

# Quarterly Presentation Q1 2022

April 28, 2022



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SEMICONDUCTOR

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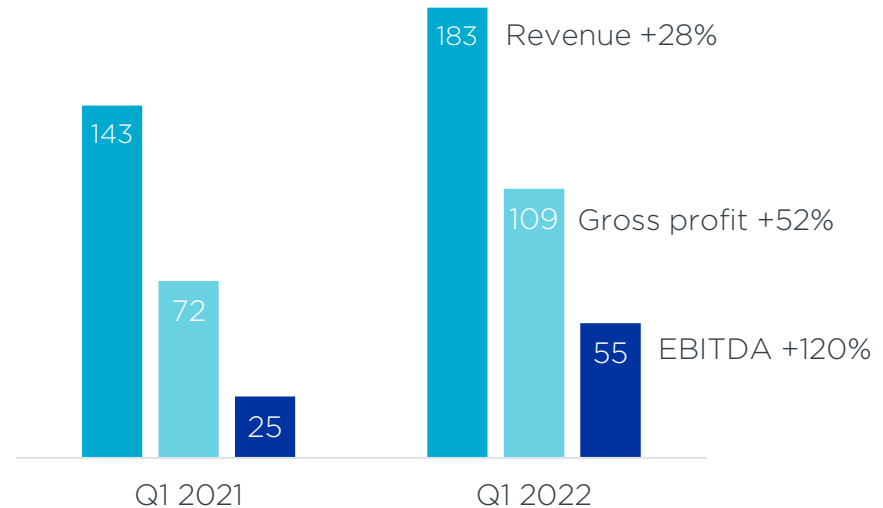
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This presentation was prepared in connection with the Q1 results released on April 28, 2022. Information contained herein will not be updated. The following slides should also be read and considered in connection with the information given orally during the presentation.

# Highlights

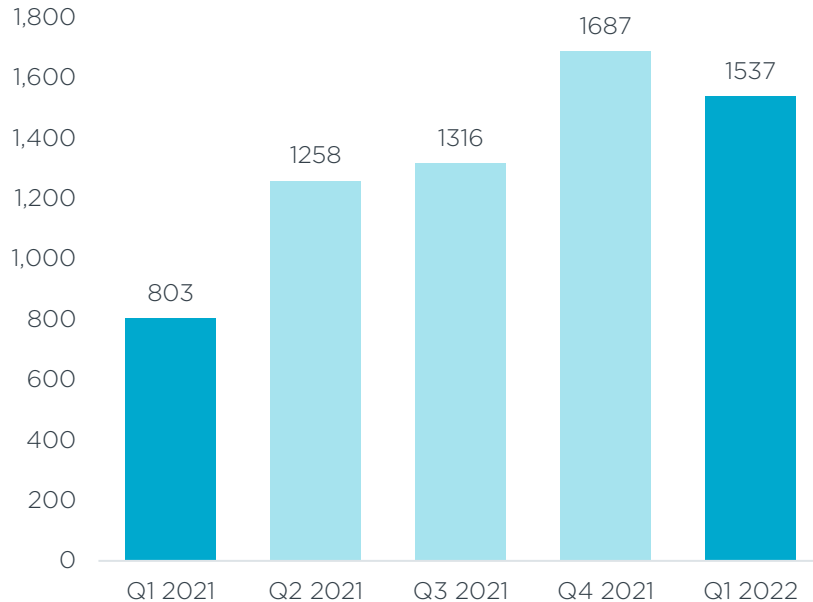
- Revenue of USD 183 million (+28%)
  - Severely impacted by wafer supply
- Gross margin 60%
- EBITDA of USD 55 million (+120%),
- Expect solid Q2 despite continued supply challenges
  - Revenue USD 190-210 million
  - Gross margin >54%
- Long-term outlook stands firm

Revenue, gross profit and EBITDA (USDm)



# Seeking to align backlog to capacity

Backlog (USDm)

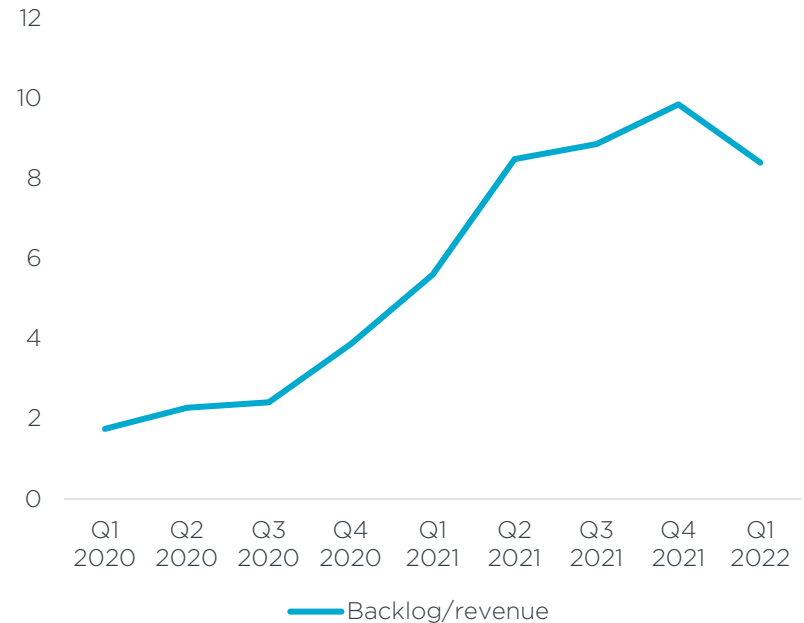


- Reduction in order backlog does not reflect demand
- Order backlog >> delivery capabilities given the current supply chain constraints
- Actively working with end-customers and distributors to adjust order volumes to better match delivery capabilities
- Further backlog adjustments required until the wafer supply situation is resolved

# Order Backlog under constrained supply

- In a normal situation with unconstrained supplies, order backlog was a leading indicator for revenue in the following two quarters
- A combination of high demand and constrained supply has inflated and extended the backlog the last 18 months
- Order backlog is currently not a revenue or demand indicator – being retained as an alternative performance measure for consistency

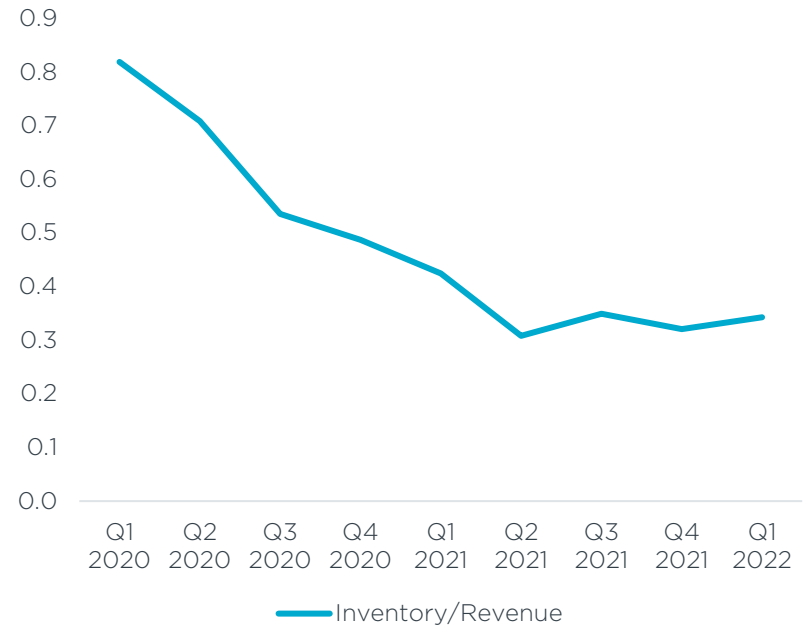
Order backlog/quarterly revenue



# Low inventories throughout the value chain

- No signs of inventory build-up
- Low inventories of Nordic products at
  - Nordic
  - Distributors
  - End-customers

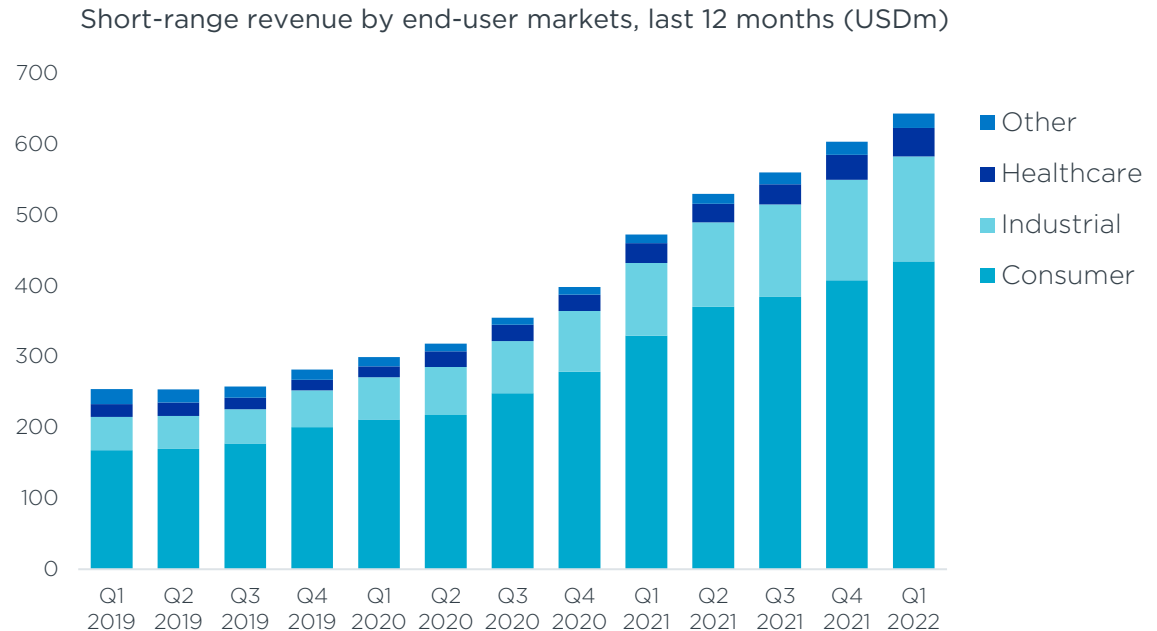
Nordic inventory/Revenue quarterly



# Revenue by end-user market

## Driven by product allocations

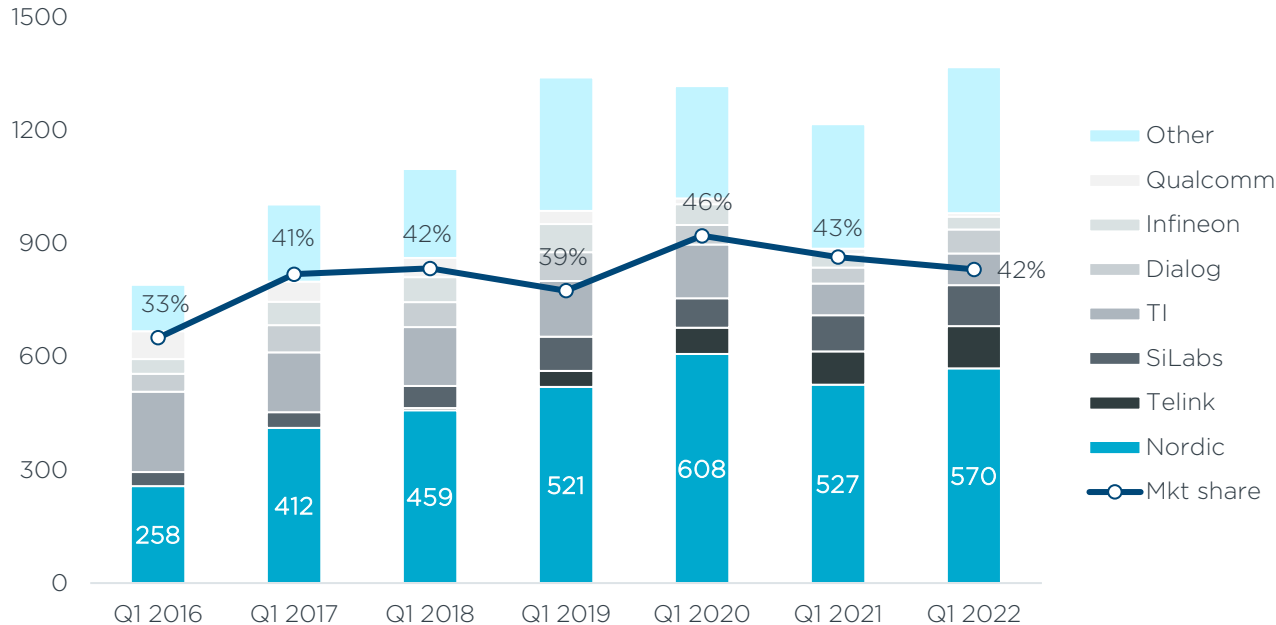
- Consumer accounts for two-thirds of revenue
- Highest growth for Industrial last 3 years
- High upside in Healthcare



# 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 2022

**117**

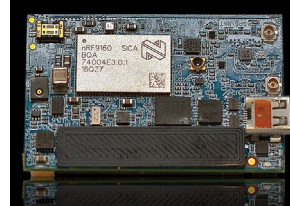
39 % mkt share in Q1 2022 isolated

50/50 split between consumer and non-consumer

\*Source: DNB Markets/FCC



# New product launches in Q1



<p>Level Home Smart Locks nRF52840</p>	<p>eBuyNow “Moto Watch 100” nRF5340</p>	<p>Bmmpr “Bmmpr x Assets” nRF9160/nRF52833</p>	<p>Tributech Solutions OEM module nRF9160</p>	<p>Lobaro Wireless M-Bus Gateway nRF9160</p>
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An Apple HomeKit®- and Amazon Sidewalk-compatible smart lock that can be retrofitted onto almost any existing door

Smartwatch with wide range of features and processor-intensive functionality

Anti-theft, anti-damage, high-value asset protection hardware platform

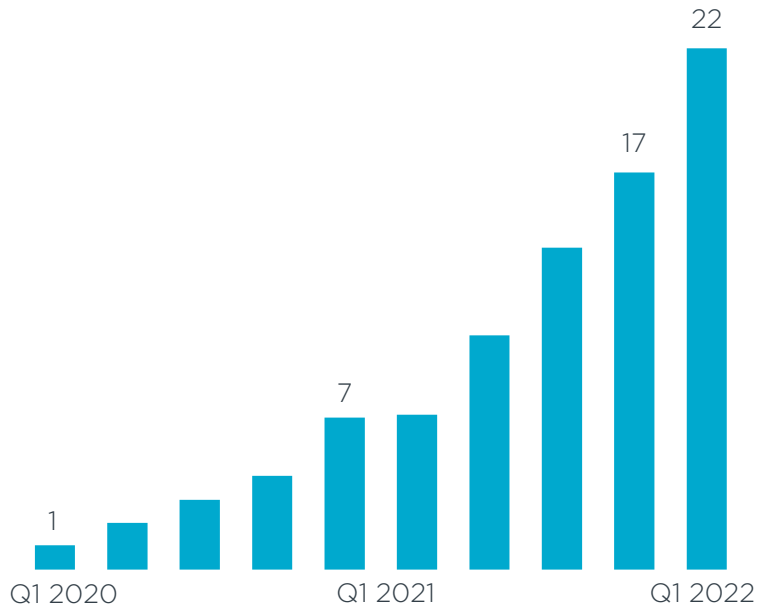
Simplify and accelerate the development of scalable and application-specific IoT devices with LTE-M or NB-IoT wireless connectivity

Smart utility meter gateway - operates perpetually on harvested solar energy alone

# cloT set to benefit from new partners

## Accelerating our customers' time to market

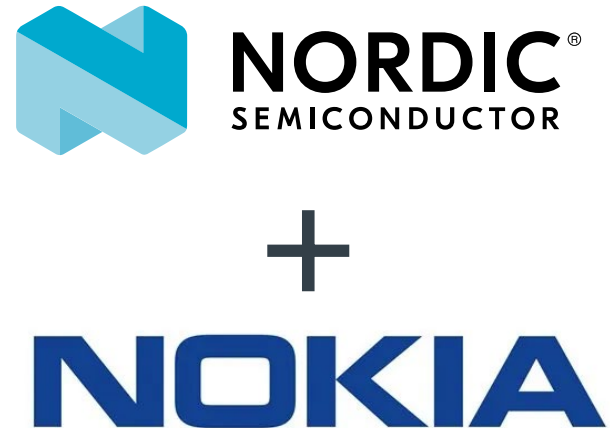
cloT revenue last 12 months (USDm)



# Making cellular IoT easy

## Simplifying IoT Standard Essential Patent licensing (SEP)

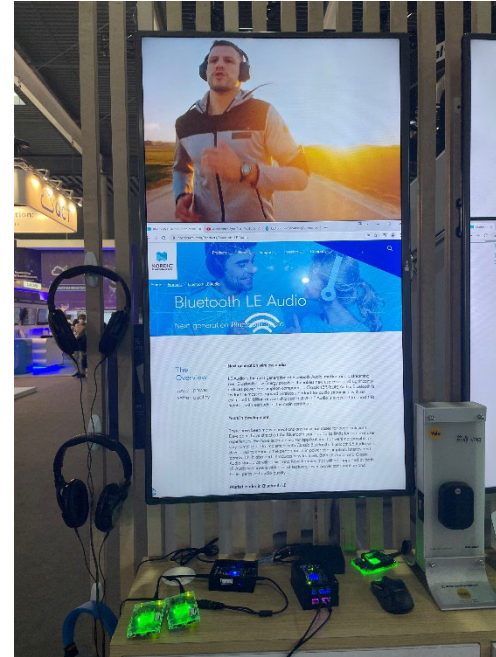
- Nokia and Nordic with pioneering new approach to licensing use of cellular IoT SEPs
- Adds transparency and predictability early in the design process
- Licenses will be available to Nordic's customers at the end-device level



# Successful MWC 2022

## Innovative demonstrations in Barcelona

- Nordic **LE Audio** applications based on the nRF5340 advanced wireless SoC and a Cirrus Logic® TWS ADC/DAC
- Nordic's **LE Audio** technology was chosen by Sennheiser for audio broadcasting
- Thingy:91s tracked around the world using the various features of the **nRF Cloud Location Services**



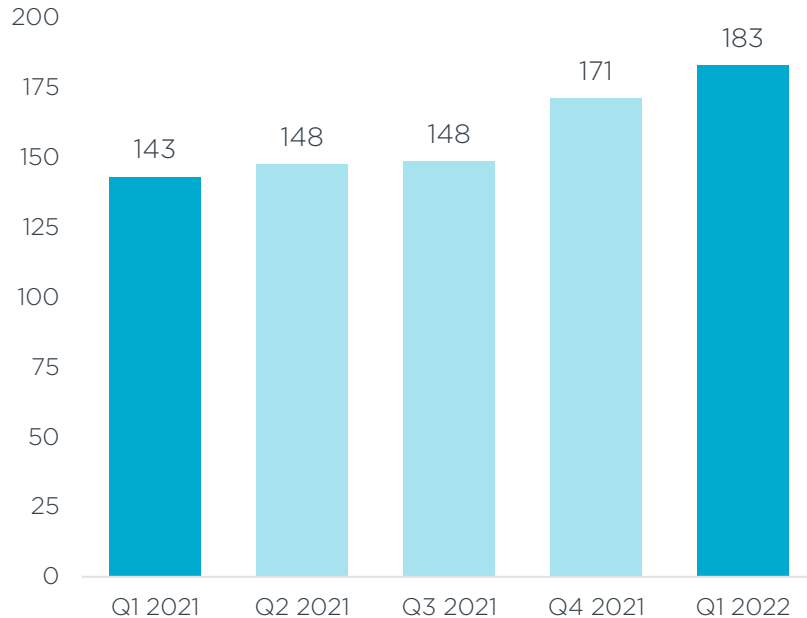
A blue-toned photograph of an anechoic chamber. The walls, floor, and ceiling are covered in a dense array of pyramidal-shaped electromagnetic absorbers. In the center, a small model of a classical column stands on a pedestal. In the upper right, a satellite model is suspended from the ceiling. The perspective is from a low angle, looking down a long, narrow aisle formed by the absorbers.

# Financials

Pål Elstad, CFO

# Revenue growth of 28% y-o-y

Quarterly revenue (USDm)



- Y-o-y growth across all technologies, although capped by wafer supply
  - Bluetooth +26 % to USD 150 million
  - Proprietary +20 % to USD 25 million
  - Cellular IoT +438 % to USD 7 million
- +7% increase from Q4, driven by price increase

# Revenue per market

Group	Consumer		Industrial		Healthcare		Others		
USDm <b>183.1</b>	USDm 122.2		USDm 39.8		USDm 14.2		USDm 5.9		
+28% y-o-y	+7% q-o-q	+28% y-o-y	+6% q-o-q	+18% y-o-y	+3% q-o-q	+54% y-o-y	+39% q-o-q	+52% y-o-y	+10% q-o-q

- New market classifications now includes cellular IoT Revenue
- Growth across all end-user markets
- Growth patterns reflect product allocations more than underlying demand

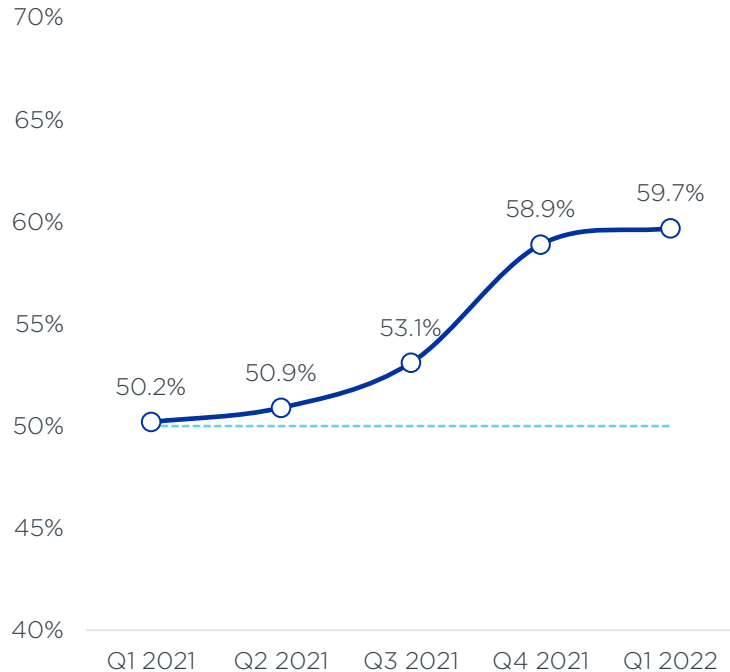
# Breakdown by end-user markets

Aligned with customers end-products and our sales structure

Markets	Verticals		
Consumer	<ul style="list-style-type: none"> <li>Mobile/PC HID</li> <li>Wearables</li> <li>Smart Home</li> <li>Gaming</li> </ul>	<ul style="list-style-type: none"> <li>VR/AR</li> <li>Consumer Asset Tracking</li> <li>Consumer Health</li> <li>Audio</li> </ul>	<ul style="list-style-type: none"> <li>Toys</li> <li>CE Remotes</li> <li>Wireless Charging</li> <li>Other</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>Drug Delivery</li> <li>Disease Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Hearing Aids</li> <li>Other</li> </ul>	
Industrial	<ul style="list-style-type: none"> <li>Asset Tracking</li> <li>Professional Lighting</li> <li>Metering</li> <li>Building Automation</li> <li>Modules</li> </ul>	<ul style="list-style-type: none"> <li>Retail</li> <li>Transportation</li> <li>Payment / ID</li> <li>Tools and Machinery</li> <li>Agriculture</li> </ul>	<ul style="list-style-type: none"> <li>Beacons</li> <li>Maker and Education</li> <li>Automotive</li> <li>Other</li> </ul>
Other	<ul style="list-style-type: none"> <li>Catalog sales</li> <li>Undefined</li> </ul>		



# Continued strong gross margin



- Full-quarter effect of price increases
- Significant effect of changes in product and customer mix
- High margins reflects product allocations under constrained supply

# Operating model performance Q1 2022

Gross margin  
59.7%

	Q1 2022	Q1 2021	Δ		
R&D short-range 11.8%	Revenue	USD 183.1m	USD 143.2m	+27.8%	Volume, price and product mix
R&D cellular IoT 6.4%	Gross margin	59.7%	50.2%	+9.5pp	Price adjustments and significant product and customer mix effects
R&D Wi-Fi 2.1%		USD 109.3m	USD 71.9m		
SG&A 9.4%	R&D short-range	11.8%	14.2%	-2.4pp	Total R&D up from USD 32.3m to 37.3m, but down from 22.6% to 20.4% - continuing to invest despite current revenue wafer supply constraints
		USD 21.7m	USD 20.3m		
	R&D cellular IoT	6.4%	6.9%	-0.5pp	
		USD 11.8m	USD 9.8m		
	R&D Wi-Fi	2.1%	1.5%	+0.6pp	
		USD 3.9m	USD 2.1		
EBITDA 29.9%	SG&A	9.4%	10.3%	-0.9pp	Operational leverage
		USD 17.3m	USD 14.7m		
	EBITDA	29.9%	17.4%	+12.5pp	Record high EBITDA margin
		USD 54.7m	USD 24.9m		

# Investing in growth

Cash cost increase mainly due to increased number of employees

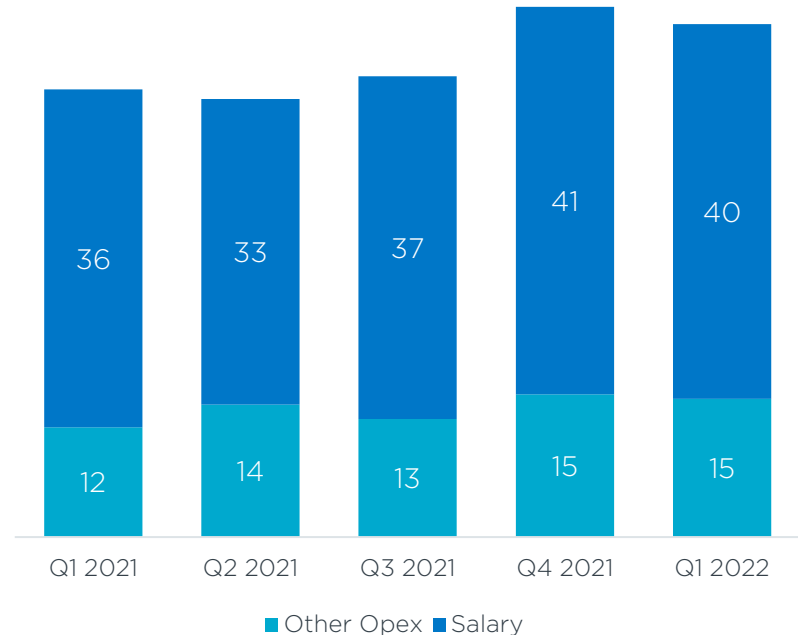
Salary:

- Number of employees increased by 22 % to 1,257 over the past last 12 months
- Reversal of tax accruals related to equity compensation and reversal of bonus accruals from 2021

Other OPEX:

- Varying with pace of product introductions
- High external consultant cost

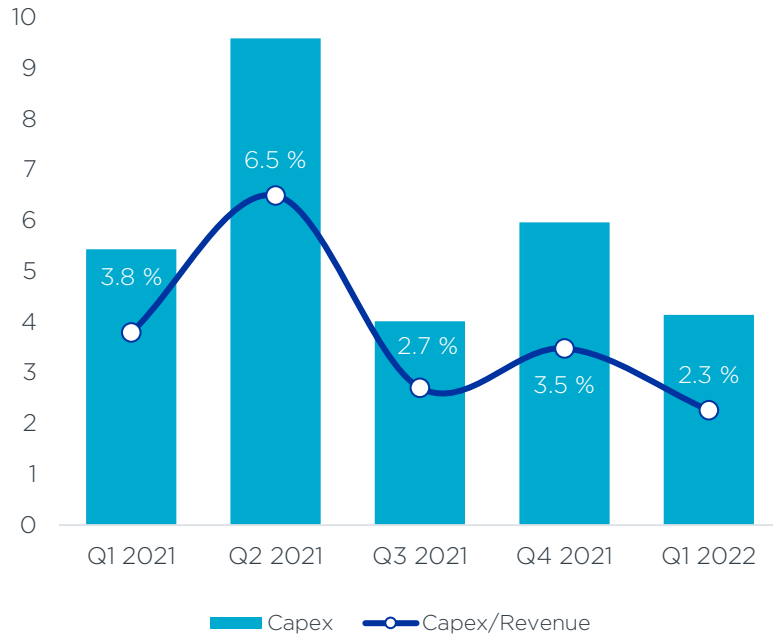
Cash OPEX\* (USDm)



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

# Capex development

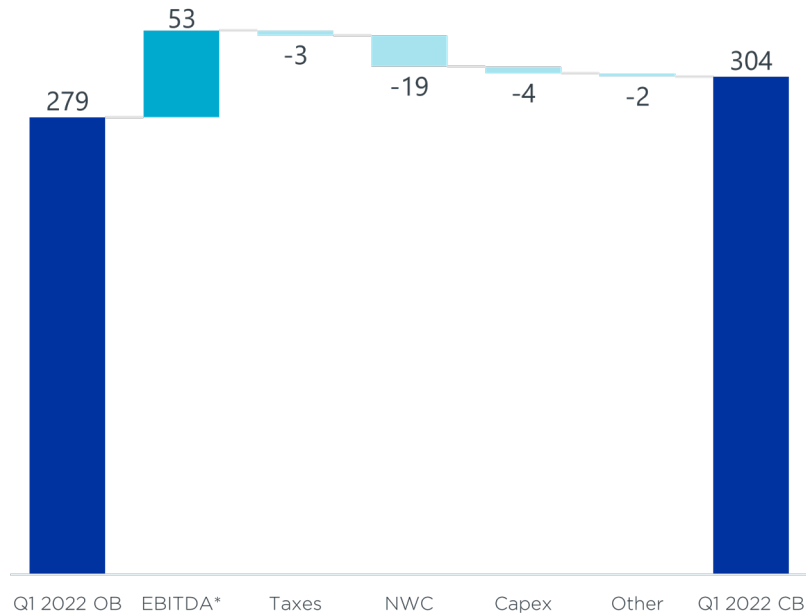
Capex (USDm)



- Low capex of USD 4 million in Q1
- Overall capex intensity expected at ~4% of revenue in 2022, on par with 2021

# Continued strong cash position

Cash position and Cash Flow Q1 2022 (USDm)



- Operating cash flow of USD 32.0m in Q1
- Increasing net working capital mainly due to accounts receivables
  - NWC/Revenue LTM up to 19.9% from 17.8% at YE 2021 – still at low level
- Continued disciplined cash strategy
- Solid cash balance at 2.1x last 12 months R&D-spend

\* EBITDA Adjusted for Capitalized Development Costs

A blue-toned photograph of an anechoic chamber. The walls, floor, and ceiling are covered in a dense array of pyramidal-shaped electromagnetic absorbers. In the upper right, a model of a satellite with solar panels is suspended. In the center, a small white pedestal holds a thin vertical rod. The perspective is from a low angle, looking down a long, narrow aisle formed by the absorbers.

## Summary and Outlook

Svenn-Tore Larsen, CEO

# Expect solid Q2 despite supply challenges

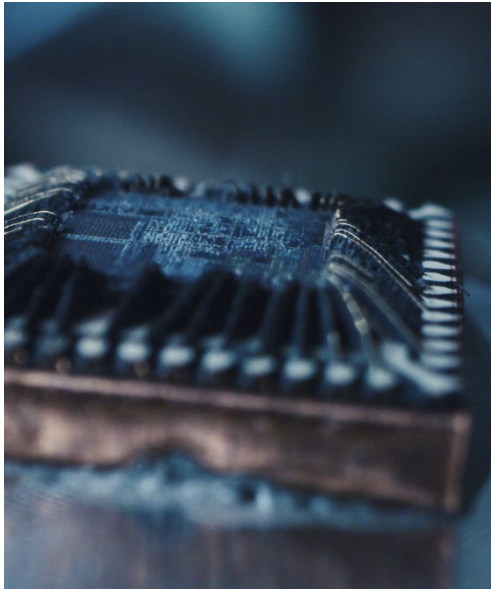
## Q2 2022 guidance

Revenue	Gross margin
USDm 190-210	>54%
+29% to +42% y-o-y	+4% to +15% q-o-q

- Revenue guidance reflects current wafer allocations for Q2 2022
- Higher wafer supply expected in the second half of the year
- cloT affected by component shortage also in Q2 – issue expected to be resolved in H2 2022

# Expanding capacity through multi-sourcing

## Delivering features that IoT requires in the future

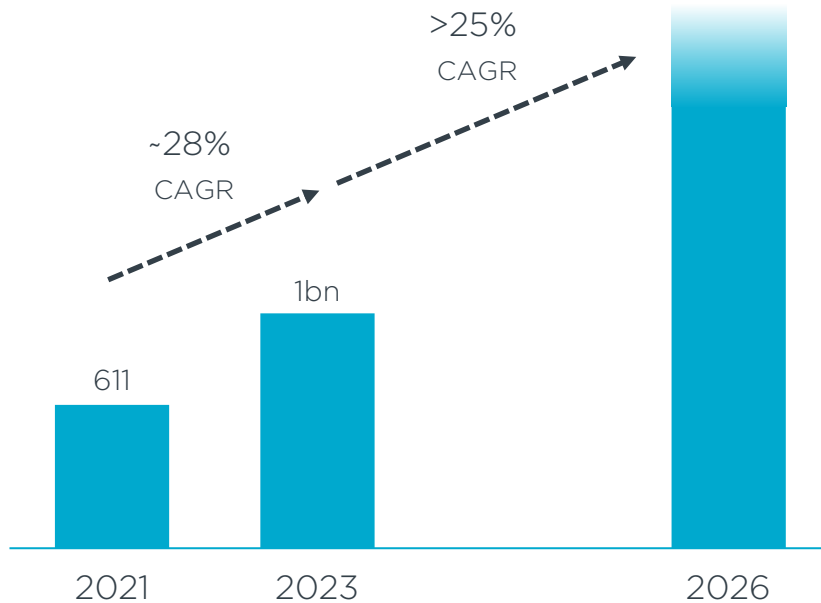


- Developing new technology platform across short-range, Wi-Fi and cellular IoT
  - R&D innovation with high customer involvement
  - Multi-year project with large R&D teams on multiple sites
  - Leveraging state-of-the-art development ecosystem
- Leading process technologies optimized for IoT
  - Expanding capacity through multi-sourcing
  - Disruptive performance
  - First short-range product ramping H2 2023



# The outlook stands firm

Revenue (USDm)



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

# Q&A



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