

NORDIC
SEMICONDUCTOR

Investor Presentation Q4 2015

February 12th 2016, Oslo



Q4 and FY2015

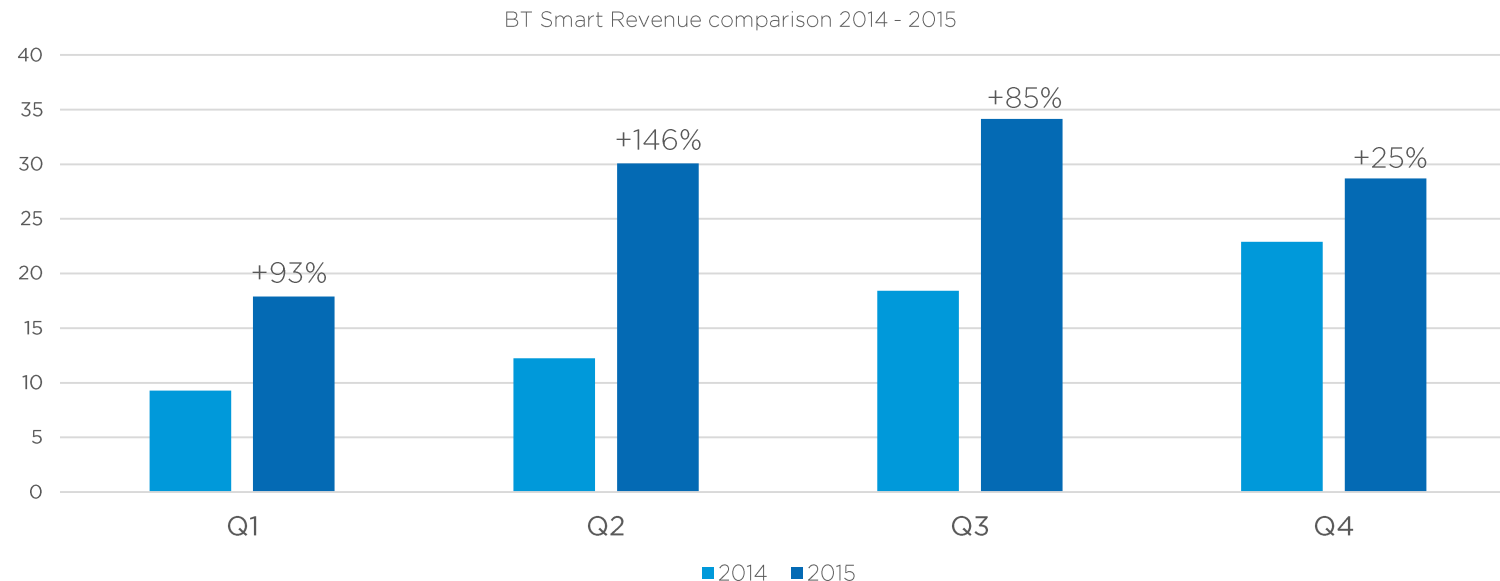
Svenn-Tore Larsen, CEO

Headlines

- MUSD 46.5 revenue in the quarter and MUSD 193.1 in 2015
- nRF52 is progressing as planned with strong design wins and volume shipments expected in Q2-Q3 2016
- Full transfer from defined benefit plan to defined contribution plan resulting in an income (de-recognition) of MUSD 7 in Q4 2015
- Past period adjustment on inventory valuation impacting historical gross profits

Bluetooth Smart Revenues

- BT Smart revenues in Q4 at MUSD 28.7 representing 25% growth from Q4 2014
- BT Smart revenues in 2015 at MUSD 110.8 vs MUSD 62.9 in 2014 representing 76.3% growth



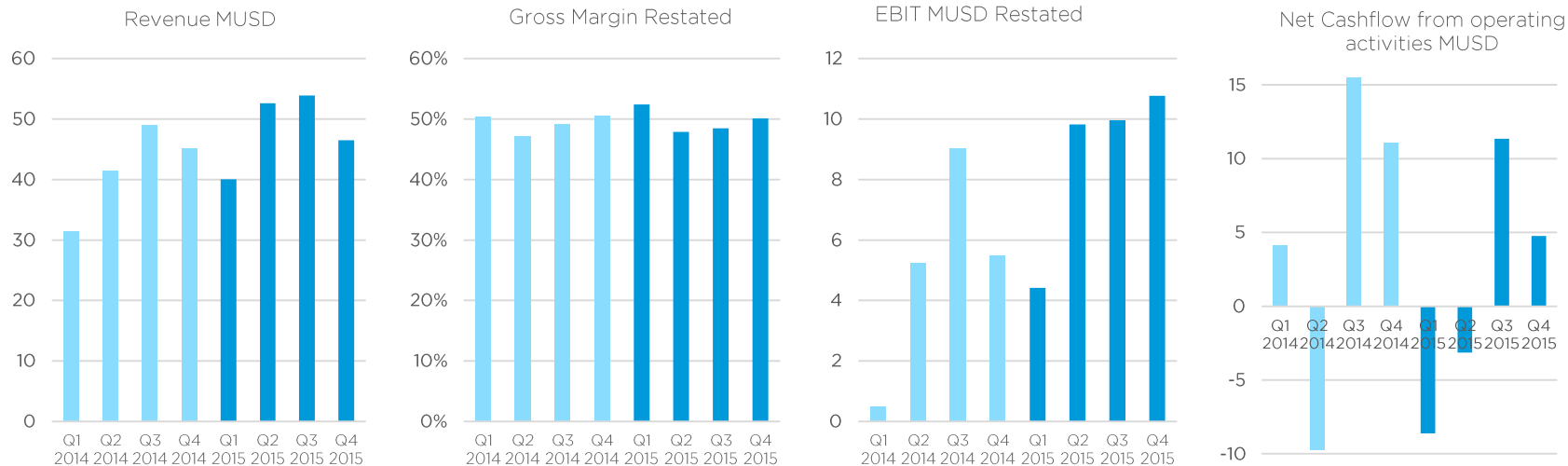


Financial Highlights

Pål Elstad, CFO

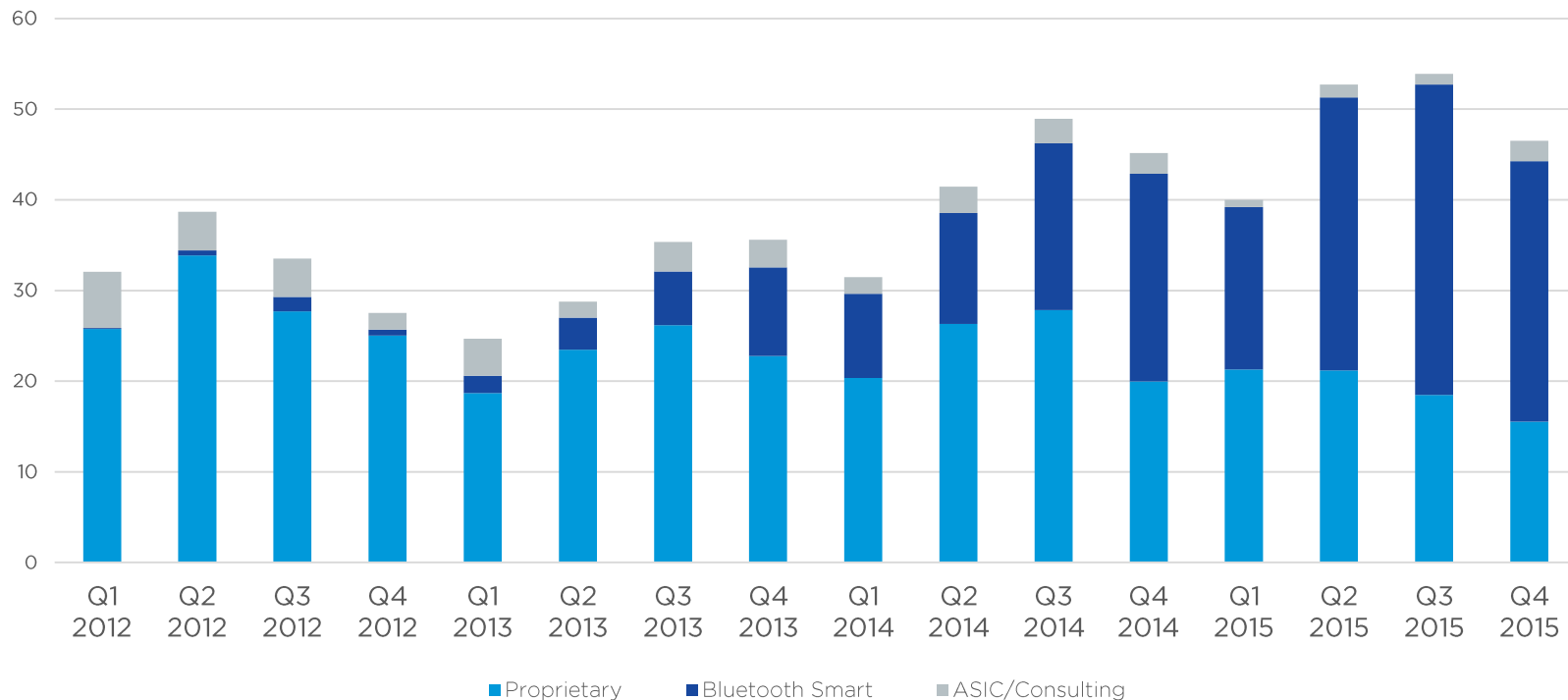
Q4 2015 Financial Highlights

- › Revenue diversification drives Bluetooth Smart growth
- › Gross profits restated, but continues at around 50%
- › EBIT of MUSD 3.8 excluding pension income
- › WC initiatives improves cash conversion ratio

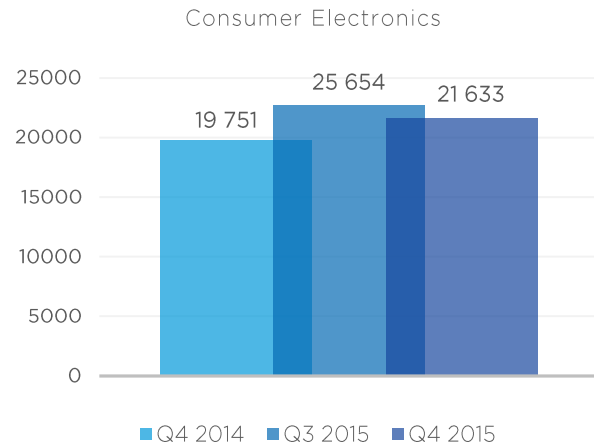


Group Revenues

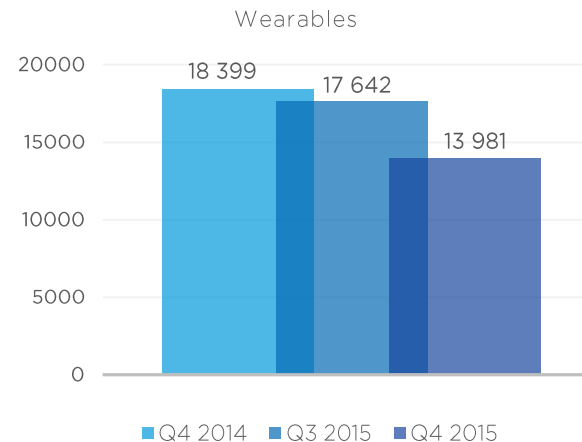
Revenue Split by Technology 2012-2015



Growth Markets

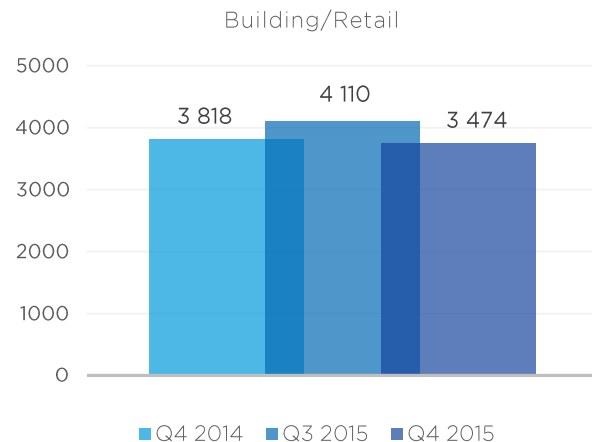


- Consumer Electronics revenues up 9.5% from Q4 2014
- Seasonal reduction compared to Q3 2015 of 15.7%
- BT Smart share of CE increases with design wins in PC Accessories and Toys/Gaming

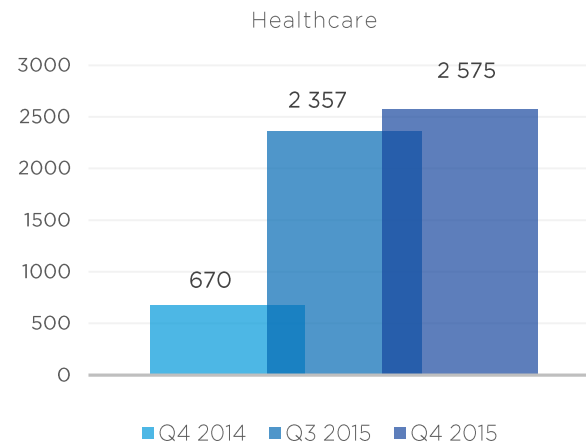


- Wearables revenues down 24% from Q4 2014 due to large projects in Q4 2014
- Seasonal reduction compared to Q3 2015 of 20.7%

Emerging Markets

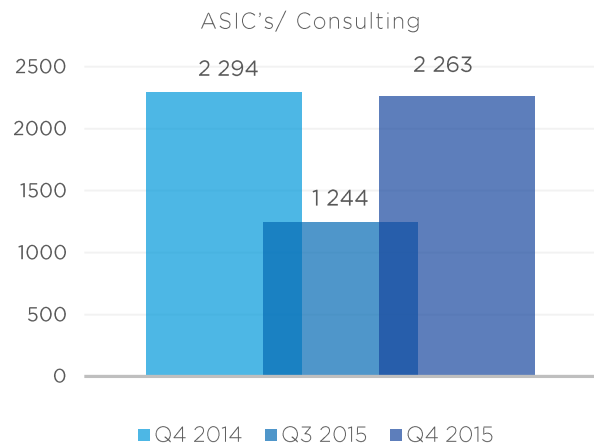


- › Building/Retail revenues down 9% from Q4 2014
- › Compared to last quarter revenues are down 15.5%
- › Mainly explained by reduced sales from one RFID customer

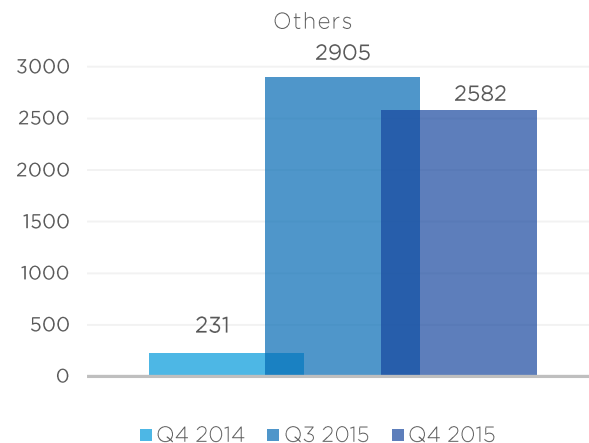


- › Healthcare revenues up 284% from Q4 2014
- › Compared to last quarter revenues are up 9.2%

Other Markets



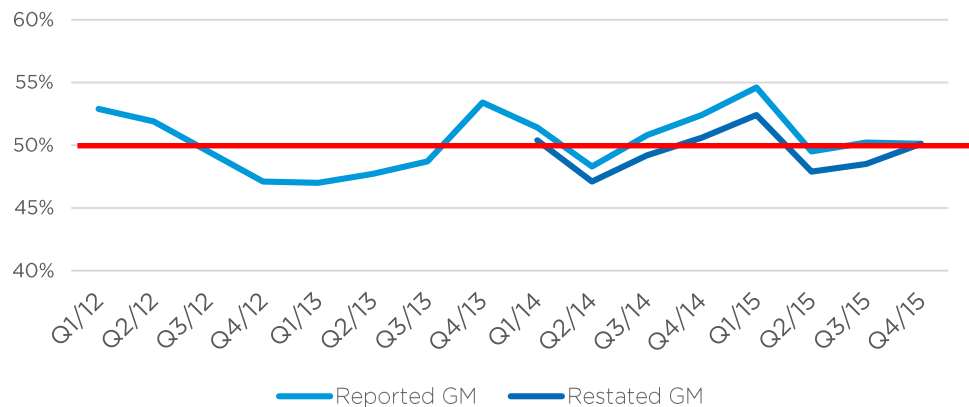
- › ASIC's/Consulting revenues at equal level with Q4 2014 and significantly up from Q3 2015
- › A few project drive revenue with ASIC's
- › ASIC's projects exist of surveillance cameras, industrial sensors and healthcare



- › New segment with large growth from 2014
- › Consist mainly of module OEM's and direct sales where no end customer is identified
- › Key growth market for Nordic

Gross Margin

- › Restatement reduces quarterly gross margin by approximately 1%



- › Nordic changed functional currency to USD in 2010
- › System challenges resulted in overstating of historical inventory values
- › Due to FX volatility and inventory build-up, issue increased over time
- › Slightly overstating gross margins, but accumulating impact on inventory. As of December 2015, this amounted to MUSD 6
- › After adjustment, gross margins in 2014 and 2015 have been close to 50% as targeted

Operating Expenses

- › De-recognized MUSD 7 in pension liability in Q4 2015
- › Reduced capitalized R&D in Q4 – expect MUSD 1 per quarter in 2016
- › Estimated underlying increase of 20% Year over Year in 2016

USD '000	<u>Q4 2015</u>	<u>Q3 2015</u>	<u>Q4 2014</u>	<u>Growth Y-o-Y</u>	<u>2015</u>	<u>2014</u>
Total Cash Operating Expenses , excluding Depreciation*	18 669	17 010	13 673	37 %	67 625	52 319
Add: Pension liability adjustment	(6 981)	-	-		(6 981)	-
Add: Options expense	85	(763)	2 071		(100)	4 700
Less: Capitalized R&D	(1 451)	(2 400)	(206)		(8 300)	(1 800)
Total Reported Operating Expenses, excluding Depreciation	10 321	13 847	15 538	-34 %	52 244	55 219
Total Cash Operating Expenses ,excluding Depreciation* in % of LTM	39 %	35 %	33 %		35 %	31 %

* Adjusted for options, capitalized R&D and related depreciation expense

Operating Profit

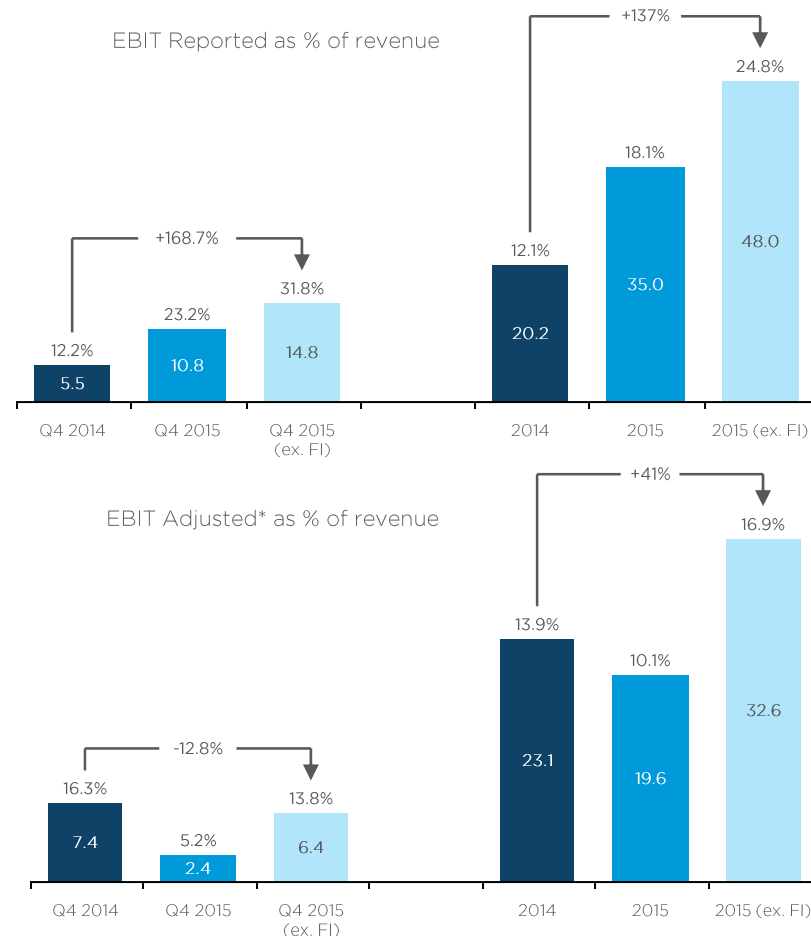
Operational leverage short term offset by investments

Reported EBIT

- High investments in Finland reduces EBIT margin
- Reported EBIT in 2015 up 137% compared to 2014

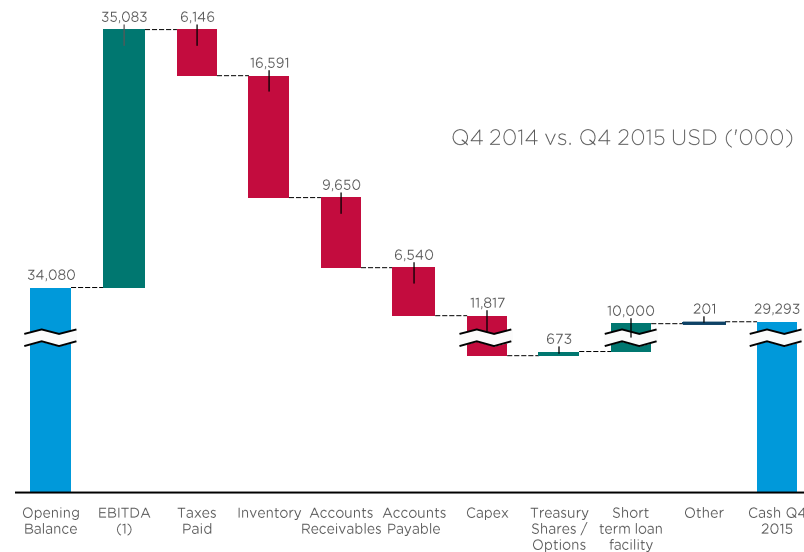
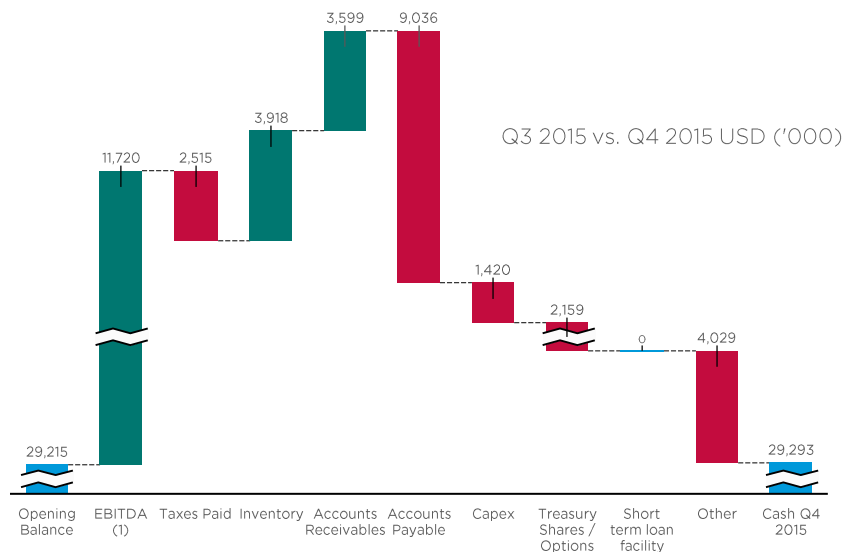
Adjusted EBIT

- Adjusted EBIT excluding Finland in Q4 2015 down 12.8% from Q4 2014 as a result of high spending in Q4 2015 (nRF52 launch)
- However, adjusted EBIT in 2015 excluding Finland is up 41% compared to 2014 mainly as a result of higher revenue only partly offset by increased operating expenses



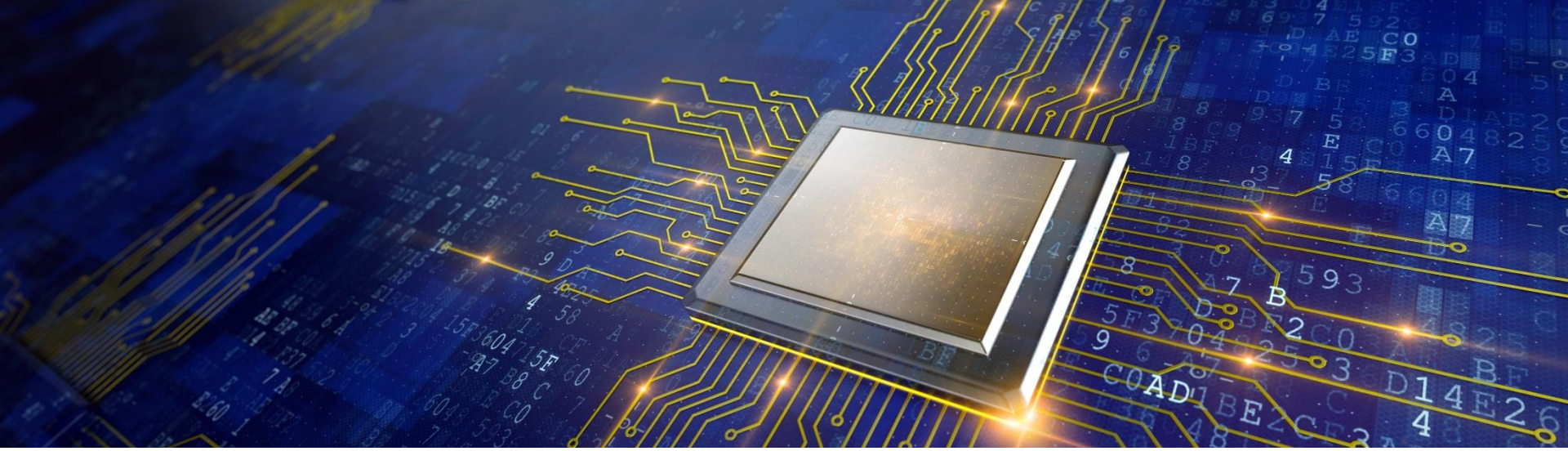
*Adjusted for capitalized R&D, options and pension income

Cash flow – effective cash conversion



- Q4 2015 improvement in WC Assets offset by reduced AP
- Inventory reduction (restated) from MUSD 45 to MUSD 41. Appr. 50% of balance is raw wafers
- Improved DSO (adjusted) from 91 days to 83 days

- Overall NWC approximately 38% of LTM revenues
- Reduced from 91 to 83 days during the quarter
- Stable inventory



Business Outlook

Svenn-Tore Larsen, CEO

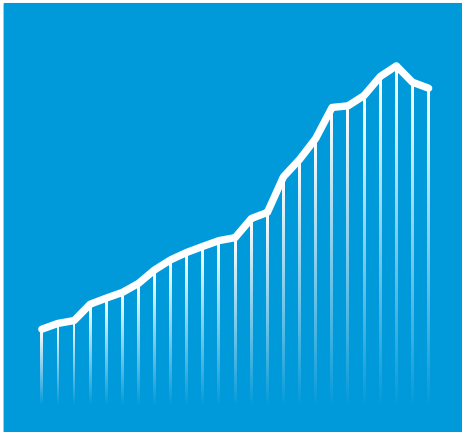
Awareness through wide engagement

- › Global Tech Tour 2015 was successful
- › More than 4000 engineers participated
- › High quality technical sessions
- › 30 global locations
- › 10 weeks
- › nRF52 Development Kit

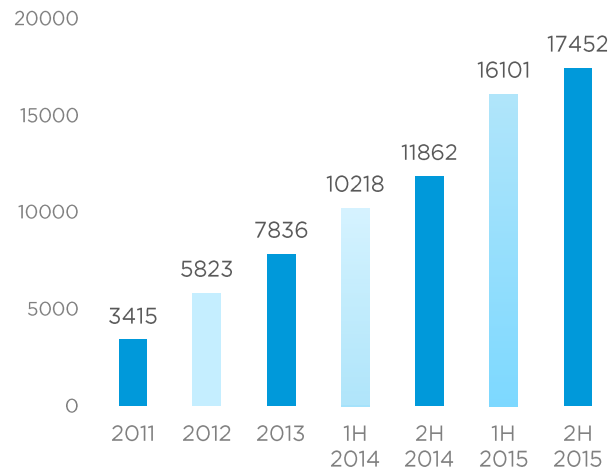


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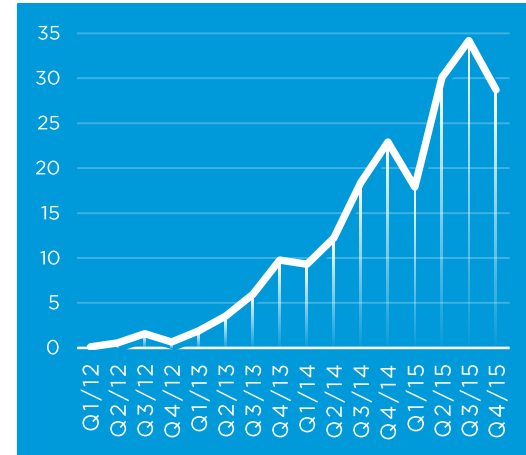
Bluetooth Smart Active Large Customers 2013-2015



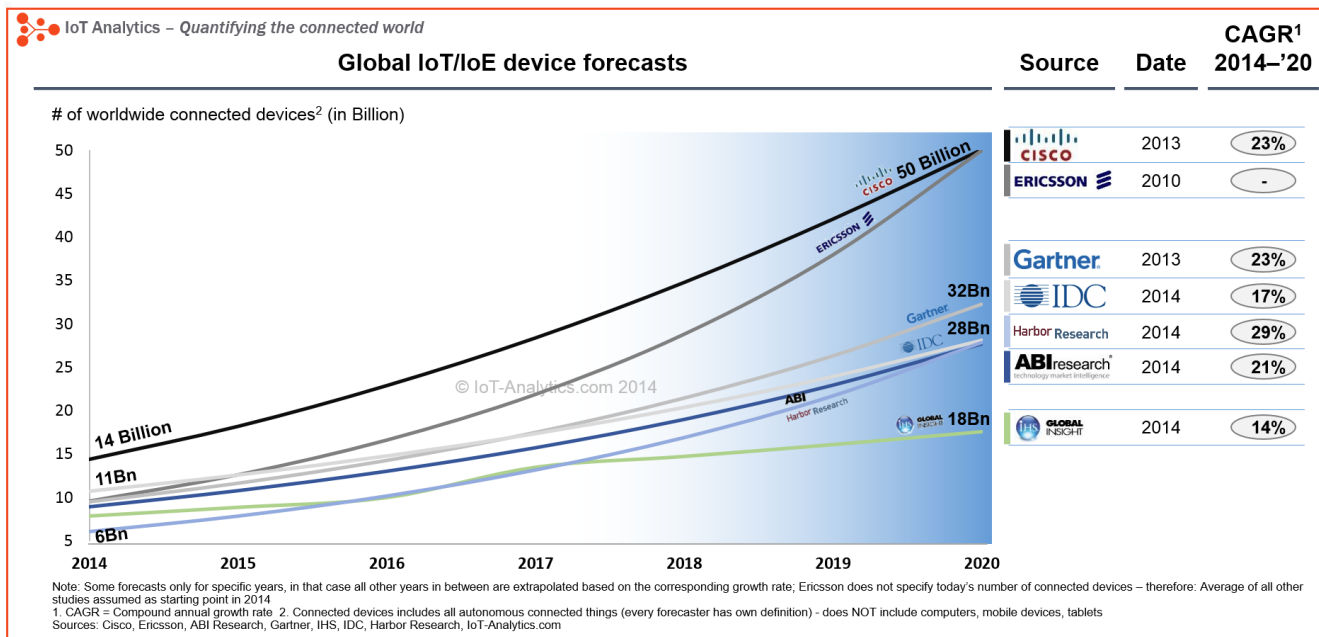
Sales of Nordic Kits 2011-2015



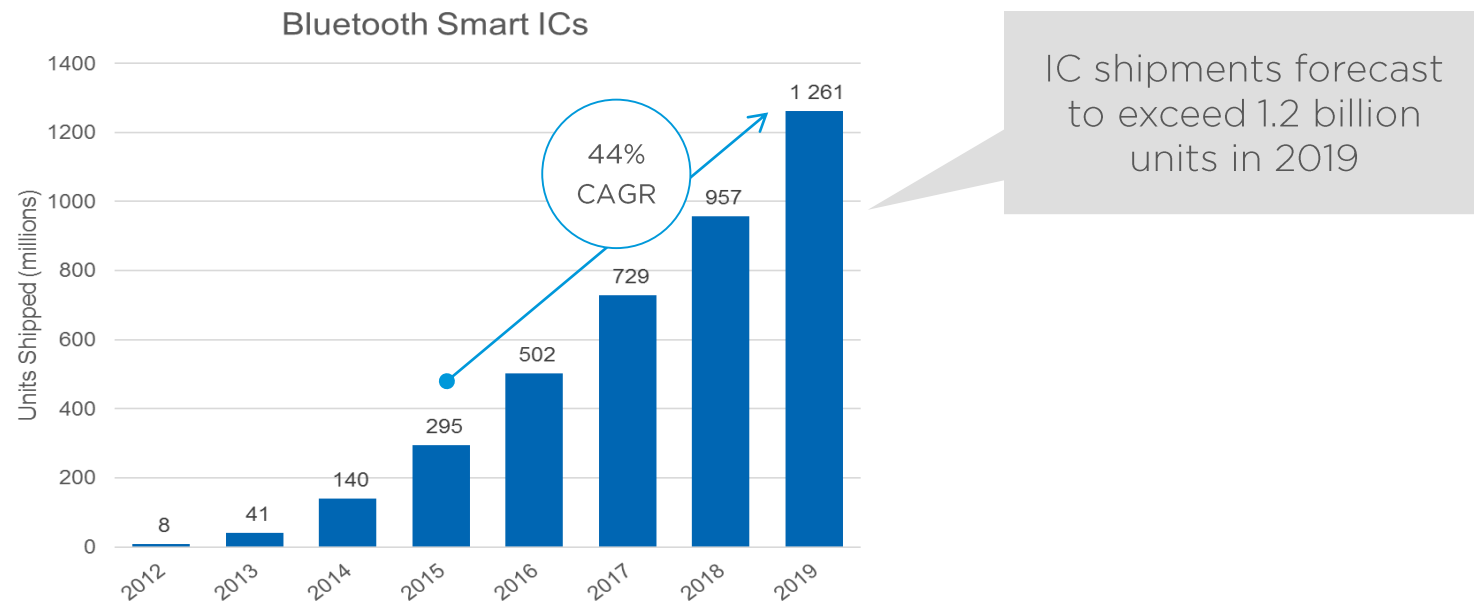
Bluetooth Smart Revenue 2012-2015



The IOT opportunity is large



Massive opportunity in Bluetooth Smart



Incredible Breadth Fueling Growth

Wearables



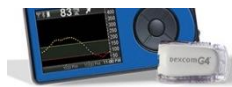
Beacons



Wireless Charging



Medical



Industrial



Remotes



HID



Smart Home



Automotive



Consumer



Established
Verticals

Emerging
Verticals

Long
Tail

Established product categories

Significant volume

Significant design-in activity

First wave of products

Fast paced innovation

Massive amount of designs

Fundamental Enablers and Drivers



Adoptions in Hubs

Enabling new verticals
Driving innovation



IoT

Internet Connectivity
Smarter Things, Smarter Services



Ease and cost of Adoption

Fuels innovation
Drives breadth

Accelerating Ecosystem Adoption



Apple Home Kit,
Health Kit, and iBeacon



AirFuel™ Alliance Wireless
Charging



Google Weave, Physical
Web, Edystone, Fit



Samsung S-Health
SmartThings, Artik

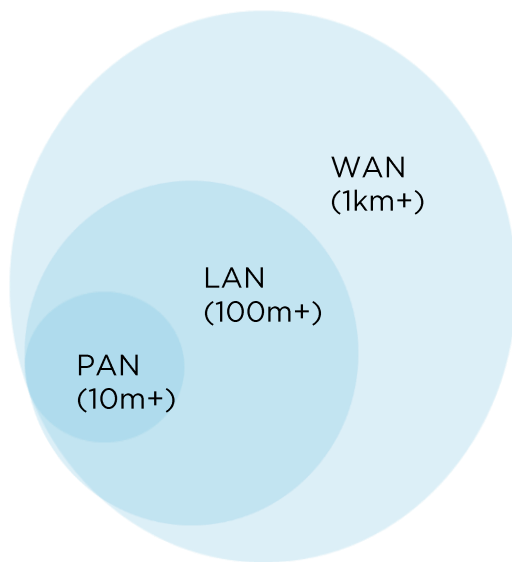
Finland - Long-Range Low Power



- › Unique experience and track in record in 2G, 3G, and 4G cellular connectivity
- › Powerful synergy with Nordic's ultra low power DNA
- › Foundation for our expansion into the Low Power Wide Area Networks (LPWAN) market

Nordic Semiconductor Vision

A leading vendor of wireless connectivity and embedded processing solutions
for internet connected things



Things we wear

- ... we **carry around**
- ... around us at **home**
- ... around us at **work**
- ... around us in the **city**
- ... around us in the **country side**

Things - not infrastructure, ... not PCs,
... not phones ... not tablets

Massive opportunity in LPWAN

- According to Machina Research +3 Billion LPWAN connections by 2023*
- 4X ASP of Current Bluetooth Smart
- Innovation will be key



*Machina Research (2015)

Business Outlook

- › Widened the technology leadership with introduction of the nRF52 family
- › Continuous strong design wins
 - › Several tier 1 design wins
 - › Diversification into new product segments and strong growth in customer base
- › Bluetooth Smart continues to be the main revenue driver, we also see exciting opportunities are emerging in Long Range Wireless with products from the Finland Operations
- › The BT Smart standard is continuously evolving and expanding through the planned ratification of the BT 5.0 later this year. With these updates, BT Smart will further accelerate its competitiveness.

A tiny selection of Q4 Product News

- “Swiss-engineered turnkey Bluetooth Smart smartwatch platform delivers a two year battery life using nRF Series wireless technology”
- “Nordic-powered Bluetooth Smart module simplifies development of wireless wearables, toys, and smart home solutions- developed by Wireless-Tag Technology”
- “Ioliving’s temperature monitoring devices employ nRF51822 Bluetooth Smart to ensure food service operations meet safety and quality requirements”



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