

# Quarterly Presentation

## Q3 2020

October 20, 2020



**NORDIC**  
SEMICONDUCTOR

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This presentation was prepared in connection with the Q3 results released on October 20, 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.

# Continued strong growth in Q3

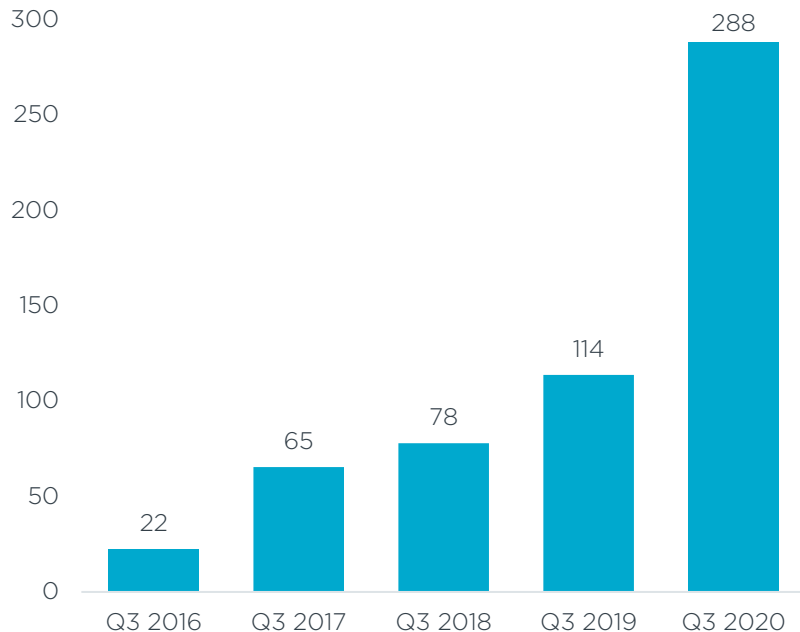
Driven by both Tier-1s and broad market demand

Revenue		Gross margin	
USDm 119.4		54.1%	
+45.3% y-o-y	+34.9% q-o-q	+4.3%p y-o-y	+2.2%p q-o-q

- Bluetooth revenue USD 97.1m (+56.0%)
- Proprietary revenue USD 19.0m (+3.0%)
- Cellular IoT revenue USD 1.6m
- Gross margin of 54.1%
  - Including USD 2 million recalculation from previous quarters (1.7%-points)
- Continued high volumes of advanced high-margin SoCs

# Order backlog at new and higher level

Backlog (USDm)

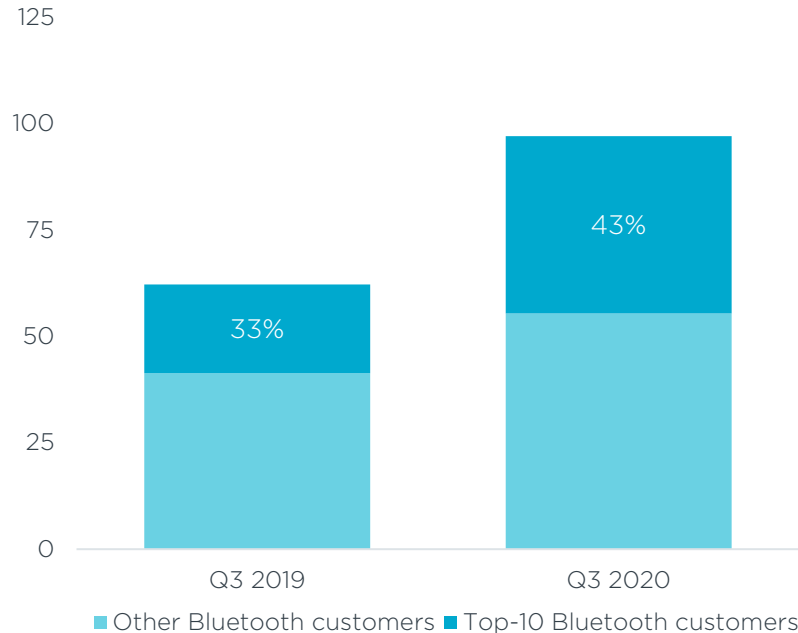


- Order backlog of USD 288m, +154% yoy
  - ~82% of order backlog in Bluetooth Low Energy and multiprotocol solutions
- Technology shifts and accelerated technology adoption
  - Higher demand in all main markets
  - Move from Bluetooth Classic to Bluetooth LE
- Shift in customer mix - larger customers
  - Top-10 account for ~42% of Bluetooth order backlog
  - Tier-1s bring in higher volume products with longer timeframes
  - Longer order backlog - stretching out over the next three quarters

# Shift in customer mix

## Large customers growing fast

Bluetooth revenue composition (USDm)



- Top-10 customers' share of Bluetooth revenue increasing from ~33% in Q3'19 to ~43% in Q3'20
- Revenue from top-10 Bluetooth customers doubled over the past year
- Revenue from other Bluetooth customers +34%

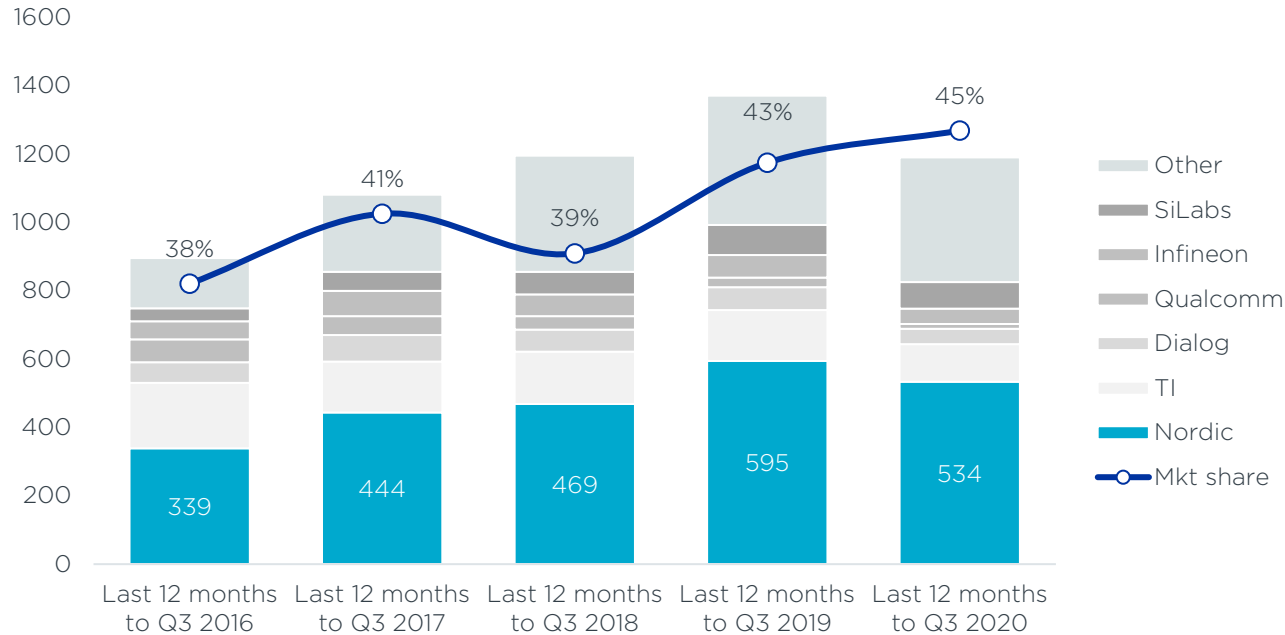
# New technology platforms defining features

- Platform companies now defining the features and specs for new ecosystems
- Nordic leverages on strong relations built over years  
Example: Nordic to develop Bluetooth LE solutions for Amazon Sidewalk, with Tile set to be the first 3<sup>rd</sup> party device
- Nordic integral part of the CHIP project with major platforms



# Continued high certification market share

Bluetooth Low Energy end-product certifications, Last 12 months\*



End-product certifications, Nordic Q3 20

122

44 % mkt share in Q3'20 isolated

-29%  
y-o-y

-6%  
q-o-q

\*Source: DNB Markets/FCC

# New product launches in Q3



TAIYO YUDEN  
nRF52805

Module



MEZOO  
nRF52832

Lightweight wearable  
ECG tag



Airbolt  
nRF52833 + nRF9160

Gateway & Asset  
Tracking



ProMOS Technologies  
nRF9160

LTE-M smart watch



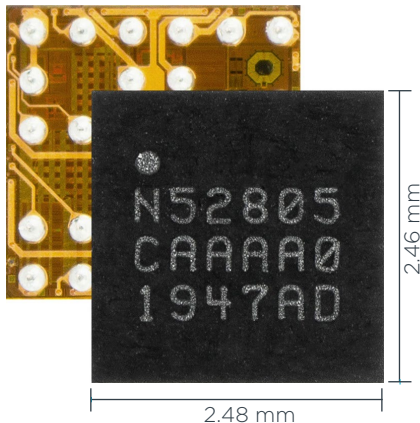
Rohde & Schwarz  
nRF9160

High-volume production  
tester

Selection of publicly disclosable product designs launched in Q3



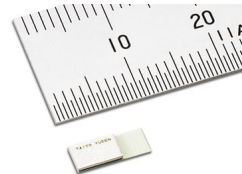
# Fast uptake of nRF52805 after June launch



- TAIYO YUDEN selecting nRF52805 for its EYSSSNZWW module

*"We selected the nRF52805 SoC for the module for the powerful Arm Cortex M4 processor, excellent radio sensitivity, and low power consumption"*

-Mikio Aoki, TAIYO YUDEN, Deputy General Manager



- Minew selecting nRF52805 for its MS46F11 module

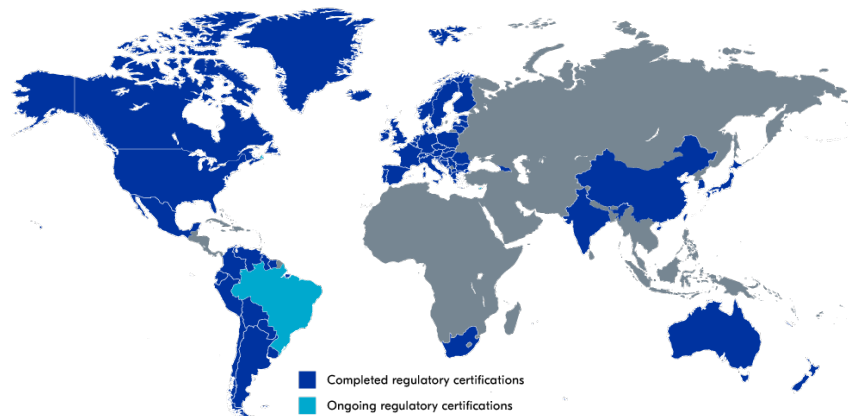
*"We selected the nRF52805 SoC for our MS46SF11 module because its high-performance Arm Cortex-M4 processor, compact size, and extremely low power consumption makes it ideal for cost sensitive two-layer PCB wireless designs"*

- Eddie Wang, Senior Marketing Manager, Shenzhen Minew Technologies



# Cellular IoT progressing

Regulatory certifications overview:



Carrier certifications for **LTE-M** **NB-IoT**

**verizon** **T-Mobile** **vodafone** **Telstra**

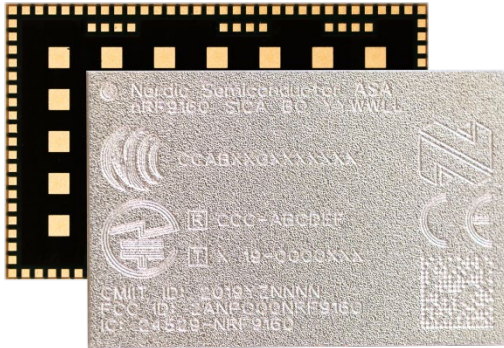
**中国电信**  
CHINA TELECOM

AT&T Bell Canada

- Traction with new design wins in consumer-oriented applications like smart watches and trackers
- Received first 100k unit order for single design in October
- Certification from three new major operators in Q3:
  - China Telecom
  - AT&T
  - Bell Canada

# Enhanced nRF9160 Hardware version

Strengthening Nordic's position as the 'low power' leader



- 10-20% longer battery lifetime through 30% reduction in sleep current
- Cellular IoT applications mostly sleep and wake-up only to transmit bursts of sensor data.
- 15% reduction in data transmit power

*"This power efficiency should not be possible and is far below anything we have seen. Send samples and explain how this is achievable."*

- Utility metering OEM, Europe

## Case study: nRF9160 - a game changer in asset tracking

- Nordic sees growing interest in asset tracking with cellular IoT
- Taking advantage of nRF9160's technical features
  - Small form factor
  - Low power
  - GPS
- Projects spread over various types of assets
  - Construction tools
  - Fleet Management
  - High value items



Crosby Technologies use Nordic's nRF9160 in its Shipsafe asset tracker to monitor critical items such as ventilators, biomedical equipment, human transplant organs, and high-end industrial equipment

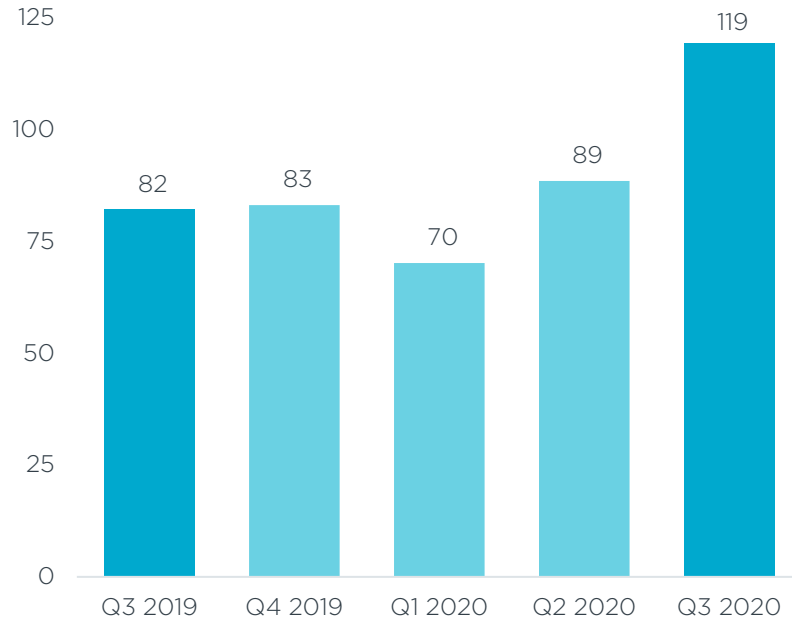


# Financials

Pål Elstad, CFO

# Revenue growth of 45% in Q3

Quarterly revenue (USDm)



- Growth in all technologies in Q3
  - Bluetooth accounting for 81% total revenue, after increasing 56% yoy to USD 97.1 million
  - Proprietary +3% to USD 19.0 million
  - Cellular IoT +187% to USD 1.6 m
- ...and year-to-date
  - Bluetooth +40% to USD 218.4 million
  - Proprietary +17% to USD 50.8 million
  - Cellular IoT +336% to USD 3.9 million

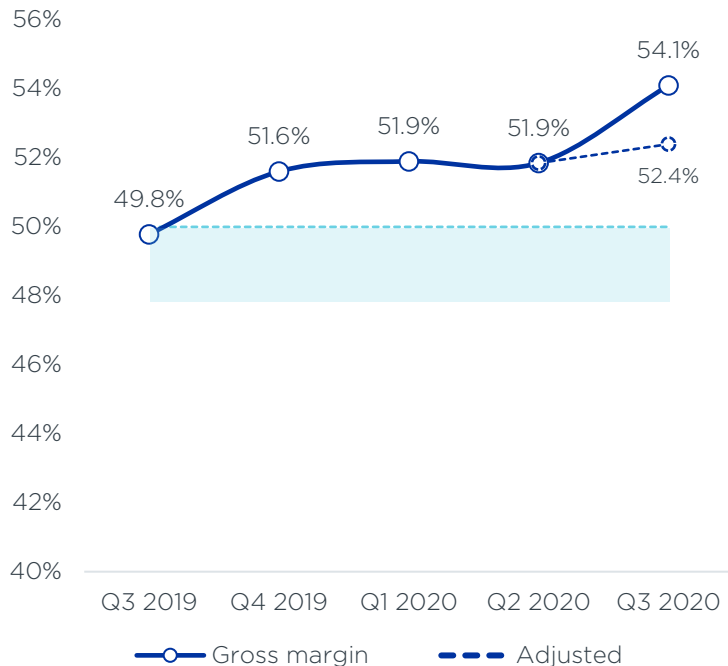
# Revenue growth in all markets

Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm <b>119.4</b>	USDm <b>55.4</b>	USDm <b>19.4</b>	USDm <b>22.9</b>	USDm <b>7.8</b>	USDm <b>10.7</b>
+45.3% y-o-y    +34.9% q-o-q	+48.9% y-o-y    +87.8% q-o-q	+39.5% y-o-y    +37.1% q-o-q	+63.4% y-o-y    +21.5% q-o-q	+53.8% y-o-y    -44.2% q-o-q	+1.2% y-o-y    +6.2% q-o-q

- ~40%-60% year-on-year growth across the markets
- Consumer electronics almost 50% above the previously highest quarter on record
- All-time high levels also for Wearables and Building/Retail
- Healthcare below Q2, which was boosted by flow of Covid-19 initiatives

# Spike in gross margin in Q3

Gross margin (%)



## Gross margin at 54.1%

- Positive effect of 1.7%-points from reversal of cost of goods sold of USD 2 million from the previous quarter
- Continued favorable product mix, with high share of complex high value SoCs
- Gross margin expected at 51-52% in Q4 2020
- Reiterating medium-term gross margin range of 48%-50% for the short-range business



# Operating model performance Q3 2020

Gross margin  
54.1%

Q3 2020

Q3 2019

R&D short-range 13.2%	Revenue	USD 119.4m	USD 82.2m	+45.3%	Growth in all technologies and markets
R&D cellular IoT 6.9%	Gross margin	54.1% USD 64.6	49.8% USD 40.9	+4.3pp	Product mix, unit costs, positive one-off
SG&A 10.0%	R&D short-range	13.2% USD 15.7m	15.1% USD 12.4m	-1.9pp	Continued investments, high operational leverage
	R&D cellular IoT	6.9% USD 8.2m	8.2% USD 6.7m	-1.3pp	Continued investments, high operational leverage
	SG&A	10.0% USD 12.0m	12.4% USD 10.2m	-2.4pp	Higher equity and other compensation
EBITDA 24.0%	EBITDA	24.0% USD 28.6m	14.1% USD 11.5m	+9.9pp	High operational leverage, good cost control

# Cash operating expenses

- Cash cost increase of 20%, mainly due to increased number of employees and bonus accruals

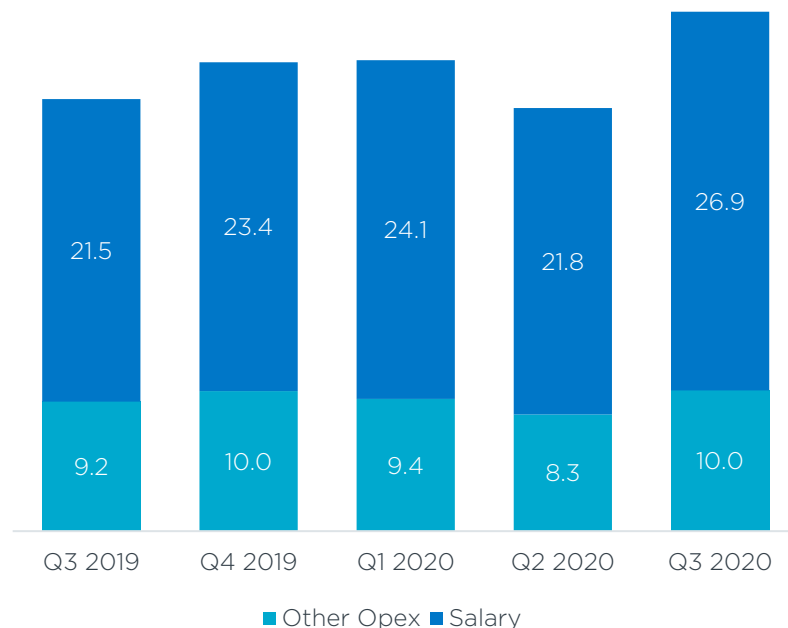
## Salary:

- Number of employees increased by 16% to 872 over the past last 12 months

## Other Opex:

- Varies with pace of product introductions
- Sharp focus on cost containment
- Reduced travelling

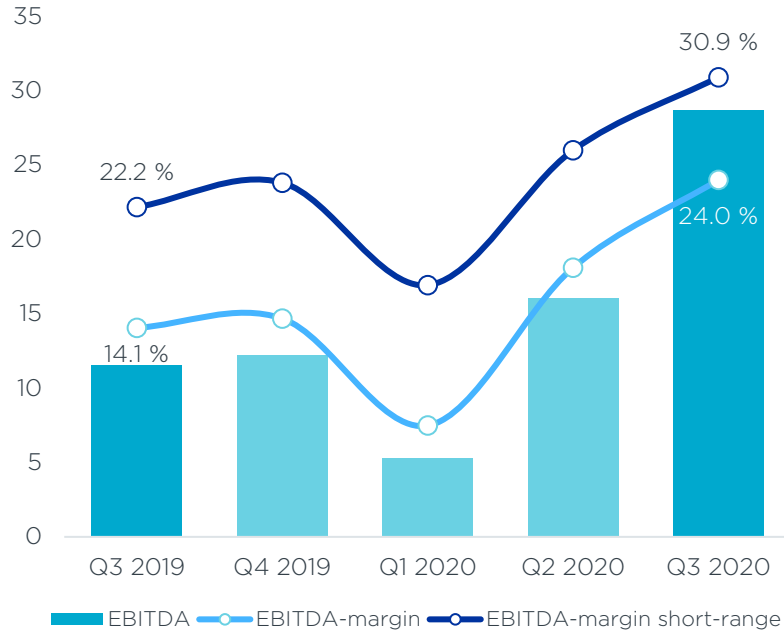
Cash OPEX\* (USDm)



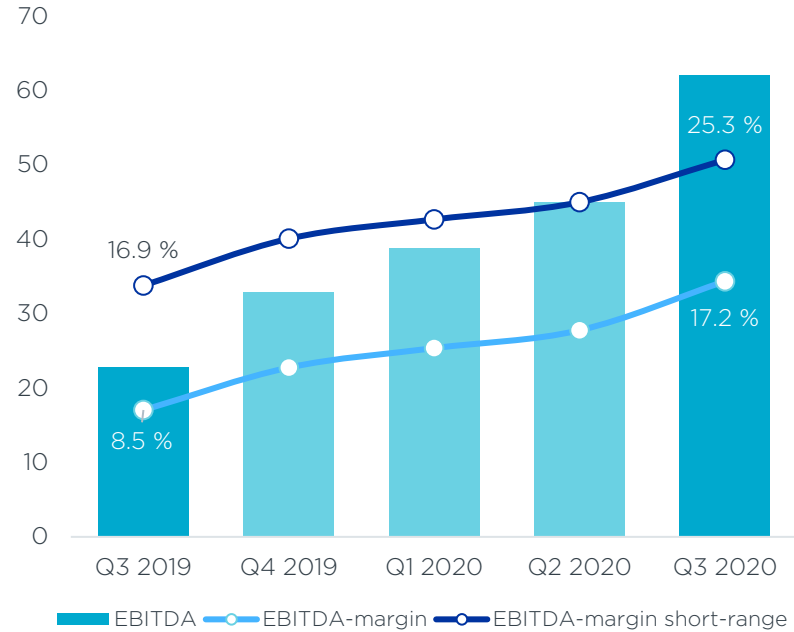
\* Operating expenses, excl. capitalized R&D, depreciation and amortization and option expenses

# Year-on-year EBITDA improvement

EBITDA (USDm) and margin (%), quarterly

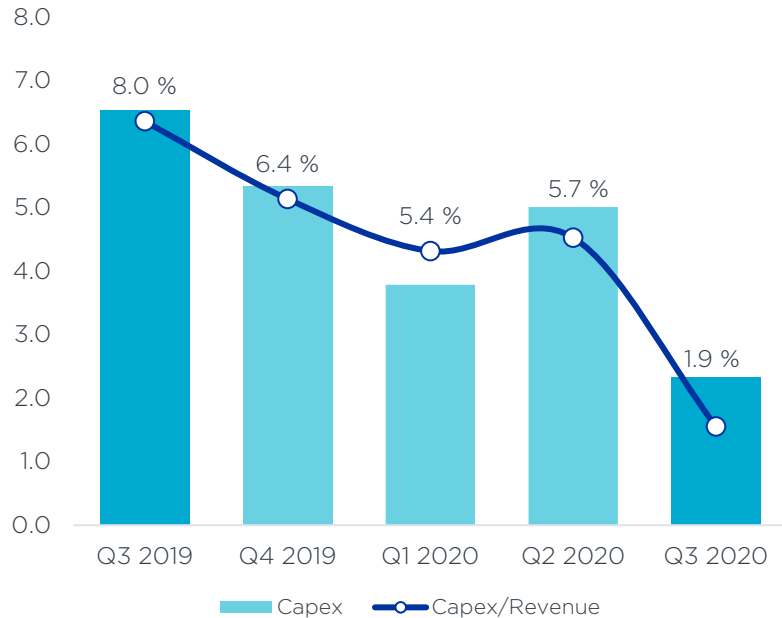


EBITDA (USDm) and margin (%), LTM



# Capex development

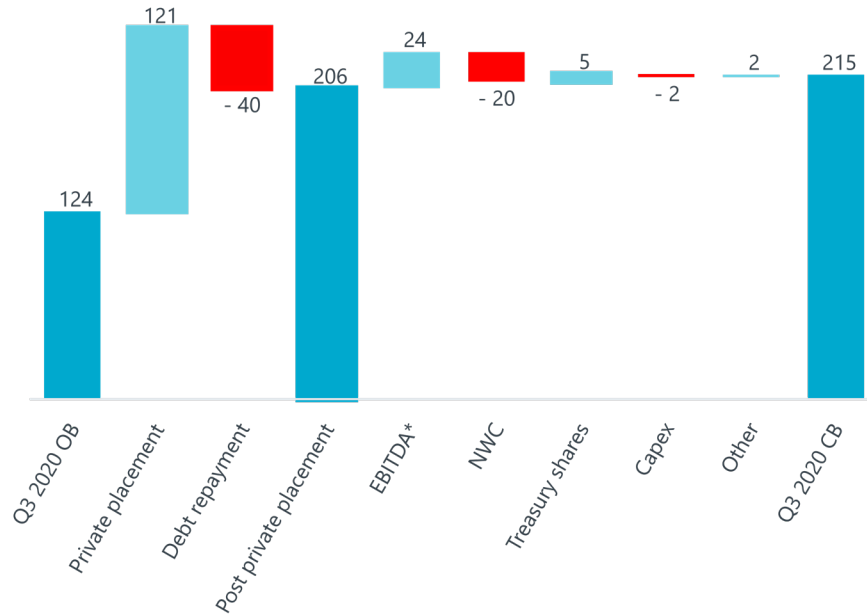
Capex (USDm)



- Low Capex of USD 2.3 million, mainly because delivery of new manufacturing testers was moved to Q4
- Q4 2020 guidance at ~USD 5 million
- FY20 Capex intensity set to decline below 5% of revenue in 2020, from 7% in 2019

# Continued strong cash position

Cash position and Cash Flow Q3 2020 (USDm)



\* EBITDA Adjusted for Capitalized Development Costs

## Operating cash flow of USD 8.6m

- NWC/Revenue LTM at 28.7%, compared to 26.7% at end of Q3 2019

## Continued disciplined cash strategy

- Tight cash management and optimized cash conversion

## Share issue improving the cash balance

- Repaid USD 40m debt drawn in Q1
- Cash balance at ~2.5x last 12 months R&D-spend

The background of the slide features a person's hands, silhouetted against a sunset sky, holding a glowing sphere. The sphere is composed of numerous small, interconnected nodes, each containing a person icon, representing a global network or digital community. The overall aesthetic is futuristic and tech-oriented, with a color palette of teal, blue, and orange.

# Summary

Svenn-Tore Larsen, CEO

# Building on a strong and resilient operating model



# Solid market position and ambitious targets

## Solid market position

- Market leader in Bluetooth Low Energy
- Dominant share in the broad market
- Strong ties to the large platforms and vertical leaders
- Positioned for market leadership in cellular IoT

## Accelerating growth YTD

- Bluetooth revenue +40%
- Proprietary revenue +17%
- Traction in cellular IoT

## Ambitious targets

- Long-term drivers in place to support ambitious strategy
- Increased confidence in USD 1 billion aspiration
- Long-term ambition of 20% EBITDA margin remain in place



# Solid Q3 – order backlog supports strong Q4

## Q4 2020 guidance

Revenue		Gross margin
USDm 115-125		~51%-52%
38%-50% y-o-y	Flat q-o-q	

- Growth supported by higher backlog
  - Backlog structure changing character – larger orders spread over longer period
- Medium-term gross margin guidance of 48%-50%
- Risks and uncertainties remain
  - + Further upside potential in faster technology adoption
  - Supply chain risks due to high demand might temporarily affect output capacity

# Q&A



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