

# NEXT Biometrics Group ASA

## Q3 2021 Presentation

3 November 2021

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# Agenda

- Business update
- Q3 Report and summary
- Outlook
- Q&A session

# Favorable Biometrics business trends



Picture from iStock

- We see the market for biometric solutions have very long-term favorable growth
  - Global biometrics market forecast to hit \$84B by 2026\*
  - Biometrics market size projected at \$99B by 2027 driven by smartphones, IoT, passports and multiple other use cases/devices\*\*
  - Biometrics solutions increase in laptops due to Covid-19 and people have flexible working locations
- Microsoft now permits users to replace passwords with biometric authentication on their products
  - Other leading tech companies are likely to follow Microsoft's initiative, which will create ripple-effects, increasing demand for biometric products and solutions

\* [Link to source](#)

\*\* [Link to source](#)

# Received first purchase order from tech-giant

- 5-year partnership agreement with tech-giant announced 10 March 2021
  - NEXT engaged in several customer project including different products & markets
  - Initial larger purchase order announced in September 2021 on FAP20 sensor
  - Engaged in different tenders both smaller and larger globally, we're in pole position in one of the world's largest biometric markets
  - The tenders could be anything from readers to portable devices
  - This engagement gives a ripple effect for other OEMs looking at NEXT active thermal technology as this large OEM has chosen NEXT technology



Note! All examples of devices and use cases from Google and has nothing to do with this partnership

# New design win with large Asia based PC OEM

## New sensor design win

- Won biometric fingerprint sensor design-win with large Asia based PC OEM
- Initial smaller purchase orders received
- Will use our NB2033-U2 sensor
- Dual source position with competitor

## Expectations

- Product launch TBD, target Q1 2022
- Initial production starting in Q4 2021
- Smaller quantities at first, volume will increase as more products in the portfolio are designed with NEXT Biometrics sensors

## Conclusion and proof points

- With the rigorous quality requirements that a PC OEMs has, this is another proof point that the product is of world class quality

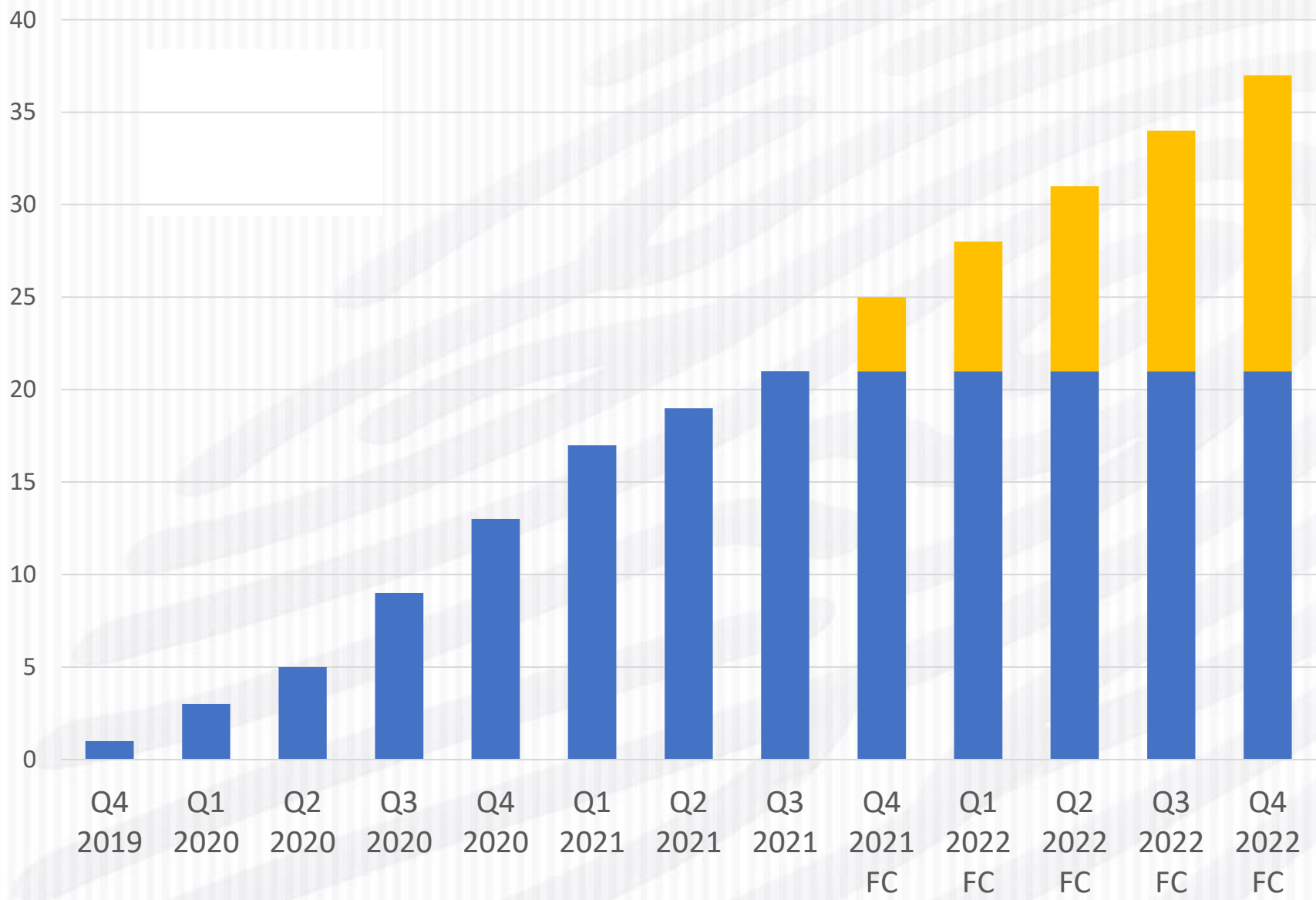


Note! Not the design of design win

# Growth agenda – Design wins



Total number of design-wins  
(accumulated)



Approx. 50% of design-wins are FAP20 as per Q3 21

- Pipe line with structural growth agenda adding at least three design-wins per quarter
- Focus is also to add different use cases not to become a one legged pony
- Total number of design-wins now at 21
- Time from design-win to initial production varies from 6 months up to 24 months
- Establishing foundation for long-term recurring revenue growth
- NEXT’s sensors are designed into products with lifecycles of 4-8 years, implying stickiness and long-lasting customer relationships



Indicative extrapolation of current pace of new design-wins (3 design wins per quarter). This is just an indication, not a guiding from NEXT)

# Example on a typical Design-win

- NGRAVE is the most secure hardware crypto-wallet on the planet (taken from the website\*)
- Start-up company with a crypto-wallet
- Design-win won in Q4 2020, initial order Q4 2020
- Until now taking pre-bookings on web site and NEXT is receiving initial orders
- Official launch planned soon
- This example took approximately 12 months from design-win to official product launch



\* <https://www.ngrave.io>

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# Key Figures Q3-2021

## Profit and loss

NOK million	Q3 2020	Q3 2021
Revenue	15.2	12.4
COGS	(13.2)	(9.8)
Gross margin	2.1	2.7
Gross margin %	14%	22%
OPEX ex options <sup>1)</sup>	(16.3)	(11.9)
EBITDA ex options <sup>1)</sup>	(14.2)	(9.2)
Operational cash flow	(20.3)	(1.7)
Cash position	86.8	116.9

Orders received of NOK 17.4 m and revenue of NOK 12.4 m

- Revenues impacted by semiconductor shortage; revenues of NOK 17.4 m if components had been available

Gross margin of 22% vs. 13% in Q3 2020

- Improved product mix

OPEX ex options<sup>1)</sup> of NOK 11.9 m vs. NOK 16.3 m in Q3 2020

EBITDA ex options<sup>1)</sup> improved by NOK 5.0 m compared to Q3 2020

All time best quarterly operational cash flow at minus NOK 1.7 m

Cash position of NOK 116.9 m vs. NOK 86.8 m in Q3 2020

**Growth in orders received**  
**Continued low quarterly OPEX level**

1) OPEX and EBITDA excluding share based remuneration  
Option and options social security costs of net NOK 4.5 m in Q3 2021

# Key Q3 2021 Takeaways

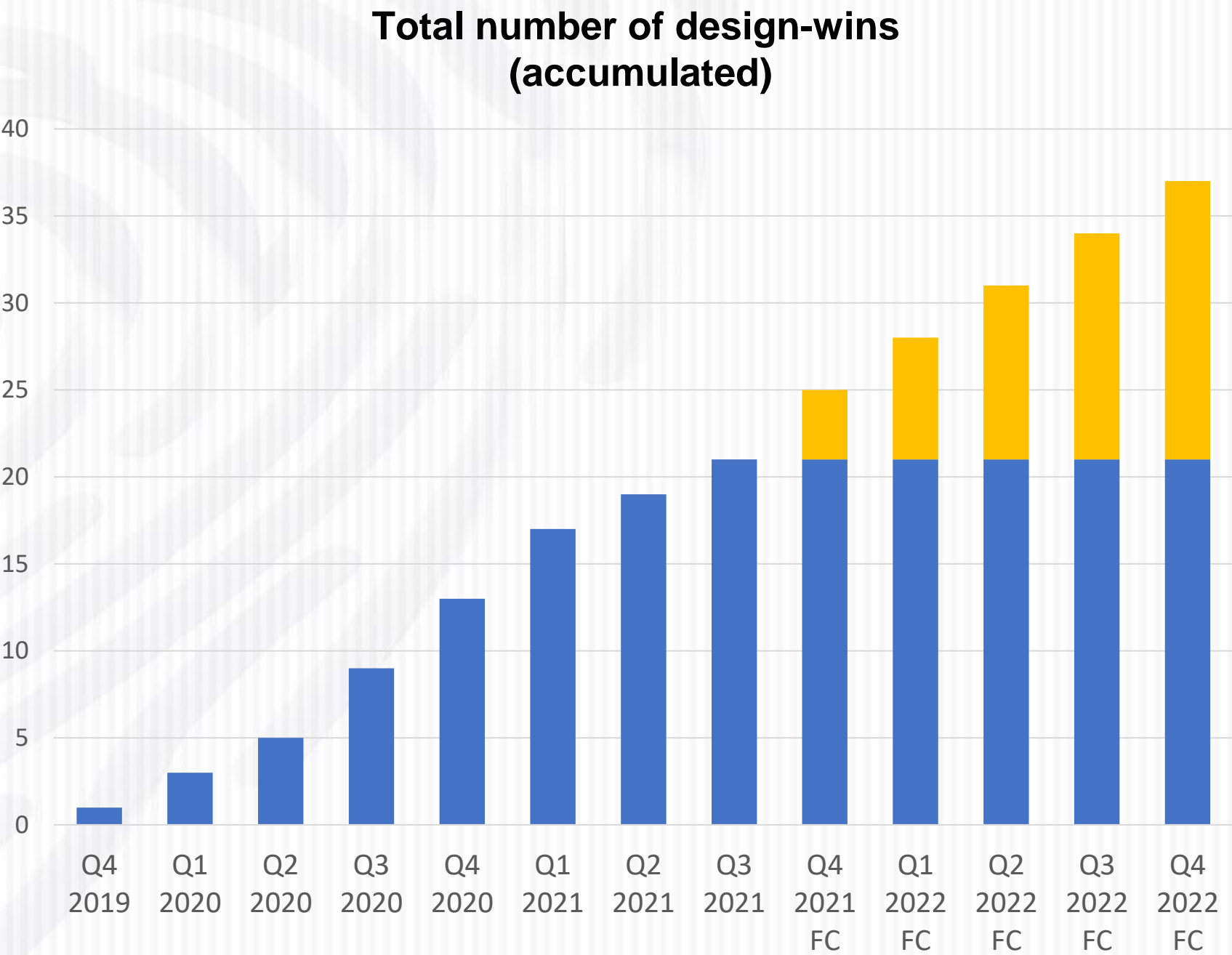
- Received first purchase order with tech giant
  - Design wins:
    - New PC sensor design win with Asia based PC OEM
    - Accumulated 21 design wins last 21 months
  - Revenues and orders:
    - Strong PC-sensor order bookings during Q3, still unfilled backlog of NOK 5 m
    - NOK 17.4 m in orders booked
    - Revenues booked at NOK 12.4 m due to supply chain challenges
  - FAP20 shipments low during Q3, but will increase in Q4
  - Quarterly OPEX still lower than communicated target
  - All time best quarterly operational cash flow and NOK 117 m cash position at end of quarter
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- With a strong balance sheet and a slim operation, NEXT focused on continuing scaling up with more design wins


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# Outlook – Main focus – NEXT updated Growth strategy

- Favorable market trends following Microsoft Biometric announcement
- Structured increase of FAP20 design-wins
  - New purchase order with major partner announced
  - Improved Q4 FAP20 orderbook
  - Additional large purchase orders expected, but timing of announcement uncertain
- 3 new design-wins per quarter since Q4 2019, aiming to increase further
  - Additional design wins expected to be announced during remaining part of 2021
- Start adding face recognition as complementary biometrics customer offering



 Indicative extrapolation of current pace of new design-wins (3 design wins per quarter). This is just an indication, not a guiding from NEXT)

# Q & A

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