

Quarterly Presentation

Q1 2021

April 20, 2021



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SEMICONDUCTOR

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This presentation was prepared in connection with the Q1 results released on April 20, 2021. 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 revenue growth

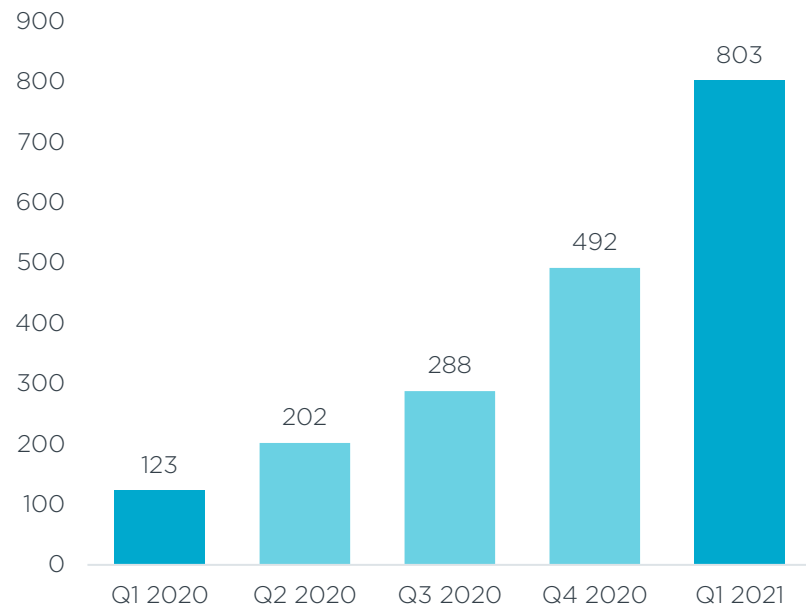
Solid demand in all end-user markets

Revenue		Gross margin	
USDm 143.2m		50.2 %	
+104% y-o-y	+13% q-o-q	-1.7%p y-o-y	-2.5%p q-o-q

- Bluetooth revenue passing the USD 100m milestone at USD 119.8m (+134%)
- Proprietary revenue remaining solid at USD 20.9m (+36%)
- Cellular IoT revenue at USD 1.2m (+10%), influenced by supply issues
- Gross margin of 50.2%, within guided range
 - + Continued high volumes of high-margin SoCs
 - Lower margin on high-volume contracts

Order backlog keeps increasing

Backlog (USDm)



- Order backlog of USD 803m, +551% y-o-y
- Driven by increased volume from both tier-1 customers and the broad-market
- Bluetooth Low Energy and multiprotocol solutions account for 88 %
- Timing of deliveries dependent on wafer availability
- Laser-focus on customers and supply

High-volume customers driving growth

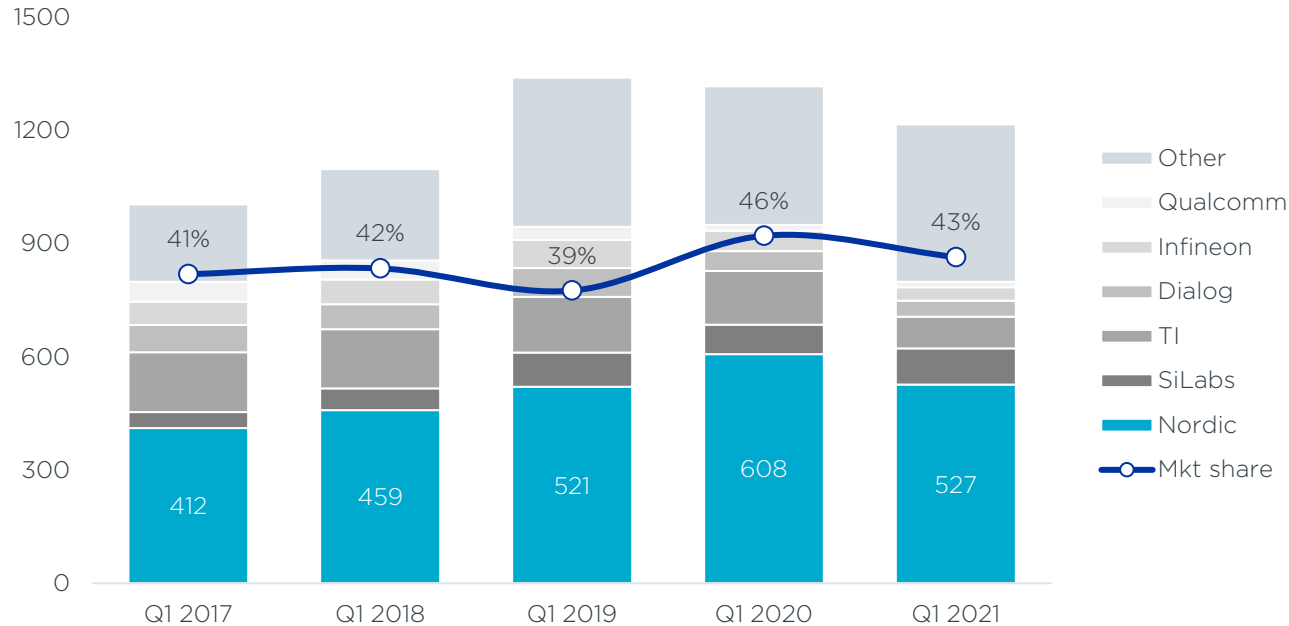
- Platform companies and tier-1s defining the features and specs for new ecosystems
- Nordic leverages on strong relations built over years
- Strong demand also in the broad market
- Digitization shift in the healthcare segment



Steady and high certification market share

Significantly increasing value per design

Bluetooth Low Energy end-product certifications, last 12 months



End-product certifications, Nordic Q1 21

134

42 % mkt share in Q1'21 isolated

-6%
y-o-y

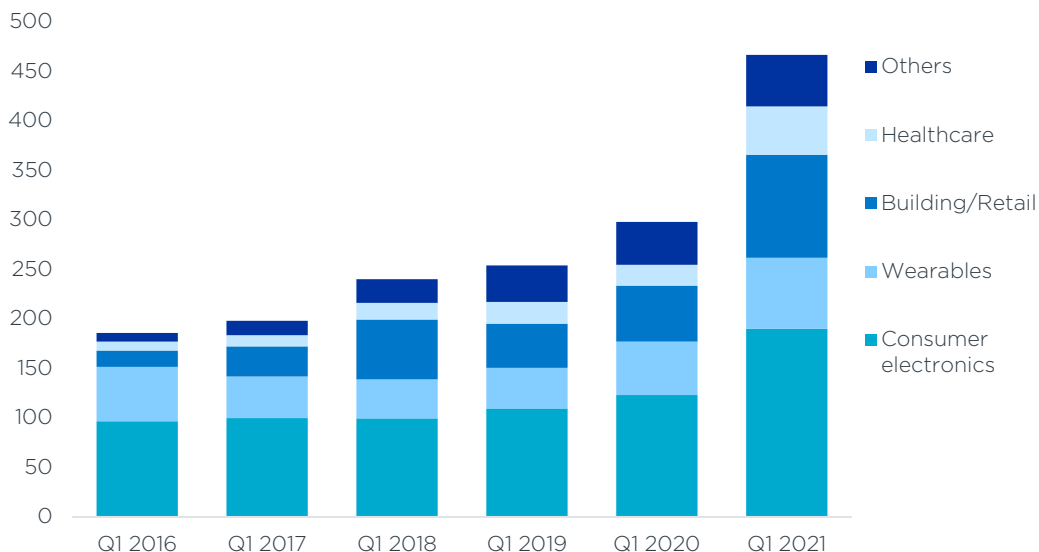
-5%
q-o-q

Strong growth across all verticals

Driven by both consumer and industrial/retail customers

- Consumer electronics remains the largest area
- Healthcare and Building/Retail show the highest growth
- Ongoing disruption in
 - Logistics/asset tracking
 - Smart home
 - Smart lighting
 - Drug delivery & Disease monitoring

Short-range revenue by end-user markets, last 12 months (USD)



New product launches in Q1



QPAD
nRF52840/nRF52833

Gaming Mouse

AppSens
Smart Heart Sensor
nRF52832

ECG heart monitor to
identify risk of stroke

React Mobile
nRF52811/nRF9160

Hotel employee panic
button

Safecility
nRF9160

Battery-powered NB-
IoT fire door sensor

Decatur
nRF9160

Asset Tracking with GPS

Fast pick-up of the new generation nRF5340

Into volume production in Q4 2020



- Now available on 17 different module variants from 6 different module partners
- Received first >USD 1 million order from customer within the advanced wearable segment
- First order received from audio customer within hearing-aid
- Established support for AI & Machine Learning + Project CHIP

AI and machine learning – the future of IoT

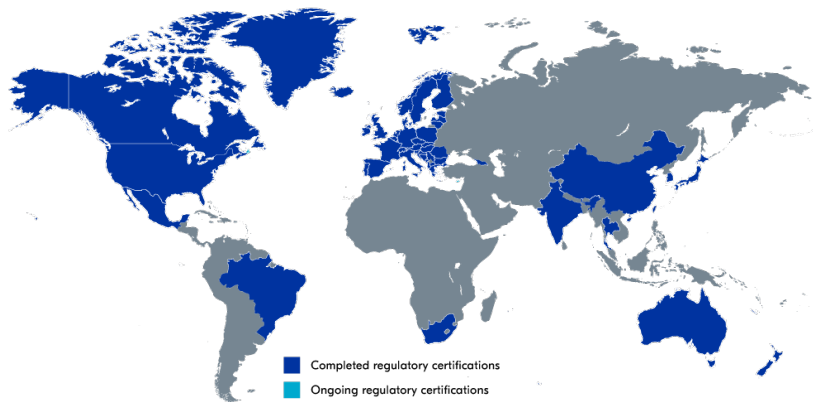


Irnas' RAM 1: Remote monitoring of smart power grids using
nRF9160 & nRF52811

- Nordic's partnership with TinyML company - Edge Impulse, makes AI and machine learning accessible on resource-constrained wireless IoT chips for the very first time
- Edge Impulse solutions and Nordic's nRF9160 cellular SIP and nRF52811 Bluetooth SoC now being used by Irnas in Slovenia in a new remote monitoring unit for smart power grids

Cellular IoT progressing

Regulatory certifications overview for nRF9160:



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



AT&T Bell Canada KDDI Softbank LGU+ TELUS

- Continuing to expand certification for global coverage
 - Approved by the Brazilian regulatory authority
 - Certified by the Canadian telecom carrier TELUS
- Volume ramp-up delayed due to supply issues
- Increase focus on easing application design
 - Low power tools, reference SW and videos
 - Software Development Kit adds key examples / middleware

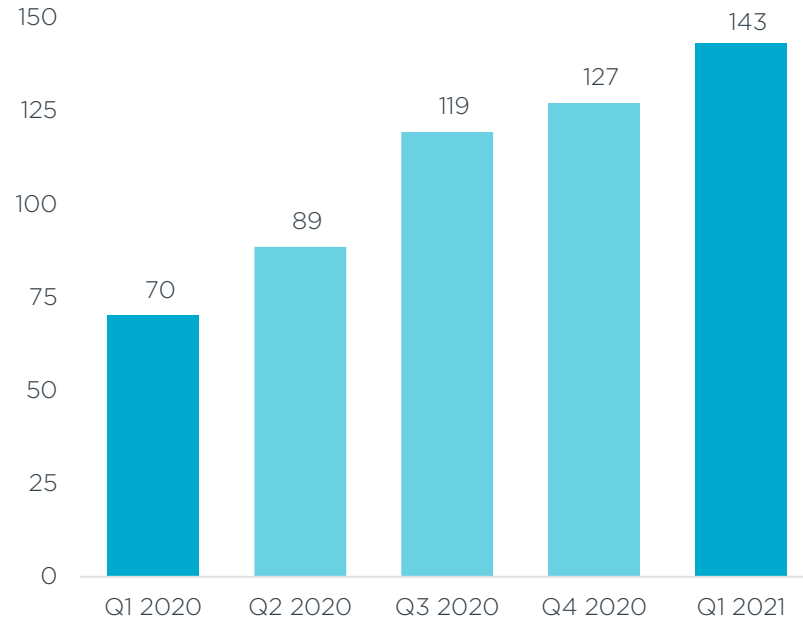


Financials

Pål Elstad, CFO

Revenue growth of 104%

Quarterly revenue (USDm)



- Y/Y growth across all technologies
 - Bluetooth +134% to USD 119.8 million
 - Proprietary +36% to USD 20.9 million
 - Cellular IoT +10% to USD 1.2 million

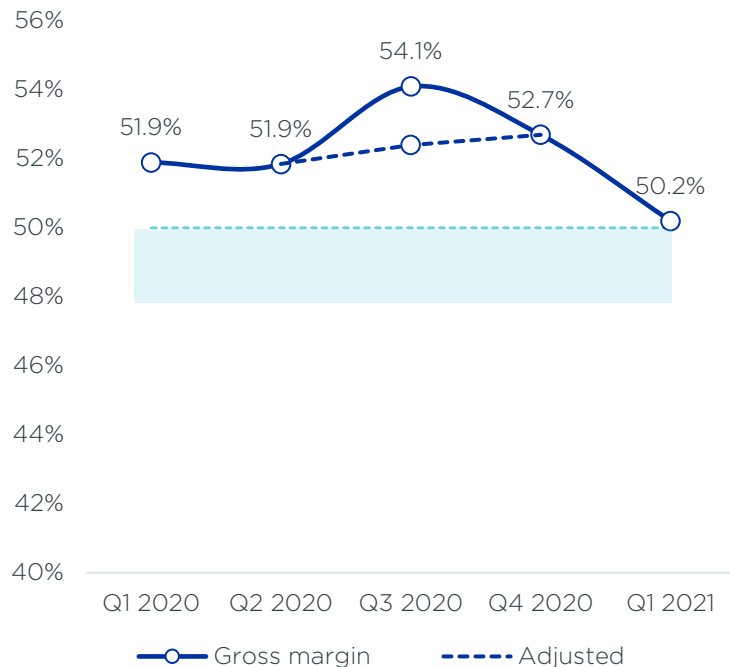
Revenue growth in all markets

Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm 143.2	USDm 51.2	USDm 19.9	USDm 35.4	USDm 16.3	USDm 17.9
+104% y-o-y +13% q-o-q	+109% y-o-y -5% q-o-q	+75% y-o-y +10% q-o-q	+169% y-o-y +31% q-o-q	+197% y-o-y +54% q-o-q	+48% y-o-y +32% q-o-q

- Year-on-year growth across all end-user markets
- Fastest growth in Healthcare and Building & Retail
- Strong but seasonally slower for Consumer Electronics

Gross margin within the guidance range

Gross margin (%)



Gross margin at 50.2%

- Higher share of lower margin SoCs in the Q1 deliveries, as guided in Q4
 - Revenue driven by high-volume tier-1 customers
- Gross margin expected at 50-51 % in Q2 2021
- Reiterating medium-term gross margin range of 48%-50% for the short-range business

Operating model performance Q1 2021

Gross margin
50.2%

	Q1 2021	Q1 2020		
R&D short-range 14.2%	Revenue	USD 143.2m	USD 70.2m	+104.1% Growth in all technologies and markets
R&D cellular IoT 6.9%	Gross margin	50.2% USD 71.9m	51.9% USD 36.4m	-1.7pp Change in customer mix
R&D Wi-Fi 1.5%	R&D short-range	14.2% USD 20.3m	17.3% USD 12.1m	-3.1pp
SG&A 10.3%	R&D cellular IoT	6.9% USD 9.8m	9.6% USD 6.8m	-3.0pp
EBITDA 17.4%	R&D Wi-Fi	1.5% USD 2.1m	-	- Expanding our portfolio
	SG&A	10.3% USD 14.7m	17.5% USD 12.3m	-7.2pp Growth in number of employees but high operation leverage
	EBITDA	17.4% USD 24.9m	7.5% USD 5.2m	+9.9pp High operational leverage and solid cost control

Cash operating expenses

- Cash cost increase mainly due to increased number of employees, acquisition and FX.

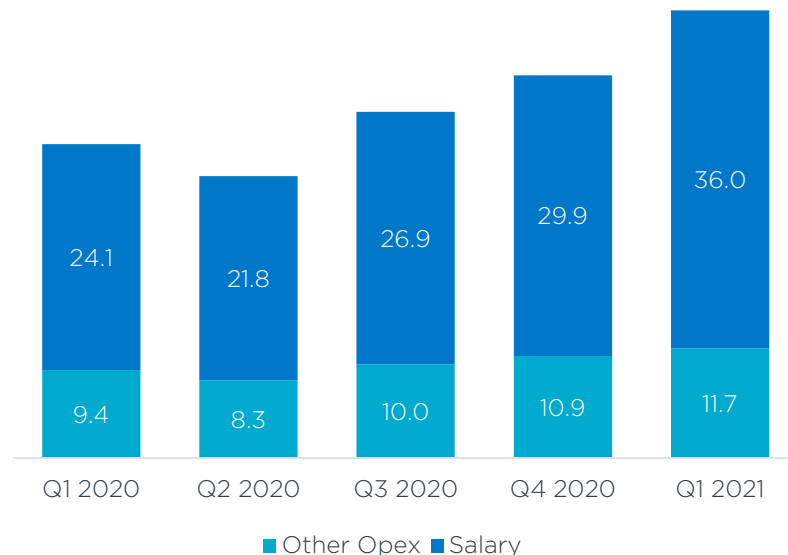
Salary:

- Number of employees increased by 29% to 1 029 over the past last 12 months
- Wi-Fi acquisition added 81 employees

Other Opex:

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

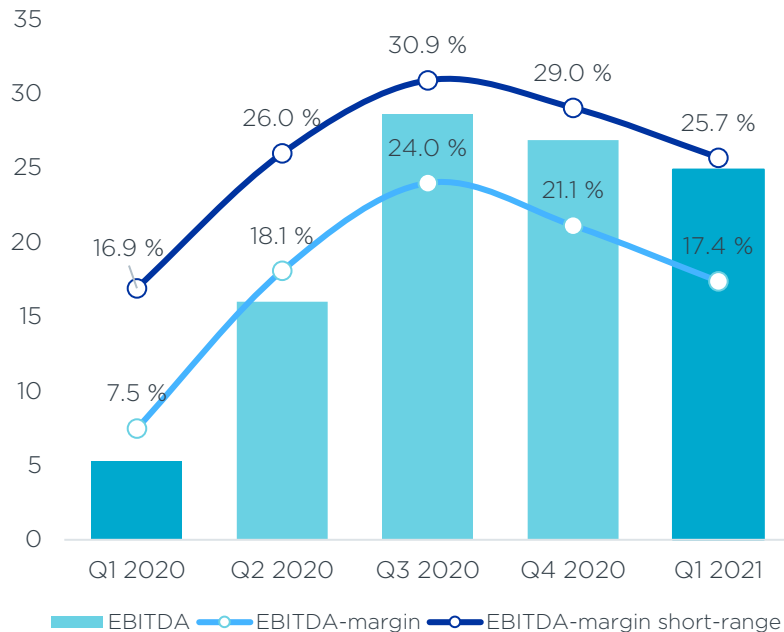
Cash OPEX* (USDm)



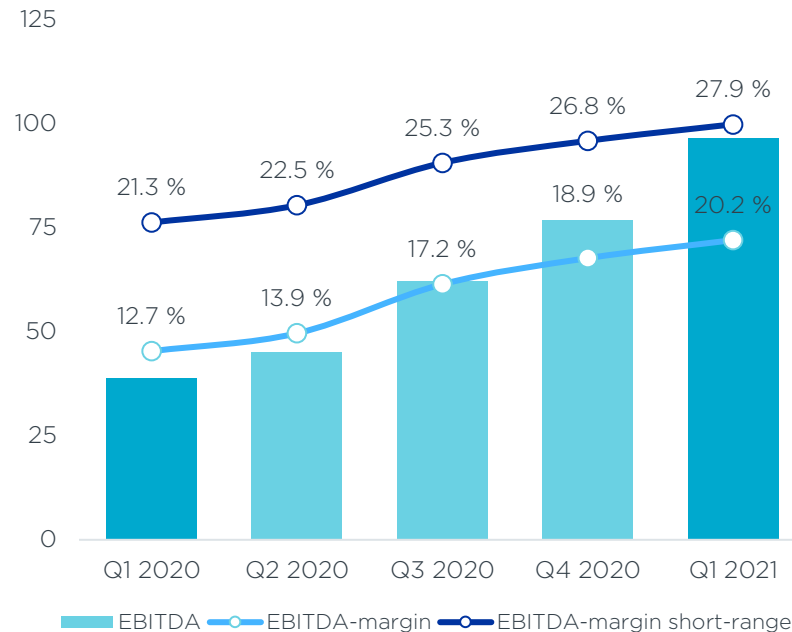
*Cash OPEX: Operating expenses, excl. capitalized R&D, depreciation and amortization and option expenses

Sharp year-on-year EBITDA improvement

EBITDA (USDm) and margin (%), Quarterly



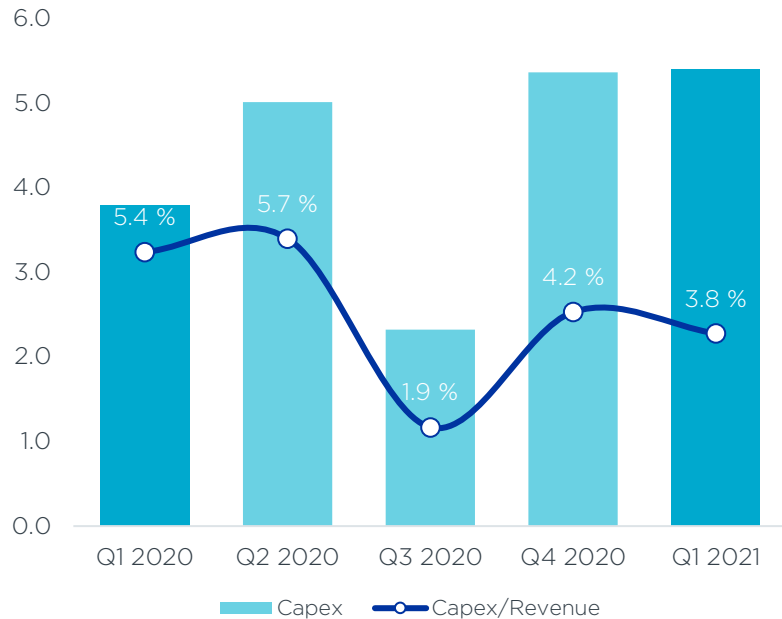
EBITDA (USDm) and margin (%), Last 12 months



*For detailed calculation, see page 24 in Q1 2021 Report

Capex development

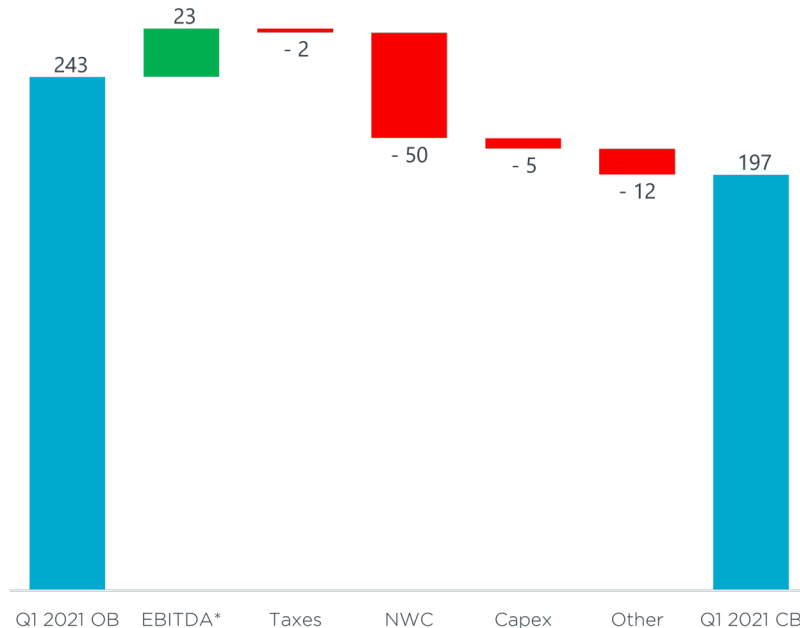
Capex (USDm)



- Capex of USD 5.4 million in Q1
- Expecting capex intensity in 2021 at the same level as 2020, at around 4% of revenue
- Investing in test capacity

Continued strong cash position

Cash position and Cash Flow Q1 2021 (USDm)



* EBITDA Adjusted for Capitalized Development Costs

Operating cash flow of USD -26.7m

Increasing net working capital due to accounts receivable

- NWC/Revenue LTM at 26.9%, up from low level at 19.4% at the end of 2020

Continued disciplined cash strategy

Solid cash balance at ~1.9 x last 12 months R&D-spend

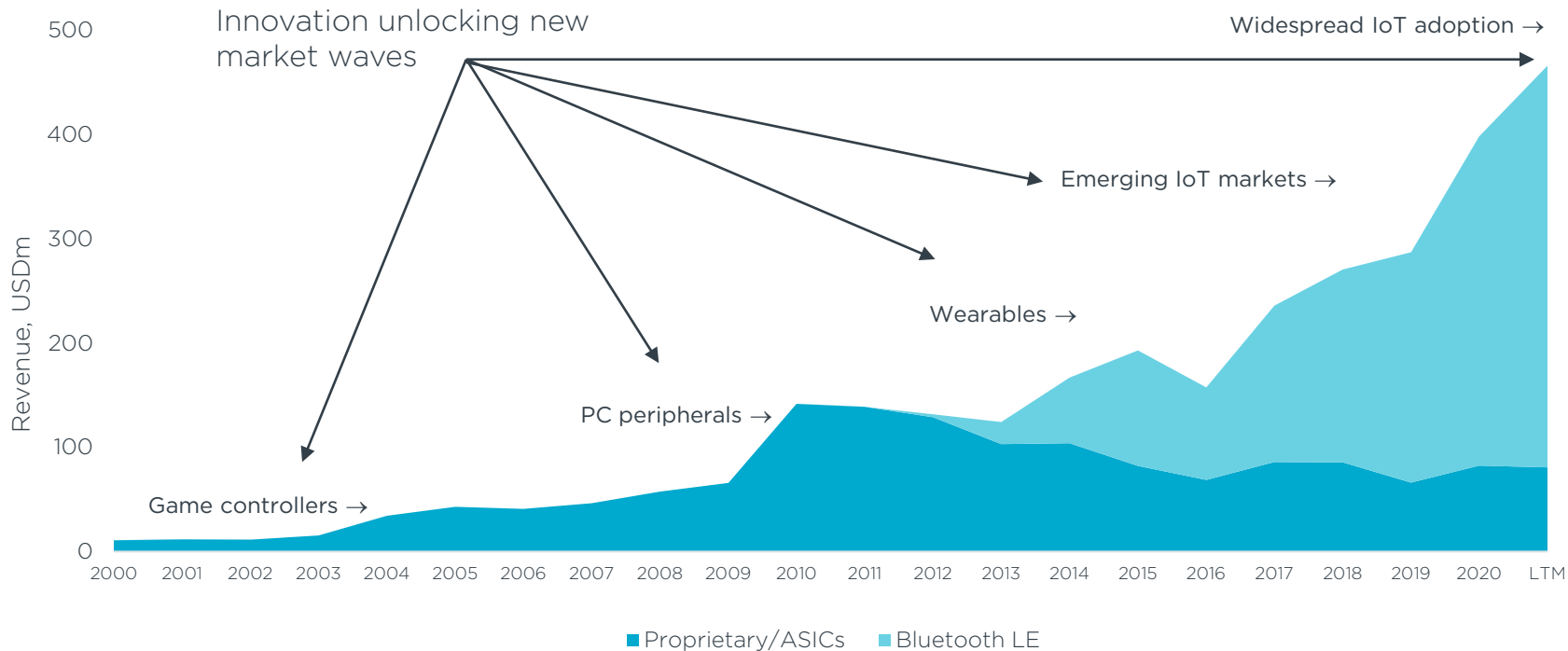
The background features a photograph of white cherry blossoms on dark branches, partially obscured by a large, semi-transparent blue geometric overlay that covers the right side and bottom of the frame. The overlay consists of several overlapping shapes, including a large triangle and a rectangle, creating a modern, abstract design.

Summary and Outlook

Svenn-Tore Larsen, CEO

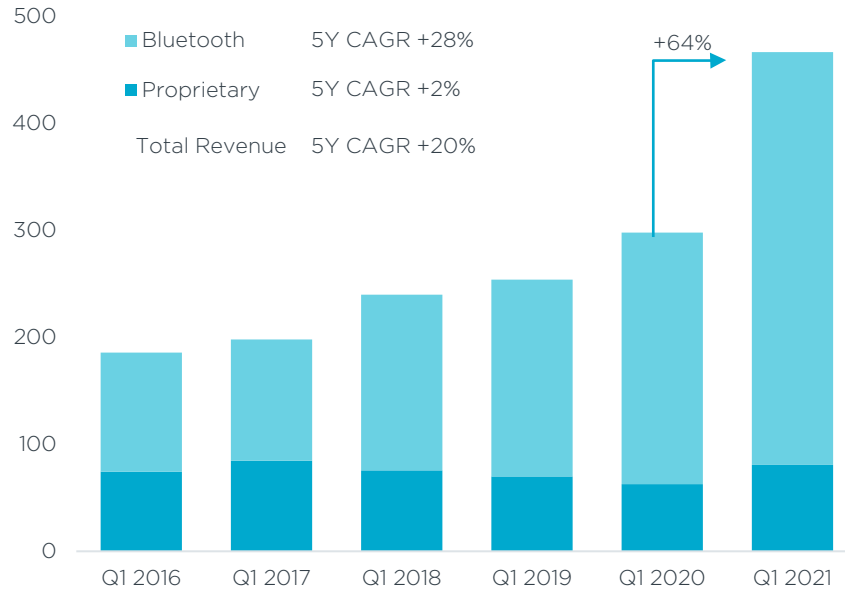


Nordic is on a long-lasting growth journey



Bluetooth shows accelerating growth

Short-range revenue by technology, last 12 months (USDm)



Bluetooth IoT Market Set to Nearly Quadruple by 2024 as Smart Home Exceeds 800 Million Device Shipments

ABIresearch
for visionaries

NEWS PROVIDED BY
ABI Research
Jan 14, 2020, 11:00 ET

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Cellular IoT will drive digitalization of society

Nordic has invested early in a huge market opportunity

- LTE-M and NB-IoT open new markets in 'Massive IoT'
- **Nordic** has been an early mover
 - Invested >USD 130 million in R&D in Cellular IoT over past 6 years
 - Industry leading offering in terms of power consumption, form factor, and software support
 - Nordic's nRF9160 and nRF52840 chosen by ERICSSON and Sigma for their joint 'ARDESCO' IoT reference design

5 billion IoT devices by 2025 - via cellular access technologies

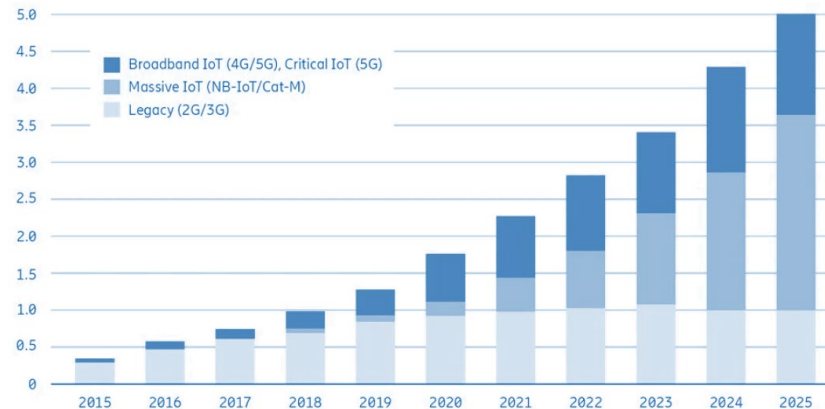
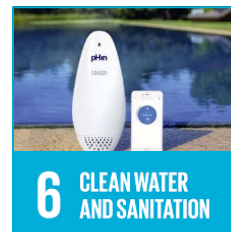
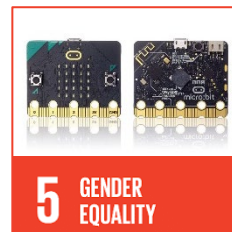
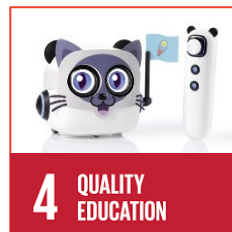


Figure 1: Expected growth of Massive IoT connections (billion)[2]

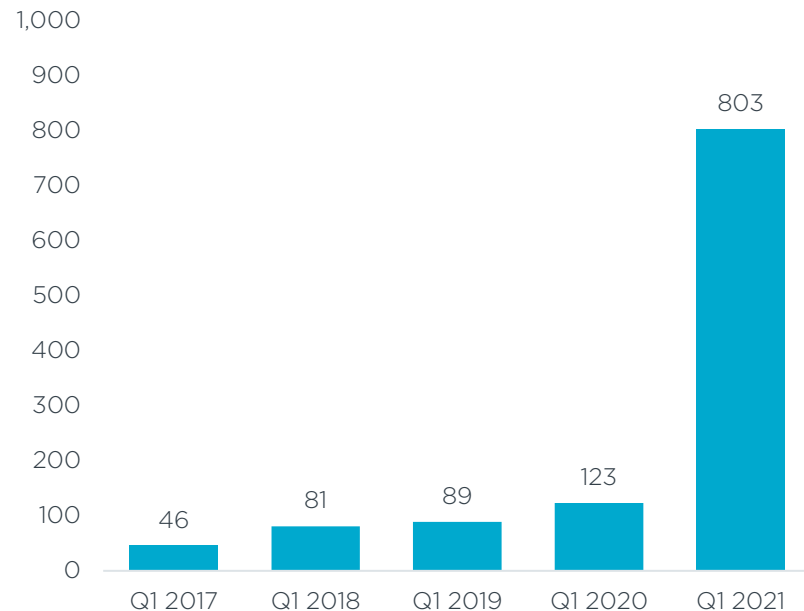
Source: ERICSSON whitepaper, Cellular networks for massive IoT, January 2020

IoT plays an important role to reach UN goals



Backlog supports long-term growth plan

Backlog (USDm)



Solid market position

- Market leader in Bluetooth
- Positioned to take lead in cellular IoT
- Complementing portfolio with Wi-Fi

Accelerating demand growth

Medium- and long-term drivers in place to support our ambitious growth strategy

Wafer supplies limit capacity in 2021

- Wafer allocations continue to support minimum 25% increase in production volumes in 2021
- Nordic has managed to pull-in additional wafer volumes to serve customers in Q2, allowing for Q2 2021 revenue guiding of USD 140-150 million
- TSMC has communicated capex of USD 100bn over 3 years, and confirms capacity expansion for special technology nodes like N65/N55

January 2021:

TECH

TSMC to Spend Up to Record \$28 Billion on Advanced Chips, Capacity

The world's biggest contract chip maker plans to boost capex by at least 47% in 2021

April 2021:

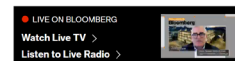
Technology

TSMC to Spend \$100 Billion Over Three Years to Grow Capacity

By [Debby Wu](#)

April 1, 2021, 3:52 AM GMT+2 Updated on April 1, 2021, 10:34 AM GMT+2

- Aggressive expansion designed to capture rampaging chip demand
- Intel and Samsung also investing heavily in semiconductor fabs



Expect strong Q2 in challenging supply environment

Q2 2021 guidance

Revenue		Gross margin
USDm 140-150		~50%-51%
+58% - 69% y-o-y	-2% to +5% q-o-q	

- Working 24/7 to support our customers
- Risks and uncertainties remain
 - + Fast technology adoption continues to strengthen long-term growth potential
 - Supply capacity temporarily curtails production
- Stable short-term margin expectations
 - Reiterating medium-term gross margin range of 48%-50% for the short-range business

Q&A



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