

NEXT Biometrics Group ASA

Q1 2020 Presentation

12 May 2020

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Quarterly highlights

Revenues of NOK 20.5 m, up 122% from Q4-2019

Gross margin of 17% (-2% in Q4-2019) resulting from increased sales volume and improved product mix in the quarter

EBITDA ex options of NOK -33.6 m (NOK -44.3 m Q4-2019)

NOK 14 m reduction in underlying quarterly OPEX¹⁾ relative to Q4-2019

Cash position NOK 54.1 m as per 31 March 2020 (NOK 88.5 m per 31 December 2019)

Management changes, extended and accelerated cost reduction program

Strong sales momentum with tangible opportunities (compared to 2019), which may now become delayed due to global Covid-19

1) Excluding non-recurring items and FX effect



Key Figures Q1-2020

Profit and loss

| NOK million | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 |
|----------------------------------|------------|------------|-------------------|------------|------------|
| Revenue | 27.5 | 30.1 | 17.6 | 9.2 | 20.5 |
| COGS | (18.2) | (20.5) | (15.8) | (9.4) | (17.1) |
| Gross profit | 9.3 | 9.6 | 1.9 | (0.2) | 3.4 |
| Gross margin | 34% | 32% | 27% ¹⁾ | -2% | 17% |
| EBITDA | (38.7) | (32.8) | (31.2) | (45.1) | (33.6) |
| EBITDA adjusted ²⁾ | (35.4) | (30.5) | (34.7) | (44.3) | (33.6) |

- 1) Before inventory write-down
2) EBITDA adjusted for cost of options.

Revenue of NOK 20.5 m, up from NOK 9.2 m in Q4-2019

- 122% increase in quarterly revenues relative to Q4-2019
- Q4 2019 still expected to be low point in revenue per quarter
- Shipments to India and delivery of notebook sensors - main contributors
- New Sales organisation has quickly provided solid revenue and sales momentum during Q1

Gross margin of 17% vs. -2% in Q4-2019

- Gross margin heading in right direction during Q1, still only part of potential with new products.
- Main revenue contribution from India order with relative low margin

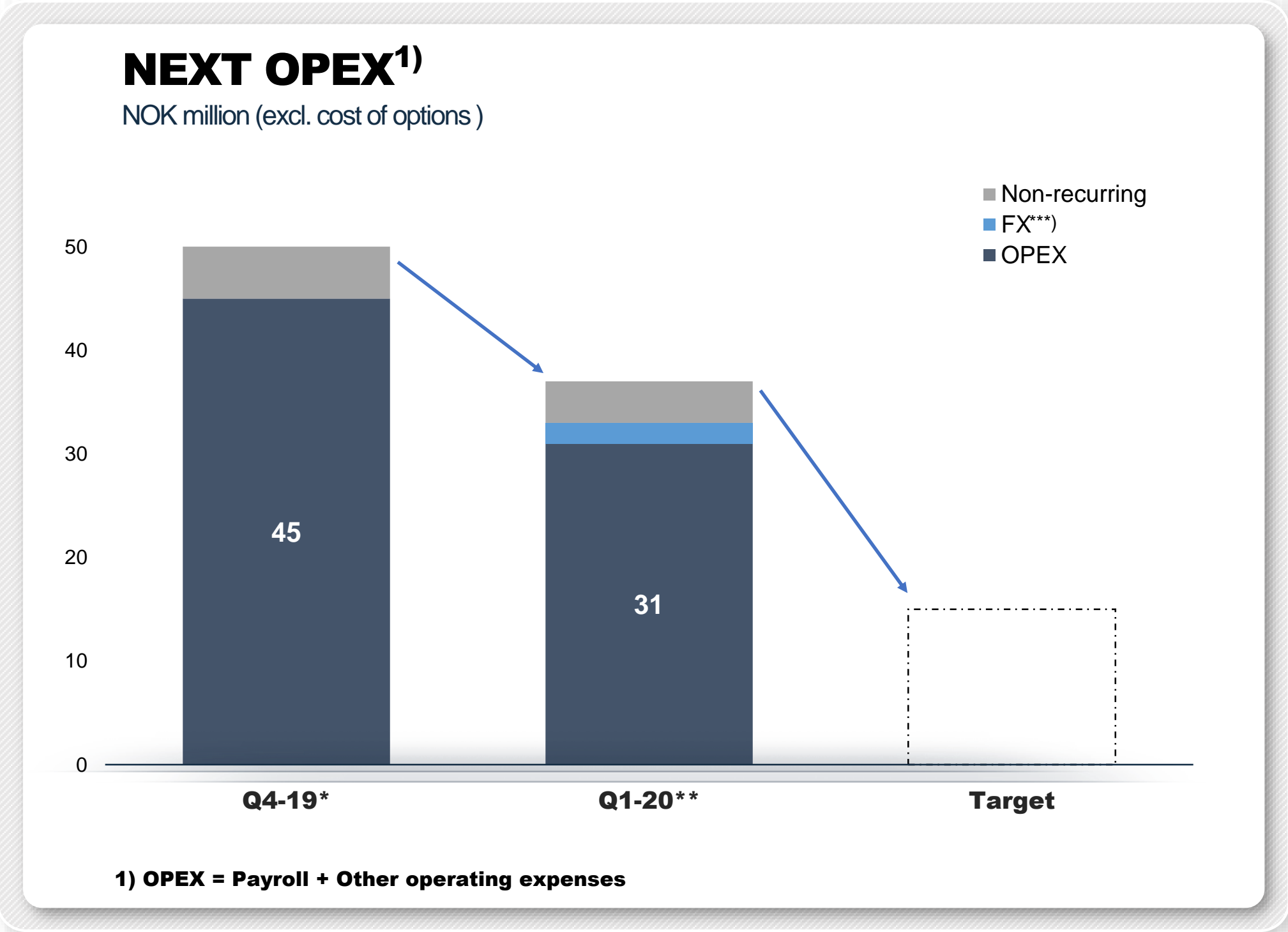
Opex³⁾ of NOK 37.0 m vs. NOK 44.3 m in Q4-2019

- Opex heading lower but not fully visible in Q1 due to FX and non-recurring costs
- FTE reduction, cancellation and renegotiation of supplier agreements starts to contribute to lower operating costs

EBITDA adjusted improved by NOK 10.7 m compared to Q4-2019

3) OPEX=Payroll and Other operating expenses)
NOK 5 million Skattefunn benefit included in Q4-19 OPEX

Continued OPEX reduction in Q1 2020



Continued execution of cost reduction measures during the quarter

Increased annual cost reduction target by NOK 20 million during Q1

Non-recurring costs of NOK 4.4 million in Q1-2020

FX negative impact of NOK 2 million due to weak Norwegian krone

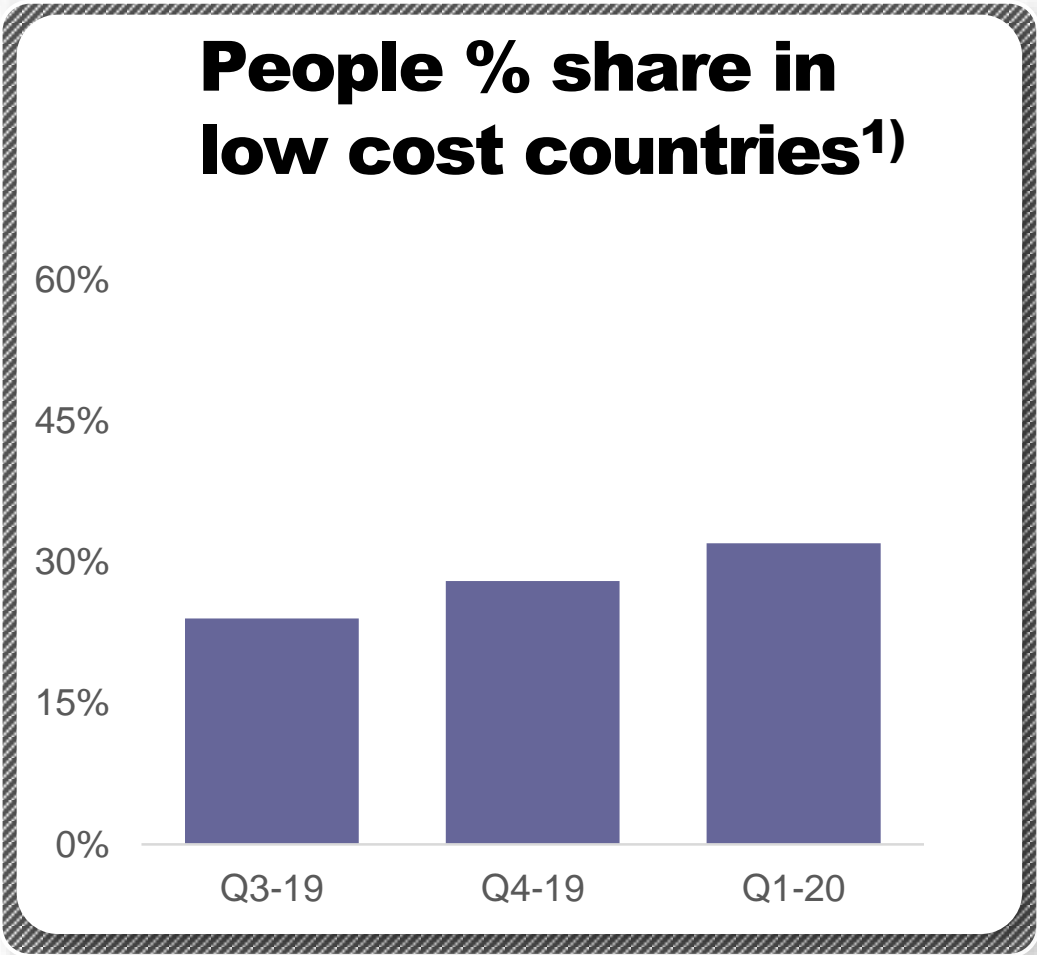
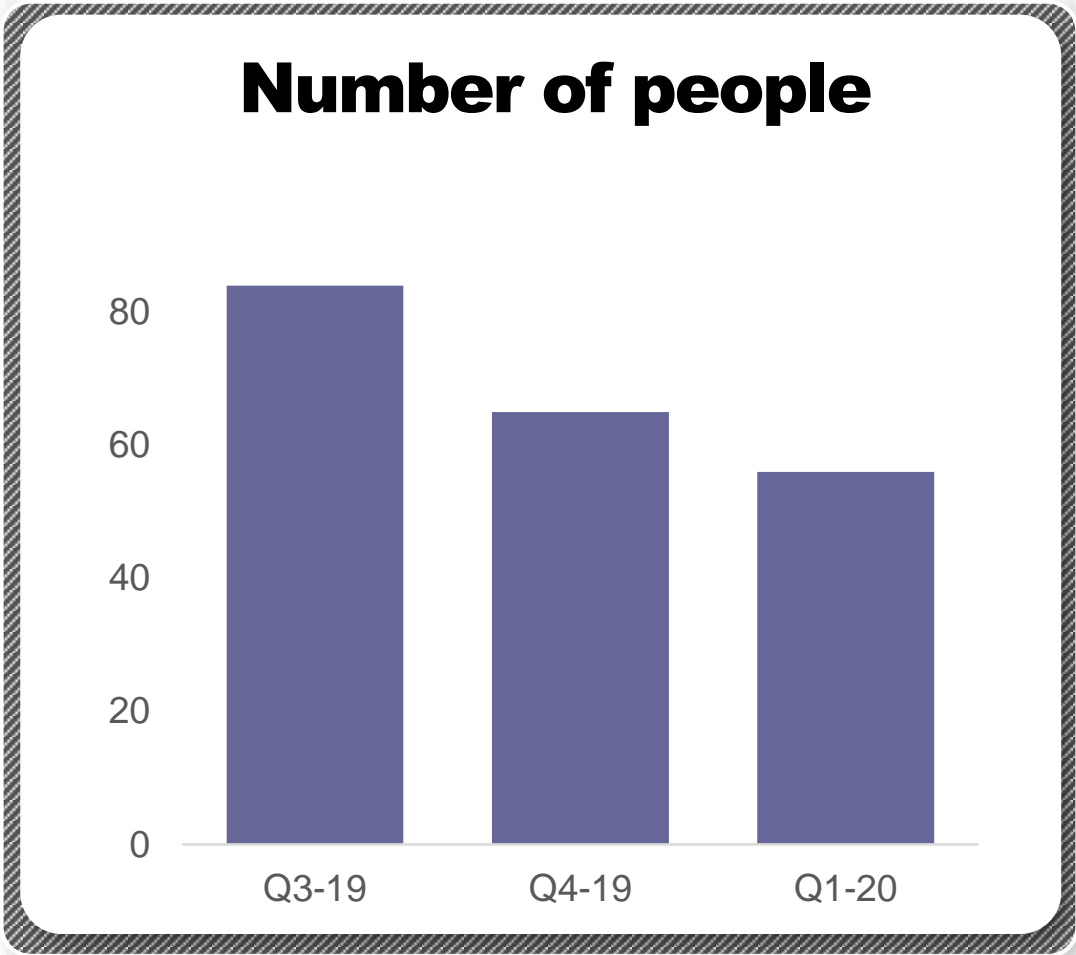
Net reduction of 10 employees in Q1

*) Adjusted NOK 4.7 million severance pay and other one-off effects. NOK 5 million Skattefunn benefit not included in OPEX.
**) Adjusted for NOK 4.4 million severance pay and other one-off effects
***) Q1-20 foreign exchange effect on OPEX relative to Q4-2019

Ongoing improvement in OPEX metrics

Q1 cost reduction

- Implemented management changes
- Cancelling and renegotiation of external service agreements
- Further external R&D cost reduction



Q1 and Q2 cost reduction program not fully reflected in Q1 2020 financials

1) China, India and Taiwan

Q1 Summary



Tangible Growth agenda

- Revenues more than 122% higher compared to low point Q4 2019.
- Major order valued at USD 1.1 m won in India market
- First commercial order of PIV certified FAP 20 sensor
- Improved sales funnel & momentum build during Q1 (Covid-19 risk)
- Sales activities linked to existing competitive, well positioned available products
- Partnerships with strong companies providing recurring revenue potential in funnel



Customer centric

- Existing customers funding dedicated product/solutions
- Established internal Task Forces, governed by CEO for top priority customers and partner opportunities that are depending on internal technology resources
- As the Covid-19 situation has moved globally we have secured our customer service levels as well as the health of our employees



Resource and Capital allocation

- During Q1 all critical resources allocated to near term activities
- Accelerated execution of earlier announced cost program
- Additional plans and cost execution initiated during Q2
- Implemented improved working capital management



Capital

- Covid-19 related grant/loan of USD 1 million received in US (subsequent to Q1)
- CEO/CFO working with BoD related to future funding options



Multiple sales funnel opportunities at advanced stage

Notebook

- Growing Fujitsu volumes
- Working on closing design-in agreements with current and additional notebook manufacturers for One Touch ID FAP20



Government ID

- Design-in contracts (POS)
- Large India order shipped in Q1
- Promoting One Touch ID FAP20 and in discussions with partners at advanced stage
- Continued high tendering activity in India (COVID-19 related delays)



Access Control

- Suited for harsh conditions
- Promoting PIV certified One Touch ID FAP20
- Working with new partner on mobile biometrics fingerprint solution



Smart card

- Completed development and readiness of dual Interface solution
- Opportunistically following payment card eco-system
- Long-term focus on broader Smart Card market



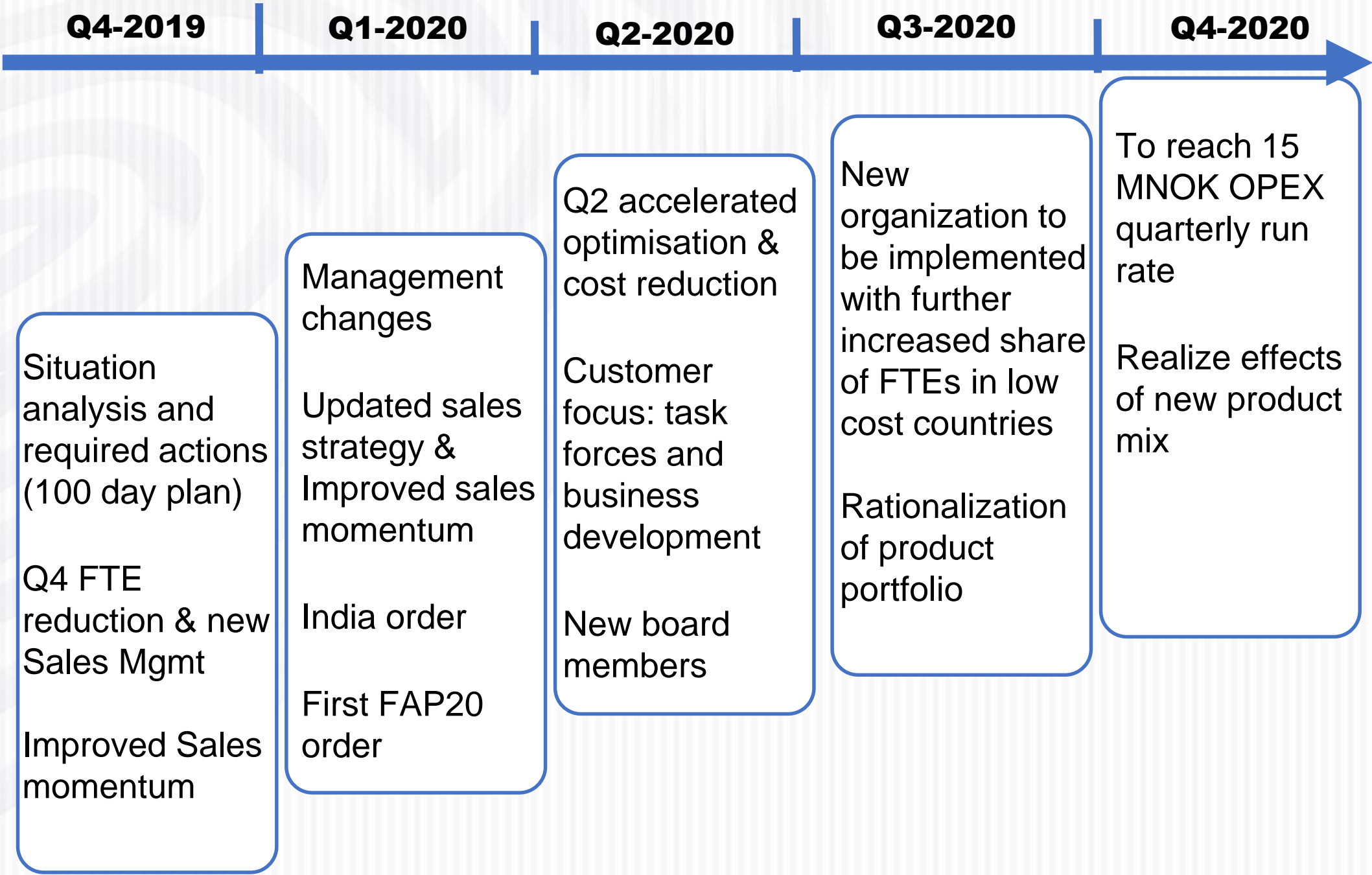
“The COVID-19 virus has an impact on sales, but management taking necessary steps to ensure that customers are serviced and that inquiries are being attended to in a professional manner.”

Outlook - 100 day program findings under implementation



100 day program focus areas

Timeline



Outlook - NEXT turnaround status

Restructuring targets

- Safeguard the company's intellectual property and key individuals
- Maintain existing and new customer relationships and carry out deliveries
- Reduce growth capital needs and improve working capital management

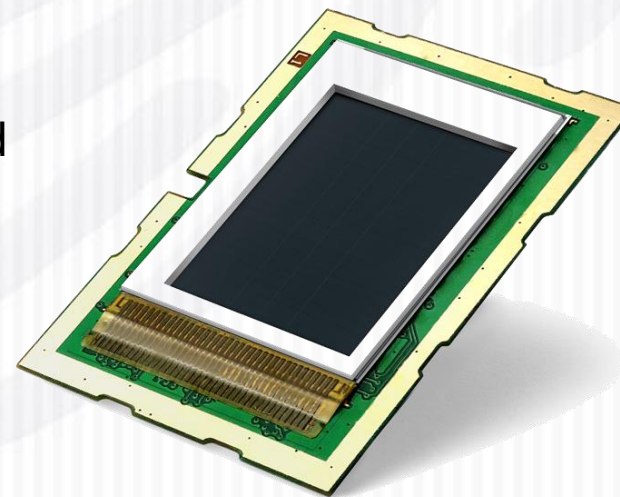
15 MNOK OPEX quarterly run rate by Q4 2020

- Outsource parts of the operation to lower cost countries
- Reduce headcount further
- Streamline and lower vendor costs further
- Simplify legal structure including lower administration costs
- Simplify product offering

Tangible growth agenda

- Continued focus with new sales strategy, working closer with customers configuring and adapting products to customer requirements
- Multiple opportunities at advanced stage
- New partner and customer contracts will be announced when signed with details of level of committed purchase order volume

“Management has acted resolutely with a restructuring plan that will provide a leaner and more customer focused operation. The plan will reset the company, conserve cash, and enable Next to become a commercially focused technology company”





One Touch.
One You.
NEXT Biometrics

