

Quarterly Presentation Q3 2023

October 17, 2023



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SEMICONDUCTOR

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This presentation was prepared in connection with the Q3 results released on October 17, 2023. 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.

Revenue decline in challenging market

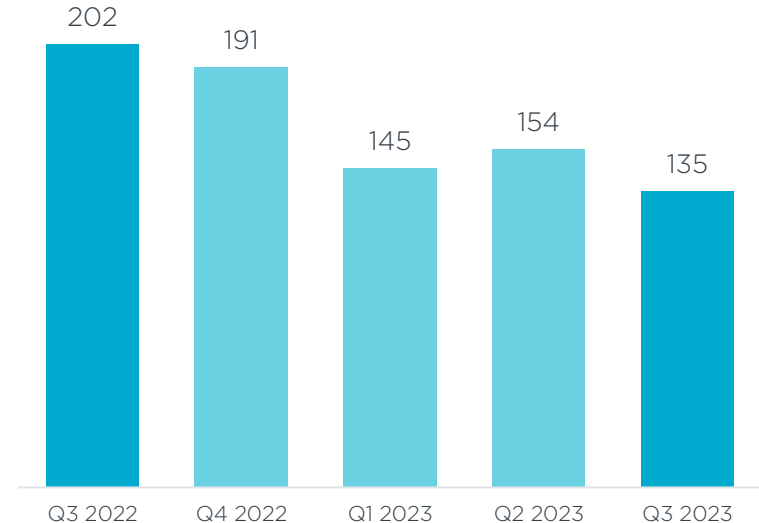
Q3 2023:

- Revenue of USD 135m (-33% y/y, -12% q/q)
- Bluetooth USD 120m (-33% y/y, -16% q/q)
- Gross margin 50% and EBITDA margin of 10%

Outlook:

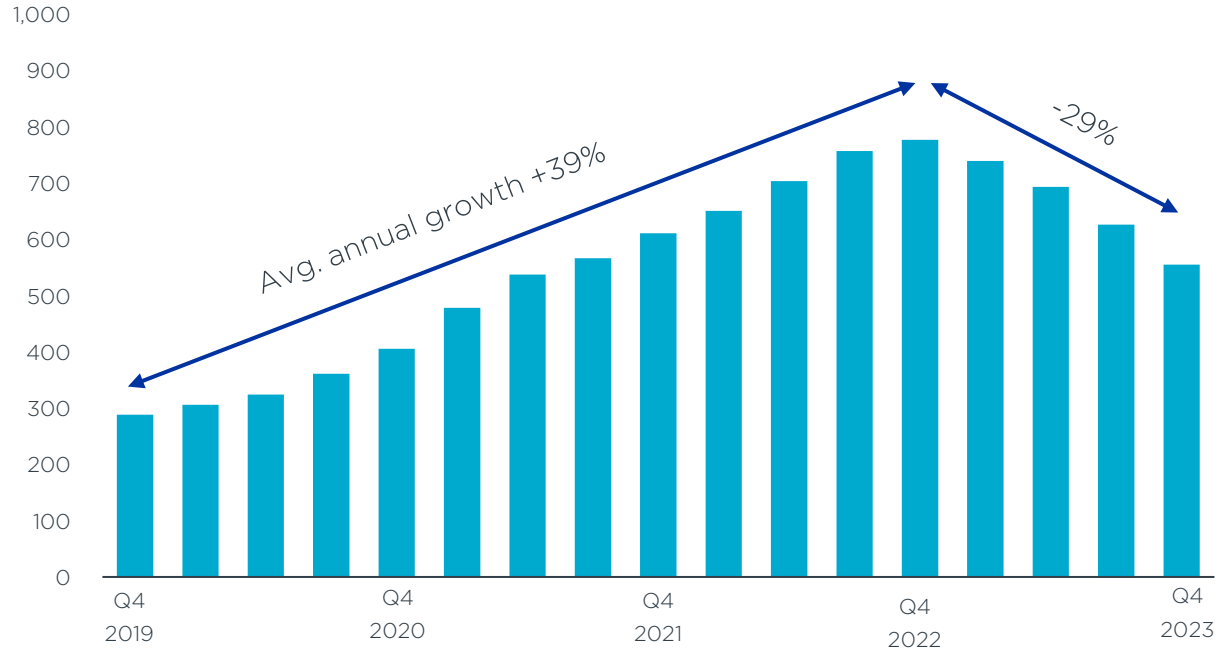
- Guiding for revenue of USD 110-130 million and gross margin around 50% in Q4
- Continued low visibility in the current cyclical downturn

Quarterly revenue development (USDm)



Managing a sharp cyclical downturn

Revenue development, last 12 months (USDm)*



- Sharper and more prolonged downturn than we had anticipated
- Taking action to lower cost base and reallocate resources

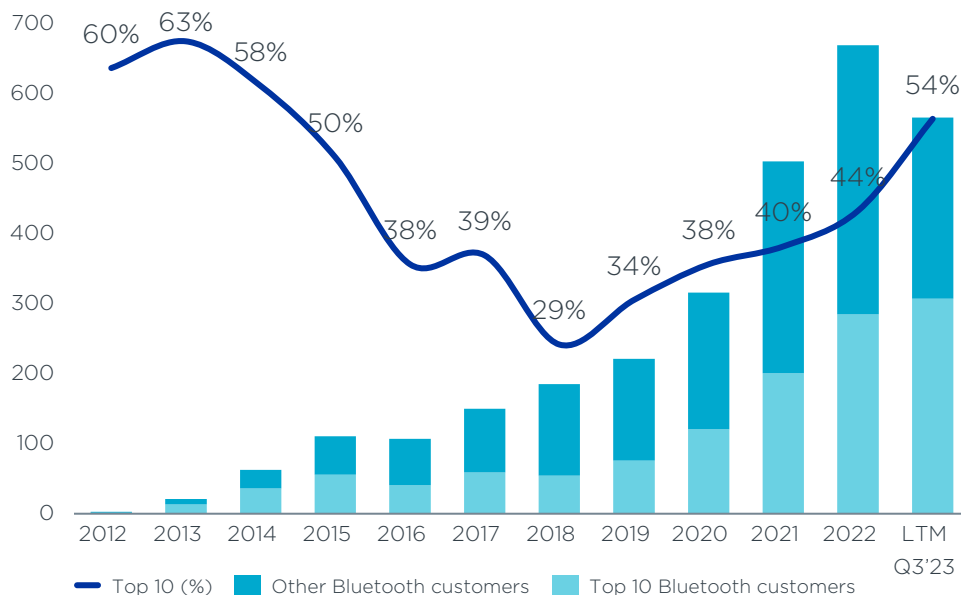
*Q4'23 LTM based on midpoint of Q4 revenue guidance

Protecting our unique position

- Maintaining a unique technology platform with Bluetooth, Wi-Fi and Cellular IoT
 - Reallocating resources from longer-term projects to projects generating revenue and profits in the near- to mid-term
 - Cost measures include reduced use of consultants and assessment of total resource requirement to continue the main R&D programs
 - These measures will have effect from 2024 and will reduce quarterly operating expenses in the order of USD 5 million
- Leading ultra-low-power wireless technologies
 - Broad solution portfolio
 - Common software platform, and development tools
 - Exceptional technology support
 - Solutions for a wide range of verticals

Tier-1s revenue share continue to increase

Bluetooth revenue composition (USDm)

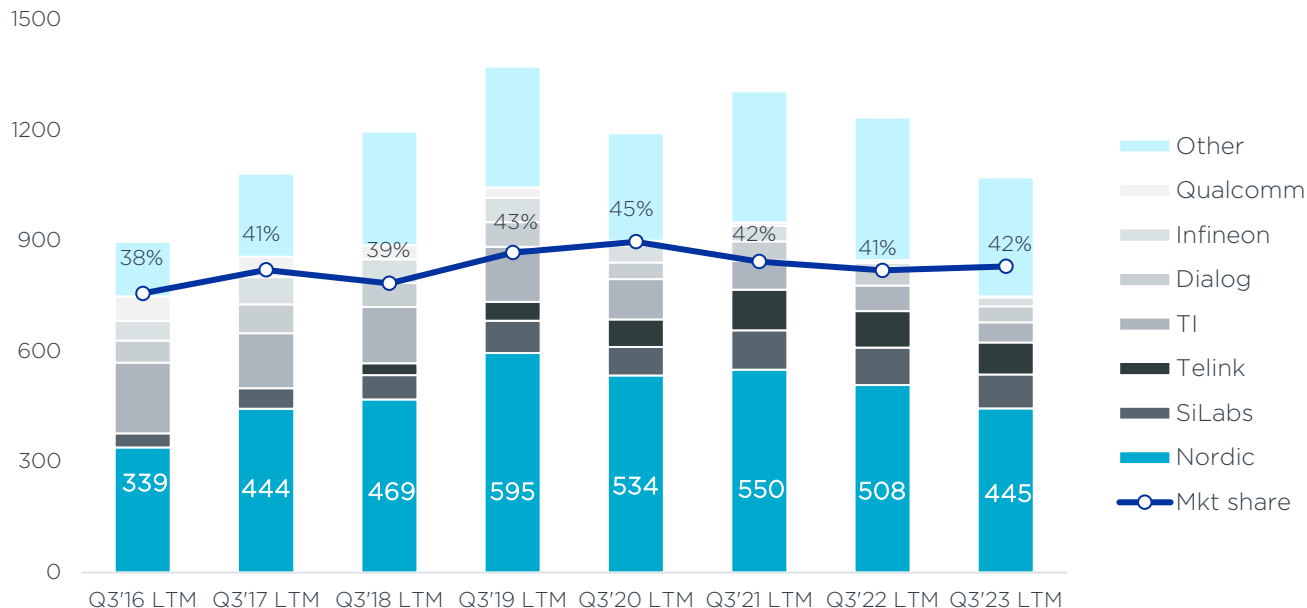


- Top-10 customers have continued to grow in absolute revenue and no. of designs
- Increasing customer concentration, with top-10 accounting for 54% of Bluetooth revenue LTM and above 60% in Q3

Steady and high certification market share

More than 5x as large as number 2 and 3

Bluetooth Low Energy end-product certifications, last 12 months



Nordic
end-product
certifications

Q3'23
113 designs
42% mkt share

LTM
445 designs
42% mkt share

Nordic trends
toward high volume
designs

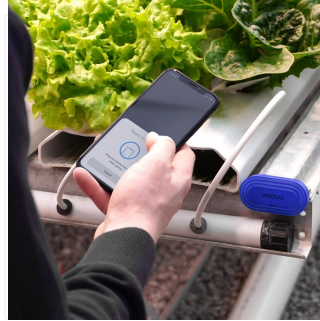
New customer product launches in Q3



Ultrahuman
Smart ring
nRF52840



Hisense
Virtual Reality (VR)
headset and controllers
nRF52832



Velavu
Asset tracking and
environment monitoring
solution
nRF52833 + nRF9160



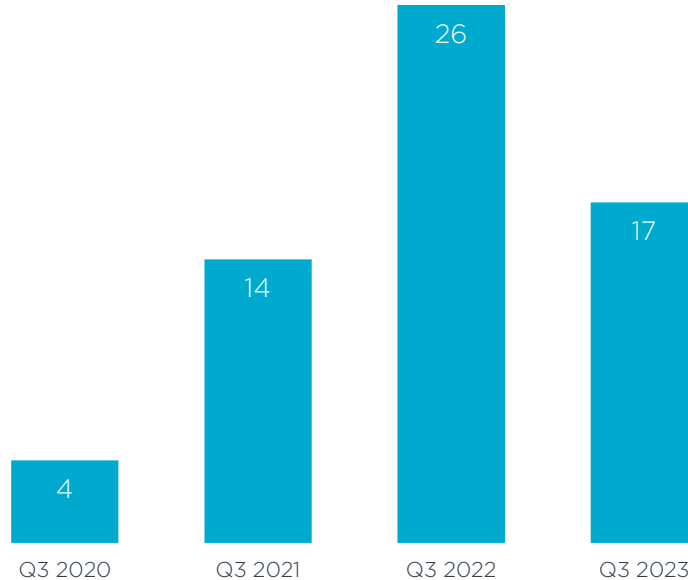
MINEW
MG5 Outdoor Mobile
LTE Gateway
nRF52840 + nRF9160



Adeunis
Indoor environmental
monitor device
nRF9160

Cellular IoT

Cellular IoT revenue last 12 months (USDm)



- Revenue decline reflecting market downturn and project push-outs
- Revenue development will remain dependent on the main customers' production and purchasing cycles
- Base of ~390 projects

Nordic announcing nRF54L15

Ultra-low power Bluetooth 5.4 SoC



nRF54L15		
Security		
Arm® Cortex®-M33 128 MHz	1.5 MB NVM (Non-Volatile Memory)	256 KB RAM
4 th gen Radio 8 dBm TX power -98 dBm RX sens. (1 Mbps Bluetooth LE)	RISC-V	Low-leakage Peripherals
	High-speed Peripherals	
	GPIOs	GPIOs

Built on the success and reputation of nRF52 Series:

- Natural step forward for customers using nRF52
- Advanced security, higher processing efficiency, more memory and new peripherals
- Ultra-compact for size-constrained designs

Manufactured on TSMC's 22ULL® (22nm)

- Further enhancing the supply chain diversification
- Currently sampling lead customers and expect initial revenue towards end of 2024

Cornerstones of the nRF54 Series



Higher processing power
lower power consumption

22nm

Smallest and most modern
process node for connectivity in IoT

nRF54 SERIES



More security integrated
ensuring its readiness for the next
generation of IoT



4th generation Nordic radio
equipped to support future Bluetooth
specification updates



5.4 LE Audio Mesh



matter



THREAD



2.4 GHz
4 Mbps throughput

World leading efficiency and performance

nRF54H - Driving the next level of IoT

First round of sampling was successful

- Sampled 50 customers YTD - target 100 customer sampled by end 2023
- Good feedback from lead customers - on track to realize initial revenue towards end of 2024

Breaking performance records

- Achieved world-leading processing efficiency and performance in tests by EEMBC ULPMark®-CoreMark



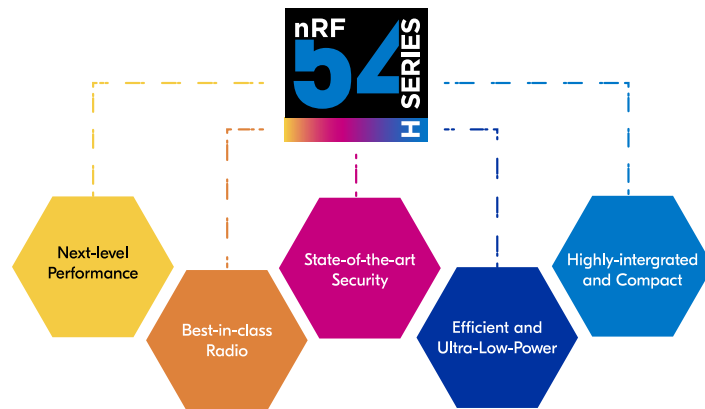
5.4 LE Audio mesh



THREAD

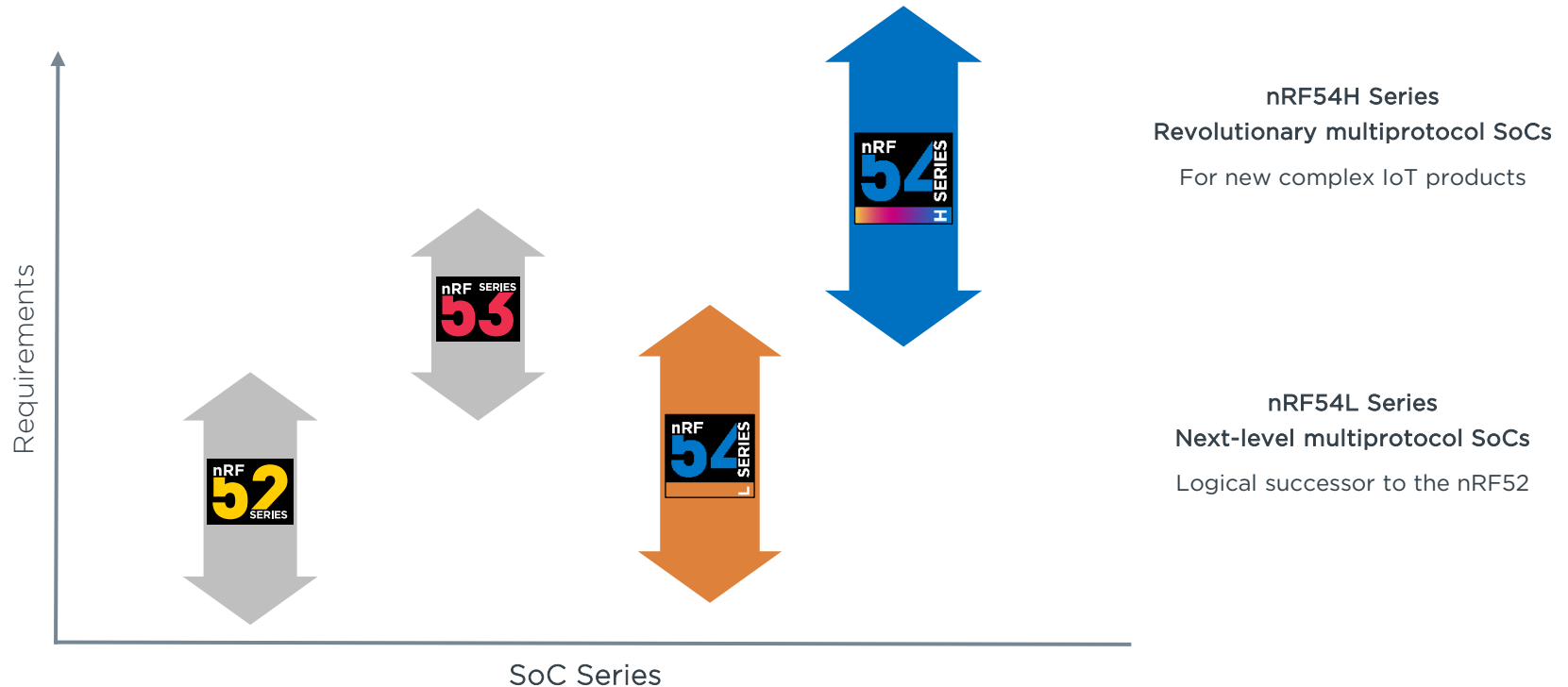


2.4 GHz



Nordic raising the bar once again

nRF54 – maintaining our market leading performance



Nordic investing into open-source RISC-V

- Establishing a new company* together with other major semiconductor players:
 - Nordic Semiconductor, NXP, Qualcomm, Bosch, and Infineon
- Aiming to [accelerate the commercialization](#) of future products based on the open-source RISC-V architecture



Nordic acquires AI/ML tech IP and team

Harnessing the power of AI to transform our position in the IOT market

- Bolt-on acquisition of high strategic significance
- Buying the IP portfolio and employing small core team in San Diego
 - Always-on AI/ML accelerator – a key differentiator in the future
 - Smart Health analog front-ends
 - Power Management IC (PMIC)
- Expecting to see initial benefits within 12-18 months from closing*



"This brings a new level of always-on AI/ML capabilities and technologies that will strengthen our core business"

Kjetil Holstad,
EVP Strategy and Product Management

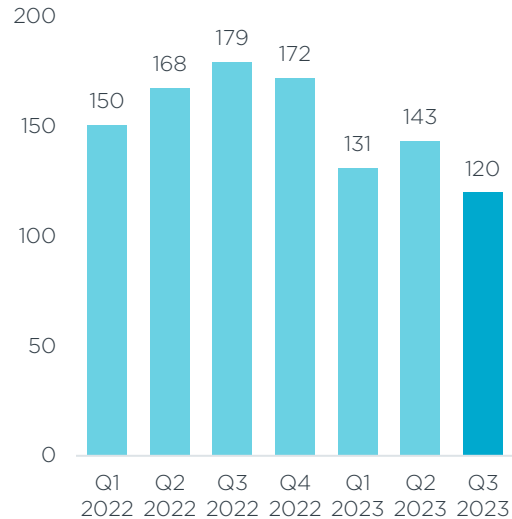
Financials

Pål Elstad, CFO

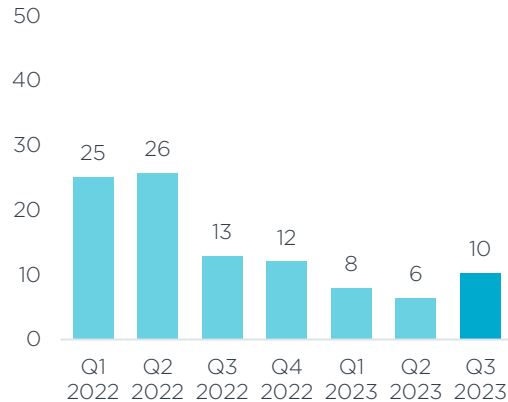


Bluetooth driving the sequential drop in Q3

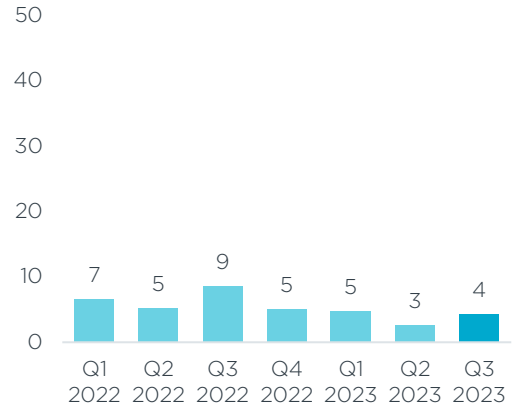
Bluetooth revenue (USDm)
Quarterly



Proprietary revenue (USDm)
Quarterly

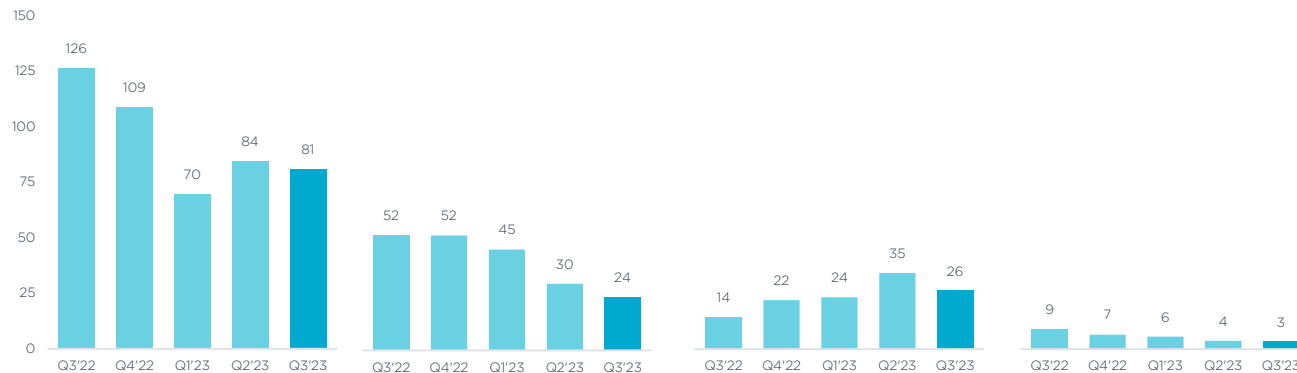
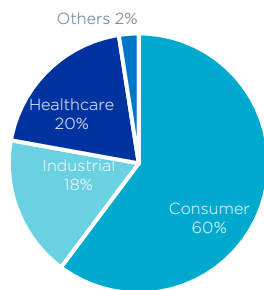


Cellular IoT revenue (USDm)
Quarterly



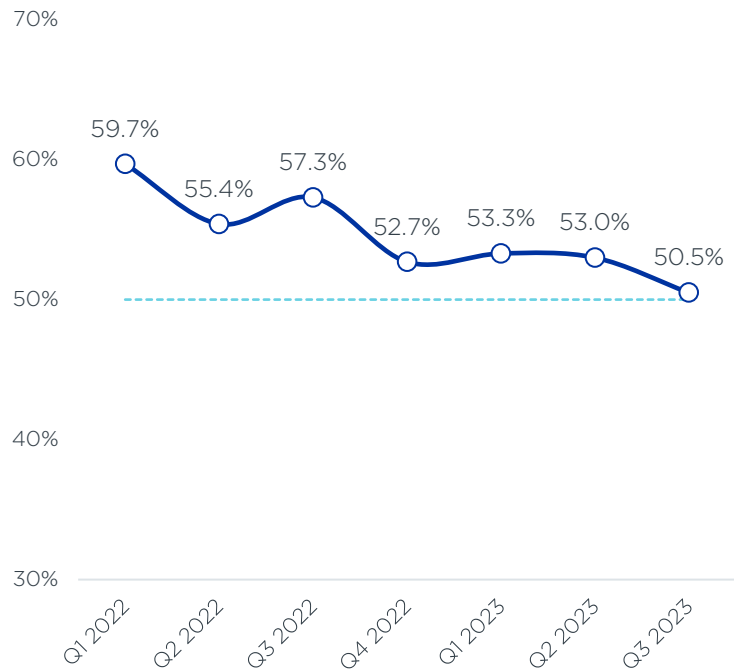
Revenue by markets

Group	Consumer		Industrial		Healthcare		Others	
USDm 135.0	USDm 81.0		USDm 23.7		USDm 26.5		USDm 3.3	
-33% y-o-y -12% q-o-q	-36% y-o-y -4% q-o-q		-54% y-o-y -21% q-o-q		+84% y-o-y -23% q-o-q		-63% y-o-y -11% q-o-q	



Revenue for the individual markets excludes ASICs and consulting revenue

Gross margin



- Customer and product mix leading to lower margin q-o-q
- Expecting gross margin around 50% for Q4 2023
- Reiterating long-term ambition to maintain gross margin >50%

Operating model performance Q3 2023

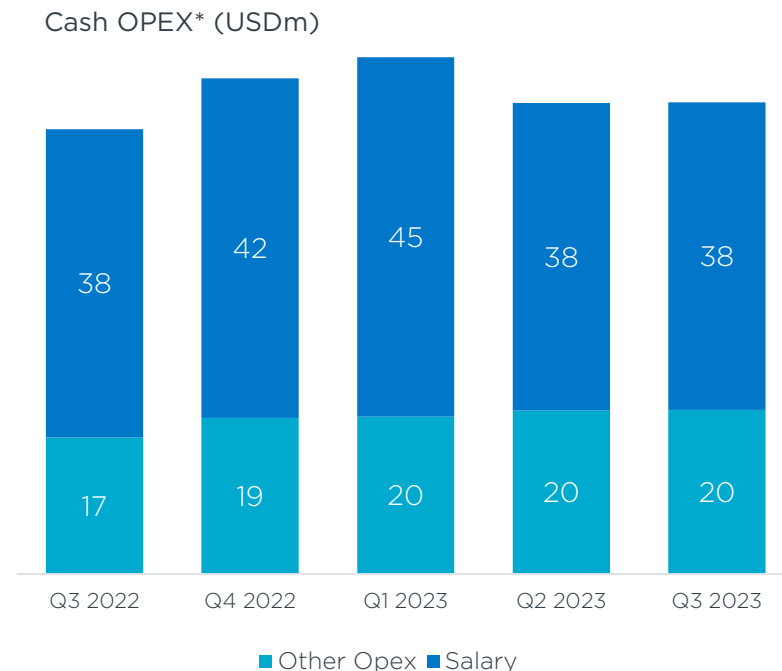
Gross margin 50.5%	Q3 2023	Q3 2022	Δ		
R&D short-range 15.6%	Revenue	USD 135.0m	USD 202.1m	-33.2%	Demand reduction in cyclical downturn through 2023
	Gross margin	50.5% USD 68.2m	57.3% USD 115.7m	-6.8pp	Change in customer and product mix
R&D cellular IoT 8.6%	R&D short-range	15.6% USD 21.1m	11.4% USD 23.1m	+4.2pp	<ul style="list-style-type: none">Total R&D down from USD 38.2m to USD 36.8mPartly reflects increase in capitalization of USD 3.6m related to nRF54The overall R&D ratio is up from 18.9% to 27.2%, reflecting lower revenue
R&D Wi-Fi 3.0%	R&D cellular IoT	8.6% USD 11.6m	5.7% USD 11.5m	+2.9pp	
SG&A 13.7%	R&D Wi-Fi	3.0% USD 4.0m	1.8% USD 3.6m	+1.2pp	
	SG&A	13.7% USD 18.5m	8.6% USD 17.4m	+5.1pp	Modest absolute cost increase, with increase in cost ratio due to the lower revenue
EBITDA 9.5%	EBITDA	9.5% USD 12.8m	29.8% USD 60.1m	-20.2pp	Decline reflecting lower revenue and gross margin

Balancing investments and cost awareness

Flat salary cash costs y-o-y and q-o-q

- Employees increased by 11% y-o-y to 1,530, flat development q-o-q
- Reduced variable pay accruals in Q3 2023

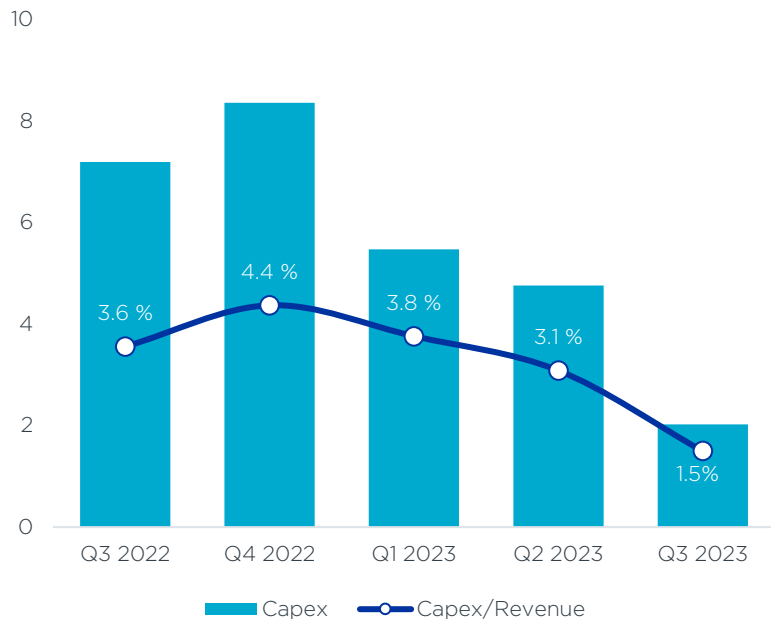
Continuing work to adjust cost base to protect margins



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

Capex intensity remains low

Capex (USDm)

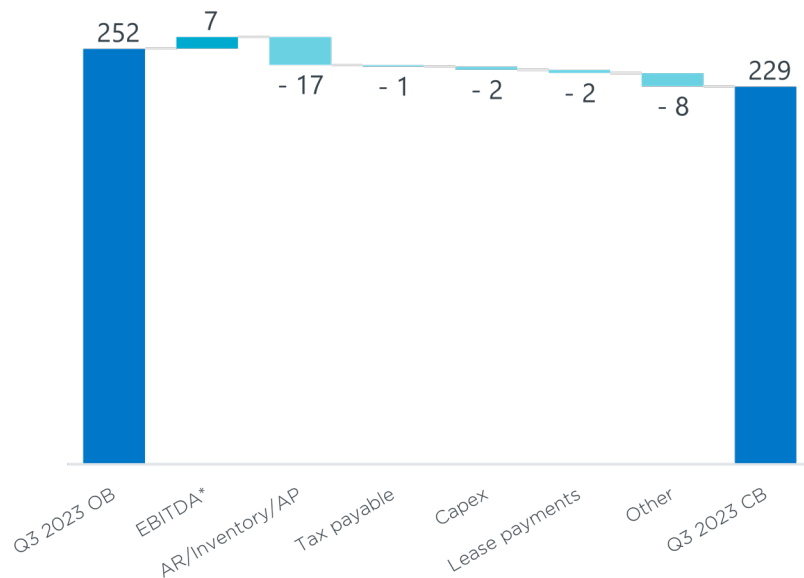


Capex of USD 2.0m in Q3

- Postponed some investments to Q4, and maintaining focus on spending reduction
- Overall capex intensity 3.3 % LTM

Continued disciplined cash strategy

Cash position and Cash Flow Q3 2023 (USDm)



- Strategic inventory increase of USD 10m in the quarter
- NWC/Revenue LTM of 37%
- Other items mainly impacted by decreased other short-term liabilities

* EBITDA Adjusted for Capitalized Development Costs



Summary and Outlook

Svenn-Tore Larsen, CEO

Continued challenging market

Q4 2023 guidance

Revenue		Gross margin
USDm 110-130m		~50%
-43% to -32% y-o-y	-19% to -4% q-o-q	

- Sequential revenue decline and flat gross margin expected from Q3 to Q4
- Continued low visibility in the current cyclical downturn
- Taking action to reduce cost and reallocate R&D resources.
- Cost optimization measures will have effect from 2024 and will reduce quarterly operating expenses in the order of USD 5 million

Q&A



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