

# Quarterly Presentation

## Q2 2021

July 13, 2021



**NORDIC**  
SEMICONDUCTOR

# Disclaimer

The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (“relevant persons”). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in Nordic Semiconductor ASA (The Company). The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

This presentation includes and is based, inter alia, on forward-looking information and contains statements regarding the future in connection with The Company’s growth initiatives, profit figures, outlook, strategies and objectives. All forward-looking information and statements in this presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for The Company. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions.

Important factors may lead to actual profits, results and developments deviating substantially from what has been expressed or implied in such statements. Although The Company believes that its expectations and the presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the presentation.

The Company is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the presentation, and neither The Company nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use.

This presentation was prepared in connection with the Q2 results released on July 13, 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.

# Strong demand in all end-user markets

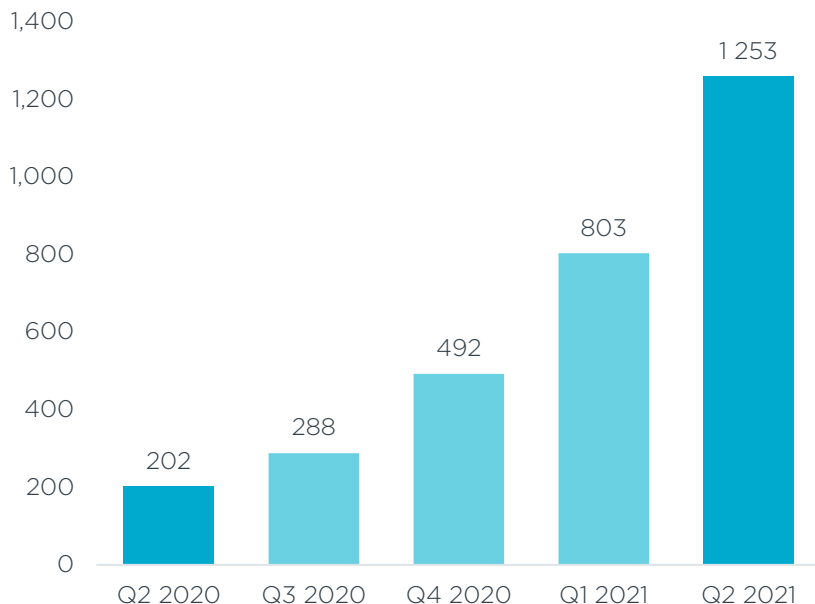
## Growth capped by wafer supply

Revenue		Gross margin	
USDm 147.6m		50.9 %	
+67% y-o-y	+3% q-o-q	-1.0%p y-o-y	+0.7%p q-o-q

- Revenue on par with the previous quarter and +67% year-on-year
  - Bluetooth revenue USD 123.0m (+75%)
  - Proprietary revenue USD 17.7m (+8%)
  - Cellular IoT revenue USD 4.6m (+289%)
- Gross margin of 50.9%
  - Higher volumes of higher-margin SoCs

# Order backlog keeps increasing

Backlog (USDm)



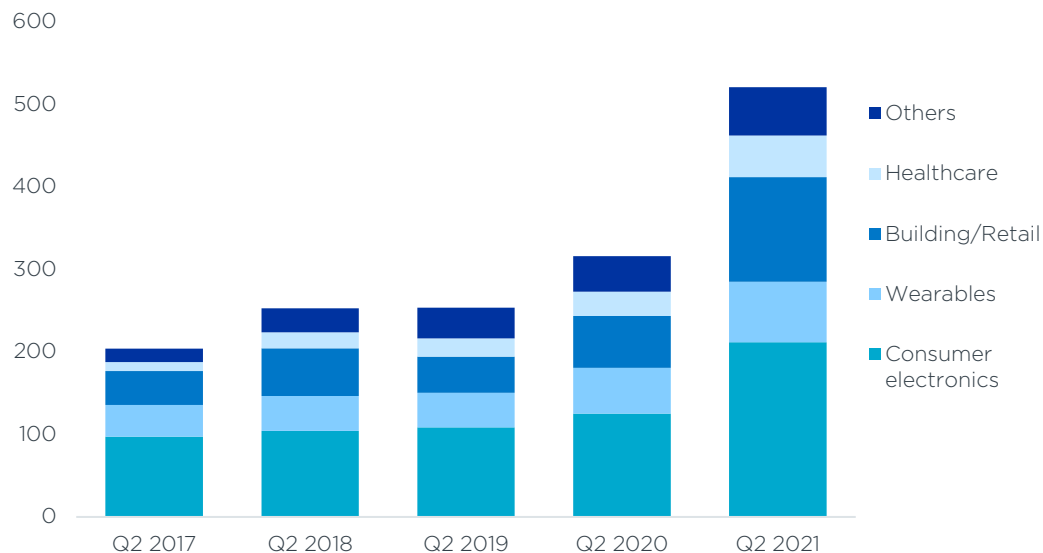
- Order backlog USD 1,253m, >6x Q2 2020
- Increased demand from both major customers and the broad market
- Bluetooth Low Energy and multiprotocol solutions account for 91%
- Timing of deliveries dependent on wafer supply – backlog stretching through 2022
- Laser-focused on advancing the wafer supply schedule and mitigate the customer challenges

# Strong growth across all verticals

Driven by both consumer and industrial/retail customers

- Consumer electronics remains the largest area
- Building/Retail shows the highest growth
- Healthcare being driven by new applications
- Ongoing disruption in
  - Logistics/asset tracking
  - Smart home
  - Smart lighting
  - Healthcare

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

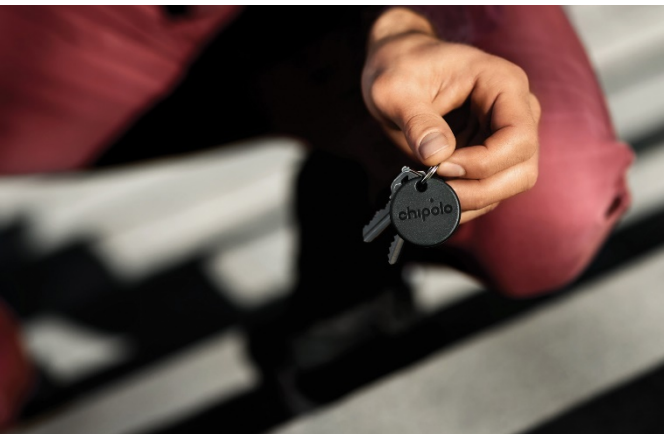


# Platform providers driving growth

- Platform providers and tier-1s drive volumes and generate increasing demand from their ecosystem partners
- Nordic leverages on strong relations built over years



# Launched Apple 'Find My' network support



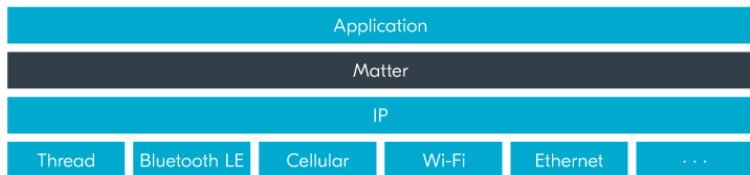
*By using the Nordic Find My network SDK as a starting point for implementing our solution, we offloaded a lot of software work*

*Jure Zdovc, CTO, Chipolo*

- 'Find My' network support in Nordic's SDK enable third-party use of the 'Find My' app
- Apple's ecosystem ensures vast tracking coverage, helping consumers find their devices
- 'Find My' support can be added to both new and existing Nordic Bluetooth LE-enabled devices
- Several designs have already implemented 'Find My' network features using Nordic
  - Belkin's SOUNDFORM Freedom wireless earbuds
  - Chipolo ONE Spot item finder

# Nordic a strong contributor to 'Matter'

## Securing interoperability across devices and ecosystems



- Rebranded as 'Matter', the Project Connected Home over IP is supported by Amazon, Apple, Google and others including [Nordic](#)
- Nordic's nRF Connect SDK offers support for Matter
  - Complete reference software for light bulbs, light switches, door locks, etc.
- Working with customers for product launches upon ratification of specifications

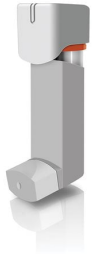


# Launching the 'Nordic Partner Program'



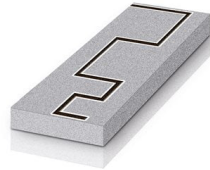
- Nordic's new 'Design Partner' and 'Solution Partner' program assist customers by providing products, services, and solutions helping to accelerate 'time-to-market'
- Complements the hardware, firmware, development tools and reference designs for both the short-range and cellular IoT portfolios
- Qualification process to ensure excellent support
- 8 leading IoT companies already signed up in the partner programs

# New product launches in Q2



Aptar Pharma  
Smart Inhaler  
nRF52810

Connected Device for  
Metered Dose Inhalers



Toshiba Corporation  
Bluetooth module  
nRF52811

World smallest  
connectivity module for  
wearables & healthcare



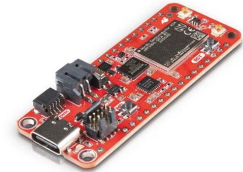
Stel Life  
Healthcare gateway  
nRF9160/nRF52840

For vitals-monitoring  
devices



Braveridge  
Monitoring System  
nRF9160

For Gas Pipe Dew  
Point/Gas Pressure



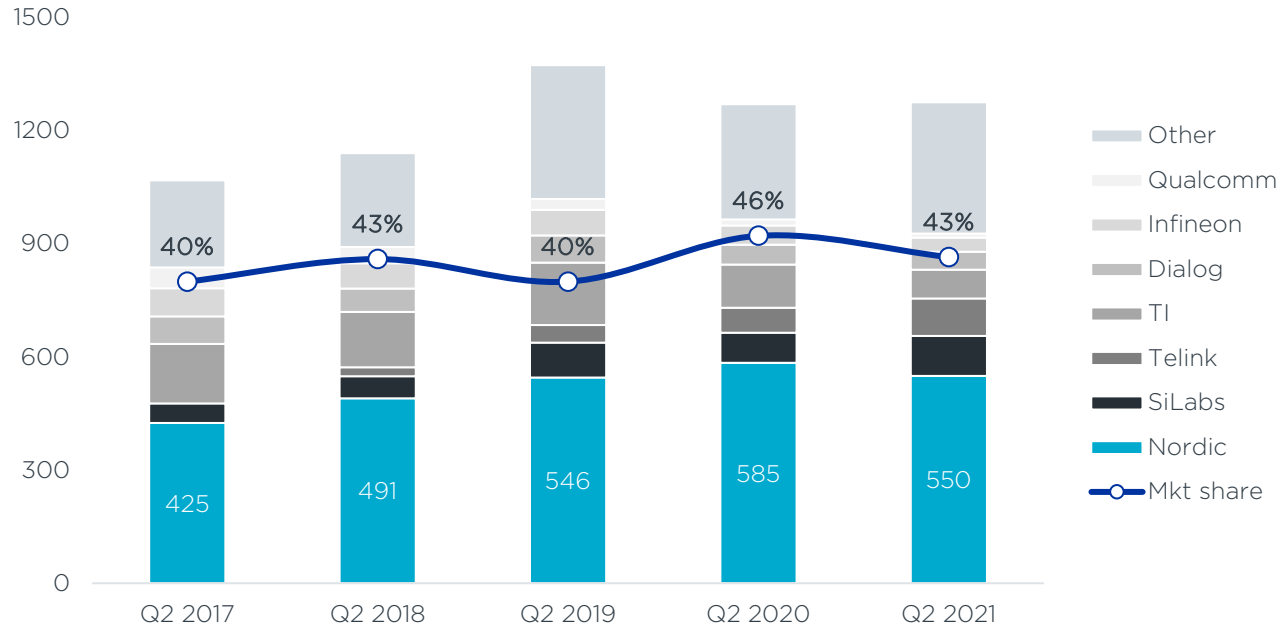
SparkFun Electronics  
Development board  
nRF9160

For fast prototyping  
and proof of concept

# Steady and high certification market share

## Significantly increasing value per design

Bluetooth Low Energy end-product certifications, last 12 months



End-product certifications, Nordic Q2 21

153

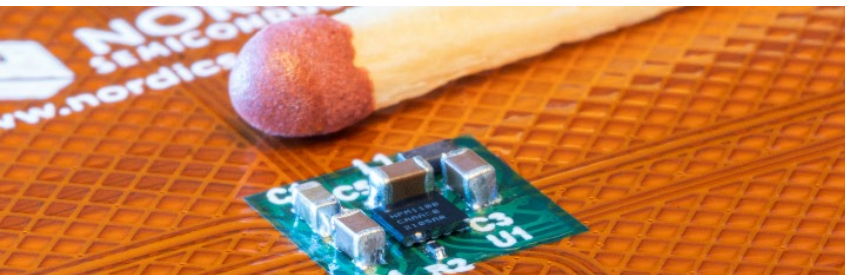
42 % mkt share in Q2'21 isolated

+18%  
y-o-y

+14%  
q-o-q

\*Source: DNB Markets/FCC

# Nordic's first power management IC (PMIC)



*"Over the past decade, we have made it easy for the world to connect things to the Internet and it makes a lot of sense that we also help the same customers charge the batteries in the same things and further extend battery life,"*

Geir Kjosavik, Product Manager for Nordic's PMIC range.

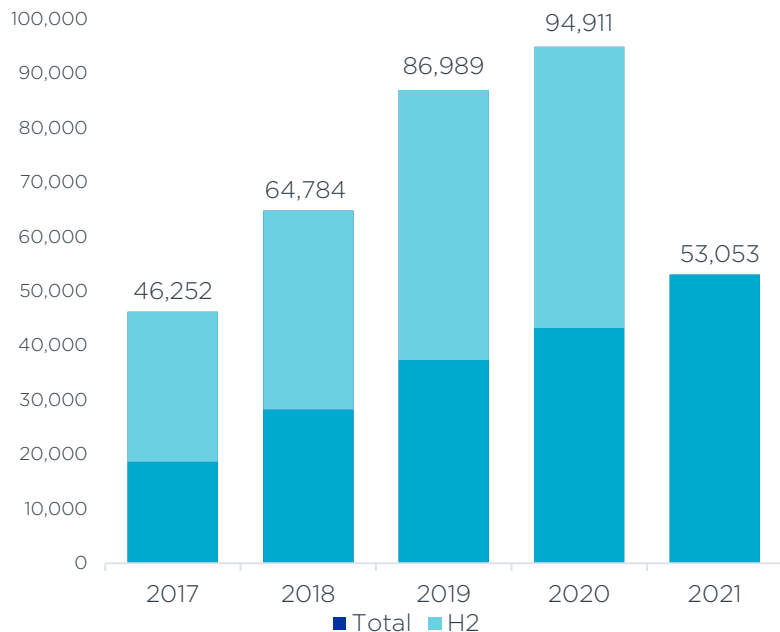


nPM1100 marks a commitment to establish a PMIC product family

- The nPM1100 PMIC is a complementary product to nRF52/nRF53 Series
  - same sale, more components
- Extremely small form factor and low power usage
- Suitable for small re-chargeable batteries in wearables, audio, smart-home, medical, remotes and many other applications
- Expecting small revenue contribution already in 2021

# Developer kit shipments continue to grow

Kit shipments

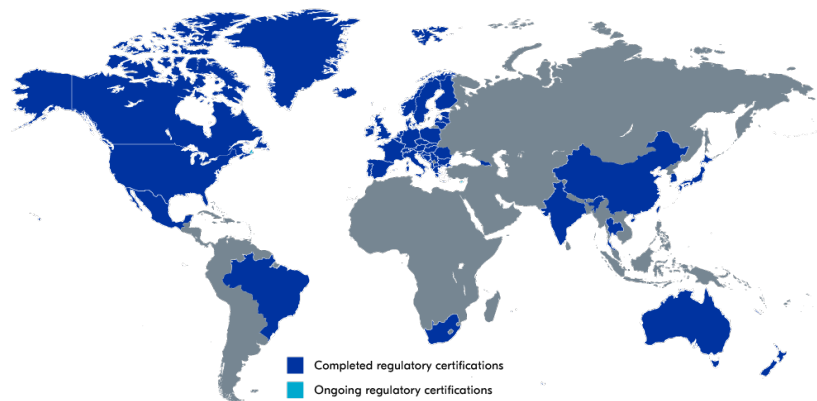


## Total kit shipments **+23%** in H1 21

- High installed base of reusable kits
- Significant contribution from nRF52840 development kits
- Close to 15% of kits from recently launched products (nRF52833, nRF5340, nPM1100, Power Profiler Kit II)
- Cellular IoT accounting for ~4% of kit shipments

# Cellular IoT volumes beginning to ramp up

Regulatory certifications overview for nRF9160



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



- Certified by T-Mobile US, and continuing to expand certification for global coverage
- Volumes are ramping-up despite continued supply constraints
  - Several customers moving into volume production
  - Long lead-times for small orders may delay designs
- Strong focus on easing application design
  - New modem software release with 50+ new features
  - Support from the new Nordic Partner program
    - Telenor – connectivity and cloud, low power network optimization
    - grandcentrix – cloud and connectivity around nRF9160

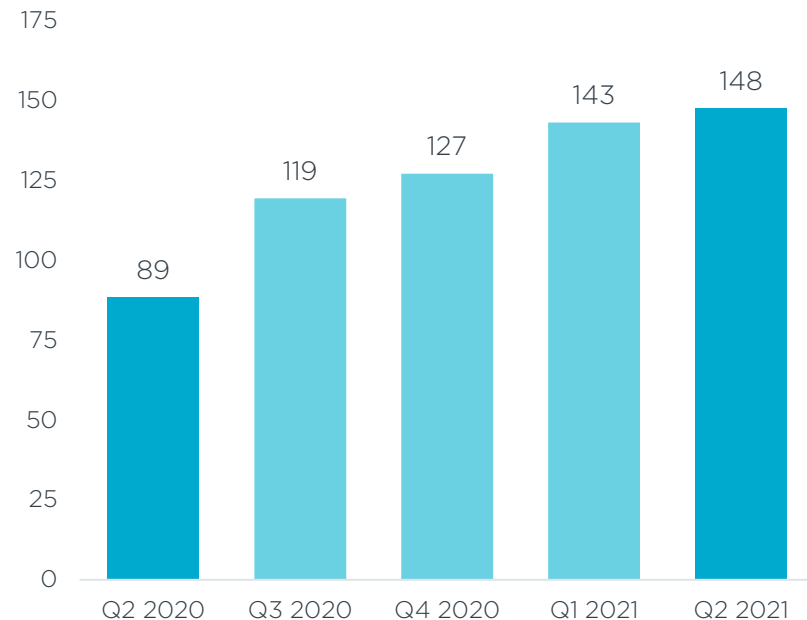


# Financials

Pål Elstad, CFO

# Revenue growth of 67%

Quarterly revenue (USDm)



- Y-o-Y growth across all technologies
  - Bluetooth +75% to USD 123.0 million
  - Proprietary +8% to USD 17.7 million
  - Cellular IoT +289 % to USD 4.6 million
- Stable Q-on-Q development
  - Volume growth capped by wafer supply
  - Focus on helping customers who experience strong end-product demand



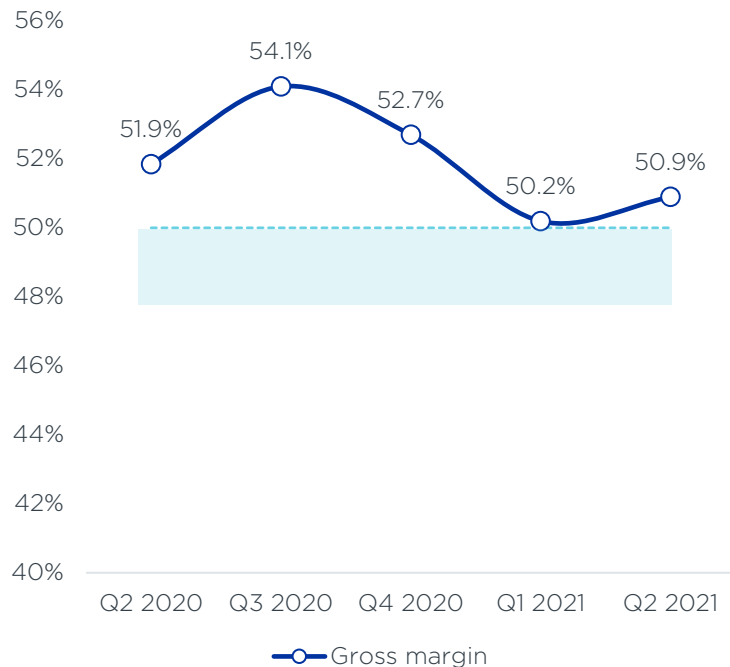
# Revenue growth in all markets

Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm <b>147.6</b>	USDm 51.1	USDm 16.0	USDm 41.5	USDm 15.5	USDm 16.5
+67% y-o-y      +3% q-o-q	+73% y-o-y      Flat q-o-q	+13% y-o-y      -20% q-o-q	+120% y-o-y      +17% q-o-q	+11% y-o-y      -4% q-o-q	+64% y-o-y      -8% q-o-q

- Year-on-year growth across all end-user markets
- Highest growth in 'Building & Retail'
- Continued strength in Consumer Electronics
- Q-o-Q changes reflect product allocations

# Gross margin within the guidance range

Gross margin (%)

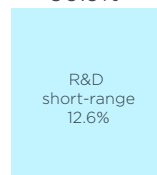


## Gross margin at 50.9%

- Q-o-Q uptick reflecting favorable product mix
- Gross margin expected at 50%-51% in Q3 2021
- Reiterating medium-term gross margin range of 48%-50% for the short-range business

# Operating model performance Q2 2021

Gross margin  
50.9%



R&D cellular IoT  
6.6%

R&D Wi-Fi 2.1%

SG&A  
9.9%

EBITDA  
19.8%

	Q2 2021	Q2 2020		
Revenue	USD 147.6m	USD 88.5m	+66.7%	Growth in all technologies and markets
Gross margin	50.9% USD 75.1m	51.9% USD 45.9m	-1.0pp	Change in customer mix
R&D short-range	12.6% USD 18.6m	13.2% USD 11.7m	-0.6pp	Higher R&D but lower R&D intensity
R&D cellular IoT	6.6% USD 9.8m	7.9% USD 7.0m	-1.3pp	
R&D Wi-Fi	2.1% USD 3.0m	-	-	
SG&A	9.9% USD 14.5m	12.6% USD 11.2m	-2.8pp	Growth in number of employees but high operating leverage
EBITDA	19.8% USD 29.2m	18.1% USD 16.0m	+1.7pp	High operating leverage and solid cost control

# Cash operating expenses

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

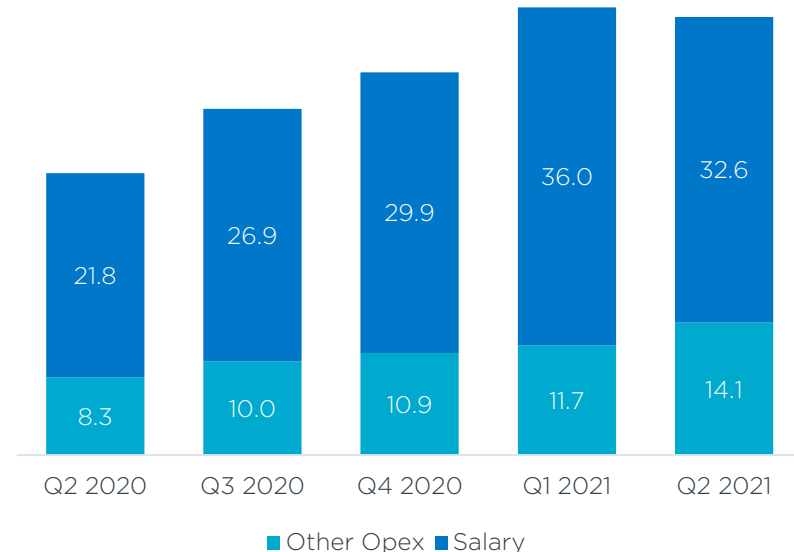
## Salary:

- Number of employees increased by 32% to 1 087 over the past last 12 months
- Wi-Fi acquisition added 81 employees

## Other OPEX:

- Varies with pace of product introductions
- High external consultant cost
- Low travelling expenses

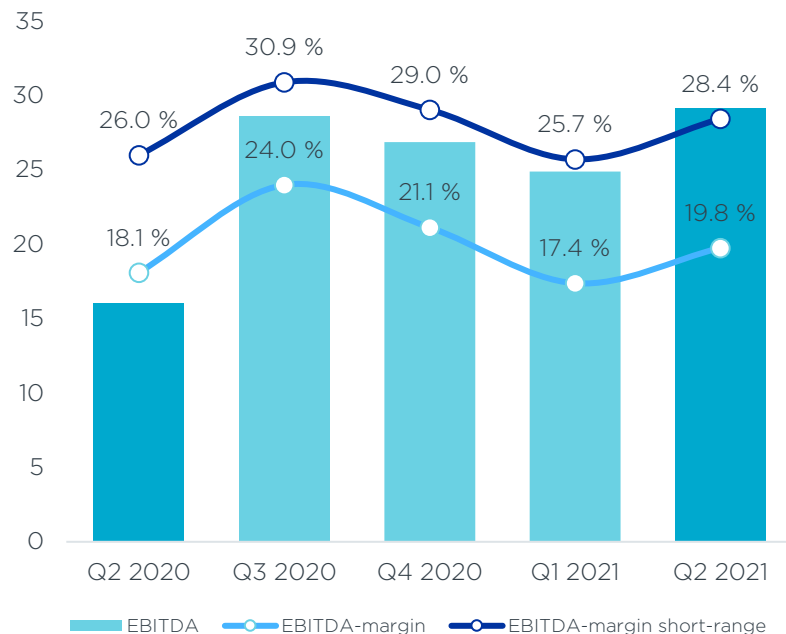
Cash OPEX\* (USDm)



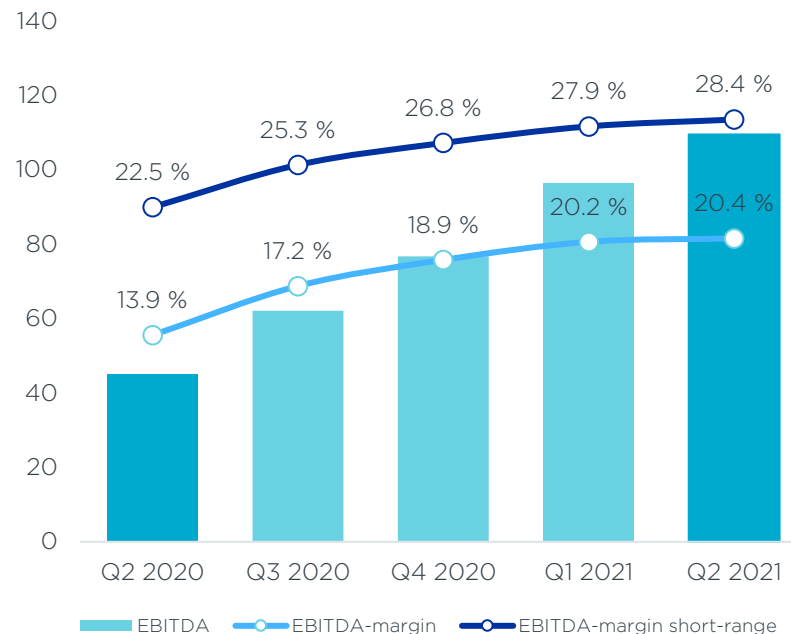
\*Cash OPEX: Operating expenses, excl. capitalized R&D, depreciation and amortization and option expenses

# Sharp year-on-year EBITDA improvement

EBITDA (USDm) and margin (%), Quarterly



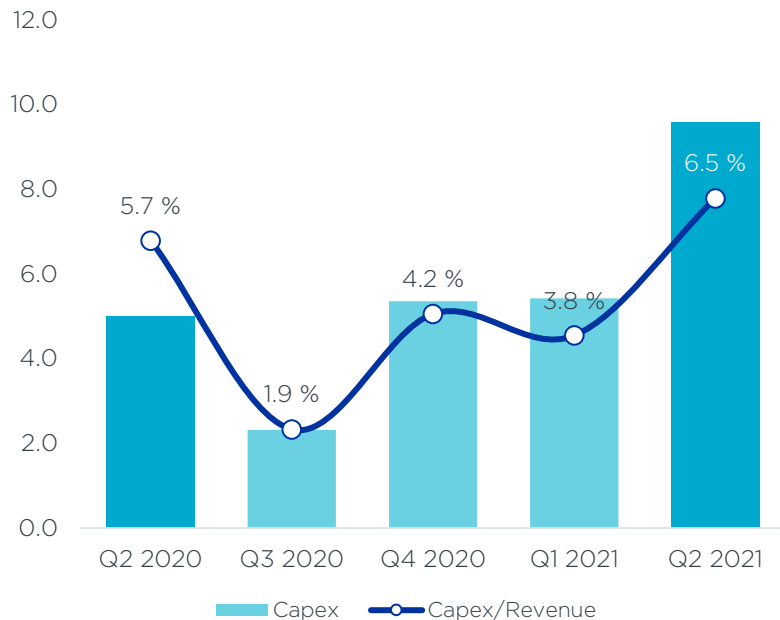
EBITDA (USDm) and margin (%), Last 12 months



\*For detailed calculation, see [page 27](#) in Q2 2021 Report

# Capex development

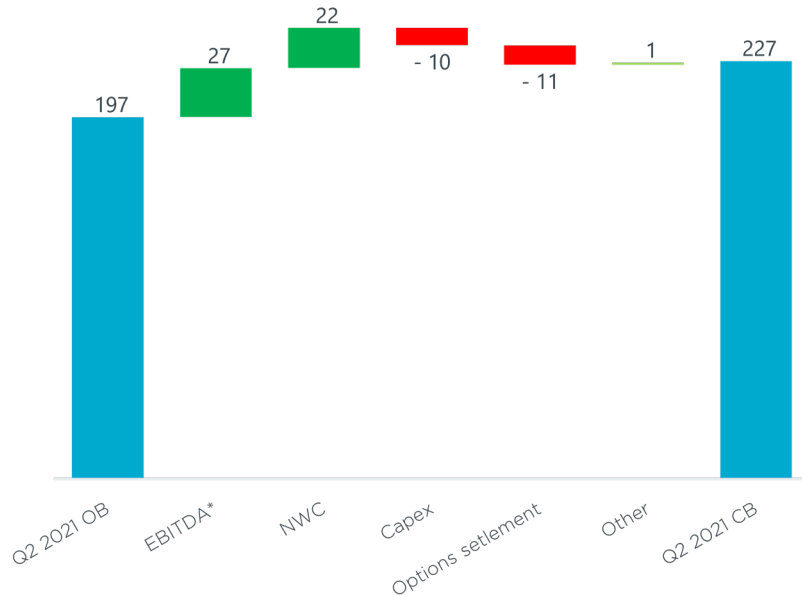
Capex (USDm)



- High capex of USD 9.6 million in Q2
- Continuing to invest in additional test capacity to finalize end-products quickly when we receive wafers
- Expecting overall capex intensity in 2021 at the same level as 2020, at around 4% of revenue

# Continued strong cash position

Cash position and Cash Flow Q2 2021 (USDm)



\* EBITDA Adjusted for Capitalized Development Costs

Operating cash flow of USD 54.6m in Q2

Declining net working capital due to reduction of accounts receivable

- NWC/Revenue LTM down to 19.3% from 26.9%, at the end of Q1 2021

Continued disciplined cash strategy

Solid cash balance at ~2x last 12 months

R&D-spend

The background of the slide 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. The overlay consists of several overlapping shapes, including a large triangle and a rectangle, creating a modern, abstract design.

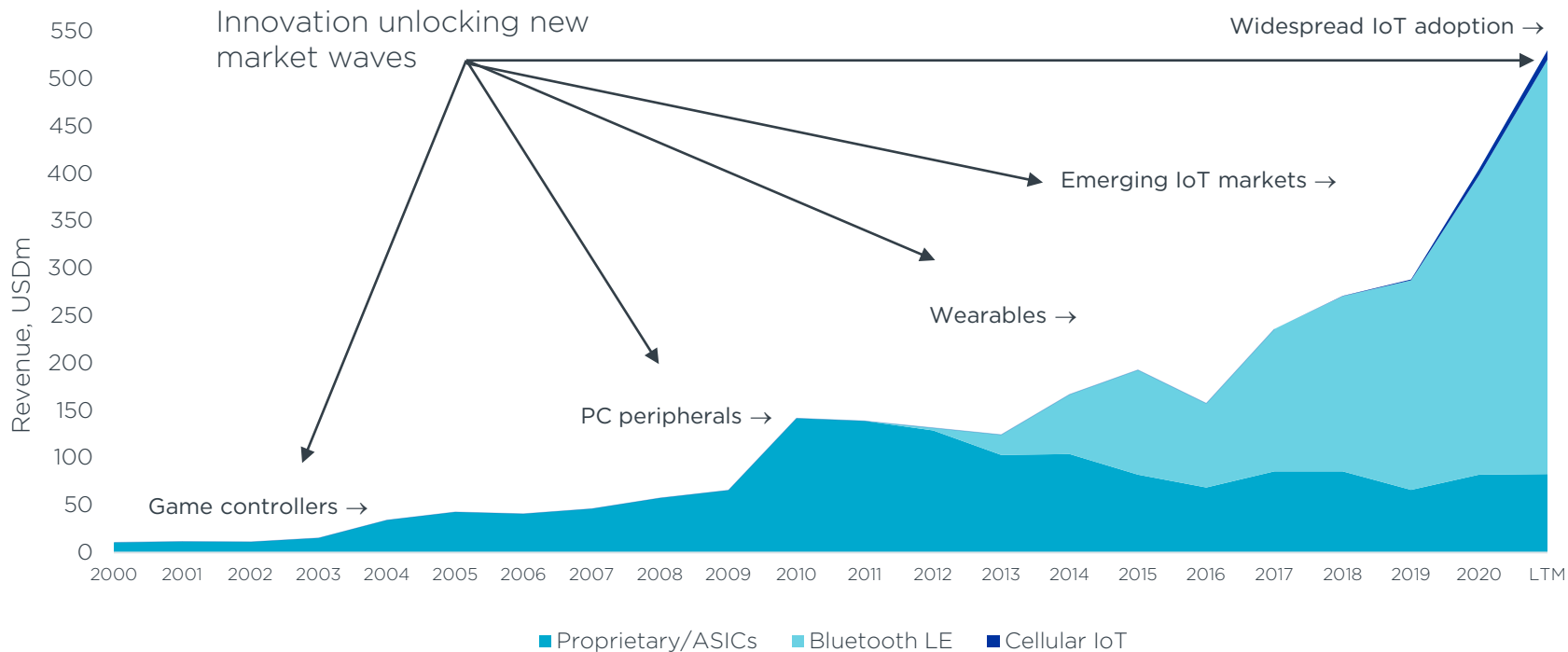
# Summary and Outlook

Svenn-Tore Larsen, CEO



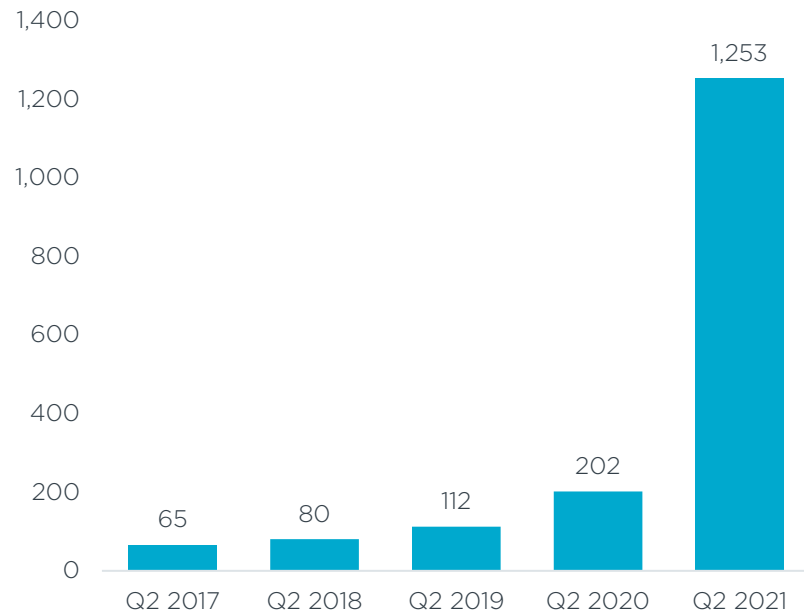


# Nordic is on a long-lasting growth journey



# Demand supports long-term growth plan...

Backlog (USDm)



## Solid market position

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

Accelerating demand growth through 2020-21

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

## ...but wafer supply limits near-term growth

- Current wafers commitments allow for Q3 2021 revenue guiding of USD 130-150 million, with the wide range reflecting continued supply risk
- Efforts continue to advance wafer deliveries, and Nordic expects suppliers to maintain wafer deliveries at minimum the same level also through the fourth quarter
- Wafer capacity may remain tight for at least another year, although TSMC has communicated capex of USD 100bn over 3 years and confirmed capacity expansions for technology nodes like the 65/55 nanometer used by Nordic

# Expect solid Q3 despite supply challenges

## Q3 2021 guidance

Revenue	Gross margin
USDm 130-150	~50%-51%
+9% to +26% y-o-y      -12% to +2% q-o-q	

- Continuing to 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

Thank you and welcome  
to Q3 presentation and CMD  
October 21, 2021



**NORDIC**  
SEMICONDUCTOR

# Q&A



**NORDIC**  
SEMICONDUCTOR