



# Quarterly Presentation Q1 2020

April 21, 2020



**NORDIC**<sup>®</sup>  
SEMICONDUCTOR

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This presentation was prepared in connection with the Q1 results released on April 21, 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.

# Solid Q1

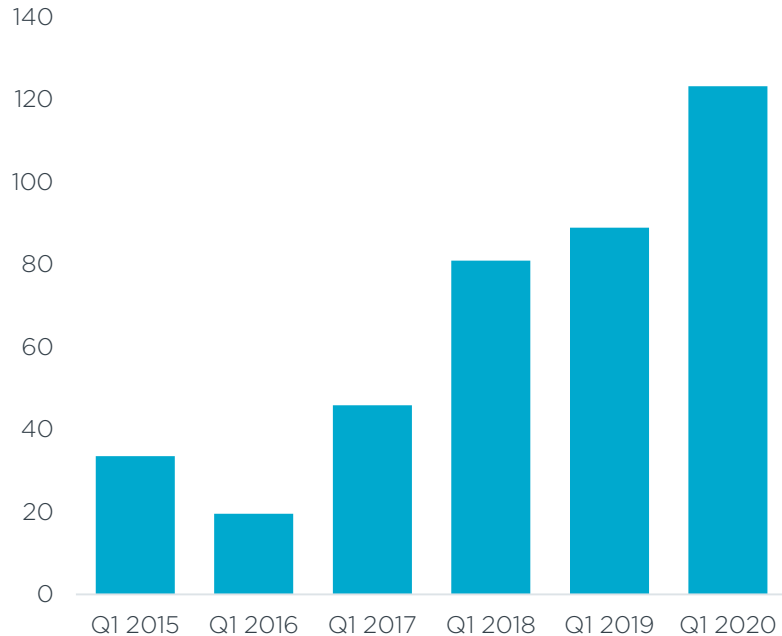
Revenue in high end of guidance – gross margin above

Revenue		Gross margin	
USDm <b>70.2</b>		<b>51.9%</b>	
+33.5% y-o-y	-15.6% q-o-q	+0.9%p y-o-y	+0.3%p q-o-q

- Bluetooth revenue USD 51.2m (+37.1%)
- Proprietary revenue USD 15.4m (+23.4%)
- Cellular IoT revenue of USD 1.1m
- Gross margin of 51.9%, driven by cost reductions and product mix

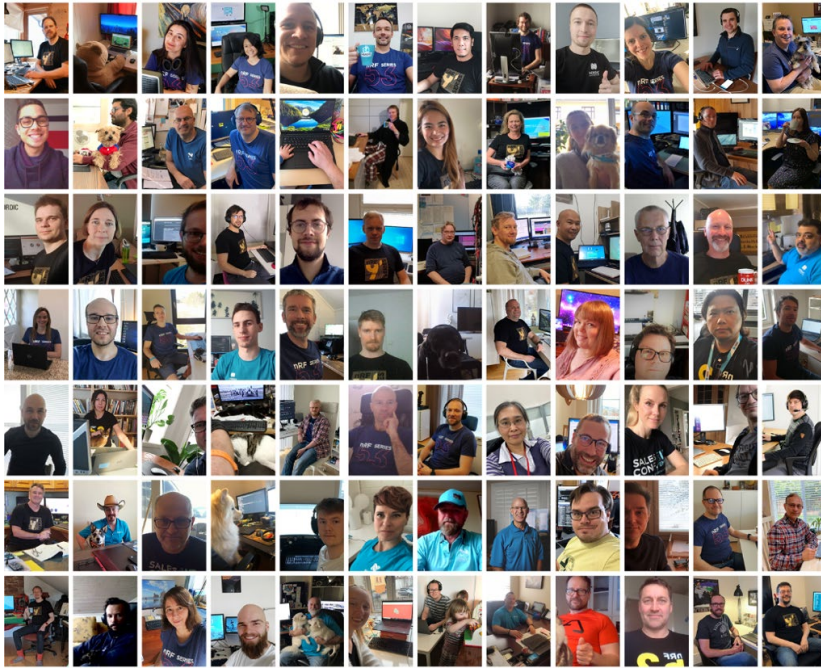
# Increased order backlog

Backlog (USDm)



- Order backlog of USD 123m, +39% compared to Q1 2019 and 16% above YE'19
- Supported by customers placing early orders to secure supply

# Organization adapting swiftly to COVID-19



- Employee health has been top priority – no COVID-19 cases registered so far
- Full compliance with rules and recommendations from local and national authorities:
  - Extensive remote work (~90%)
  - Severe travel restrictions
  - Limited physical meetings
  - Stricter sanitation standards

# Embracing our social responsibilities

Joined UN initiative to prevent virus spread in developing countries



**TOGETHER WE WIN**

THE UNITED NATIONS DEVELOPMENT PROGRAMME ANNOUNCES THE COVID-19 'DETECT AND PREVENT' CHALLENGE.

[JOIN THE CHALLENGE](#)

In Partnership with  **hackster.io**  
AN AVNET COMMUNITY



# Nordic inside 20+ relevant designs

## Prevent



## Monitor



## Track

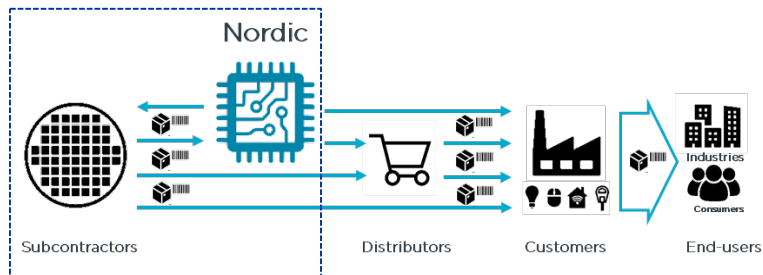


- Healthcare set to drive demand for connectivity
  - First deployments largely based on repurposing of existing products
  - Second wave to be used for outpatient monitoring
  - Long-term market move towards the real “connected patient”



# Manageable supply chain disruptions in Q1

Nordic's value chain, illustrative



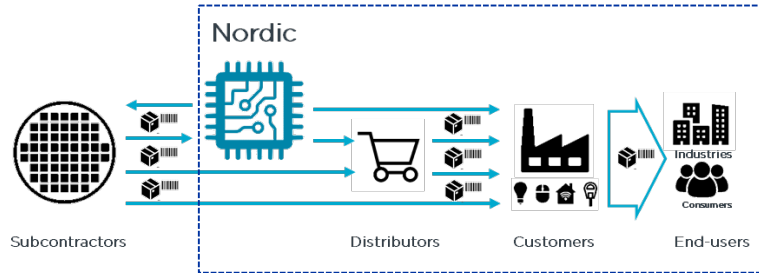
Taking action to reduce risk:

- Increasing buffers of critical devices
  - Excess capacity for variable demand
  - Qualifying multiple sourcing options
- Industry supply chains affected by plant closures in Asia for parts of January and February
  - Longer pause than normal around Chinese New Year, gradual recovery through March
  - Currently close to normal operation for Nordic's main suppliers
  - Continued supply chain risks due to COVID-19



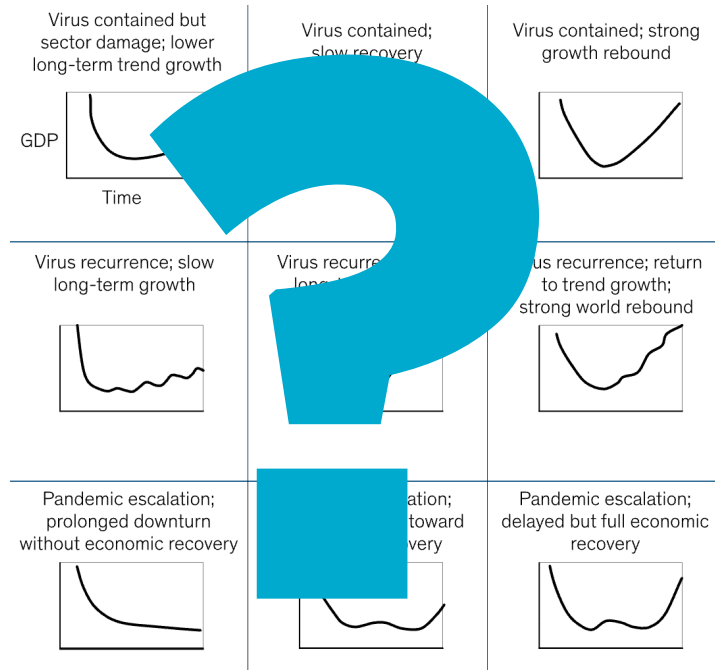
# Demand growth continued throughout Q1

Nordic's value chain, illustrative



- Nordic's distributors maintaining normal operations, with customer deliveries continuing on growth trajectory through March
- Distributor inventories remaining at moderate levels

# Low visibility on future end-user demand



Based on McKinsey & Co: "An instant economic crisis: How deep and how long?" (April 2020)

- Higher uncertainty and lower visibility due to the coronavirus measures and knock-on effects
- Three main uncertainties affecting end-user demand for remainder of 2020:
  - Length and magnitude of extraordinary measures to limit the spread of the virus
  - Depth and length of the expected setback in economic growth and consumer spending
  - Radical shift in technology adoption in several verticals represents upside potential

# Liquidity, solidity and flexibility

## INCREASED CASH POSITION

CASH AT HAND

**124**

USD m

## SOLID EQUITY POSITION

EQUITY RATIO

**67%**

- Asset light model, with outsourced production and distribution
- People and IP the main input factors – all hands required to meet our current development and delivery plans
- Flexibility to adapt to different market scenarios

# Maintaining long-term strategy and targets

## Strong strategic pillars

- Lead on connectivity
- Excite developers
- Customer engagement
- Scalability
- Investing early
- High financial ambitions

## Solid position

- Market leader in Bluetooth Low Energy
- Strong ties to vertical tier 1s and platform ecosystems
- Positioned for market leadership in cellular IoT

## Ambitious targets

- Target of becoming a USD 1 billion company within the next five years
- Long-term ambition for an EBITDA margin of 20%

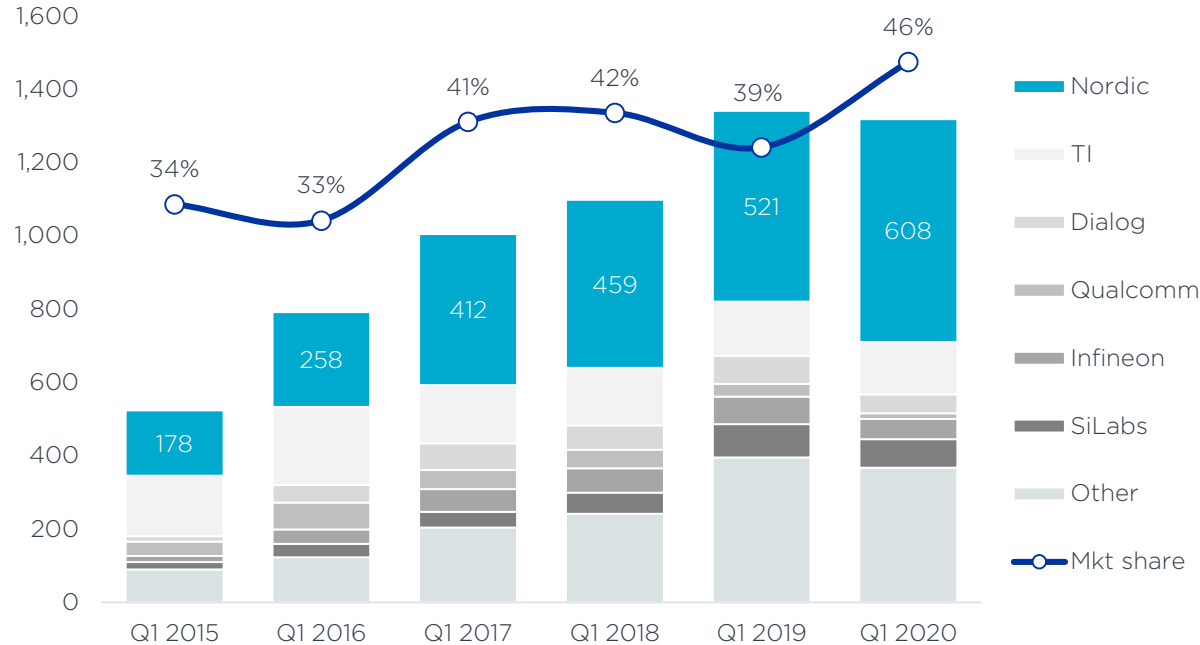




# Q1 Business Update

# Strengthening certification market share

Bluetooth Low Energy end-product certifications, LTM\*



End-product  
certifications,  
Nordic Q1 20

142

49% mkt share

+4%  
y-o-y

+1%  
q-o-q

\*Source: DNB Markets/FCC

# New product launches in Q1



Panasonic Industry  
nRF52840

Module



Accent  
nRF52832

'COVID-19 BLE  
wristband'



SimpliSafe  
nRF52

Smart Lock



IoTeX  
nRF9160

Secure asset tracker  
using blockchain



Signetik  
nRF9160

Pre-certified, battery-  
powered cellular IoT-  
based module platform.



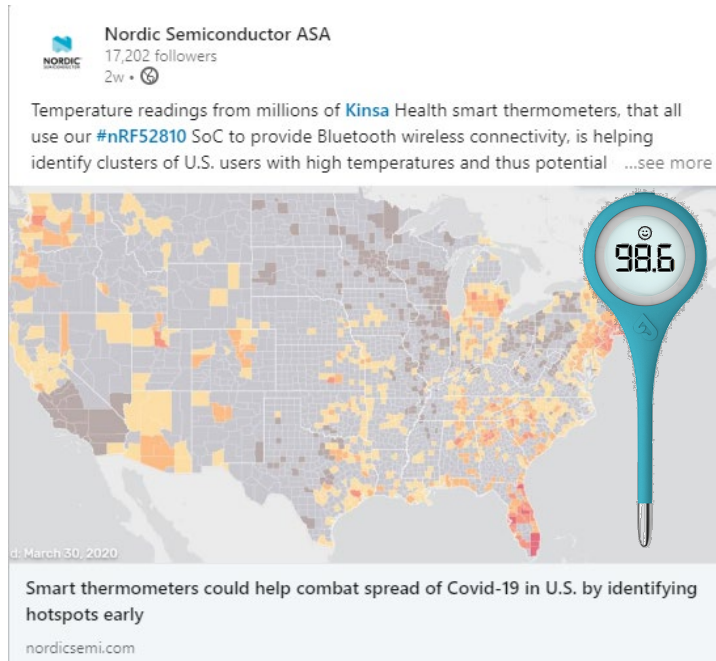
# Many new healthcare user cases coming up

## Masimo Safety Net™

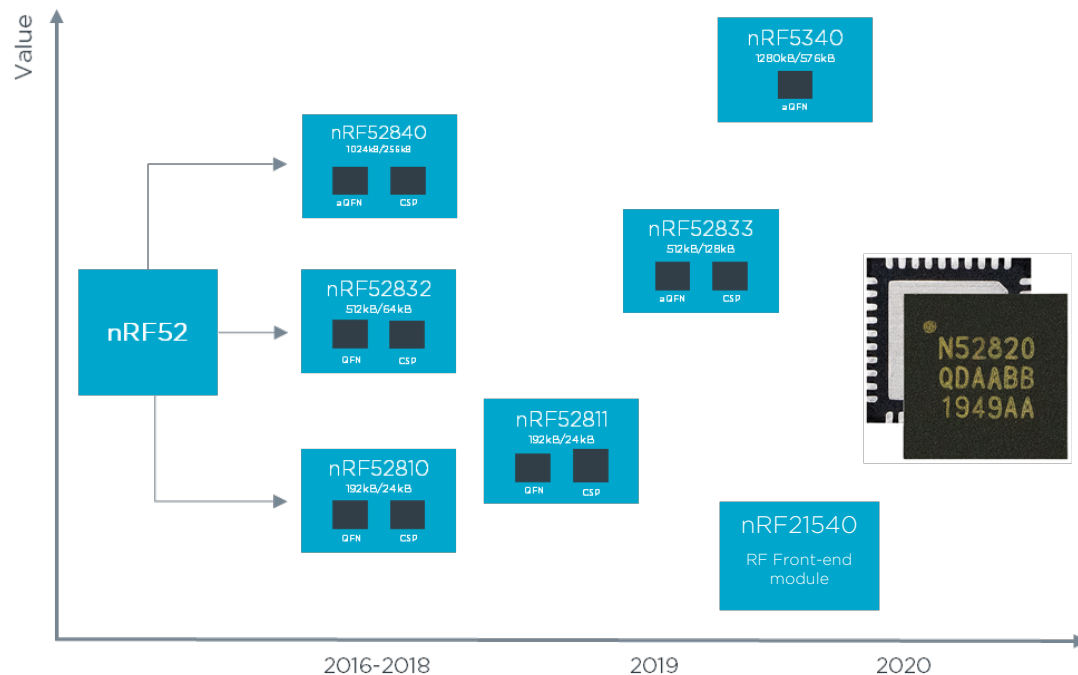


- Cloud-based patient management solution
- Helping clinicians care for patients remotely in hospital settings
- Tested at University clinics in Ohio, Pennsylvania and New Jersey
- Wearable single-patient-use monitoring sensor for blood oxygen, respiration rate, pulse rate, etc.
- Using Nordics high-end Bluetooth SoC.

## Kinsa Health Smart thermometers



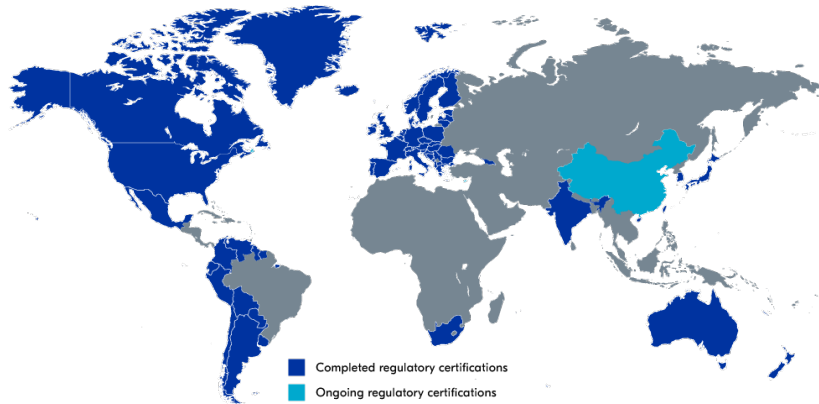
# Continuing to launch new products



- Launching nRF52820 to support the lower-end of the nRF52 Series for budget-constrained applications
- Full-speed USB 2.0
- Bluetooth 5.2, Mesh, Thread, ZigBee
- 64MHz M4F with 256kB Flash and 128kB RAM
- Supports up to 105°C

# Cellular IoT moving forward

## Regulatory certifications overview

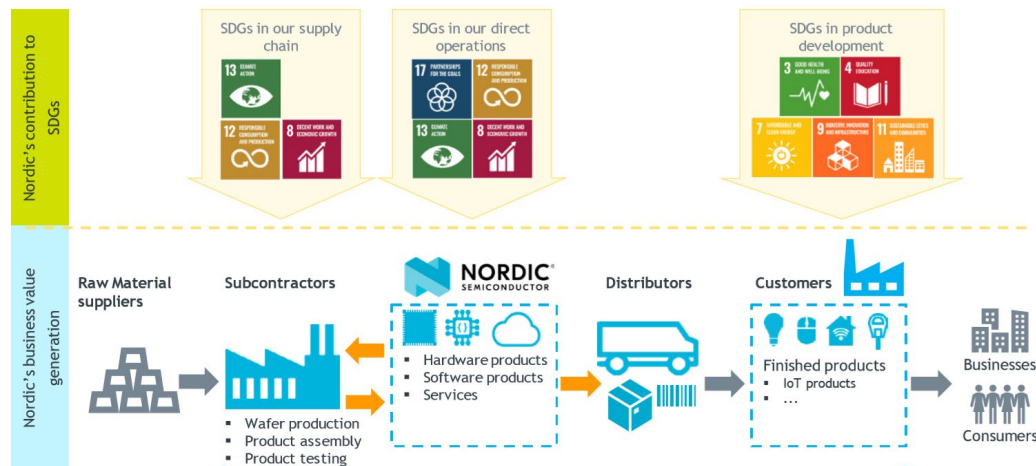


- Q1 revenue of USD 1.1m and gaining traction with new designs
- New software makes customer migration to cellular IoT easier
  - New nRF Connect SDK release unifies the software platform for all Nordic products
  - Bluetooth Low Energy and cellular IoT development in one SDK and toolchain
- Continuing work on carrier certifications in several new markets
  - Significant pipeline - tests and certification processes pushed-out by COVID-19

# Further integrating ESG into our strategy



- IoT holds unique position to enhance sustainability
- We commit as a signatory to UN Global Compact and support UN Sustainable Development Goals (SDGs)



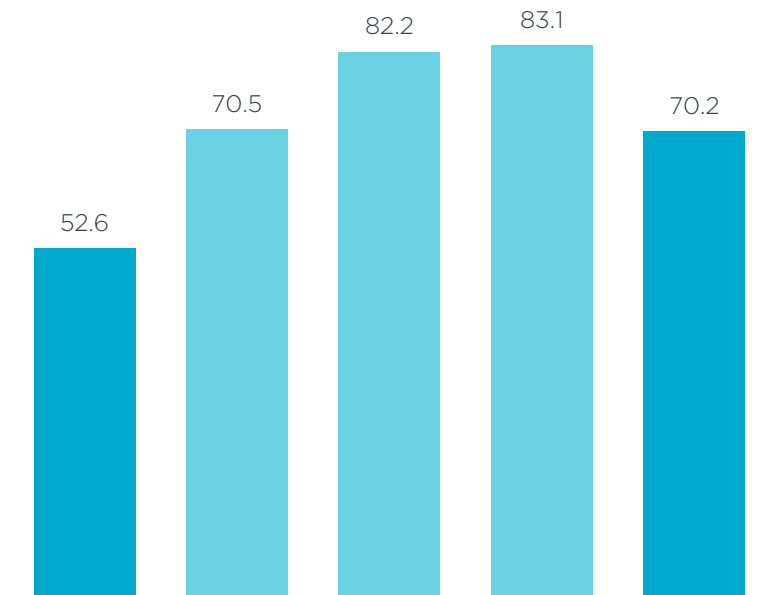
The background is a dark blue, semi-transparent collage of financial data. It features several line graphs with white and yellow lines, some with square markers. There are also bar charts and numerous numerical values in white and yellow, some of which are repeated. The text is slightly blurred, giving it a sense of depth and movement. The overall aesthetic is professional and data-driven.

# Financials

Pål Elstad, CFO

# Revenue in high end of guidance range

Quarterly revenue (USDm)



## YoY revenue growth of 33.5%

- Growth in all areas, from relatively weak level in Q1'19
- Bluetooth accounting for 73% and proprietary for 22% of total revenue
- Continued strong revenue contribution from tier-1 customers
- Cellular IoT revenue of USD 1.1m in Q1, continue to expect volatile quarterly revenue

# Year-on-year revenue growth in all markets

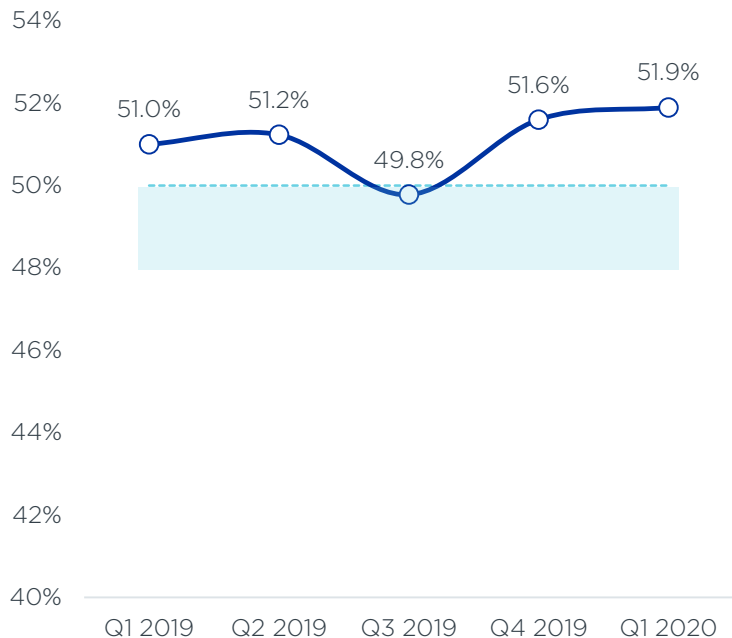
Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm <b>70.2</b>	USDm <b>24.5</b>	USDm <b>11.4</b>	USDm <b>13.2</b>	USDm <b>5.5</b>	USDm <b>12.1</b>
+33.5% y-o-y    -15.6% q-o-q	+16.0% y-o-y    -27.5% q-o-q	+48.5% y-o-y    -29.5% q-o-q	+63.7% y-o-y    -20.8% q-o-q	+28.3% y-o-y    +10.1% q-o-q	+38.2% y-o-y    +16.5% q-o-q

- Healthcare improving from low levels in both Q1'19 and Q4'19
- Continued strength in both wearables and building/retail
- Consumer electronics growth in both proprietary and Bluetooth Low Energy



# Gross margin remaining solid

Gross margin (%)



**Gross margin 51.9%, above indicated guidance, mainly driven by**

- Favorable product mix, with a higher share of more complex high value SoCs
- Gross margin expected at ~50% in Q2 2020
- Reiterating medium-term gross margin range of 48%-50% for the short-range business

# Operating model performance Q1 2020

Gross margin  
51.9%

Q1 2020

Q1 2019

R&D short-range 17.3%	Revenue	USD 70.2m	USD 52.6m	+33.5%	Revenue in high end of guidance range
	Gross margin	51.9% USD 36.4	51.0% USD 26.8	+0.9pp	Favorable product mix in the quarter
R&D cellular IoT 9.6%	R&D short-range	17.3% USD 12.1m	24.2% USD 12.7m	-6.9pp	Continued investments to capture growth opportunities
SG&A 17.5%	R&D cellular IoT	9.6% USD 6.8m	9.9% USD 5.2m	-0.3pp	High activity during commercialization stage
	SG&A	17.5% USD 12.3m	18.2% USD 9.6m	-0.7pp	Continued cost focus, strengthened S&M to capture growth opportunities
EBITDA 7.5%	EBITDA	7.5% USD 5.2m	-1.4% USD -0.7m	+8.9pp	Higher revenue and positive operating leverage

# Cash operating expenses

- YoY cash cost increase of 12.7 % shows continued disciplined growth execution
- Continued favorable FX development

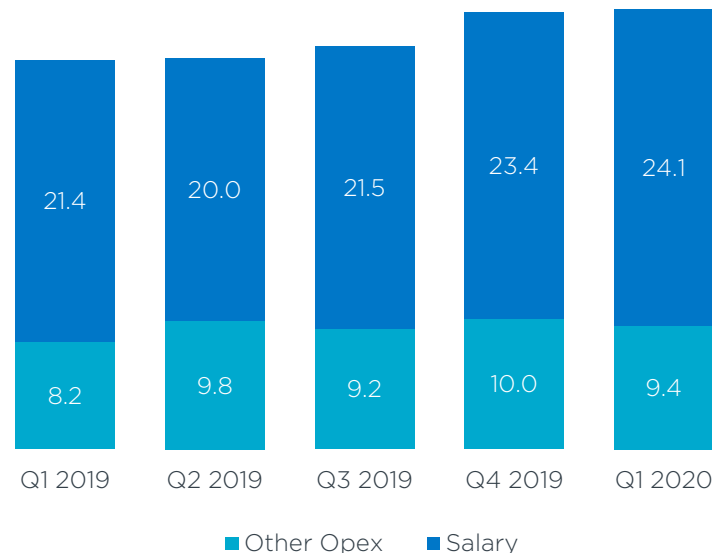
## Salary:

- Number of employees increased by 14.5 % to 799 over the past last 12 months
- Growth in customer facing teams, both within R&D and Sales

## Other Opex:

- Varies with pace of product introductions
- Sharpened focus on cost containment

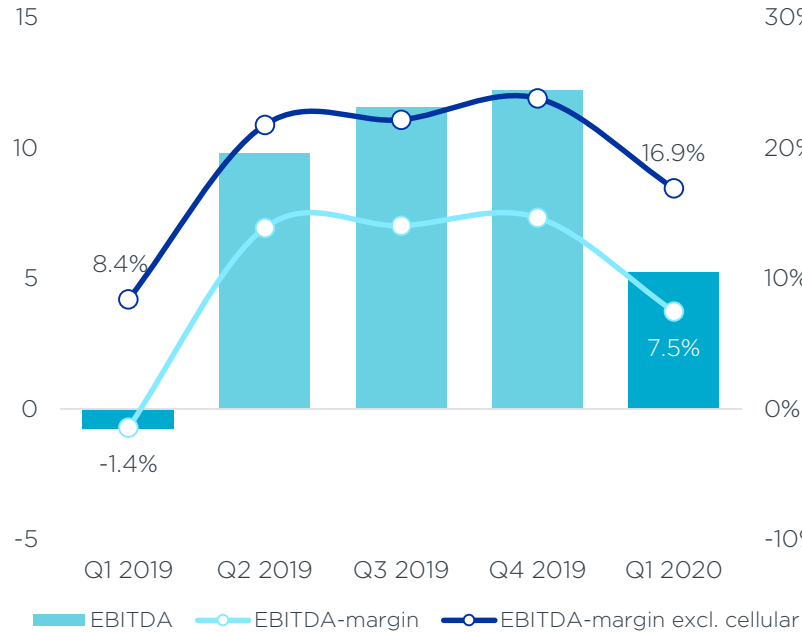
Cash Opex\* (USDm)



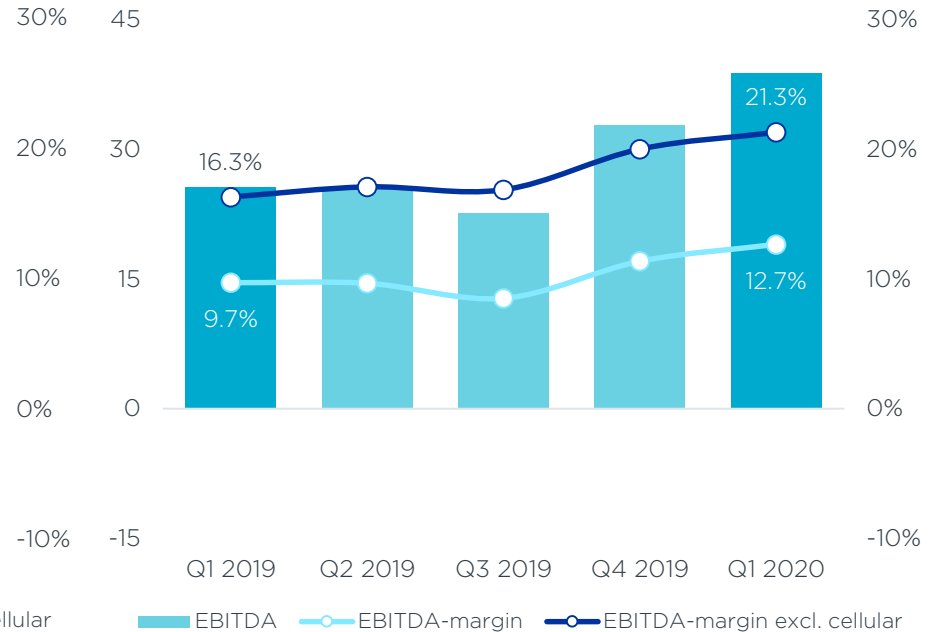
\* Operating expenses, excl. capitalized R&D, depreciation and amort. and option expenses

# Year-on-year EBITDA improvement

EBITDA (USDm) and margin (%), quarterly

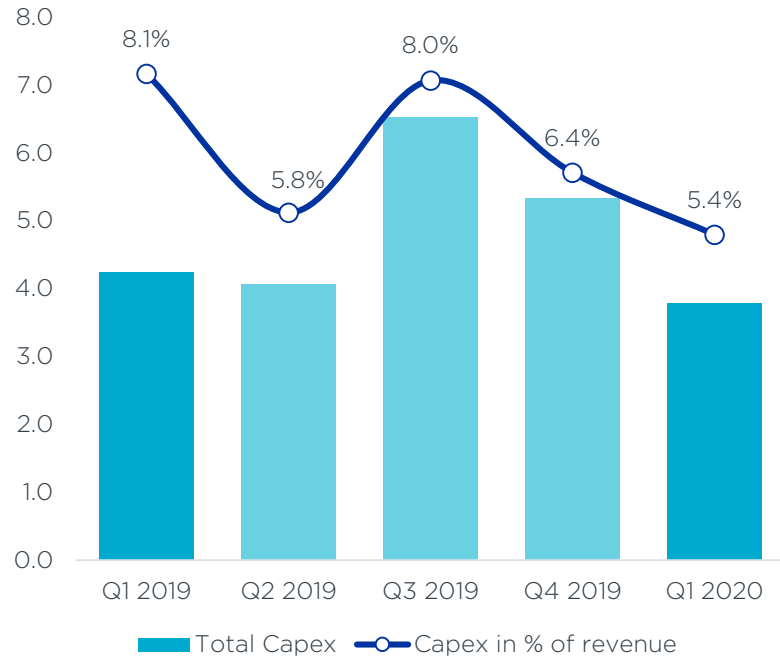


EBITDA (USDm) and margin (%), LTM



# Capex development

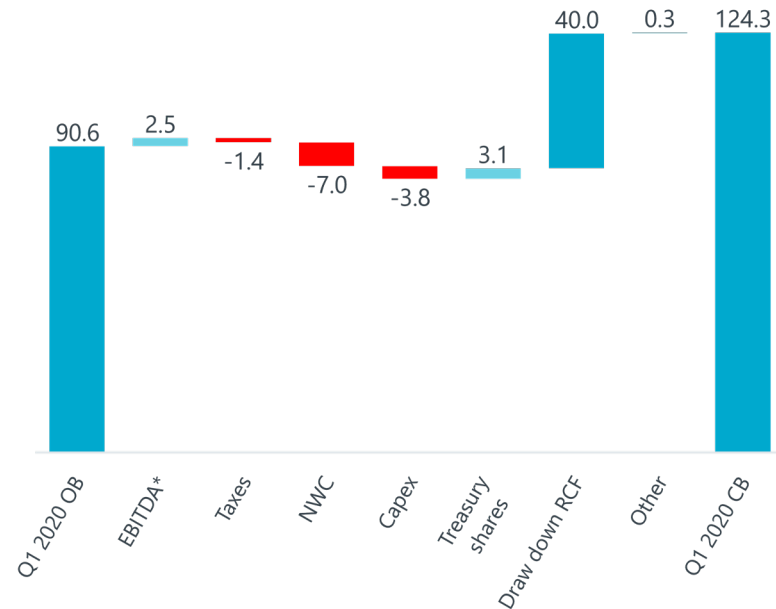
Capex (USDm)



- Capex of USD 3.8m, slightly below guidance
- Q2 2020 guidance at similar level

# Strengthened cash position

Cash Flow Q1 2020 (USDm)



\* EBITDA Adjusted for Capitalized Development Costs

## Increased cash position

- USD 33.7m cash inflow during Q1 2020
- Drawn USD 40m on RCF to safeguard liquidity position
- NWC/LTM revenue at 25.2% (24.2% at year-end 2019)

## Continued disciplined cash strategy

- Tight cash management and optimized cash generating ability



# Summary and Q&A

Svenn-Tore Larsen, CEO



# Solid Q1 - continued uncertainty in Q2 and beyond

## Q2 2020 guidance

Revenue		Gross margin	
USDm 75-85		~50%	
6% - 21% y-o-y	7% - 21% q-o-q	-1.2%p y-o-y	-1.9%p q-o-q

- Q1 revenue in high end of guidance, gross margin above, and disciplined operational execution
- Backlog supporting Q2
- Continued high uncertainty
  - Supply chain risk
  - End-user demand depending on depth and length of macroeconomic setback
  - + Radical shift in technology adoption in several verticals
- Longer-term drivers in place to support strategy and financial ambitions



Q&A



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