

# Quarterly Presentation Q3 2022

October 20, 2022



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SEMICONDUCTOR

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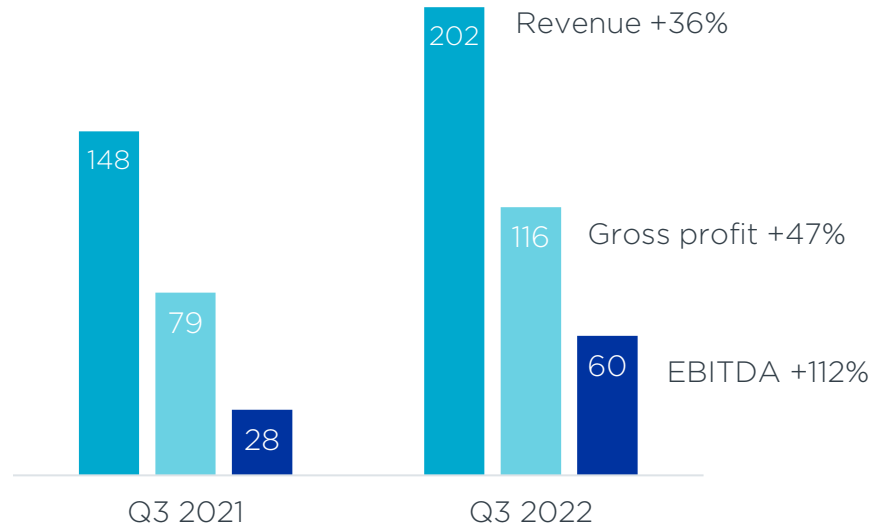
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# Record results in turbulent environment

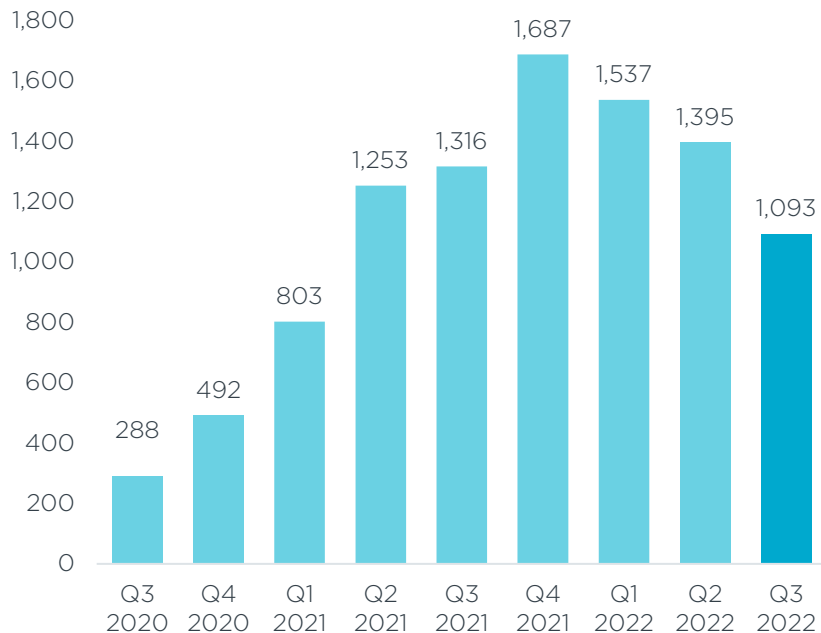
- Revenue of USD 202 million (+36%)
- Gross margin 57.3%
- EBITDA of USD 60.1 million
  
- Q4 outlook continues to be impacted by wafer supply
  - Revenue USD 190-210 million
  - Gross margin >54%

Revenue, gross profit and EBITDA (USDm)



# Order backlog has been trimmed

Backlog (USDm)

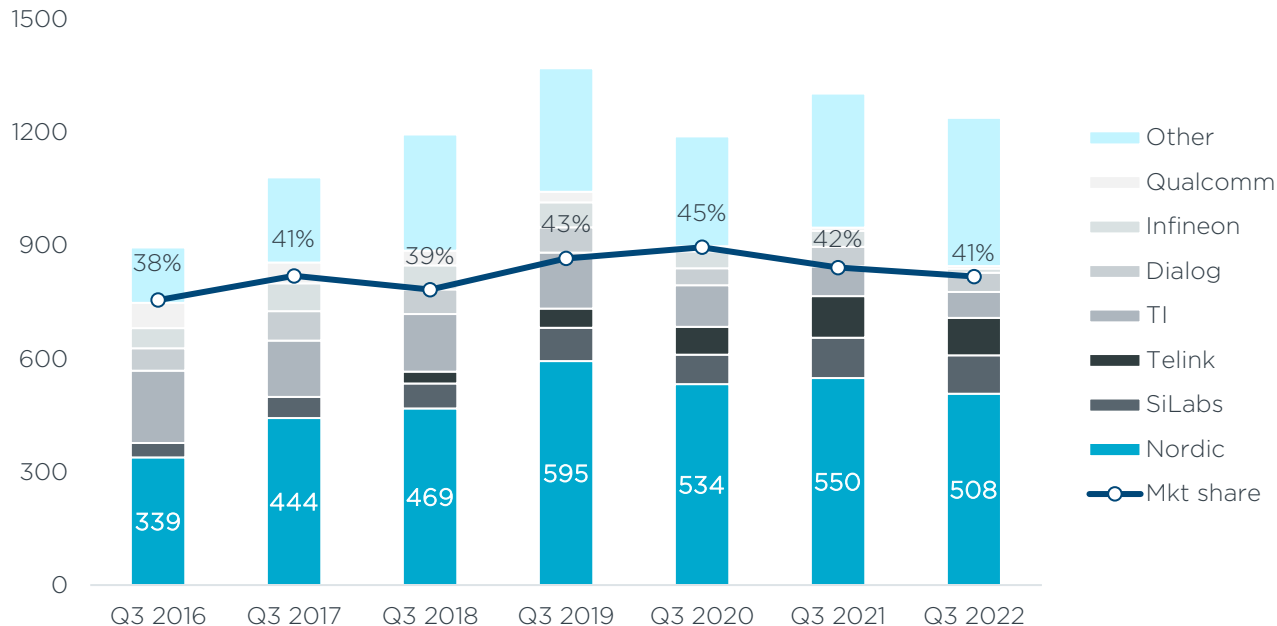


- Order backlog better aligned with delivery capabilities
- Actively worked with end-customers and distributors to adjust order volumes through 2022
- Bluetooth orders and forecasts from tier-1s remain firm
- Softening in the long-tail market, particularly from SMEs

# 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 2022

112 designs  
40 % mkt share

58% market share in non-consumer devices

Nordic trends toward higher ASP devices and higher volume applications

\*Source: DNB Markets/FCC

# New customer-product launches in Q3



Sensified.io  
temperature monitoring  
nRF52832

track and record  
temperature fluctuations  
in critical cold chain  
shipping applications



Estimote  
spatially-aware beacons  
nRF52840

use Bluetooth LE and  
UWB wireless  
technologies to  
automatically map their  
local physical  
environment



Littlebird  
toddler-tracking  
nRF52840 + nRF9160

wrist-worn wearable  
tracker that also monitor  
and transmit the child's  
heart rate, activity, and  
sleep data



iProtoxi  
Industrial data collector  
nRF9160

measures motion and  
vibration, object distance,  
ambient temperature, and  
orientation sensors  
enabling sustainable,  
remote industrial  
monitoring



Saluswear Corp.  
Health wearable  
nRF9160

track and monitor  
individuals suffering  
from Alzheimer's,  
dementia, or autism

# Elevated to CSA Board & Promoter Member



matter



amazon

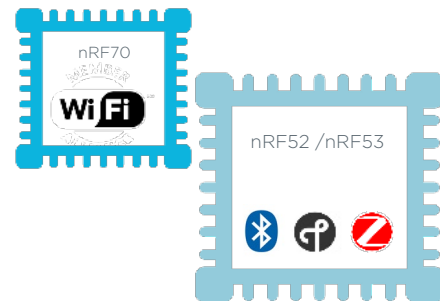


SAMSUNG  
SmartThings

+240 others

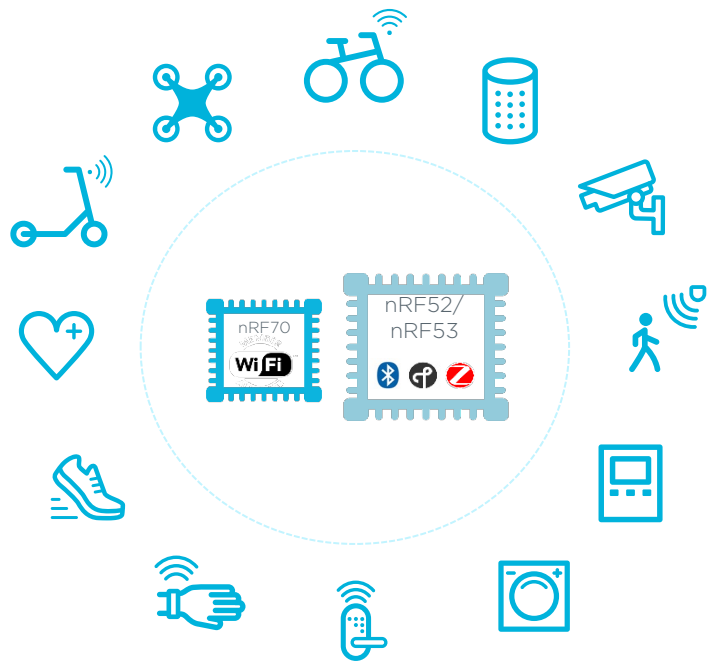
- 'Matter' will ensure interoperability between smart home devices
- Nordic one of few companies in position to influence the Matter standard

- Nordic ICs will support Matter 1.0 wireless connectivity with its nRF52840 and nRF5340 SoCs and the new nRF7002 Wi-Fi 6 Companion IC
- Offering complete support for developing a 'Matter' device through the nRF Connect SDK



# Nordic expands into Wi-Fi

## nRF70 Series - enabling IoT



- Wi-Fi 6 companion IC - 40nm node
- Dual band, 2.4 GHz and 5 GHz
- QFN 6x6mm package
- ~US\$ 2 in high volumes
- In production: Q4 2022



**Low Power** - Efficient radio power saving schemes



**Robust performance** - in dense congested environments



**Secure** - Cutting-edge security protocols



# Wi-Fi completes the portfolio

## Low-power products across three leading connectivity standards

Strong product and solutions portfolio...



Low-power integrated circuits (ICs)

+



Embedded software

+



Advanced development tools

...for short-, medium- and long-range connectivity technologies

### Short-range IoT

Bluetooth LE, 802.15.4/Thread, Zigbee and 2.4GHz RF SoCs



### Medium-range IoT

Acquired leading Wi-Fi team and Wi-Fi assets in 2020



### Long-range IoT

Multi-mode cellular LTE-M/NB-IoT Modules



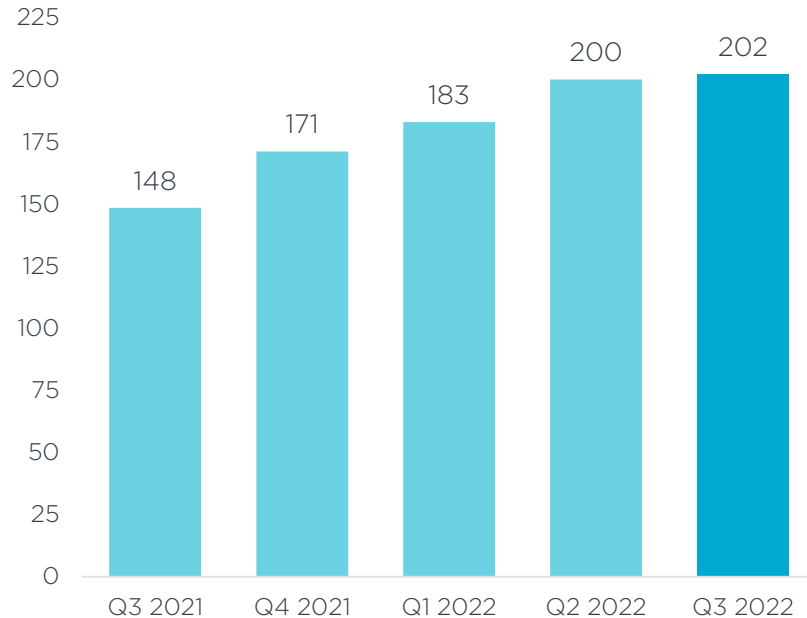


# Financials

Pål Elstad, CFO

# Revenue growth of 36% year-on-year

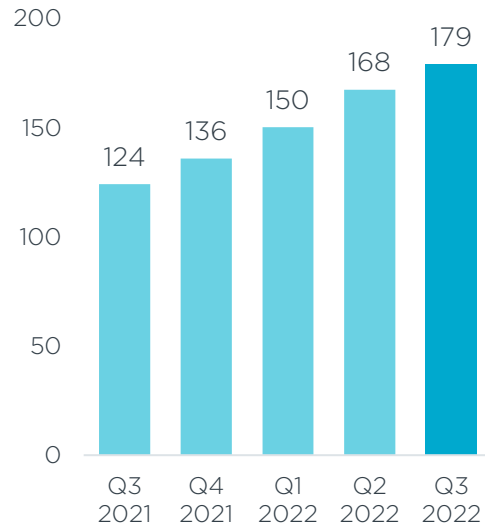
Quarterly revenue (USDm)



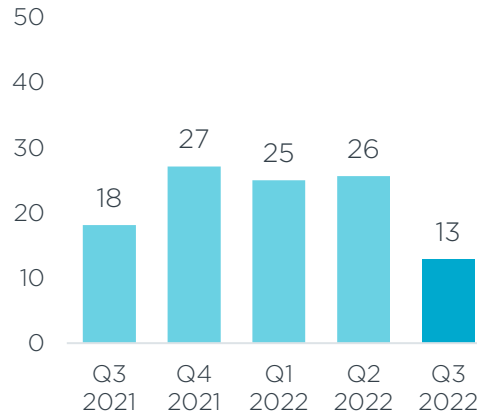
- Bluetooth +44 % to USD 179 million
- Cellular IoT +61 % to USD 9 million
- Proprietary -29 % to USD 13 million

# Bluetooth-driven growth

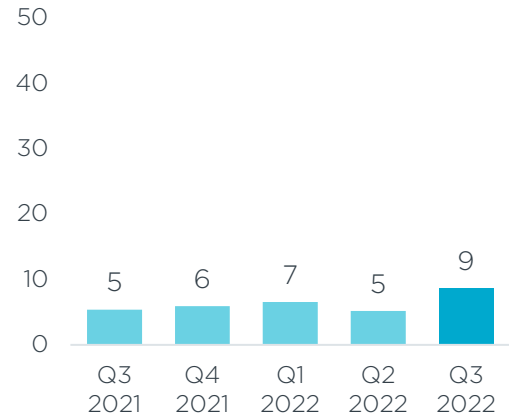
Bluetooth revenue (USDm)  
Quarterly



Proprietary revenue (USDm)  
Quarterly

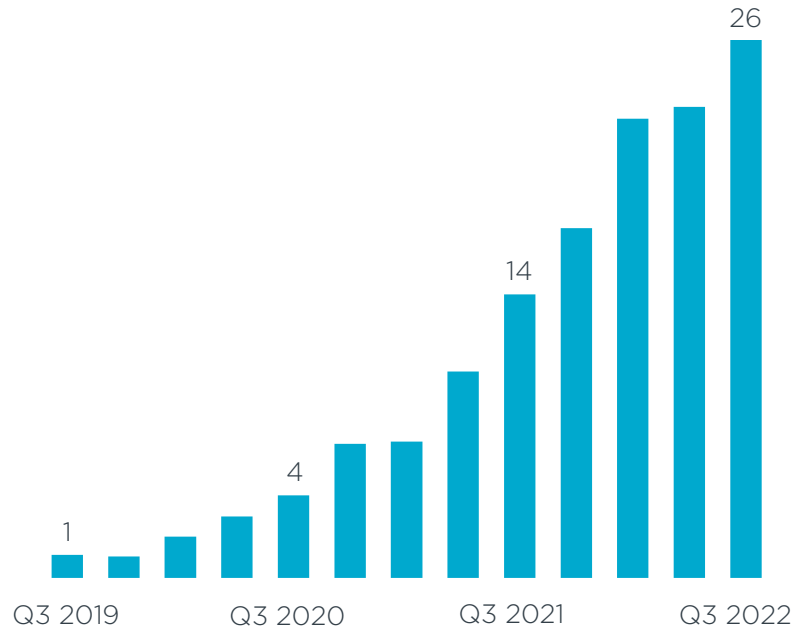


Cellular IoT revenue (USDm)  
Quarterly



# Cellular IoT

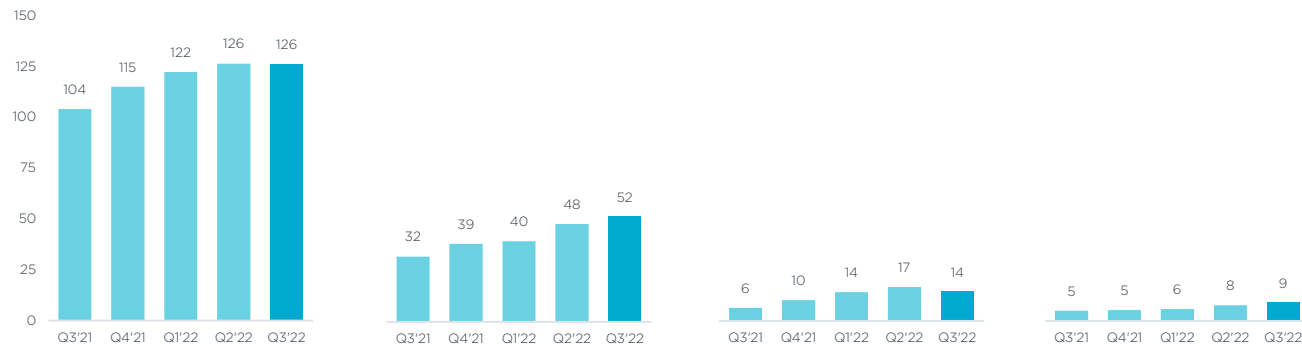
Cellular IoT revenue last 12 months (USDm)



- Large base of ~250 projects, with several beginning to gain commercial traction
- Increased uncertainty regarding project timing and customers' financing in current economic climate

# Higher revenue growth in non-consumer

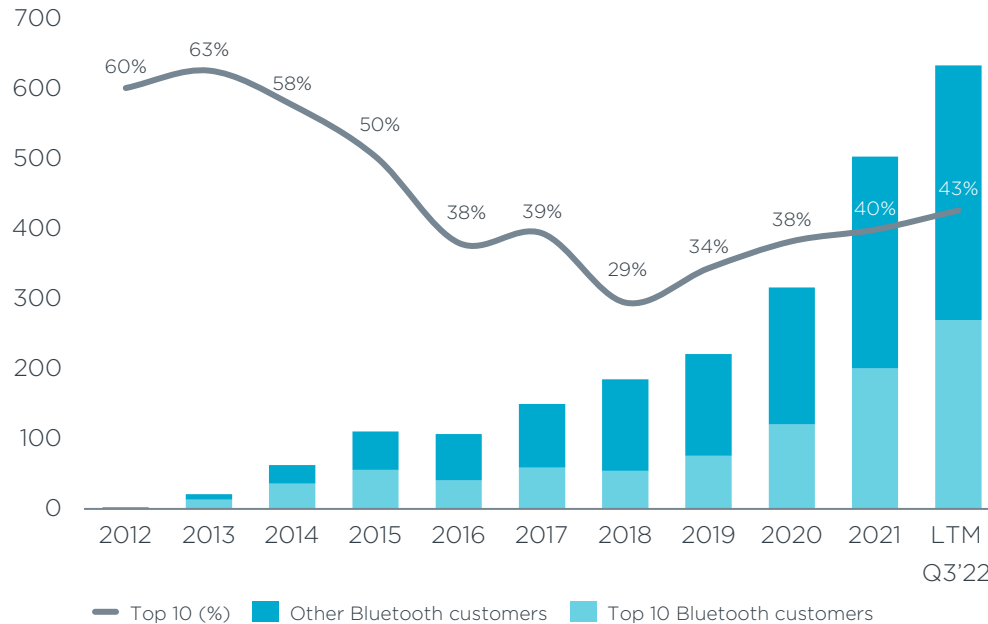
Group	Consumer	Industrial	Healthcare	Others
USDm 202.1	USDm 126.2	USDm 51.8	USDm 14.4	USDm 8.9
+36% y-o-y      +1% q-o-q	+21% y-o-y      +0% q-o-q	+61% y-o-y      +7% q-o-q	+121% y-o-y      -14% q-o-q	+78% y-o-y      +15% q-o-q



Revenue for the individual markets excludes ASICs and consulting revenue

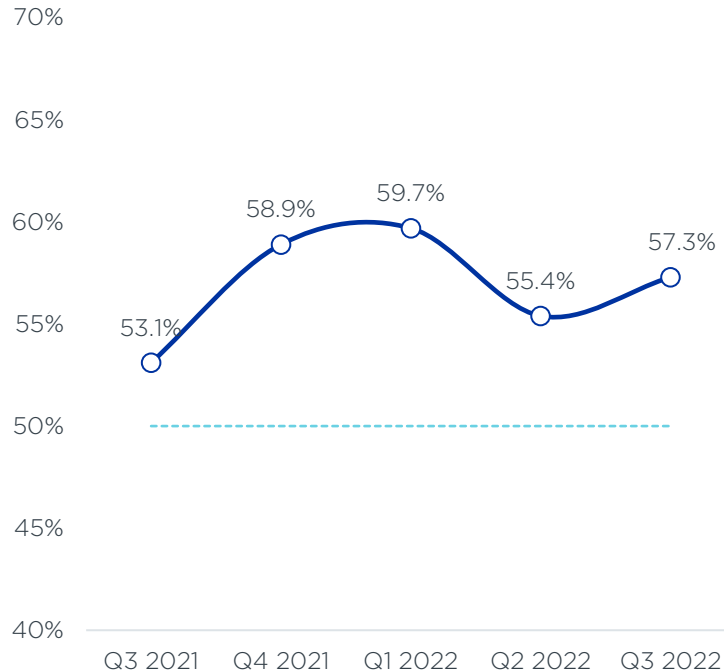
# Tier-1s are taking a larger share

Bluetooth revenue composition (USDm)



- Top-10 accounting for 45% of revenue in Q3'22 isolated
- Shift in revenue composition with significantly increased sales to tier-1 customers in the US and Europe
- Relatively lower sales to SMEs in other regions

# Strong gross margin



Continued high margin, reflecting positive effects of both product and customer mix



# Operating model performance Q3 2022

Gross margin  
57.3%

	Q3 2022	Q3 2021	Δ	
R&D short-range 11.4%				
Revenue	USD 202.1m	USD 148.5m	+36.1%	Volume, price and product mix
R&D cellular IoT 5.7%				
Gross margin	57.3% USD 115.7m	53.1% USD 78.8m	+4.2pp	Price, product and customer mix
R&D Wi-Fi 1.8%				
SG&A 8.6%				
R&D short-range	11.4% USD 23.1m	14.1% USD 20.9m	-2.7pp	Continuing to invest: Total R&D up from USD 35.7m to 38.2m, but down from 24.1% to 18.9% of revenue helped by favorable fx
R&D cellular IoT	5.7% USD 11.5m	7.7% USD 11.5m	-2.0pp	
R&D Wi-Fi	1.8% USD 3.6m	2.2% USD 3.3m	-0.4pp	
EBITDA 29.8%				
SG&A	8.6% USD 17.4m	9.9% USD 14.8m	-1.3pp	Operational leverage, favorable fx
EBITDA	29.8% USD 60.1m	19.1% USD 28.3m	+10.7pp	EBITDA margin >> long-term target

# Investing for growth

Cash cost increase mainly due to increased number of employees, partly offset by favorable foreign exchange rates

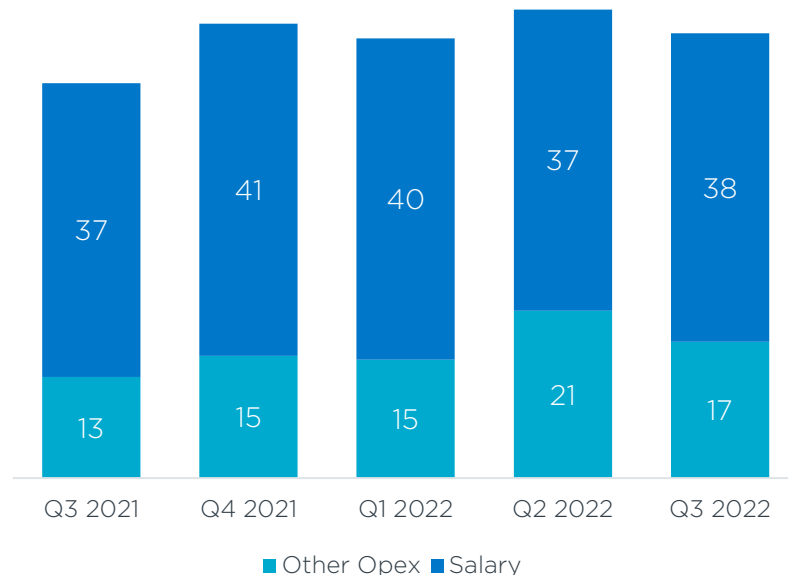
Salary:

- Number of employees increased by 19.8% to 1,384 over the past last 12 months
- Fx changes reduced payroll cost by USD 6m compared to Q3'21 rates

Other OPEX:

- Varying with pace of product introductions

Cash OPEX\* (USDm)



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

# Capex intensity remains low

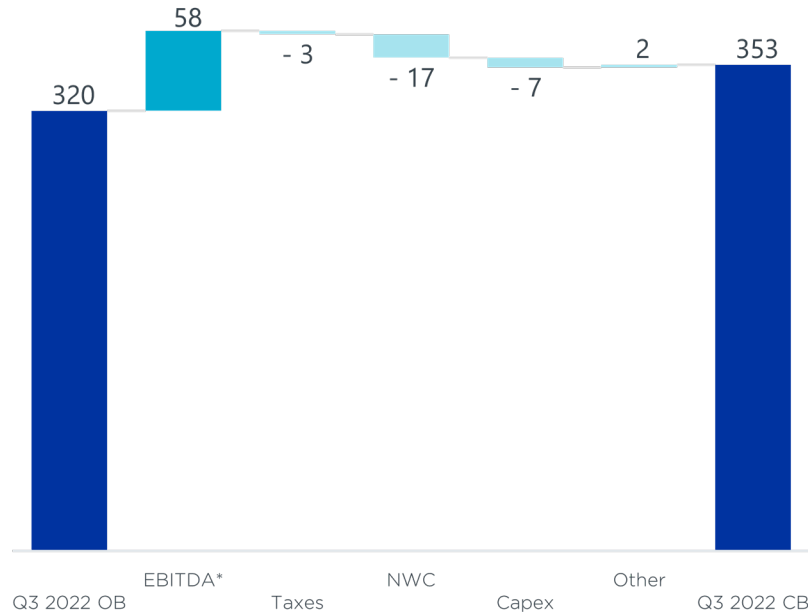
Capex (USDm)



- Capex of USD 7.2 million in Q3
- Overall capex intensity below 3% for the full year 2022

# Continued strong cash position

Cash position and Cash Flow Q3 2022 (USDm)



- Operating cash flow of USD 44.9 m in Q3
- Increasing net working capital mainly due to accounts receivables and inventory
  - NWC/Revenue LTM of 24.2%
  - Continued disciplined cash strategy
- Solid cash balance at 2.3x last 12 months R&D-spend
- Unused sustainability linked RCF of USD 150 million

\* EBITDA Adjusted for Capitalized Development Costs



## Summary and Outlook

Svenn-Tore Larsen, CEO

# Q4 outlook on par with Q3

## Q4 2022 guidance

Revenue	Gross margin
USDm 190-210	>54%
+11% to +23% y-o-y      -6% to +4% q-o-q	

- Bluetooth demand exceeds supply
- Guidance reflects committed wafer allocations for Q4 2022 – the revenue level will depend on timing of wafer deliveries in Q4

# Acknowledging the market uncertainty

## Trade tensions adding to recession fears

- Market outlook differing across verticals, geographies and customer size
- Booked orders and order indications from our broad base of tier-1 customers remain firm
- Some order cancellations from smaller customers in consumer verticals

### Cooling Semiconductor Sales Heighten Fears of a Global Recession

- Slowdown in semiconductors is longest since US-China trade war
- Sales' 3-month moving average correlates with global economy

### Chip Industry Braces for 'Heavy Blow' From China Export Curbs

- Applied Materials says rules to cut revenue by \$400 million
- Chip-technology makers have been scrambling to adapt to rules

### Chipmakers Are Flashing More Warnings on the Global Economy

- Korean trade may be headed for slump as memory sales weaken
- Global trade has correlated with Korean exports for some time

### Intel Is Planning Thousands of Job Cuts in Face of PC Slump

- Chipmaker may announce move around time of its earnings report
- Companywide cuts will hit sales and marketing especially hard



### Chipmakers' Pandemic Boom Turns to Bust as Recession Looms

- Industry bracing for what could be worst downturn in decades
- Age-old woe: 'Everybody is really bad at forecasting demand'

### TSMC to the World: We Have No Good News for You

Analysis by Tim Gajjar | Bloomberg  
October 13, 2022 at 9:29 a.m. EDT



### Chip Gear-Maker ASML Tells US Employees to Stop Working With Customers in China

- Biden administration set new export curbs on semiconductors
- Some US suppliers are beginning to withdraw staff in China

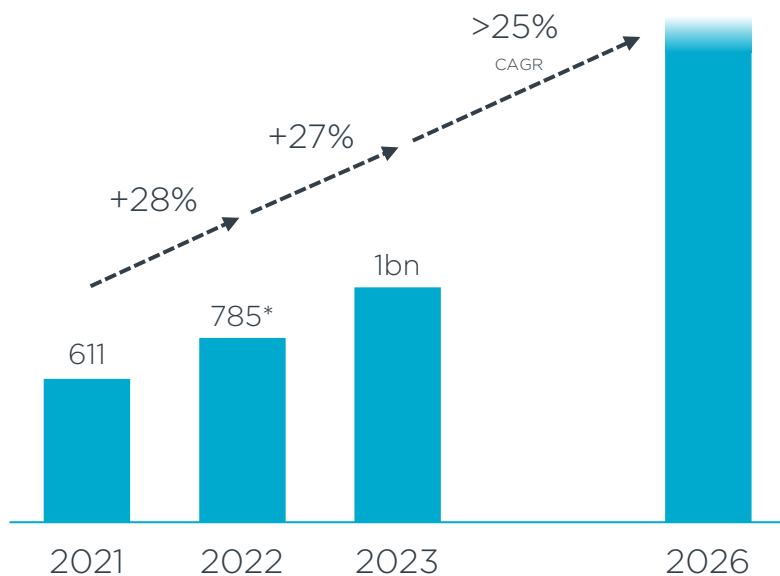
### Tech Rally Haunted by 'Palpable Fear' of Chip Industry Weakness

- Fears of a semiconductor downturn have pummeled chip stocks
- Biden plans to broaden curbs on chip exports to China: report

Source: Selected Bloomberg articles, August-October 2022

# Outlook

Revenue (USDm)



\* Based on mid-point of revenue guidance for Q4'22

- USD 1bn revenue target in 2023
  - Requires additional Bluetooth wafer supplies
- Aiming for 25%+ annual growth beyond 2023
  - Builds on assumption of continued economic growth and increased demand from both consumers and industrials
  - Capital light business model with flexibility to adapt to changing economic conditions



# Q&A



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