

# NEXT Biometrics Group ASA

**First quarter- 2018 – 15 May 2018**

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## Fingerprint Solutions that are Secure, Accurate and Easy-to-Use



>4m

Founded 2004; IPO 2014

>4 million sensor  
modules shipped to-date

Proven biometric fingerprint  
sensor provider

Achieved positive gross margin



Cost-efficient  
mass-production of  
large-size, rigid and  
flexible sensors

Key enabler of coming  
wave of biometrics



1bn

Worldwide  
fingerprint sensor market  
>1 billion units

Positioned for leadership  
in emerging smart card &  
government ID markets

Listed on Oslo Stock Exchange (NEXT) • Market cap NOK 723 million / \$~91 million • 2017 revenue NOK 98 million / ~\$12.5M  
HQ in Oslo, Norway • 90 employees - 50% US, 25% China & Taiwan

# Q1 2018 Highlights

- Revenue of NOK 23.3 million vs NOK 24.7 million in Q4-17
- Positive gross margin of 19%, up from negative 4% in Q4-17
- Raised NOK 120 million in gross proceeds to fund growth
- Passed 4 million sensors shipped
- Management team reorganized to strengthen manufacturing and scalability
- Successful testing of new contactless smart card solution (April)
- Shipping first samples of contact-based smart card module to customers (May)



# Delivering on Gross Margin Target

Gross margin of 19% in Q1 2018

- First-ever positive quarterly gross margin

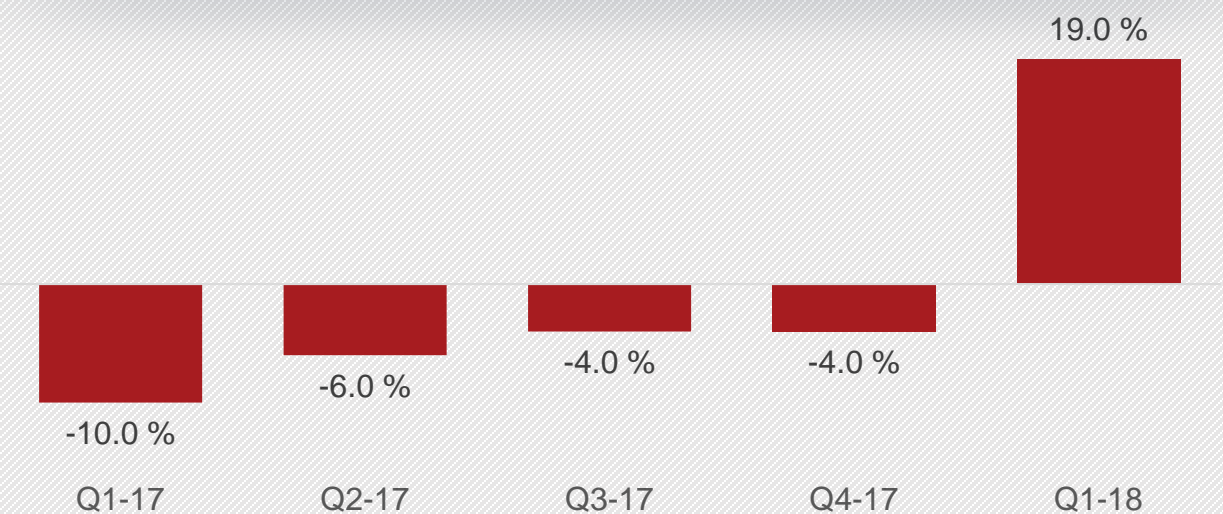
Drivers for margin improvement

- New ASIC
- Improved yields and scaling impact
- New segments with higher gross margin contribution

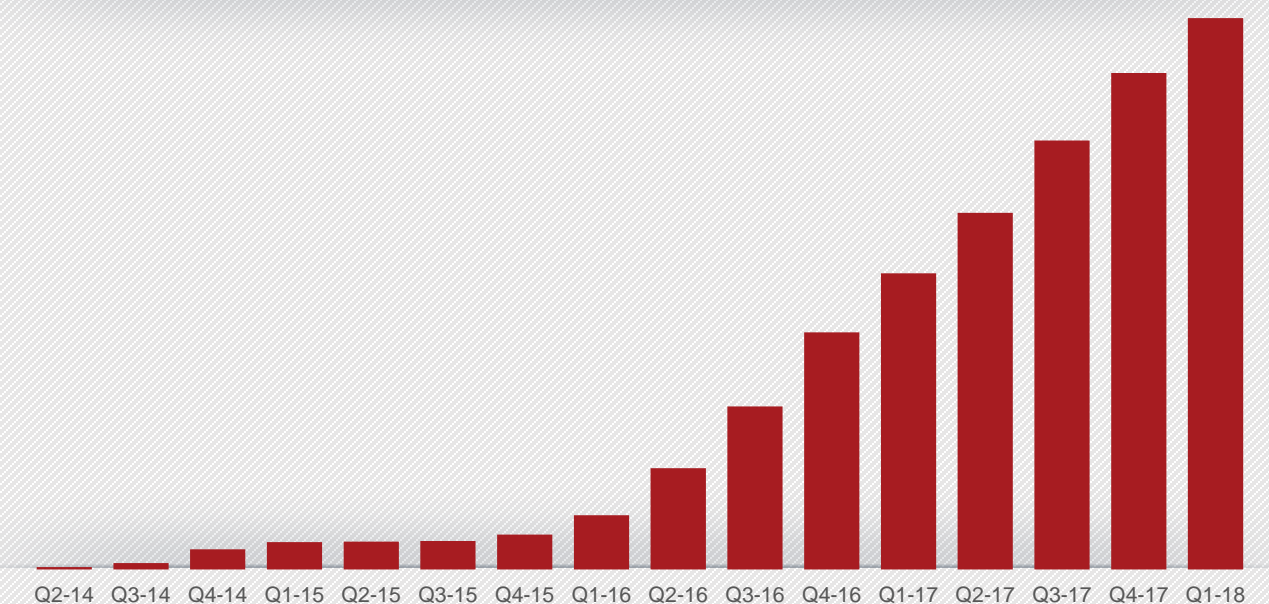
Future gross margin

- Expect continued positive trend
- Improvements based on shipments into higher margin Access Control, Govt ID and Smart Card segments

## Gross margin



## Accumulated sensor shipments >4 million





# First Revenue with positive gross margin

## Profit and loss

<b>NOK million</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>
Revenue	24.1	24.0	25.4	24.7	23.3
COGS	26.5	25.5	26.4	25.6	18.8
<b>Gross profit</b>	<b>(2.4)</b>	<b>(1.6)</b>	<b>(1.0)</b>	<b>(0.9)</b>	<b>4.5</b>
Gross margin	(10%)	(6%)	(4%)	(4%)	19%
EBITDA	(42.9)	(40.1)	(38.6)	(41.8)	(38.8)
<b>EBITDA adjusted*</b>	<b>(40.7)</b>	<b>(37.3)</b>	<b>(35.2)</b>	<b>(36.9)</b>	<b>(37.8)</b>
Operating profit	(43.7)	(40.9)	(40.0)	(54.8)	(40.8)
<b>Operating profit adjusted for one-off</b>				<b>(43.4)</b>	

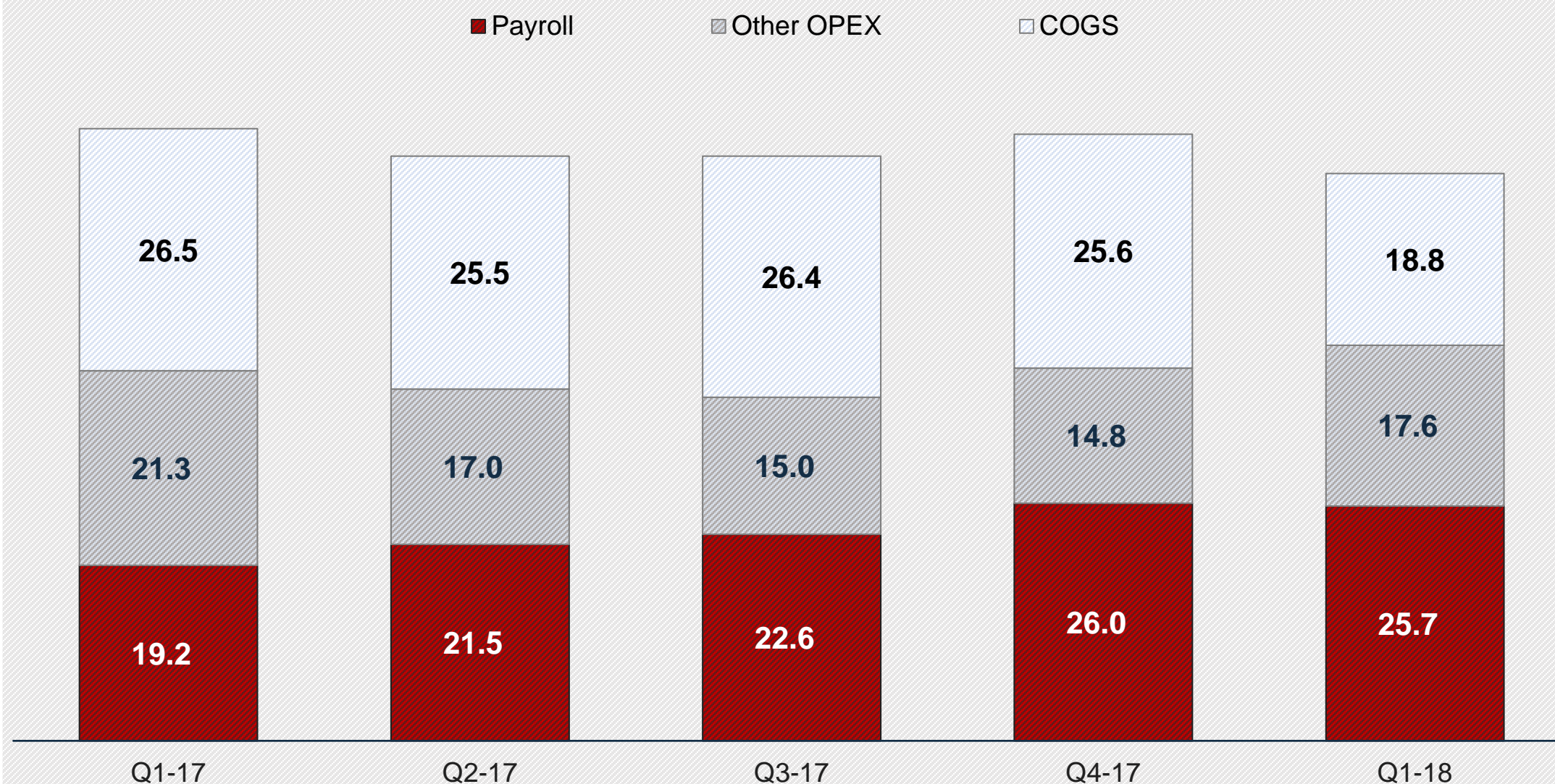
\*EBITDA adjusted for cost of options.

- Q1-18 revenue little changed vs. recent quarters
- Gross profit improvements according to plan.
  - Positive in January
  - Passed 20% in the month of February
  - 19% for Q1
- Note. Q4-2017 EBITDA included NOK 5 million positive “skattefunn” effect

# Maintaining Operating Expense Discipline

## Total operating expenses

NOK million

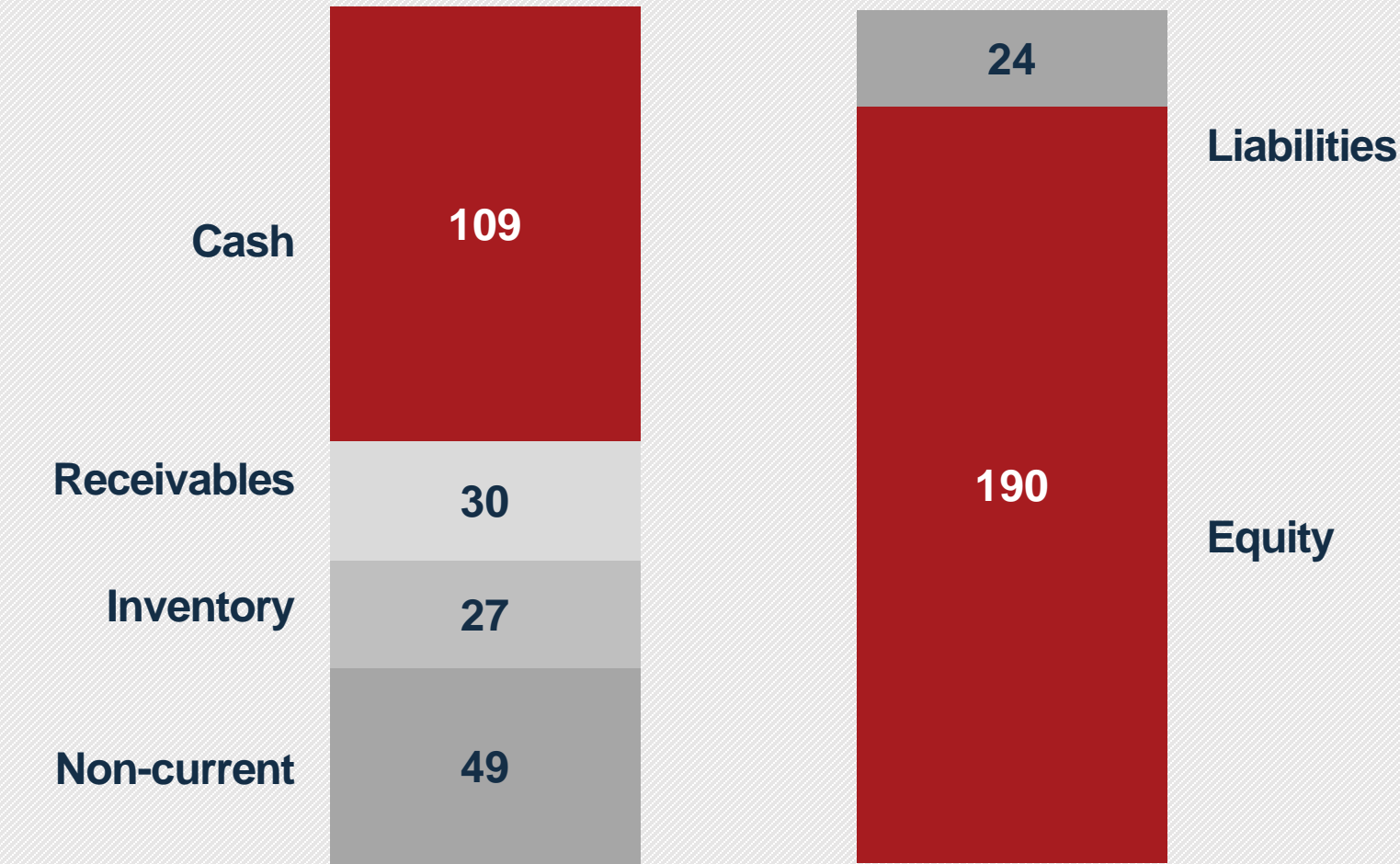


- Payroll increases since Q1-17 reflects the increased R&D activities with focus on Smartcards and government ID
  - Payroll expenses are flattening out, but will be impacted with non-cash option expenses
- The level of other OPEX continue to reflect increased R&D activities
- Total Q1-18 option costs NOK 1.0 million vs NOK 4.9 million in Q4-17

# Private Placement Provides Growth Financing

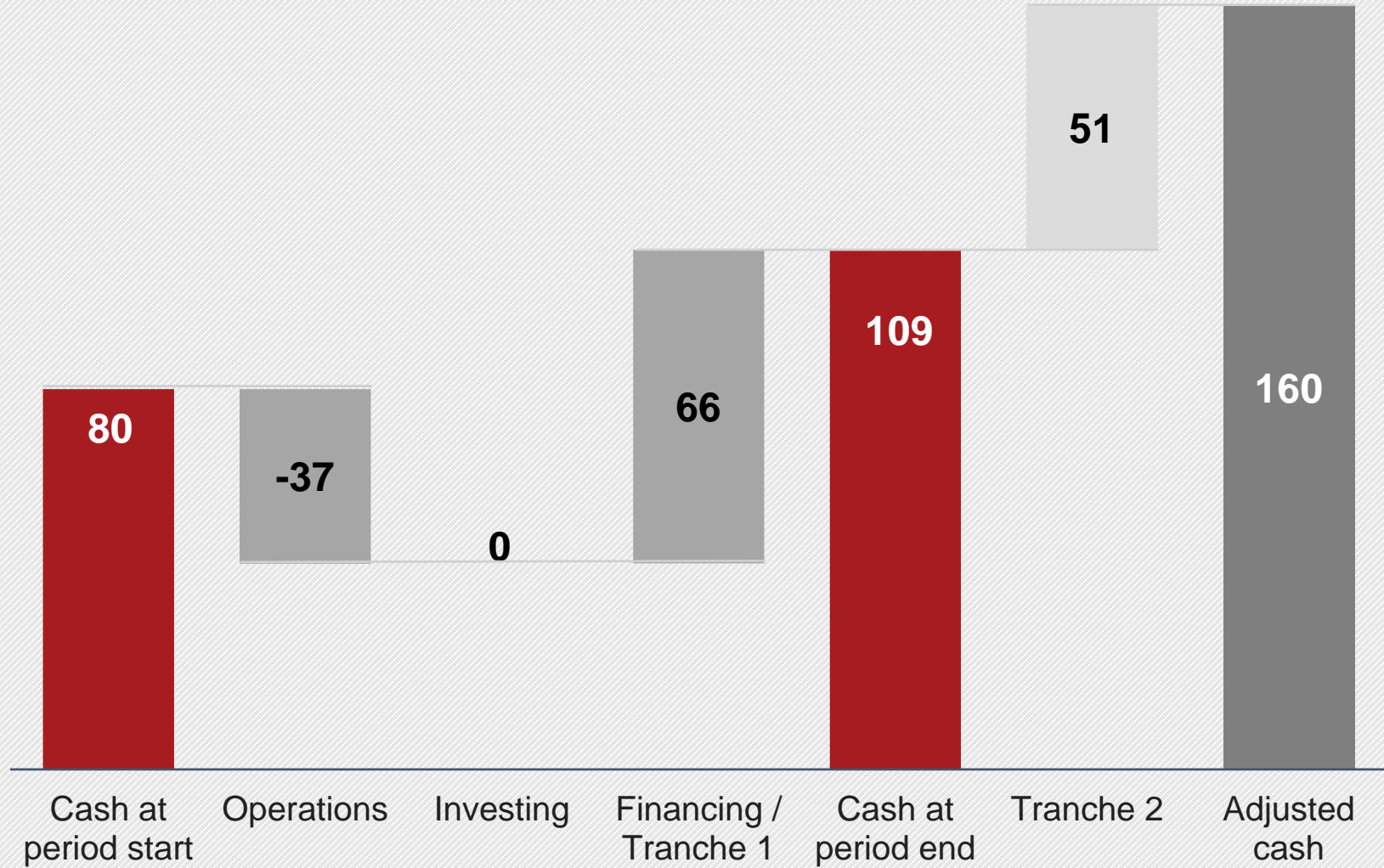
## Balance sheet

NOK million



## Cash flow development

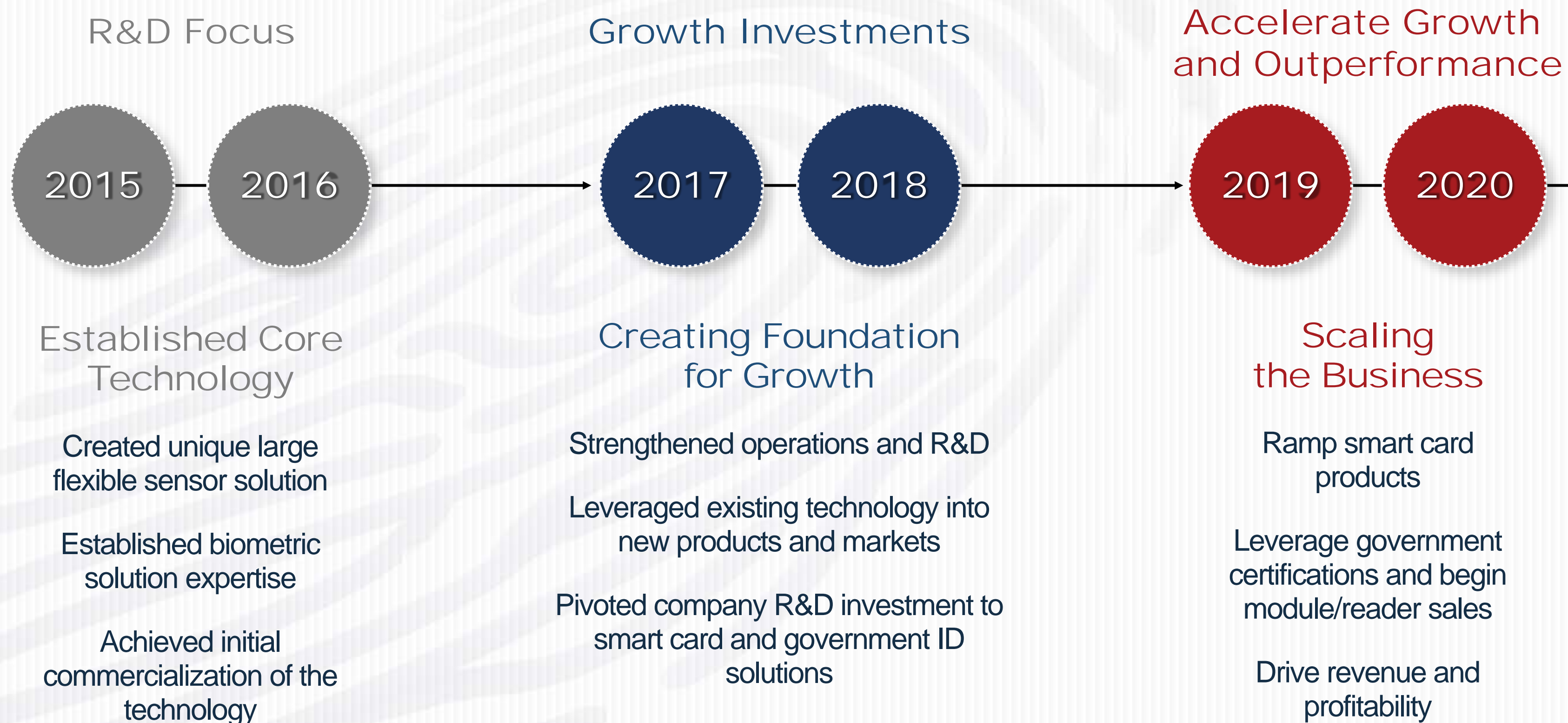
NOK million



\*Cash from tranche 1 received in March. Tranche 2 received in April



# The Transformation of NEXT Biometrics



# Strengthening manufacturing and product development

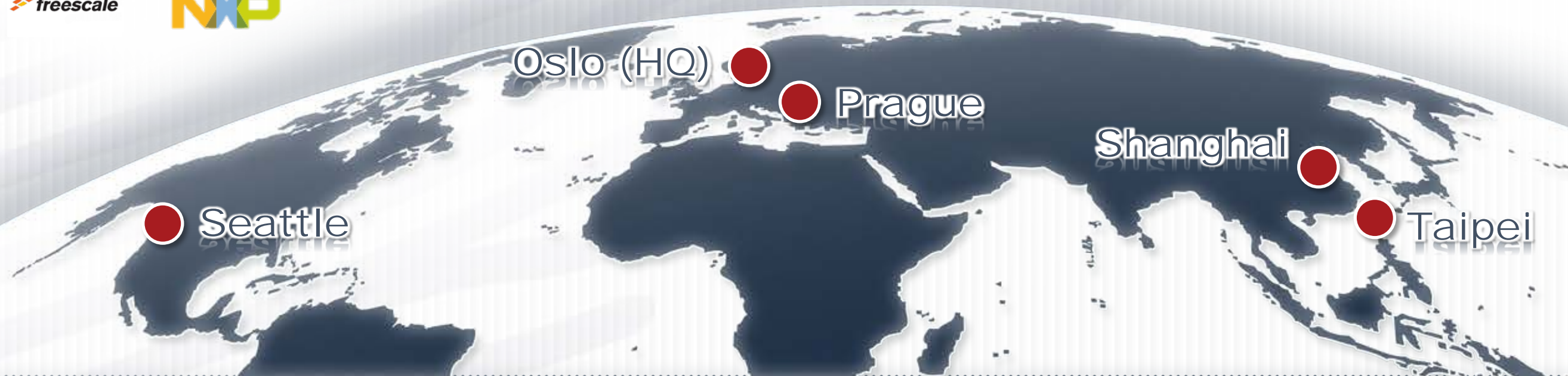
- Dan Cronin  
appointed Chief  
Operating Officer
  - Previously EVP of Engineering
  - Tasked with integrating the development and manufacturing of sensor technology into a single, streamlined unit



- Ravi Jagannath  
hired as SVP of  
Operations
  - Previously employed at  
chip maker Cirrus Logic



- Zehira Sitbon-Dadon  
assumed responsibility for  
Sales & Operations  
Planning
  - Chief of Staff and  
HR Officer

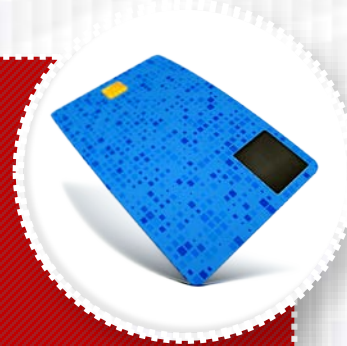




# Targeting Markets that Leverage Large Size Cost Benefit

Smart card

**#1 priority**



Government ID

**Certification of  
existing products;  
Expanding sensor  
portfolio**



Notebook

**Stay strong  
and relevant**



Access control

**Leverage existing  
portfolio through  
distribution channel**





# Continued Progress on Customer- and Development Projects

- Official opening of Tactilis' smart card factory in Malaysia in early April
  - Projected capacity of 5 million cards annually
  - Additional capacity expansions planned
  - Multiple projects in process based on NEXT's chipsets
- Step-by-step progress in India on certification for Aadhaar program

## Smart card with flexible sensor\*

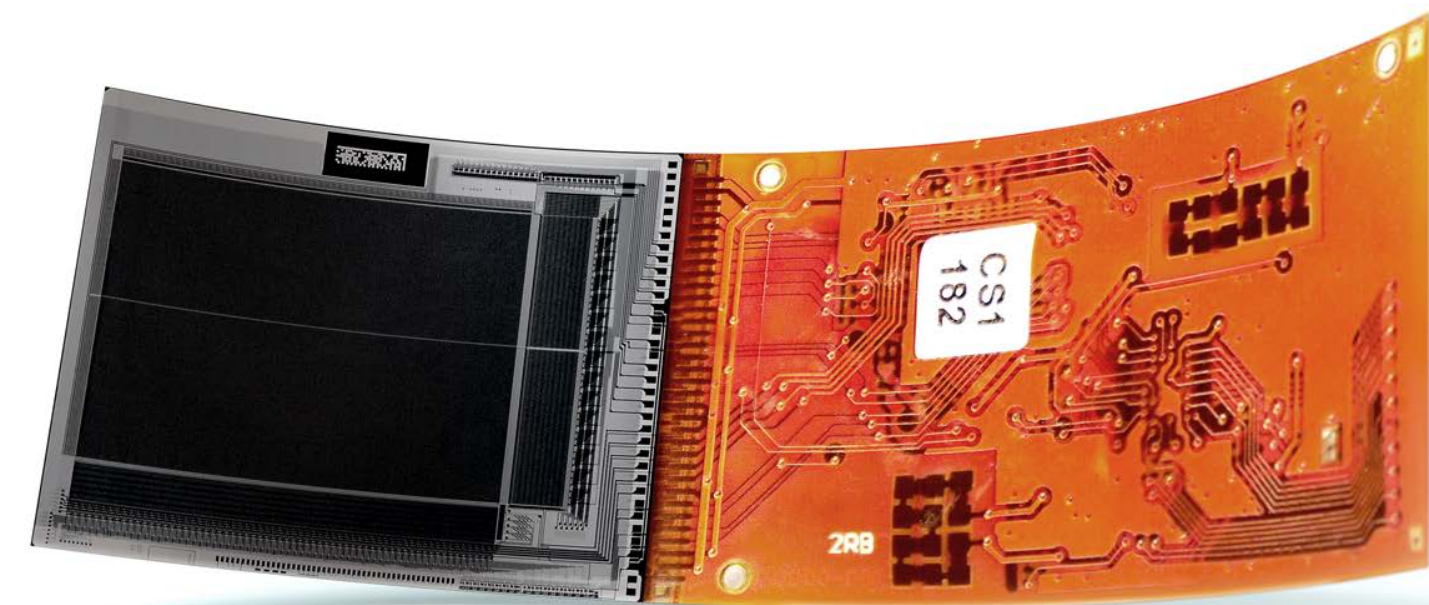


\* Incorporates NEXT NB610 flexible fingerprint sensors compliant with ISO 17839 defining the implementation of biometric system-on-a-card devices



- First samples new biometric module for contact-based smart cards shipped to select customers in May
- Shipped to 7 customers with which NEXT has worked closely with over time
- Ongoing engagements with additional 20 customers worldwide

## NB-4410: Biometric module for Smart Cards



Benefits	<ul style="list-style-type: none"><li>• Ease of integration – connect module directly to smartcard chip</li><li>• Ease of enrollment – one-touch self enroll capability</li><li>• Secure &amp; convenient – proven low FRR at low FARs</li><li>• Interoperable – ISO compliant biometric algorithm</li></ul>
Applications and Markets	<ul style="list-style-type: none"><li>• Ideally suited for financial inclusion, government ID and access control</li><li>• Class B contact cards</li></ul>
Key features	<ul style="list-style-type: none"><li>• Fully flexible sensor compliant with ISO 17839</li><li>• Integrated LEDs</li></ul>



# Passed First Hurdle Towards Contactless Smart Card Solution






- Successful test of contactless solution
  - NEXT's smart card module performed all biometric functions powered only by contactless reader
  - Reliable and consistent performance achieved
- Low-power, secure and wireless processing of biometric data is a key requirement for contactless smart cards
- A first step towards commercialization of NEXT's fingerprint sensor technology for contactless smart cards





# Development of FAP20 sensor for Government ID market on track

- Progressing with the FAP20 government grade sensor
  - FAP20 represents the globally preferred sensor size
- Expected to start sampling in Q4-18

Standard	Size (sq mm)	Image quality	Use cases
 <b>India UIDAI</b>	Open to new technologies*	PIV or comparable	▪ India Aadhaar verification
 <b>NIST FAP10</b>	~209	PIV	▪ U.S. govt: Commercial & Large ID Verification
 <b>China ID</b>	~228	-	▪ China ID verification
 <b>NIST FAP20</b>	~309	PIV	▪ U.S. govt: Cooperative Identification ▪ Turkey ID, Indonesia ID, Brazil banking ID etc. ▪ India Aadhaar verification
 <b>NIST FAP30</b>	~516	PIV	▪ U.S. govt: Uncooperative Identification

\* Requires large scale technology performance validation (STQC FRR test <2% FRR required)



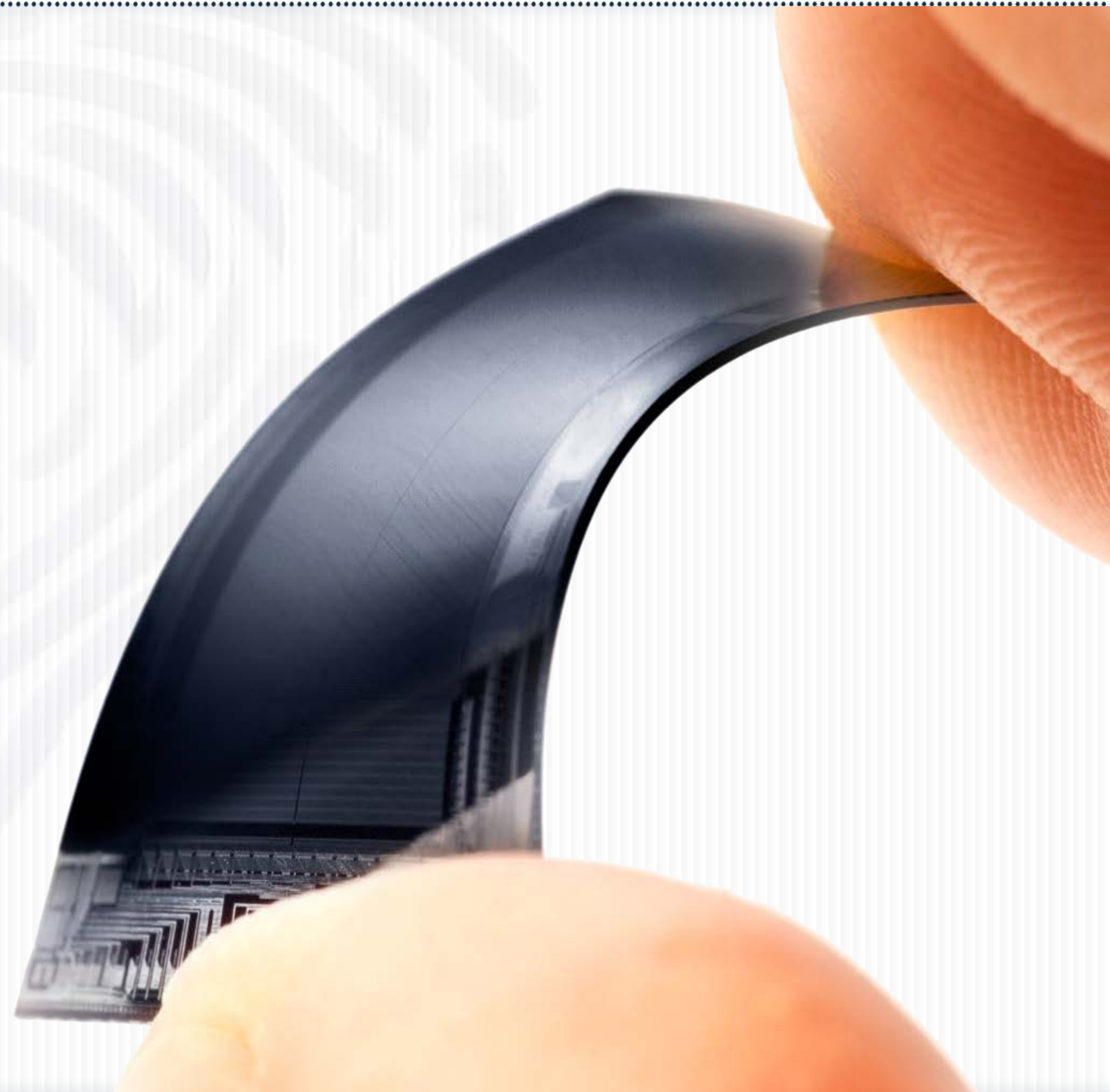
# Q1 Summary and outlook

## Achievements

- ✓ Achieved positive gross margin
- ✓ Established financial runway to break even
- ✓ 4 million sensors shipped
- ✓ Delivering on our smart card product roadmap

## Outlook

- ✓ Continued progression for India certification
- ✓ Integration in multiple customer smart card projects
- ✓ Sample FAP20 (government grade) sensor in Q4





# NEXT's Winning Strategy

Technology  
and cost  
advantage

Proven  
Track Record

Targeting  
High Growth  
Markets

Financial Focus  
and Discipline

