

NEXT BIOMETRICS GROUP ASA

Q3 Presentation November 1, 2023



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Today's Speakers



Ulf Ritsvall
CEO, NEXT Biometrics



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Agenda

1. Introduction New CEO
2. The Biometric Market and NEXT Biometrics' Positioning
3. Q3 Highlights
4. Outlook
5. Q&A



Ulf Ritsvall

New CEO of NEXT as per October 1, 2023

- Previously Senior Vice President, Sales and Marketing, at NEXT
- Prior to joining NEXT, 25+ years experience from executive positions in the biometrics and telecom industry
- Unique industry knowledge and large network – lived and worked in South Korea and USA

"NEXT Biometrics has a unique fingerprint technology and strong biometrics know-how, which we will continue to build on, leading the way for biometric authentication solutions worldwide."



The Biometric Market

1. China, India, Brazil and the US are the largest markets
2. NEXT's product offering target the high-security market segments
 - Public Security
 - Access Control
 - Payments & Fintech
 - Office & Notebook
3. Three sensor technologies dominate today: optical, capacitive and thermal



Starting to Capitalize on unique position

1. Disruptive fingerprint sensors – security certified by FBI, UIDAI/Aadhaar
2. Secured 44 design- wins and volume contracts with key Original Equipment Makers (OEMs)
3. Strategic partnerships with OEMs and distributors have been implemented to fortify prospective growth trajectories
4. NEXT's team possesses extensive experience within the industry, as well as across pivotal markets

An average of **three design-wins, each quarter**, provides NEXT with a stable long-term revenue growth.

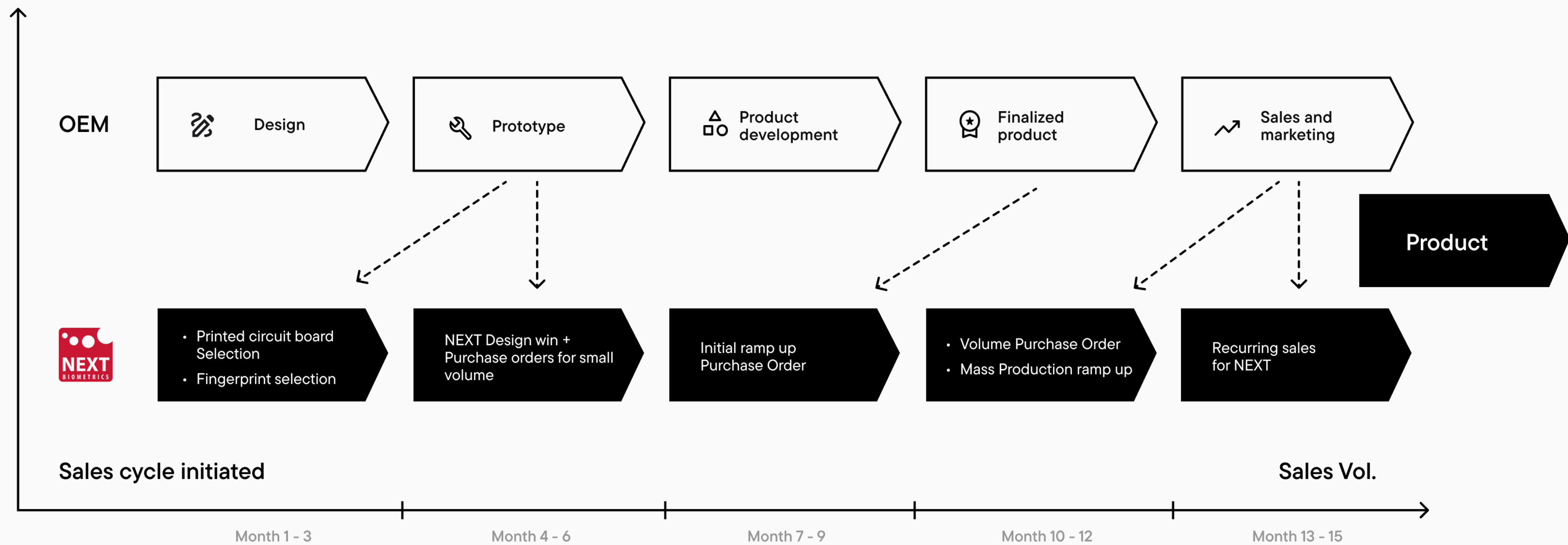
The time from design-win to the first sizeable purchase order is typically 6-18 months

Some of NEXT's design-wins are more important than others, but a high number of design-wins increases NEXT's probability of success

Our sensors are designed into products with long lifecycles, implying stickiness and long-lasting customer relationships

From design-win to revenue

From innovation to product (illustrative example)





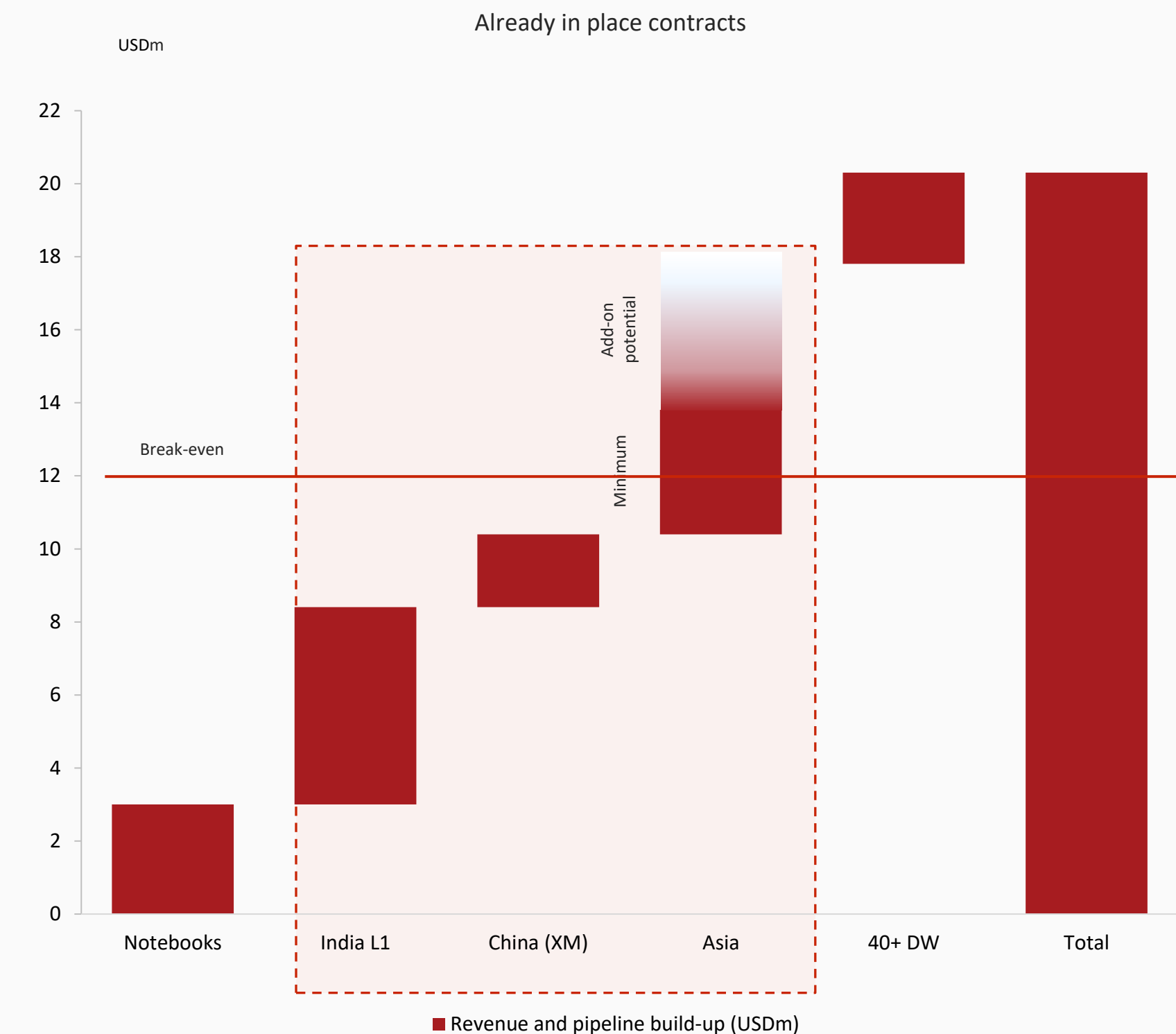
Q3 HIGHLIGHTS

Q3 2023 - Summary

Key developments in the quarter

- 3 new design-wins (44 accumulated)
- Low Q3 Revenues (NOK 6 million)
 - Low Q3 Notebook sensor shipments; global laptop market is awaiting 2024 and the three-year refreshment cycle and new Microsoft Windows version
 - India L1 launched, as expected limited revenue in Q3 from India
 - FAP20 China foundation in preparation phase, will provide revenue from Q4
- Adjusted Gross Margin of 37%
- Finance and accounting:
 - Completed NOK 60 million private placement
 - Accounting one-offs: NOK 4 million inventory write-off (end of life L0-related) and 1.1 million impairment
- Continued strong business development progress in China and India

Annual 2024 revenue potential (MNOK)



Q3 business development progress has further increased the potential for future revenues

Q3 2023 - Key Figures

Profit and loss

NOK million	Q3 2022	Q3 2023
Revenue	14.4	6.0
COGS	(7.8)	(9.0)
Gross margin ¹⁾	5.4	2.2
Gross margin % ¹⁾	38 %	37 %
OPEX ex. Options ²⁾	(13.4)	(12.8)
Adjusted EBITDA ²⁾	(8.0)	(10.5)

1) Gross margin adjusted for inventory write-downs
2) OPEX and EBITDA excluding share based remuneration, options social security cost and inventory write-downs

Revenues
NOK 6.0 m vs. NOK 14.4 m in Q3 2022

Gross margin
• Adjusted Gross margin¹⁾ of 37% vs. 38% in Q3 2022

Operating expenses
• OPEX ex. options of NOK 12.8 m vs. NOK 13.4 m in Q3 2022

EBITDA
• Adjusted EBITDA²⁾ of negative NOK 10.5 m relative to negative NOK 8.0 m in Q3 2022

Cash and cash flow
• Completed private placement raising NOK 60 m
• Cash of NOK 86.1 m end of Q3 2023 versus NOK 38.6 m at end of Q2 2023
• Q3 cash burn of NOK 9.7 m

Continued low quarterly OPEX
Still in preparation phase for ramp-up

India has already taken off

Previous communication

- Aadhaar's upgrade to the next generation security continues. The new L1 certificate now mandatory. L1 now deployed
- End of life for L0 devices as per June 24 creates strong momentum for NEXT – roughly 4.5 million devices needs to be upgraded or replaced
- Secured contracts valued NOK 110-130 million over at least 2 years

Recent Developments and Outlook

- The certification processes are speeding up: one of NEXT's partners already L1 certified
- Large banks have started to pick up L1 devices. Number of tenders increasing
- NEXT's two additional OEMs expected to become L1 certified early 2024. Product launch shortly thereafter
- When in full operation, NEXT targeted market share of 30%

China taking off

Previous communication

- NEXT addressing both China ID and non-China ID products
- Secured contracts estimated value NOK 130 – 270 million over 3 years
- Initial product launch expected Q1 2024
- Multiple design wins and new partnership agreement under negotiation
- XM-Holder placed initial stocking order Q3 for Chinese market

Recent Developments and Outlook

- Ongoing China macroeconomic challenges, yet - NEXT expects that the Chinese biometric market will increase in 2024 compared to 2023
- NEXT comes with new innovative fingerprint technology with unique selling points, may dominate the market
- NEXT expecting mandatory China ID certification during Q4 2023
- NEXT expecting initial stocking order from Asia distributor

Outlook

- NEXT expecting revenues of NOK 15+ million in Q4
- NEXT is expecting EBITDA break-even in Q1/Q2 2024
- Already secured contracts and design-wins with NOK 200 million in total annual revenue potential
- Potential growth beyond this is large, both from already existing customers and new potential customers
- Expecting 40%+ gross margin on new contracts and run-rate OPEX cost of NOK ~60 million per year
- Set for mid/long-term success





Q & A



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