



# Quarterly Presentation Q3 2021

October 21, 2021



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SEMICONDUCTOR

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This presentation was prepared in connection with the Q3 results released on October 21, 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

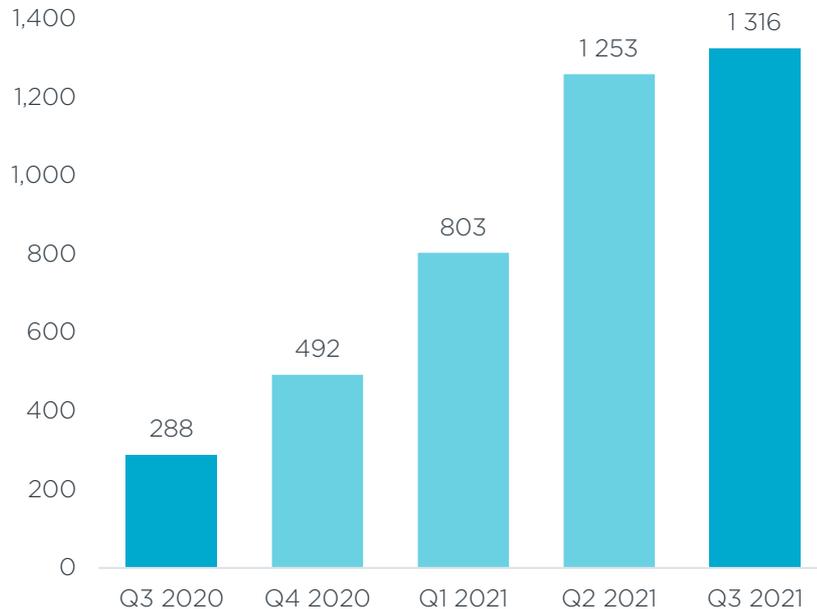
## Growth capped by wafer supply

Revenue		Gross margin	
USDm			
148.5m		53.1 %	
+24% y-o-y	+1% q-o-q	-1.0%p y-o-y	+2.2%p q-o-q

- Revenue on par with the previous quarter and +24% year-on-year
  - Bluetooth revenue USD 124.3m (+28%)
  - Proprietary revenue USD 18.1m (-5%)
  - Cellular IoT revenue USD 5.3m (+238%)
- Gross margin of 53.1%
  - Higher volumes of higher-margin SoCs

# Order backlog keeps increasing

Backlog (USDm)

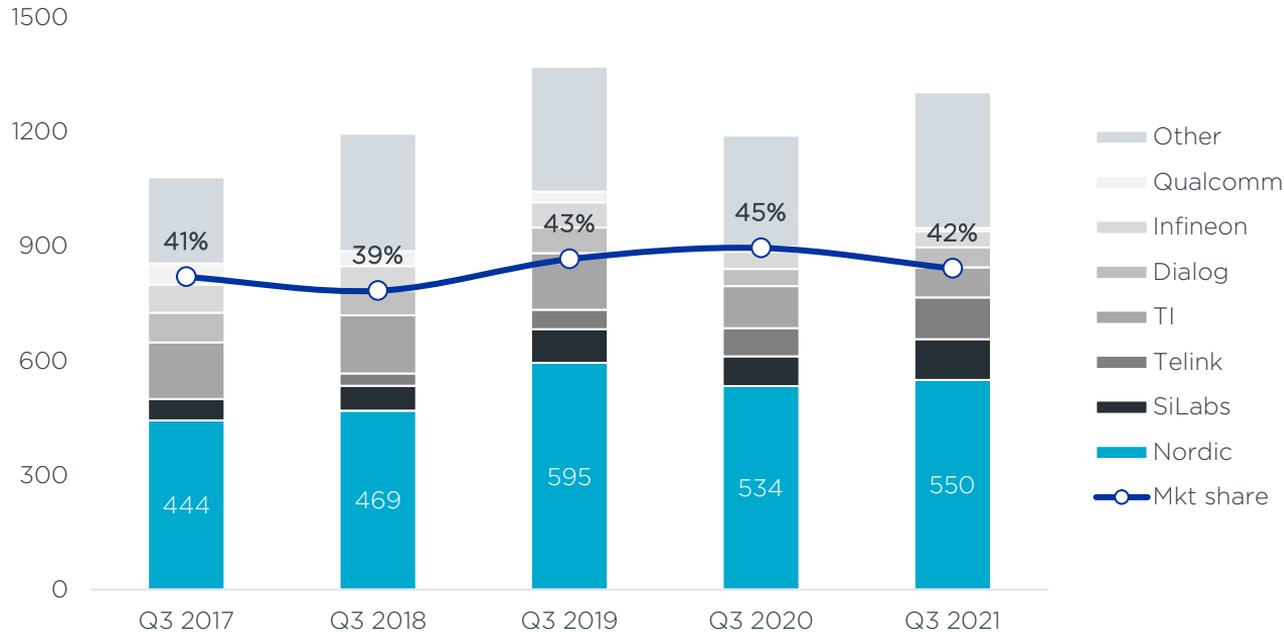


- Order backlog USD 1,316m, >4x Q3 2020
- Timing of deliveries dependent on wafer supply - backlog now stretching into 2023
- Laser-focused on mitigating the customer challenges

# Steady and high certification market share

## Significantly increasing value per design

Bluetooth Low Energy end-product certifications, last 12 months



End-product certifications, Nordic Q3 21

123

42 % mkt share in Q3'21 isolated

Flat  
y-o-y

-19%  
q-o-q

\*Source: DNB Markets/FCC

# New product launches in Q3

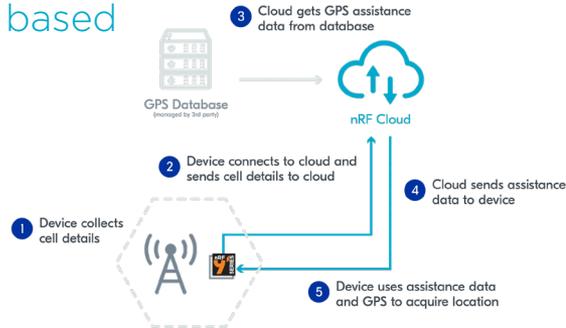


<p>SiBionics GS1 CGM Monitoring nRF52832</p>	<p>LEEDARSON Smart LED bulb nRF52840</p>	<p>Link Tracker nRF9160/nRF52840</p>	<p>Metasphere ART Sewer nRF9160</p>	<p>NEST iON IOT Power Controller nRF9160</p>
<p>Provide wireless connectivity between diabetes wearable sensor and smartphone</p>	<p>Tunable White Bulb controlled using Matter protocol</p>	<p>Pet location data to be relayed to smartphone</p>	<p>Wastewater and sewerage spill monitoring solution</p>	<p>Conserve battery life for remote sensors and equipment</p>

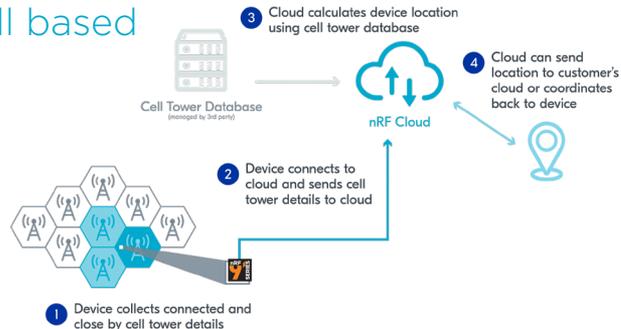
# Launched first nRF Cloud Services

## nRF Cloud Location Services

### GPS based



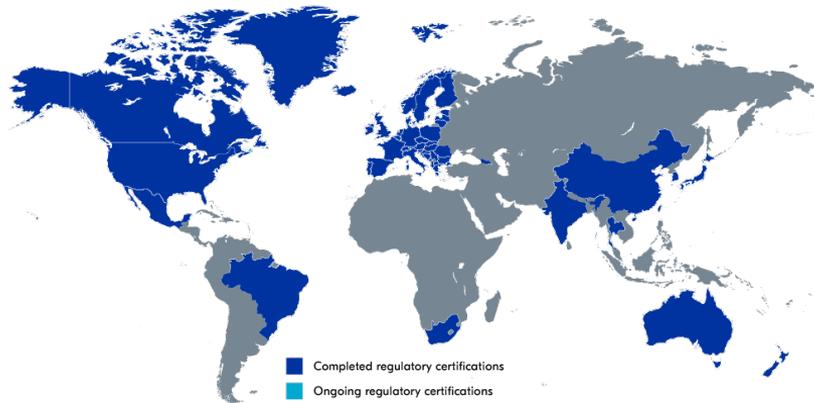
### Cell based



- Location information is critical and vital for multiple types of devices and applications; Asset Tracking, Wearables, Industrial IoT etc.
- Cloud services on top of nRF9160 can prolong battery life and increase speed to positioning
- 4 different location services
  - GPS based
    - Assisted GPS – Faster time to first fix
    - Predicted GPS – Faster time to first fix and increased power savings
  - Cell Based
    - Single CELL – Coarse location without need for GPS. Lowest power
    - Multi CELL – Medium location accuracy

# Cellular IoT – Steady growth

Regulatory certifications overview for nRF9160



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



- Volume ramp-up held back by supply constraints
- Strong presence in tracking and Industrial applications
- Strong focus on easing application design
  - New nRF Connect SDK v1.7.0 released in September
  - Visual studio code, a very popular development environment from Microsoft, now supported
  - Memfault partnership announced, helping IoT device developers build stronger products faster

# Contributor to new standard DECT-2020 NR

## A part of the ITU IMT-2020 5G technology recommendation



- Nordic main contributor to the physical layer and a key contributor to the medium access layer of the specification
- Designed for massive IoT networks for enterprises and application like building automation, smart utility meters, manufacturing automation, smart cities and logistics
- Leverage our cellular investments with initial solution being built around the nRF91 Series
- In partnership with Wirepas, a Finish massive IoT wireless solution SW specialist company.
- Initial availability in 2022

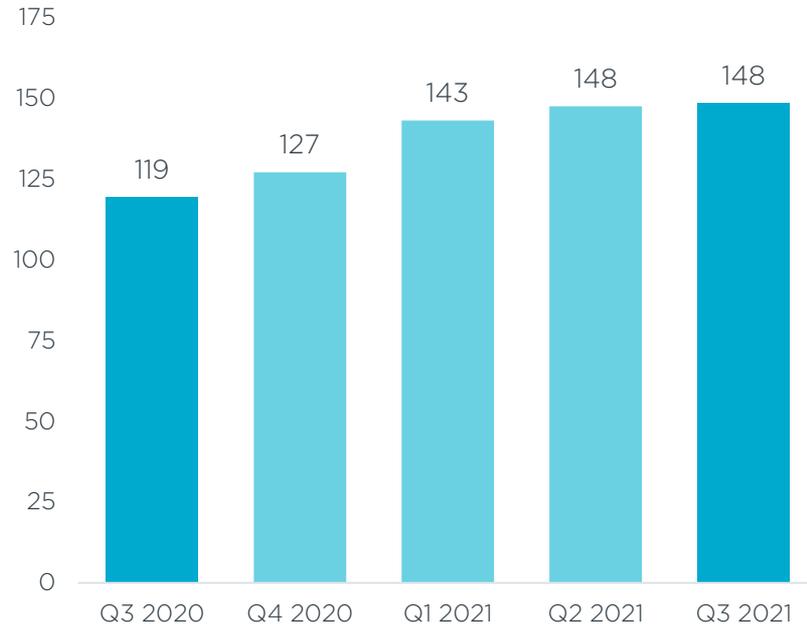


# Financials

Pål Elstad, CFO

# Revenue growth of 24%

Quarterly revenue (USDm)



- Y-o-Y growth across growth technologies
  - Bluetooth +28% to USD 124.3 million
  - Proprietary -5% to USD 18.1 million
  - Cellular IoT +238 % to USD 5.3 million
- Stable Q-on-Q development
  - Growth capped by wafer supply
  - Focus on helping customers who experience strong end-product demand

# Revenue per market

Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm <b>148.5</b>	USDm 58.0	USDm 15.2	USDm 39.4	USDm 12.3	USDm 17.6
+24% y-o-y      +1% q-o-q	+5% y-o-y      +13% q-o-q	-22% y-o-y      -5% q-o-q	+72% y-o-y      -5% q-o-q	+58% y-o-y      -21% q-o-q	+64% y-o-y      +7% q-o-q

- Year-on-year growth across most end user markets
- Q-o-Q changes reflect product allocations
- Highest growth in 'Building & Retail'
- Continued strength in Consumer Electronics
- Preparing change in markets reporting from 2022

# Gross margin above the guidance range

Gross margin (%)



## Gross margin at 53.1%

- Higher share of complex, high-margin products balancing effect of more tier-1s
- Strong cost control and scale effects.
- Gross margin expected at 51%-53% in Q4 2021

# Operating model performance Q3 2021

Gross margin  
53.1%

	Q3 2021	Q3 2020		
R&D short-range 14.1%				
Revenue	USD 148.5m	USD 119.4m	+24.4%	Growth in all technologies and markets
Gross margin	53.1% USD 78.8m	54.1% USD 64.6m	-1.0pp	Continued strong gross margins
R&D cellular IoT 7.7%				
R&D short-range	14.1% USD 20.9m	13.2% USD 15.8m	+0.9pp	
R&D Wi-Fi 2.2%				Investing for growth
R&D cellular IoT	7.7% USD 11.5m	6.9% USD 8.2m	+0.8pp	
R&D Wi-Fi	2.2% USD 3.3m	-	+2.2pp	Expanding our portfolio
SG&A 9.9%				
SG&A	9.9% USD 14.8m	10.0% USD 12.0m	-0.1pp	Growth in number of employees
EBITDA 19.1%				
EBITDA	19.1% USD 28.3m	24.0% USD 28.6m	-4.9pp	Revenue constraints limits margin expansion

# Investments to capture growth

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

## Salary:

- Number of employees increased by 33% to 1 155 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

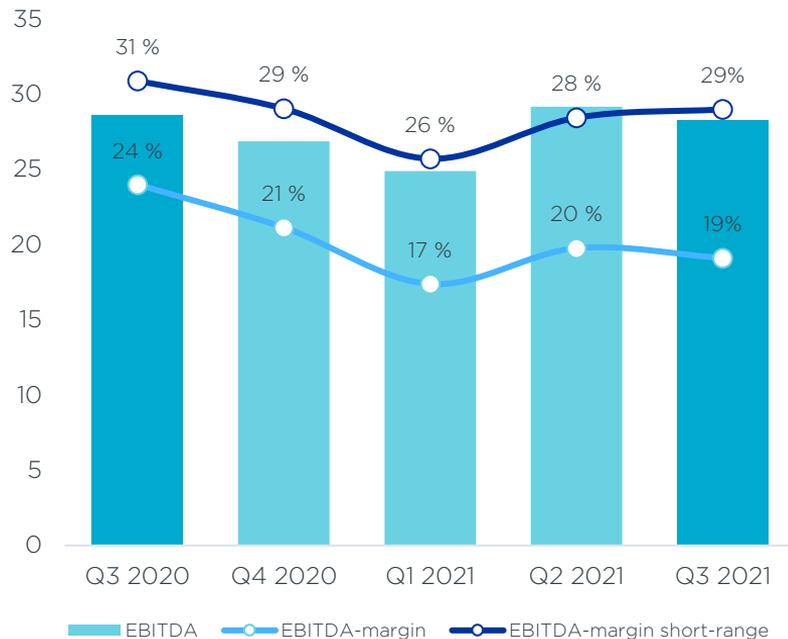
Cash OPEX\* (USDm)



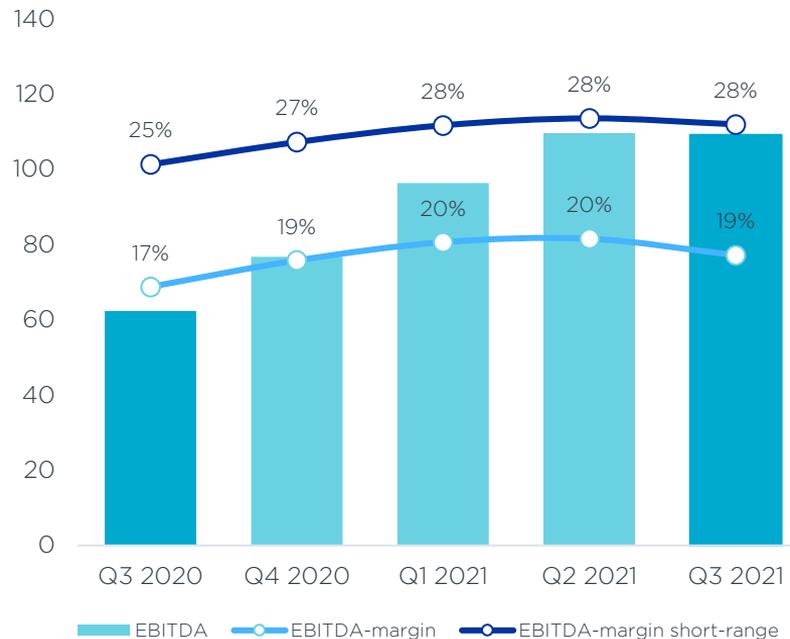
\*Cash OPEX: Operating expenses, excl. capitalized R&D, depreciation and amortization and option expenses

# Sharp year-on-year EBITDA improvement

EBITDA (USDm) and margin (%), Quarterly



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



\*For detailed calculation, see [page 26](#) in Q3 2021 Report

# Capex development

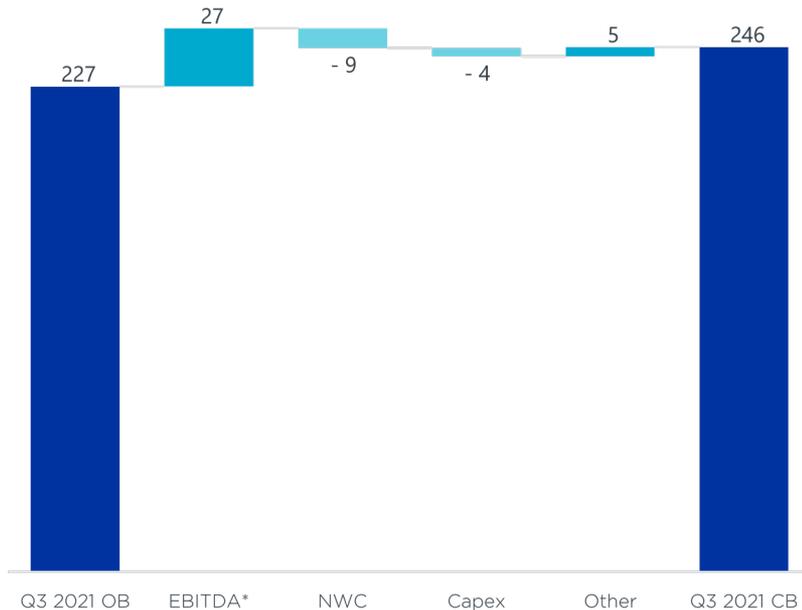
Capex (USDm)



- High capex of USD 4.0 million in Q3
- 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 Q3 2021 (USDm)



Operating cash flow of USD 25.5m in Q3

Declining net working capital due to reduction of accounts receivable

- NWC/Revenue LTM down to 19.0% from 19.3%, at the end of Q2 2021

Continued disciplined cash strategy

Solid cash balance at ~2x last 12 months

R&D-spend

\* EBITDA Adjusted for Capitalized Development Costs

The background is a solid blue color with a subtle network diagram of nodes and lines. In the lower right, there is a dark blue silhouette of a city skyline. A white banner with a pointed right edge is positioned in the lower left.

# Summary and Outlook

Svenn-Tore Larsen, CEO

# Expect solid Q4 despite supply challenges

## Q4 2021 guidance

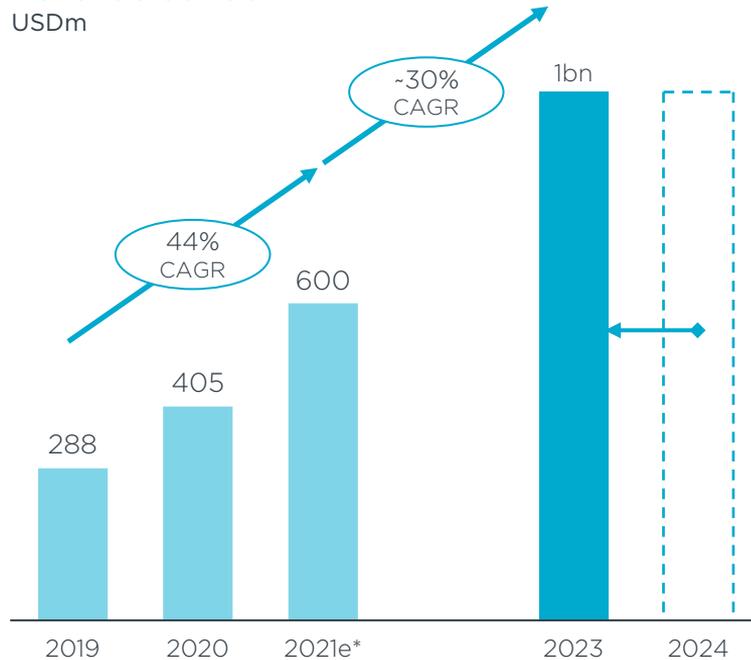
Revenue	Gross margin
USDm 150-170	~51%-53%
+18% to +34% y-o-y	+1% to +14% q-o-q

- Guidance reflecting indicated wafer allocations and price adjustments to reflect supply chain cost inflation
- Continued focus on customer support and balancing Tier-1 and broad market demand for products

# Solid platform for continued strong growth

## Revenue outlook

USDm

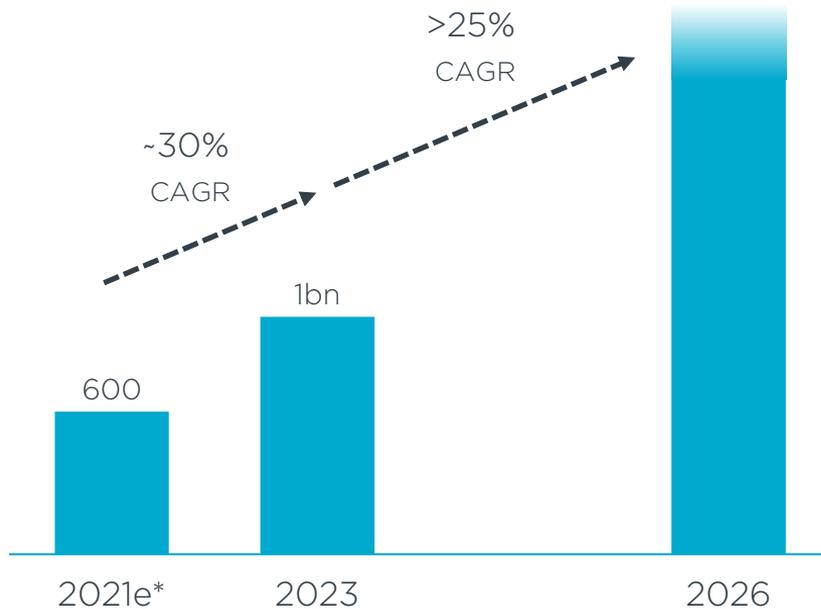


- Stronger growth than expected, with significant pent-up demand in backlog
- Pulling our USD 1bn target one year closer, to 2023
- Committed wafer supplies covering the revenue target

\*2021 estimate based on mid range Q4 2021 guidance

# High financial ambitions

Revenue  
USDm



\*2021 estimate based on mid range Q4 2021 guidance

- USD 1bn revenue target in 2023
- Aiming to more than double revenue in 2023-2026
  - Continued strong growth in short-range
  - Accelerating traction in cloT
  - Early traction in Wi-Fi
  - Gradually increasing revenue contribution from power management and other adjacent products and technologies

# Capital Markets Day

October 21, 2021

Welcome to our presentation today at 3:30 PM CEST



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