nRF53 Series
- Highly complementary to our short-range business - natively supported in our SW solutions

Application examples: asset tracking, smart home and industrial use cases

Nordic products recognized globally



Most Respected Emerging Semiconductor Company for the second year running

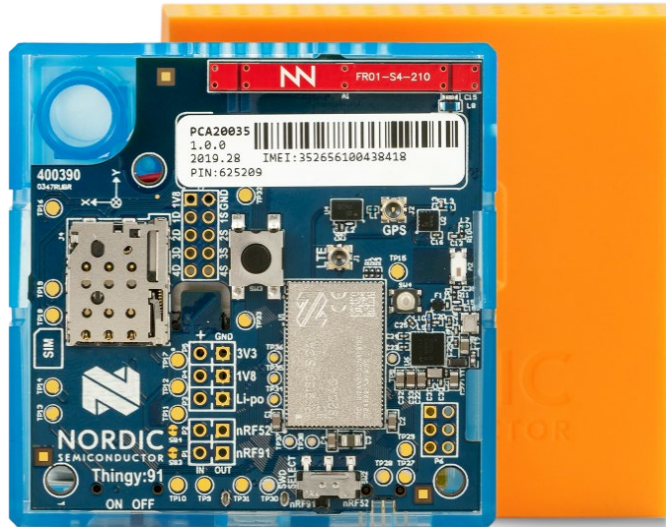


Annual Tech Award for the 'cutting-edge' technical development of the nRF9160 SiP for cellular IoT applications



Technical Innovation Award for the Nordic Thingy:91 cellular IoT prototyping platform

Positive reception for Nordic's cellular products



Nordic Thingy:91

- Q4 firmware release well received by customers
- Reached milestone of 10 000 units shipped of nRF9160 development kit and Nordic Thingy:91
- Market acknowledgement of disruptive lead on power consumption

Expanding footprint of certifications

Carrier certifications

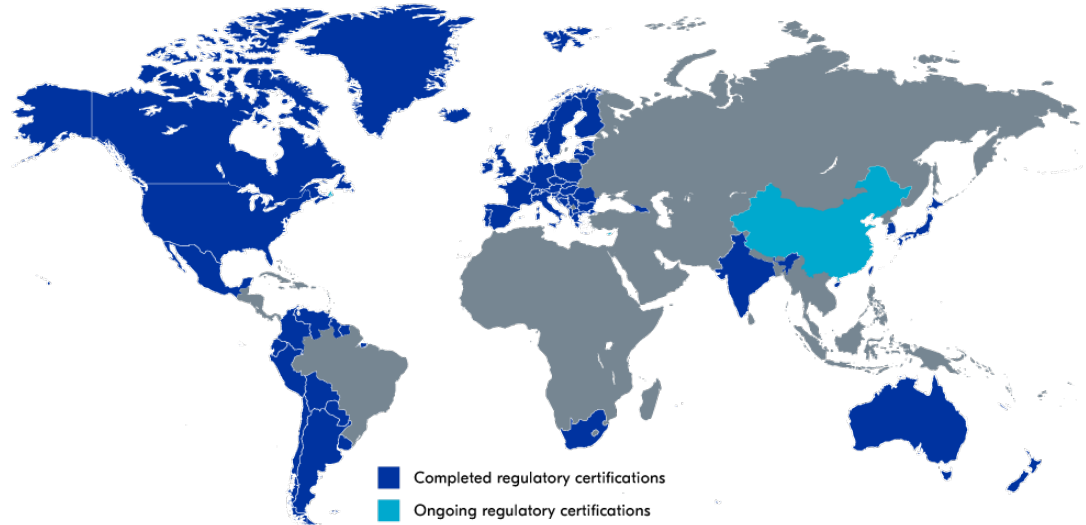
Q3 2019 Verizon

Q4 2019 Deutsche Telekom

Q1 2020 Vodafone

In addition to carriers requiring only GCF/PTCRB and local regulatory certification

Regulatory certifications



Ongoing projects across a variety of verticals

Street lights

Metering

Payment systems

Smart Home

Parking systems

Logistics

Kids and elderly tracking

Asset tracking

Water/sewage monitoring

Construction

Vehicle and driver behavior tracking

Industrial monitoring systems

Pet and livestock trackers

Agricultural monitoring

Product-as-a-service

Smoke alarms

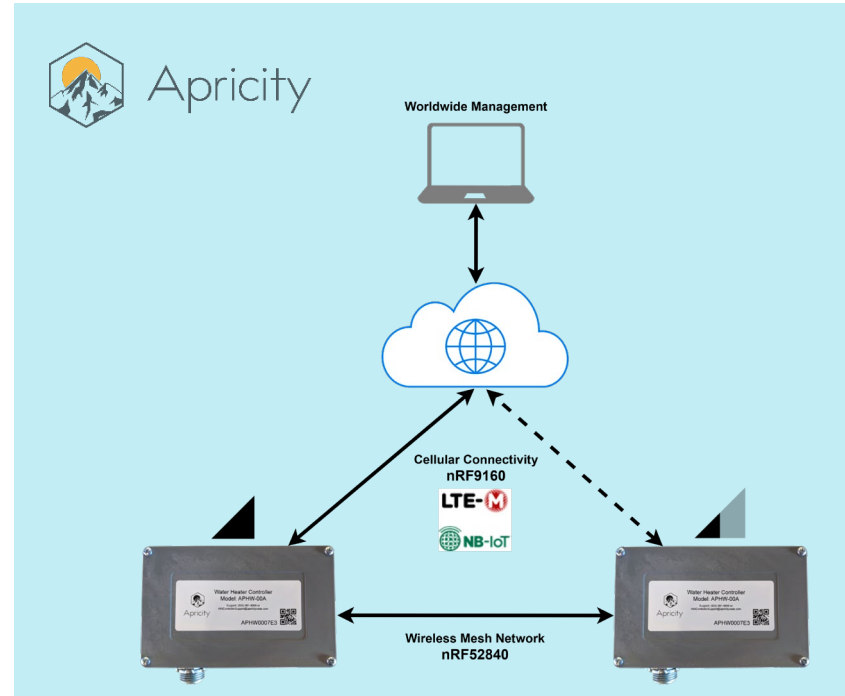
Solar power systems

Environmental monitoring & disaster prediction

Energy savings enabled by cellular connectivity

The 'Apricity Ara'

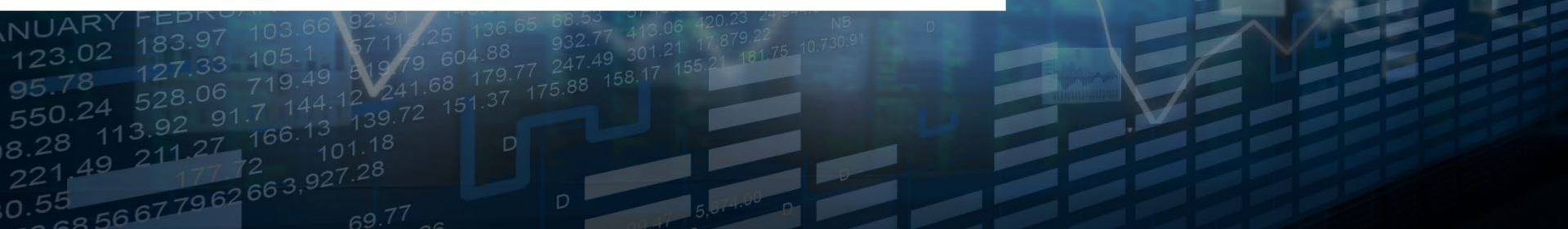
- Water heater controller for real time, demand-driven utility load management
- Lowers peak power usage across the utility grid
- Saves money and the environment
- Uses both the cellular nRF9160 SiP and the short-range nRF52840 SoC
 - Cellular connectivity via nRF9160 and wireless mesh via nRF52840
 - Unique mesh network fallback in low cellular signal environments





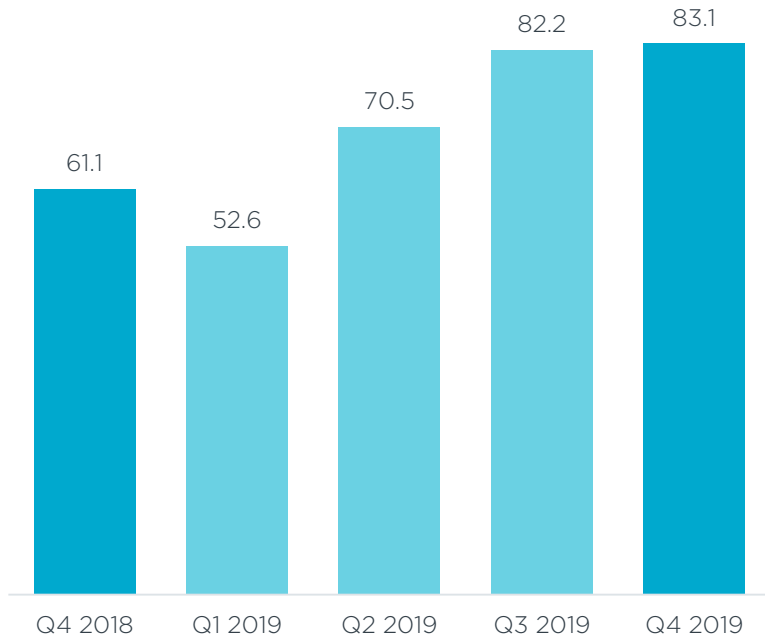
Financials

Pål Elstad, CFO



Record high revenue

Quarterly revenue (USDm)



- 36% y-o-y growth
 - Bluetooth growth accelerating to 63%
 - Proprietary reported 7% decline
 - Cellular IoT revenue USD 0.2m, still in early stages of commercialization
- Strong y-o-y growth partly driven by weak Q4 2018
 - Increased revenue contribution from Tier 1 customers in Q4 2019
 - Weak end-customer demand and inventory reductions impacted revenues in Q4 2018

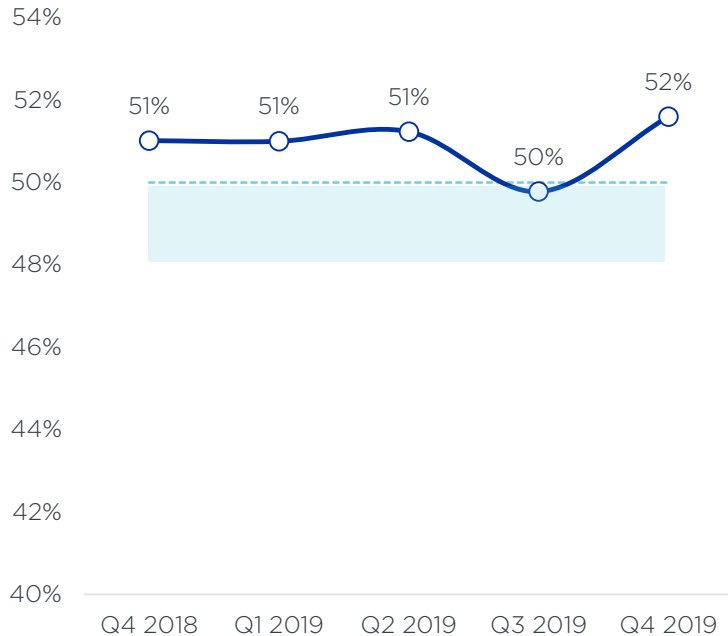
Revenue development – Group and markets

Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm 83.1	USDm 33.8	USDm 16.1	USDm 16.6	USDm 5.0	USDm 10.4
+36.0% y-o-y	+35.5% y-o-y	+72.1% y-o-y	+66.7% y-o-y	-9.2% y-o-y	+31.2% y-o-y
+1.2% q-o-q	-9.2% q-o-q	+15.9% q-o-q	+18.5% q-o-q	-1.9% q-o-q	-1.6% q-o-q

- Wearables positively impacted by nRF52 Series design wins, especially in the high-end Chinese domestic market
- Building and retail driven particularly by Home Automation, such as smart lighting, alarm systems, smoke detectors and smart locks

Solid gross margin

Gross margin (%)



Strong gross margin of 51.6%

- Favorable product mix, with a higher share of more complex high-margin SoCs
- Improved cost on newly introduced products
- Gross margin expected at ~50% in Q1 2020
- Reiterating medium-term gross margin range of 48%-50% for the short-range business

Operating model performance Q4 2019

Gross margin
51.6%

	Q4 2019*	Q4 2018		
R&D short-range 14.4%				
Revenue	USD 83.1m	USD 61.1m	+36.0%	Driven by Bluetooth low energy
Gross margin	51.6% USD 42.9	51.0% USD 31.2	+0.6pp	Favorable product mix in the quarter
R&D cellular IoT 8.4%				
R&D short-range	14.4% USD 12.0m	21.5% USD 13.1m	-7.1pp	Continued investments to capture growth opportunities
R&D cellular IoT	8.4% USD 7.6m	8.2% USD 5.0m	+0.2pp	High spending during commercialization stage
SG&A 13.4%				
SG&A	13.4% USD 11.1m	18.0% USD 11.0m	-4.6pp	Continued cost focus
EBITDA 14.7%				
EBITDA	14.7% USD 12.2m	3.4% USD 2.1m	+11.3pp	Positive operating leverage enables profitable growth

*Included in SG&A USD 1m in reduced opex following implementation of IFRS 16

Cash operating expenses*

Salary:

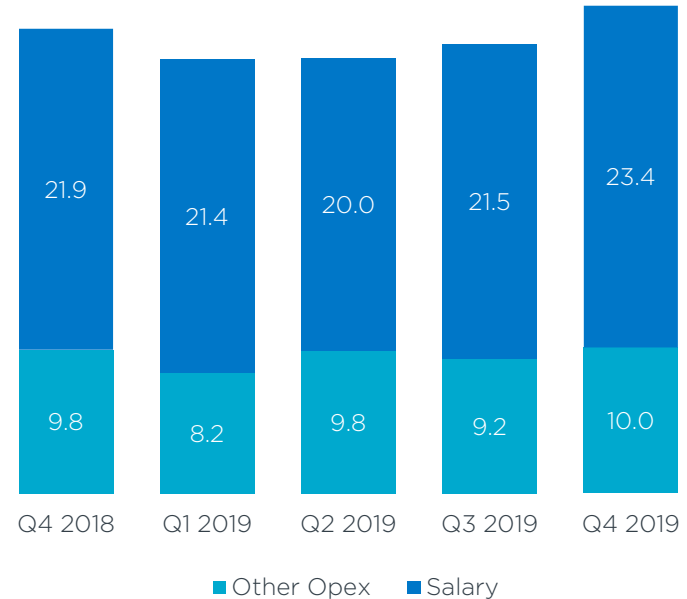
- Number of employees increased by 12.0% during the year, from 685 to 767
- Growth in customer facing teams, both within R&D and Sales
- Continued favorable FX development

Other opex:

- Driven by introduction of new products

Overall cash cost increase of 4.8% in Q4 shows continued cost discipline

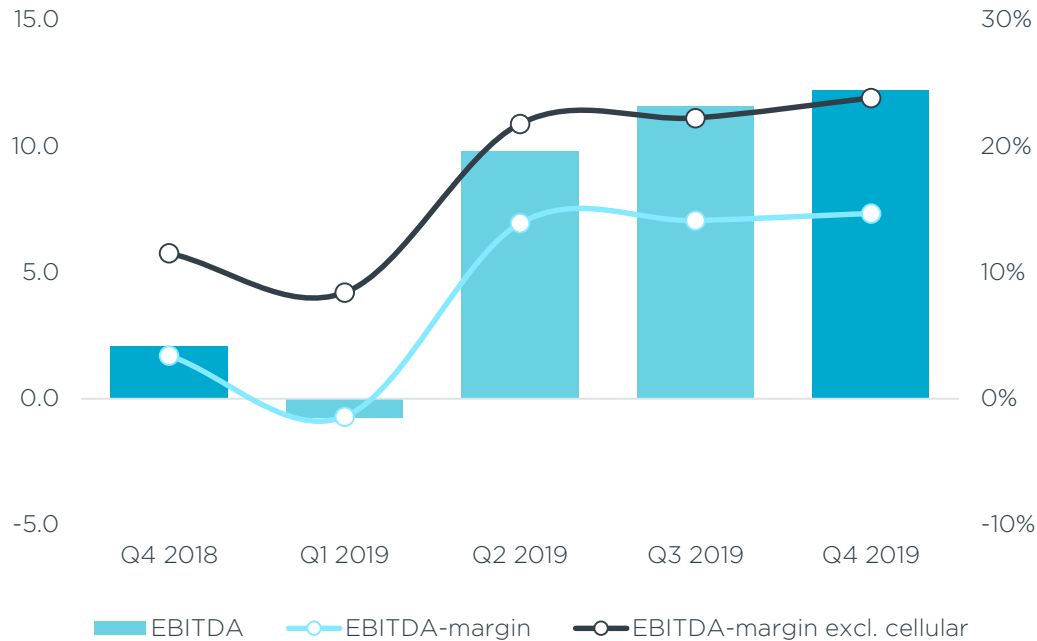
Cash Opex (USDm)



* Operating expenses, excl. capitalized R&D, depreciation and amort. and option expenses

EBITDA lift-up during the year

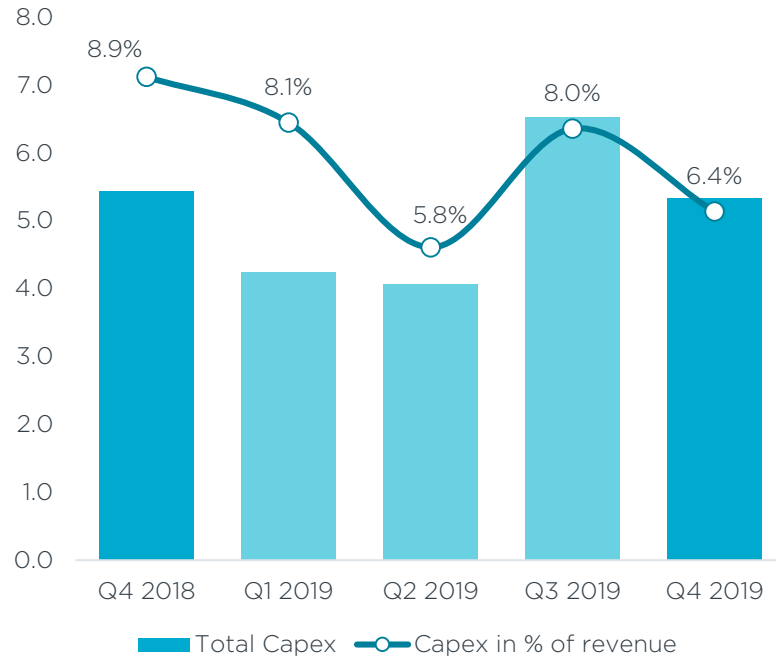
EBITDA (USDm) and margin (%)



EBITDA-margin excluding cellular back above 20% for third consecutive quarter

Capex development

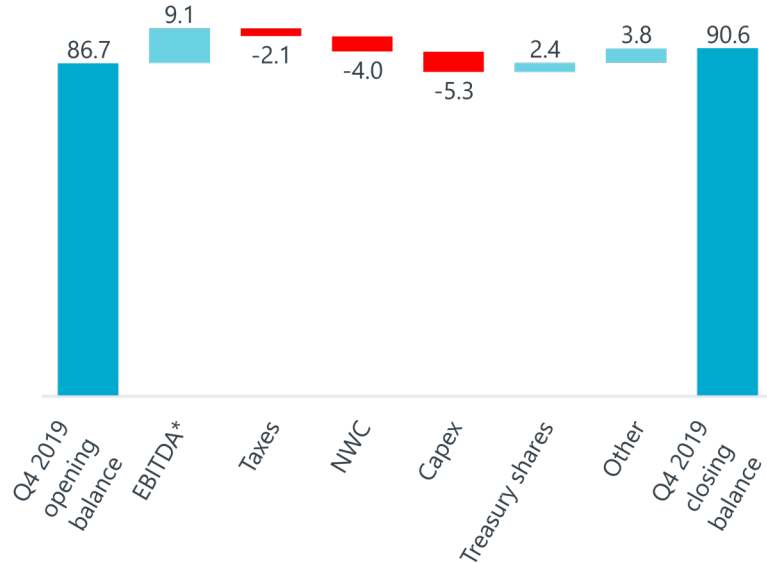
Capex (USDm)



- Capex of USD 5.3 million – final build of new R&D lab
- Q1 2020 guidance of USD 4-5m
- Annual capex to remain around current levels in absolute terms for the next years

Maintaining cash

Cash Flow Q4 2019 (USDm)



* EBITDA Adjusted for Capitalized Development Costs

Maintaining cash in growth quarter

- USD 3.9m in cash inflow during Q4 2019
- NWC/LTM revenue at 24.3% at year-end (22.6% year-end 2018)

Continued disciplined cash strategy

- Tight cash management and optimized cash generating ability



Summary & Q&A

Svenn-Tore Larsen, CEO



Strong Q4 - uncertainty for Q1

Q1 2020 guidance

Revenue		Gross margin	
USDm			
64-71		~50%	
+22 to 35% y-o-y	-15 to -23% q-o-q	-1.0%p y-o-y	-1.6%p q-o-q

Strong Q4

- Revenue and gross margin above guidance
- Cost discipline and positive cash flow

Wide revenue range for Q1

- Uncertainty due to the coronavirus outbreak in China
- Received push-outs of some orders

Unchanged medium-term outlook

- 20%-30% annual growth for Bluetooth low energy and multiprotocol solutions
- 48%-50% gross margin for short-range
- Continued investments in R&D

Q&A



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