

## Q4 2013 Investor Presentation

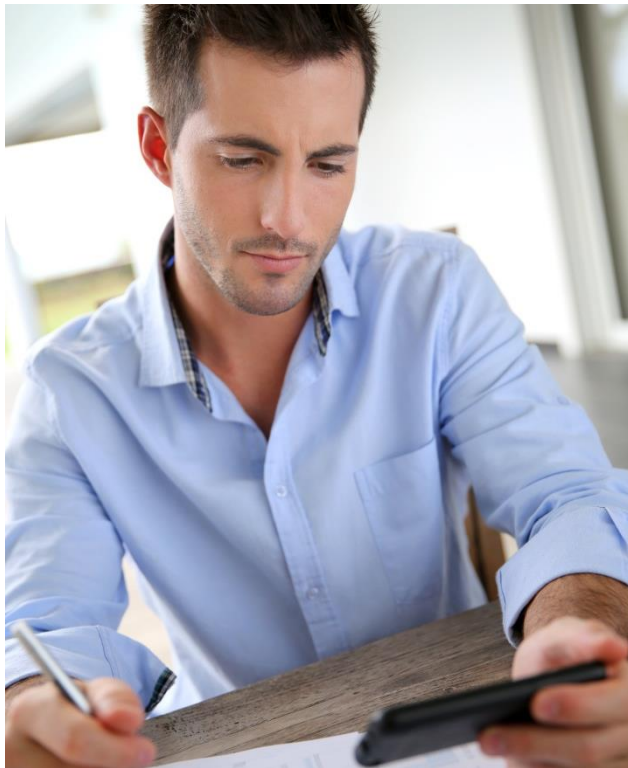
Svenn-Tore Larsen, CEO

Robert Giori, CFO

# Highlights:

## Strong revenue growth in Q4 2013

- Revenue increases by 29% to MUSD 35.6, driven by rapid growth in demand for *Bluetooth* Smart wireless solutions.
- Operating profit (EBIT) grows to MUSD 4.6 (vs. MUSD 1.9 in Q4 2012)
- Sales of *Bluetooth* Smart continue to accelerate, with many new products featuring Nordic's wireless solutions due for release in 2014
- Nordic is well-positioned for long-term growth opportunity within new «Internet of Things» applications



# Financial Highlights

Robert Giori, CFO

# Q4 2013 Financial Highlights (MUSD)

## MUSD

### Financial objectives

#### **Growth**

	<u>Q4 2013</u>	<u>Q4 2012</u>	<u>Comments</u>
Revenue	35.6	27.5	Strong growth in sales of <i>Bluetooth</i> Smart and RFID solutions
Order Inflow	27.7	25.8	

#### **Profitability**

Gross Margin %	53%	47%	Gross margin improves due to customer mix Headcount increases, as company invests in new product platforms
Operating Profit (EBIT)	4.6	1.9	
EBIT Margin %	13%	7%	
Net Profit after tax	3.3	1.4	

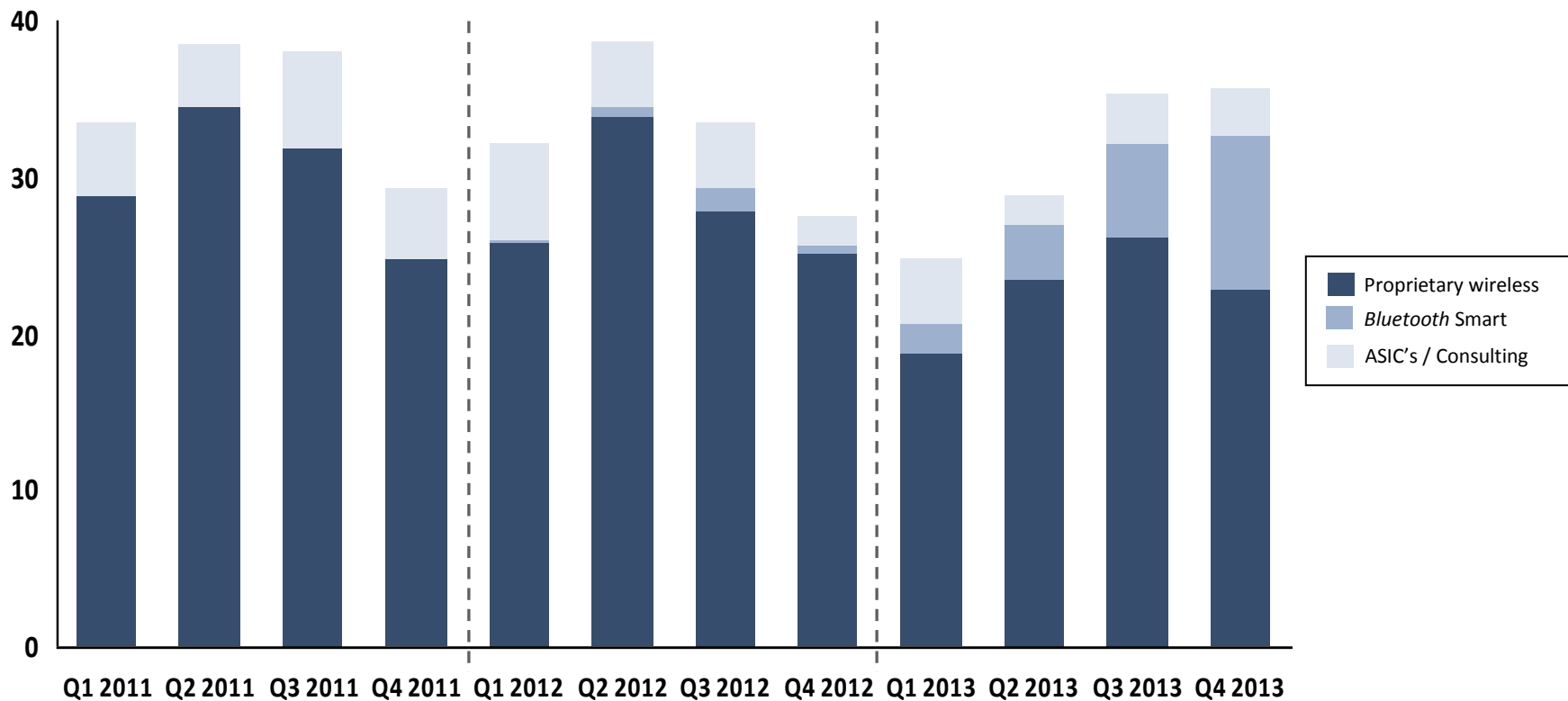
#### **Cash Flow**

Free Cash Flow	-2.4	14.4	Cash flow falls as working capital balances increase in response to growing demand
Cash Balance	26.1	40.4	
Accounts Receivable	30.0	26.1	
Inventory	22.2	11.7	

# Group Revenues

- Q4 2013 Revenue of MUSD 35.6 (29% increase from prior year)
  - Growth driven by *Bluetooth* Smart solutions, which represent 27.5% of revenue

Revenue split by technology, 2011 – 2013 (MUSD)



# Segment performance – Q4 2013

## PC / Tablet Accessories

Wireless mouse, keyboard, presentation tools

Q4 Revenue: MUSD 17.5 (MUSD 17.6)

- Sales of PC accessories stabilizes, after decline in 1H 2013



## Mobile / Wearable devices

Sports and medical monitors, mobile accessories, proximity tags, watches

Q4 Revenue: MUSD 10.5 (MUSD 3.8)

- Record high revenue driven by demand for *Bluetooth* Smart in wearable electronics



## ASICs (application specific IC's)

Wide sector span

Q4 Revenue: MUSD 2.9 (MUSD 1.5)

- Supporting existing customers only, not a focus area for growth. Sales fluctuates based on few designs.



## Home electronics devices

TV / appliance remotes, game controls, wireless charging, toys

Q4 Revenue: MUSD 1.0 (MUSD 1.9)

- Lower sales of older wireless toy designs

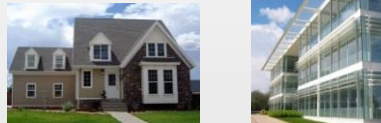


## Installed Sensor networks

RFID systems, building sensors, industrial automation, automotive

Q4 Revenue: MUSD 3.6 (MUSD 2.3)

- Rapid growth in revenue driven by recent RFID design wins



## Consulting services

Custom electronics design

Q4 Revenue: MUSD 0.1 (MUSD 0.3)

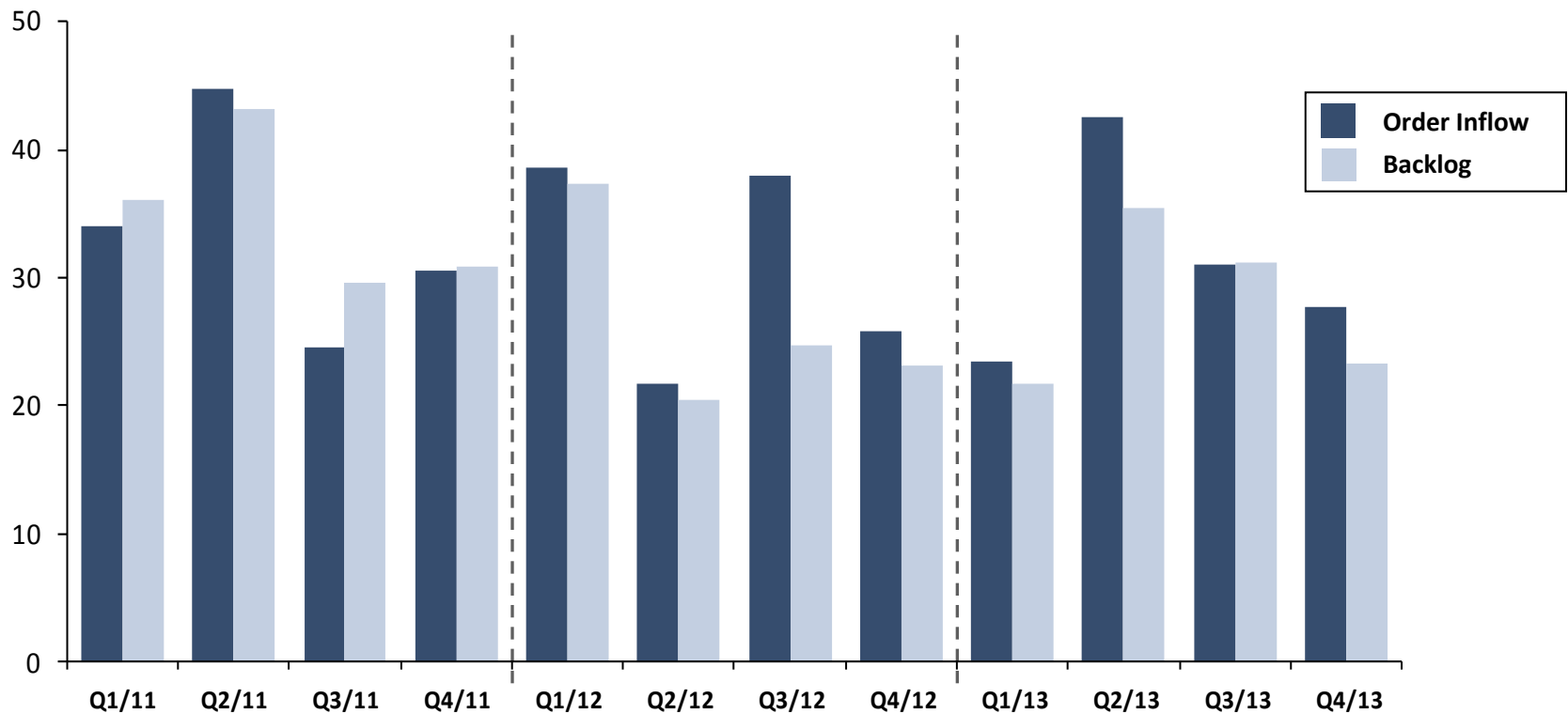
- Project services for existing ASIC customers



# Order inflow / order backlog

- Order inflow of MUSD 27.7 in Q4 2013
- Order backlog of MUSD 23.2 at quarter-end
  - Order cycle shorter than normal based on new design activity

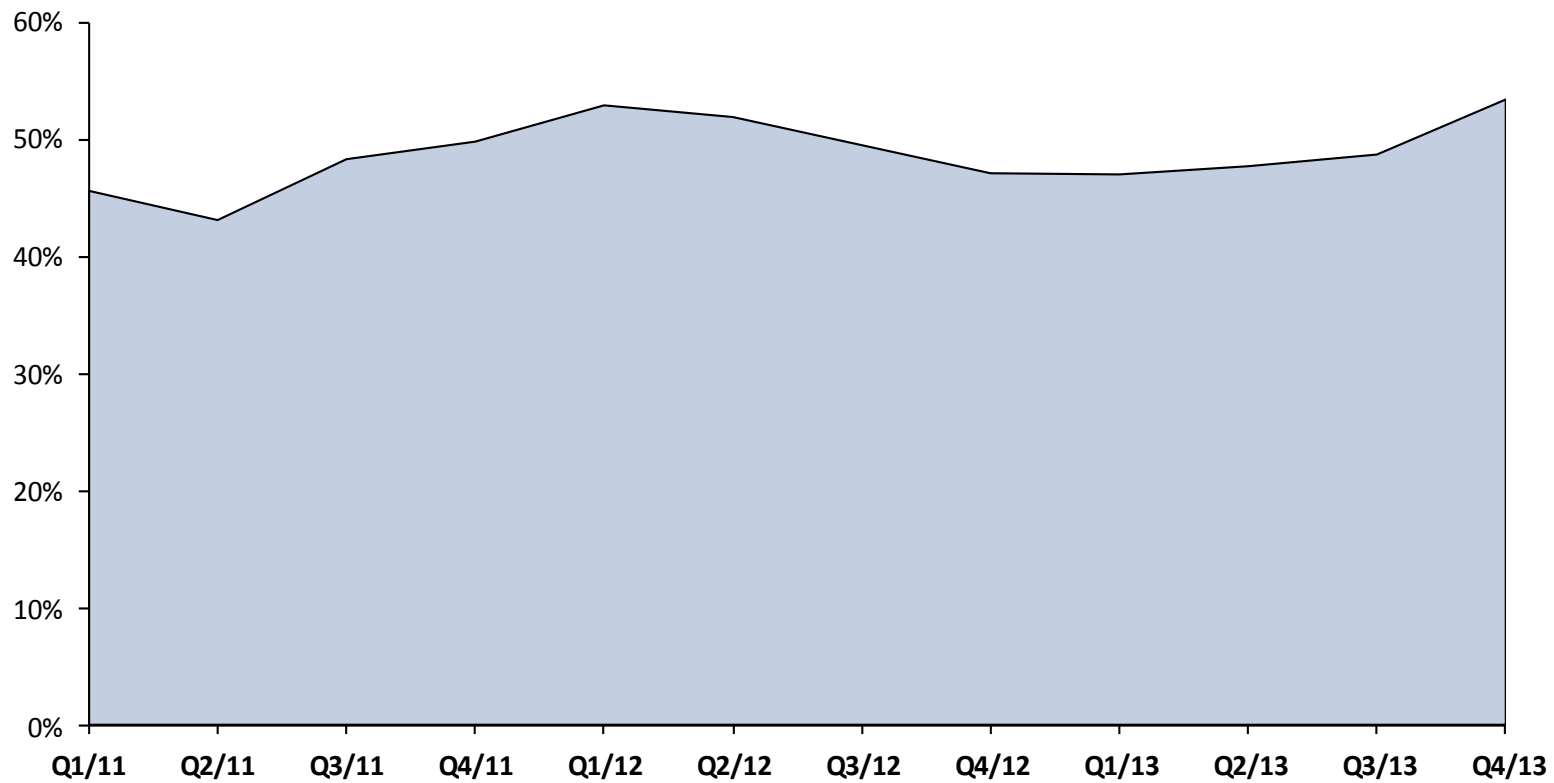
Order Inflow and Backlog 2011 – 2013 (MUSD)



# Gross margin

- Gross margin of 53 % in Q4 2013
  - Gross margin increases from prior quarters based on a change in the revenue mix toward smaller customers

Gross Margin % of revenue 2011 – 2013

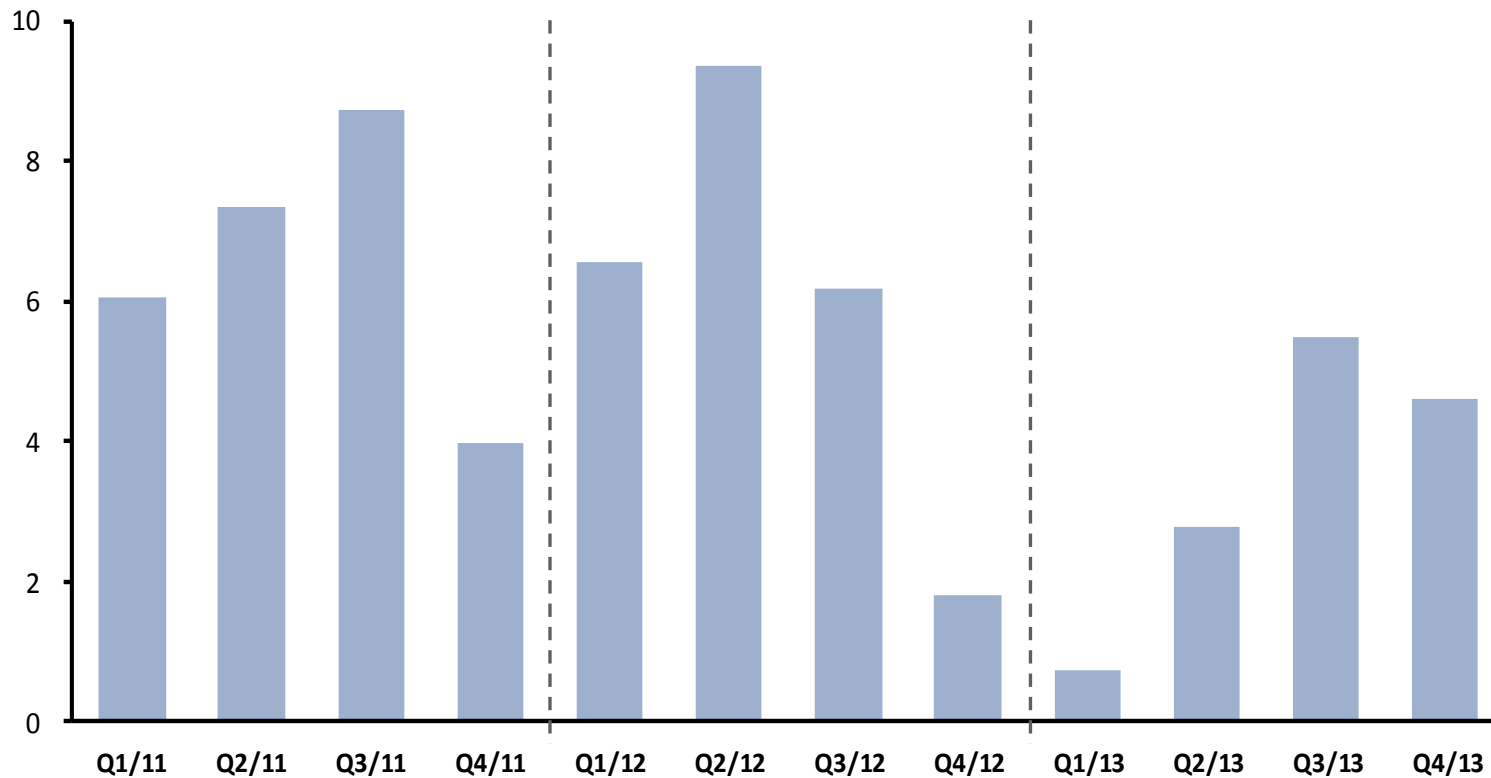




# Operating profit

- Operating profit (EBIT) in Q4 2013 of MUSD 4.6
  - Operating profit shows solid improvement from prior year, based on higher revenue and gross margin

Operating Profit by quarter 2011 – 2013 (MUSD)



# Q4 2013 Financial Summary

- Strong revenue growth driven by sales of *Bluetooth* Smart solutions

## Revenue growth

- Group revenue of MUSD 35.6 (MUSD 27.5)
  - *Bluetooth* Smart sales grow to MUSD 9.8, or 27.5% of revenue (from 2.3% in Q4 2012)
  - Mobile/Wearable segment takes off
- Order inflow of MUSD 27.7 (MUSD 25.8)
  - Order cycle shortens with new product designs

## Profitability

- EBIT of MUSD 4.6 (MUSD 1.9)
  - Strong EBIT growth driven by higher revenue and gross margin

## Cash Flow

- Free cash flow of MUSD –2.4 (MUSD 14.4)
  - Increased working capital requirements with revenue growth
  - Ending cash balance of MUSD 26.1



# Business Outlook

Svenn-Tore Larsen, CEO

## Summary – key themes

- Demand for new «Internet of Things» applications is taking off, driving increased sales of Nordic's ultra-low power wireless solutions
- The market is still in its early stages of growth, with many new products featuring Nordic's *Bluetooth* Smart solutions due in 2014
- Nordic Semiconductor has a very strong competitive position in the market for ultra-low power wireless solutions, with best-in-class technology, customer experience, and developer support.

# Exploding interest in the «Internet of Things»

## Wall Street Journal, 8-Jan-2014

“The Internet of Things attracted more excited pronouncements than almost any other topic at this week's Consumer Electronics Show.”

## CNBC, 7-Jan-2014

*CES 2014: Wearable tech dominates*

“Wearable technologies are this year's hottest tech niche, and gadget makers are scrambling to develop their own.”

## TIME, 13-Jan-2014

*“The Next Big Thing for Tech: The Internet of Everything”*

## CBS, 7-Jan-2014

*“Internet of things” all the rage at Consumer Electronics Show*

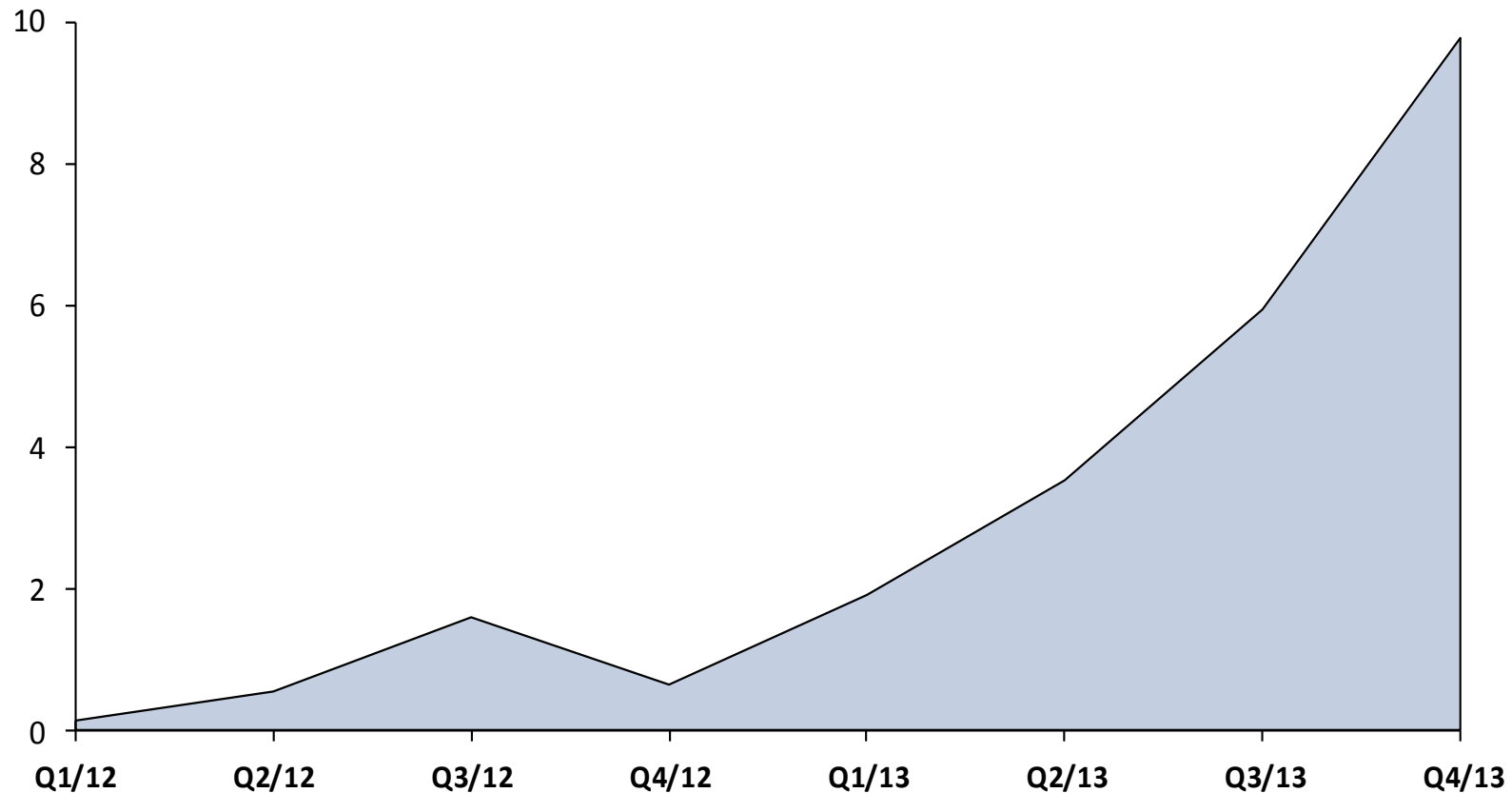
## Financial Times, 13-Jan-2014

“Google has made a bold bet on the emerging ‘internet of things’ with the \$3.2bn acquisition of Nest Labs”

# Nordic's sales of *Bluetooth* Smart solutions

- Sales of *Bluetooth* Smart solutions have increased to MUSD 9.8 in Q4 2013, or 27.5% of revenue, as demand for «Internet of Things» applications grows

Nordic revenue from Bluetooth Smart, 2012 –2013 (MUSD)



# Bluetooth Smart technology is spreading into many new product categories

## PC / Tablet Accessories



- Mice
- Keyboards
- Tablet pens
- Tablet cases
- Game controllers
- Presentation remotes

## Mobile devices



- Fitness sensors
- Medical monitors
- Proximity sensors
- Smartwatches
- Smartphone controls
- Other wearables

## Home electronics



- Remote controls
- Game controllers
- Wireless toys
- Smart lighting
- Smart appliances
- Wireless chargers
- Home automation

## Installed Sensor networks



- RFID
- Retail beacons
- Mobile payments
- Security / locks
- Indoor mapping
- Smart energy
- Environment sensors
- Automotive



# Nordic launches new *Bluetooth* Smart solutions for Rezence™ Wireless Charging

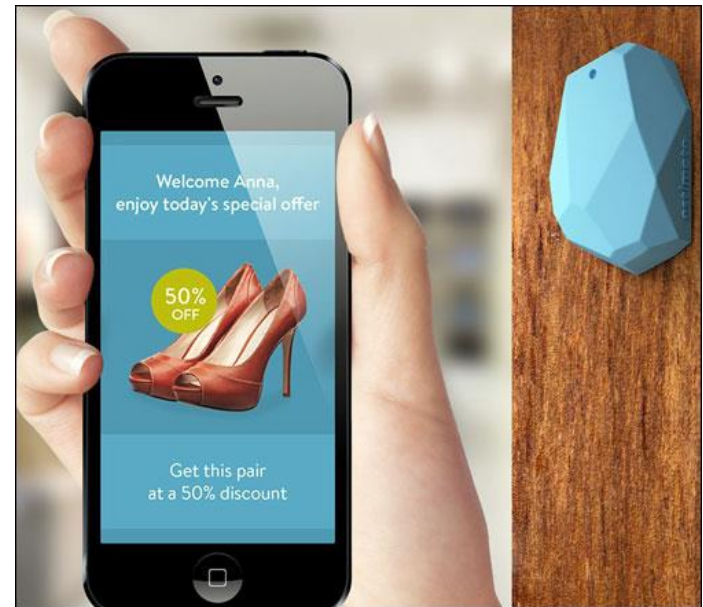
- Alliance for Wireless Power (A4WP) launches Rezence™ brand and certification program for new wireless charging standard
  - Members of A4WP include Samsung, LG and HTC
- Rezence™ wireless charging has significant advantages over competing standards
  - Greater spacial freedom
  - Ability to charge multiple devices simultaneously
- Rezence™ standard relies on *Bluetooth* Smart technology to manage the charge session between the charger and the devices being charged
- Nordic Semiconductor has released a software stack and development kit for designing Rezence™ wireless charging solutions with the Nordic nRF51 *Bluetooth* Smart chip





# New market opportunity: *Bluetooth Smart* location beacons (“iBeacon”)

- Location beacons with *Bluetooth Smart* can activate multiple functionalities on a nearby smartphone or other Bluetooth device
  - Retail promotions
  - Indoor mapping
  - RFID
  - Asset tracking
  - Wireless Payments
  - Location-specific information
- Beacons are low cost to manufacture, and have years of battery life
- Very large market opportunity for Nordic, with several trial rollouts already underway



**Example: Estimote Beacon**

# ARM announces collaboration with Nordic Semiconductor on *Bluetooth* Smart technology

- Companies collaborate on mbed™ project to enable the next generation of *Bluetooth* Smart (aka Bluetooth low energy) wireless products for the Internet of Things

## **ARM and Nordic Semiconductor Partner to Accelerate Development of Bluetooth Low Energy Enabled Devices**

“ARM® and Nordic Semiconductor today announced an agreement to incorporate Bluetooth® Low Energy (BLE) solutions with the ARM mbed™ IoT development platform.

By supporting Nordic’s ARM-based Bluetooth SoCs, ARM mbed™ allows developers to rapidly create Bluetooth connected products, demonstrate proof-of-concept and move quickly to high-volume production of devices.”

Press release, October 28, 2013

# Strong competitive advantages

- Nordic Semiconductor is the market leader within *Bluetooth* Smart solutions, with its best-in-class nRF51 product line, software, and customer experience.

## Wireless system-on-chip performance

- High radio sensitivity with ultra-low power consumption
- ARM Cortex M0 CPU
- 256kB/128kB Flash memory for application and protocol stacks (non-volatile memory)
- Unique multiprotocol functionality (BT Smart, ANT, proprietary RF)
- Stable and mature system architecture

## Software and Developer Support

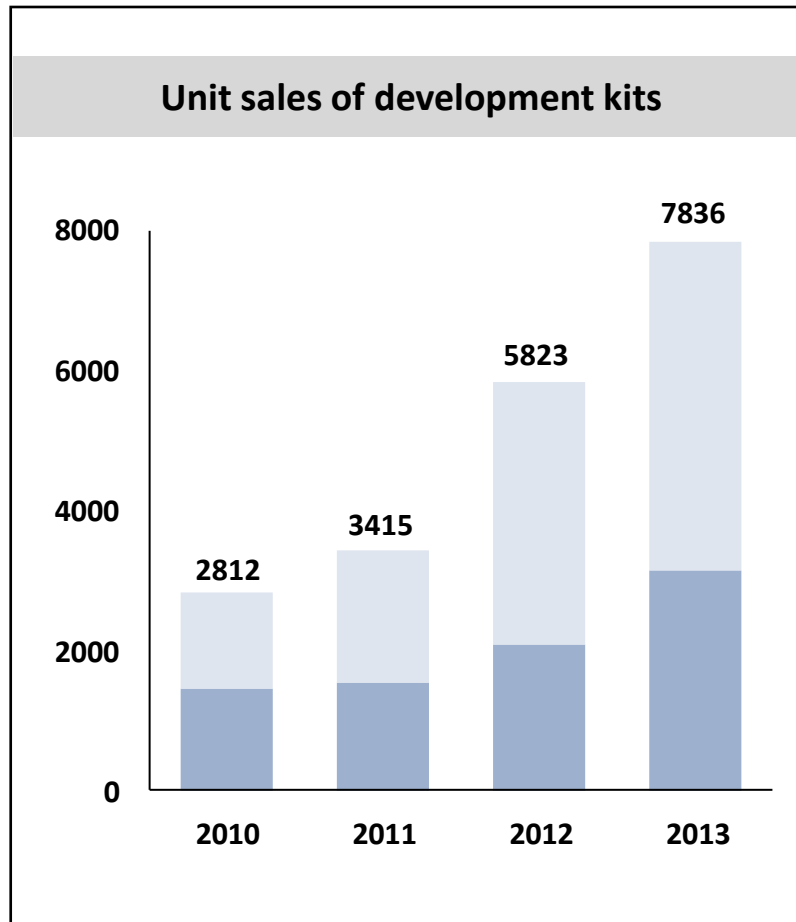
- Feature rich and stable *Bluetooth* Smart stack
- Unique separation between application and protocol stack – eases product design
- Unique DFU (design for upgradability) feature – protects from software bugs and obsolescence
- Strong documentation, development tools, application software and reference designs

## Experience in Ultra-low power wireless category

- Clear market leader – over 1 billion IC's sold
- Major contributor to *Bluetooth* Smart standard
- Board member of Bluetooth SIG from 2011
- Chairman of Bluetooth SIG from 2012
- Very strong reference customers
- Application design and market know-how

# Record demand for Nordic development kits

- Growing interest in developing Bluetooth Smart applications is driving record-high demand for Nordic's development kits



- 4709 development kits distributed in 2H 2013 (27% increase from 2H 2012)
- High growth in demand for nRF51 *Bluetooth* Smart development kits

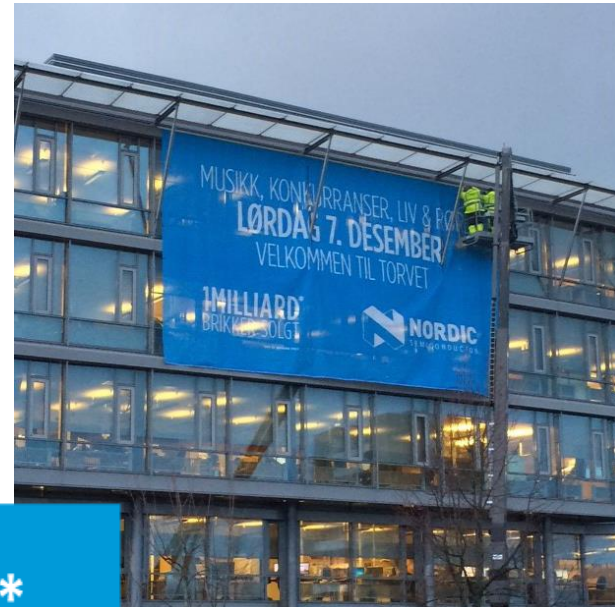
■ First Half  
■ Second Half

# Business Outlook

- Strong growth in sales, driven by many new “Internet of Things” applications
  - Sports / fitness sensors
  - Healthcare sensors
  - Other wearable devices
  - Proximity tags
  - RFID
  - Connected TV remotes
  - Wireless toys
  - Home automation
  - Wireless charging
  
- Revenue from *Bluetooth* Smart solutions expected to more than triple in 2014

# 1 Billion units sold and counting...

- Nordic celebrates its 1 billionth chip sold in December 2013
- 200 million units sold in 2013 alone...

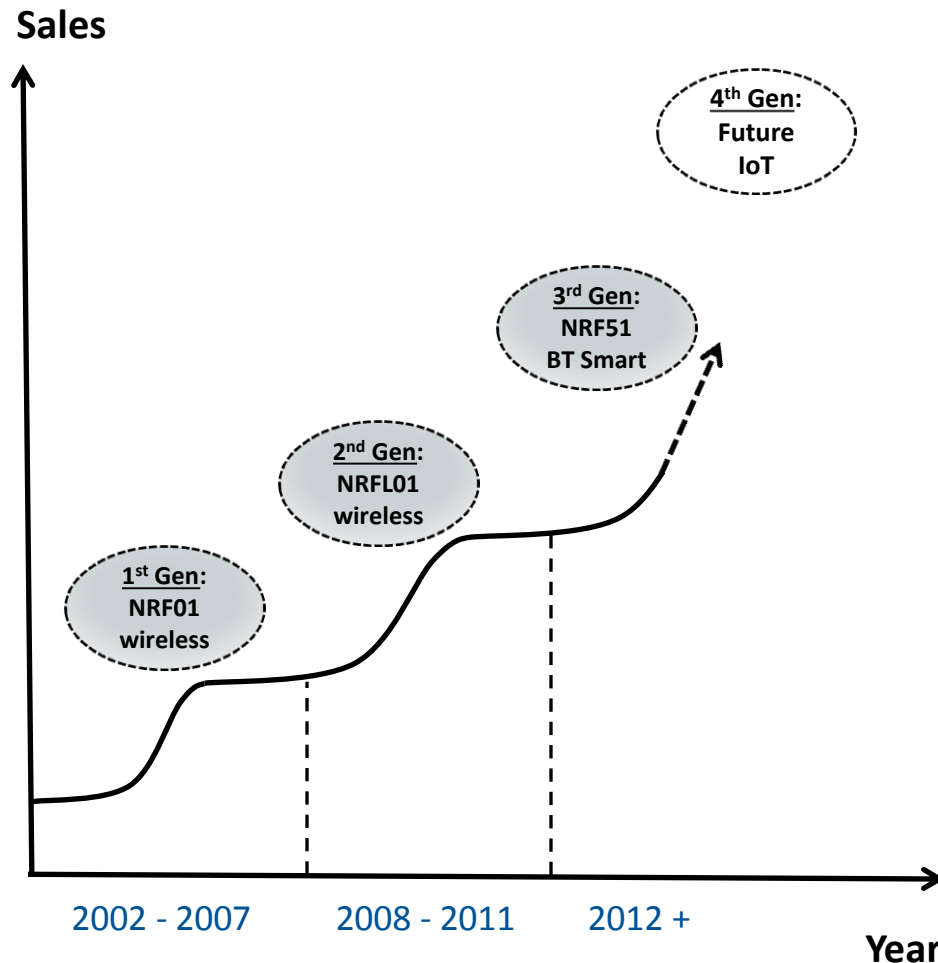


**1BILLION\***  
CHIPS SOLD

\*that's quite a lot.

# Preparing for the next billion(s) of units

- The «Internet of Things» presents a vast long-term growth opportunity



- Current growth wave will be driven by *Bluetooth* Smart technology, where Nordic has been investing since 2006
- Future growth wave will be driven by Bluetooth Smart and complementary technologies within the «Internet of Things»
- Nordic creating new programs for the next generation of opportunities
  - Technology portfolio
  - Strategic partnerships / acquisitions
  - Intellectual property
  - Staffing
  - Incentive programs



# For more information on Nordic

- Sign up for a Nordic MyPage account on our website - [www.nordicsemi.com](http://www.nordicsemi.com)



Provides latest company and investor news directly to your Email address

- Wireless Quarterly magazine – learn more about Nordic's products and markets
- Direct links to Nordic content on YouTube, Facebook, LinkedIn, Twitter
- Press releases
- Stock exchange notices

