



Investor Presentation Q1 2016

April 19th 2016, Oslo



Q1 2016

Svenn-Tore Larsen, CEO

Headlines

- Revenue at MUSD 40.1 in the quarter
- Bluetooth Smart revenue at MUSD 18.2
- Close to 1 Million units of the nRF52 Series shipped
- Pilot production of three Tier 1 customer projects started in Q1
- Strong growth in Emerging Markets and an expected decline in Wearables
- Accelerating number of design wins with Tier 1 customers

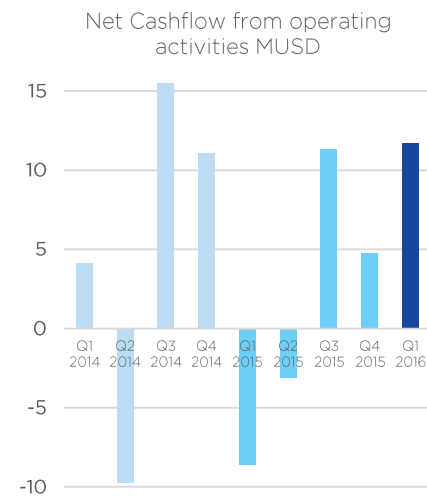
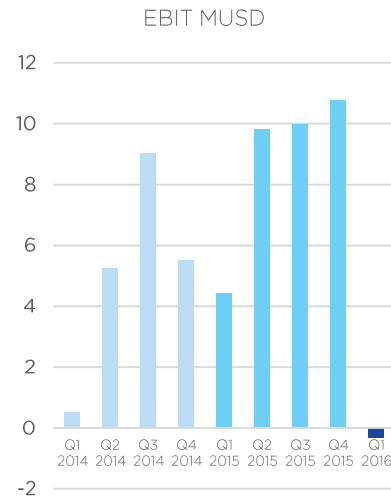
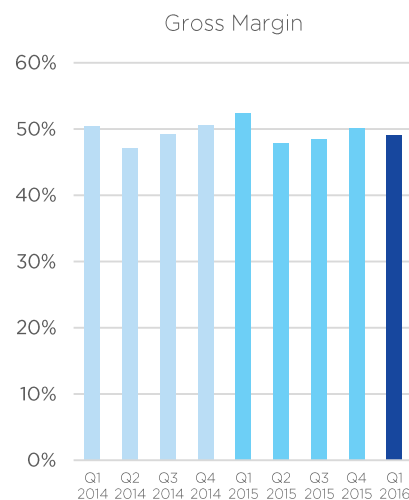
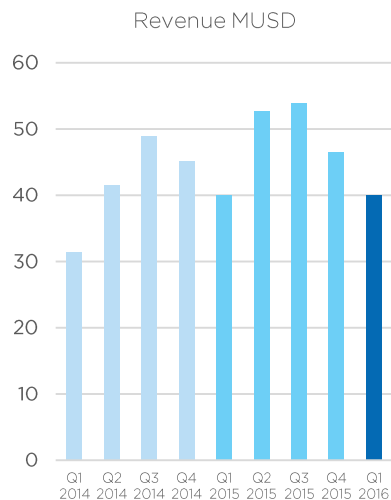


Financial Highlights

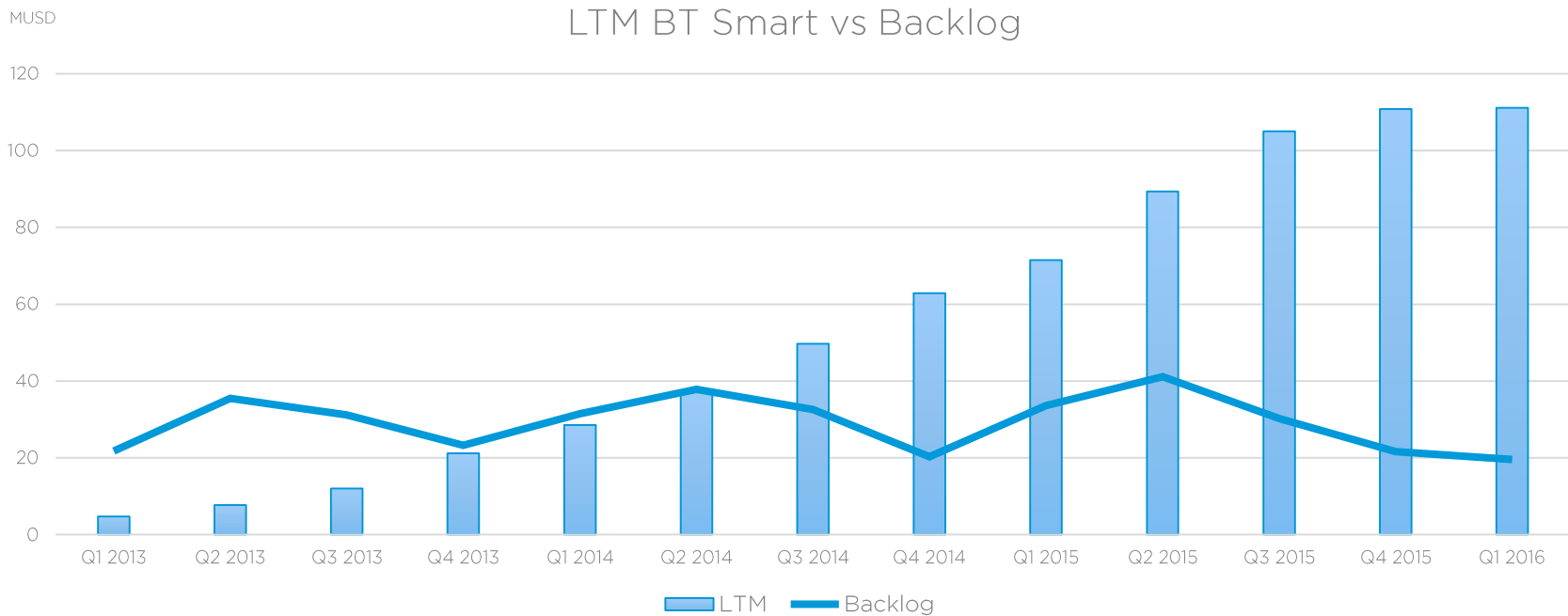
Pål Elstad, CFO

Q1 2016 Financial Highlights

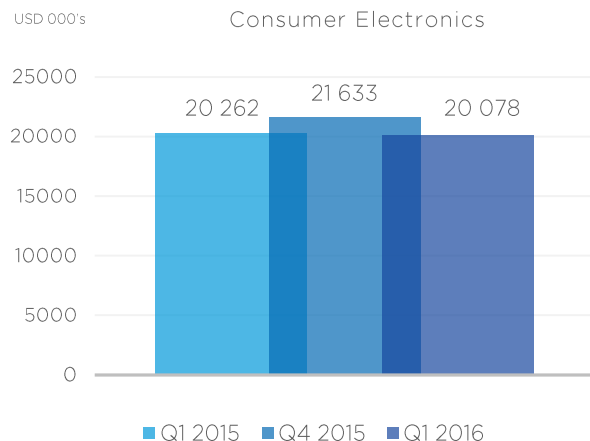
- › Revenue unchanged from Q1 2015
- › Bluetooth Smart revenue at MUS\$ 18.2
- › Gross profits continues at around 50%
- › EBIT of MUS\$ -0.3
- › Third consecutive quarter with positive cash flow



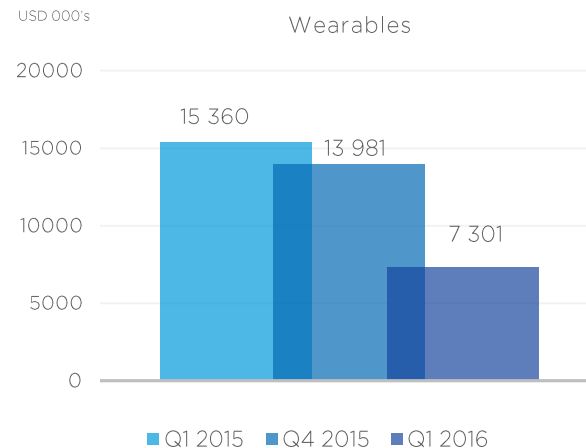
LTM BT Smart Revenue & Order Backlog



Established Markets

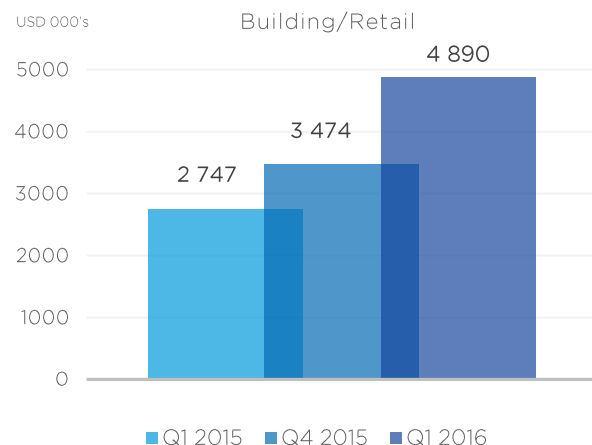


- Consumer Electronics revenues down 1% from Q1 2015
- Seasonal reduction compared to Q4 2015 of 7.2%
- Bluetooth Adoption in CE products continues

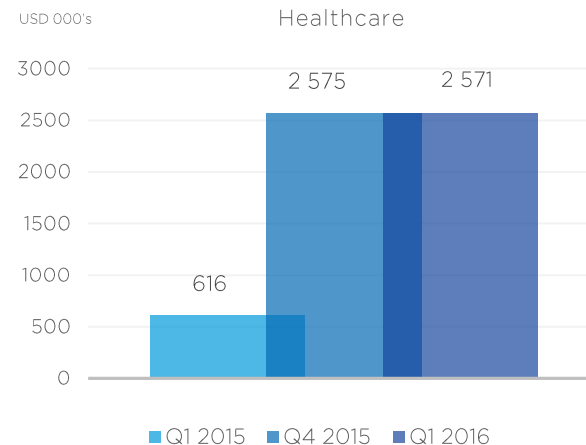


- Wearables revenues down 52% from Q1 2015 and 48% from last quarter
- Decrease related to loss of one large design
- Broad design activity with nRF52 to compensate for loss of one large design. Expect to regain momentum

Emerging Markets

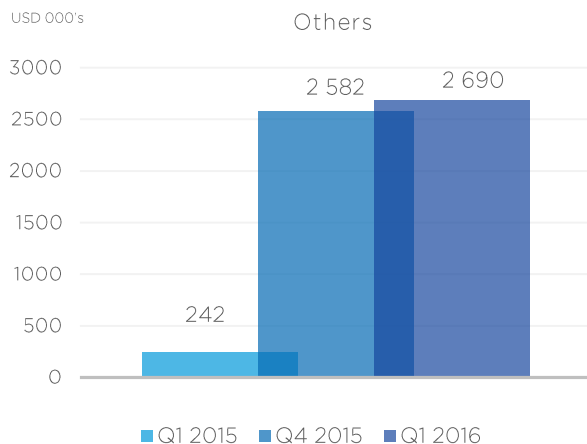


- › Building/Retail revenues up 78% from Q1 2015
- › Compared to last quarter revenues are up 41%
- › Large RF ID customer back in volumes with new designs
- › Payment solutions is a growing market

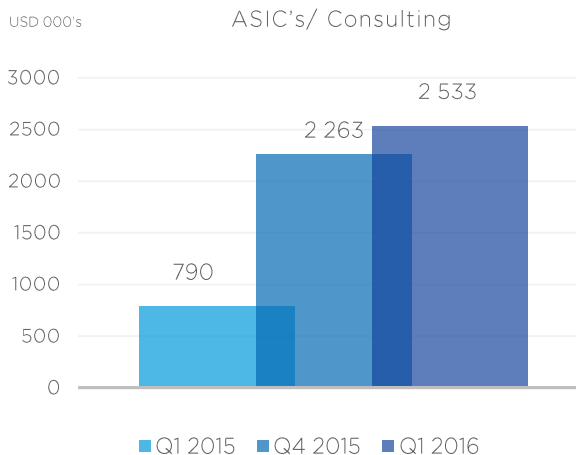


- › Healthcare revenues up +300% from Q1 2015
- › Compared to last quarter revenues almost equal
- › Market dominated by hearing aids and glucose metering, but we are seeing new design wins within market

Other Markets

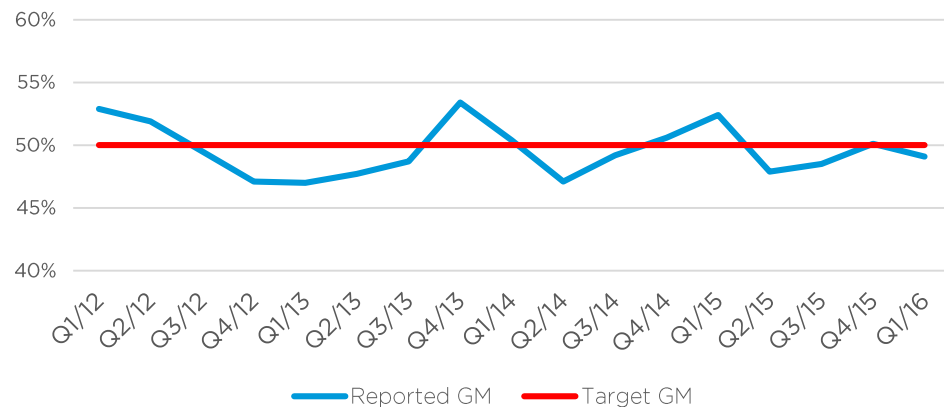


- › New market with large growth from 2015
- › Consist mainly of module OEM's and direct sales where no end customer is identified
- › Module makers is a key growth market for Nordic with closed to MUSD 1 in Q revenue



- › ASIC's/Consulting revenues at up 12% from Q4 2015 and significantly up from Q1 2015
- › A few projects drive revenue with ASIC's
- › ASIC's projects exist of surveillance cameras, industrial sensors and healthcare and home automation

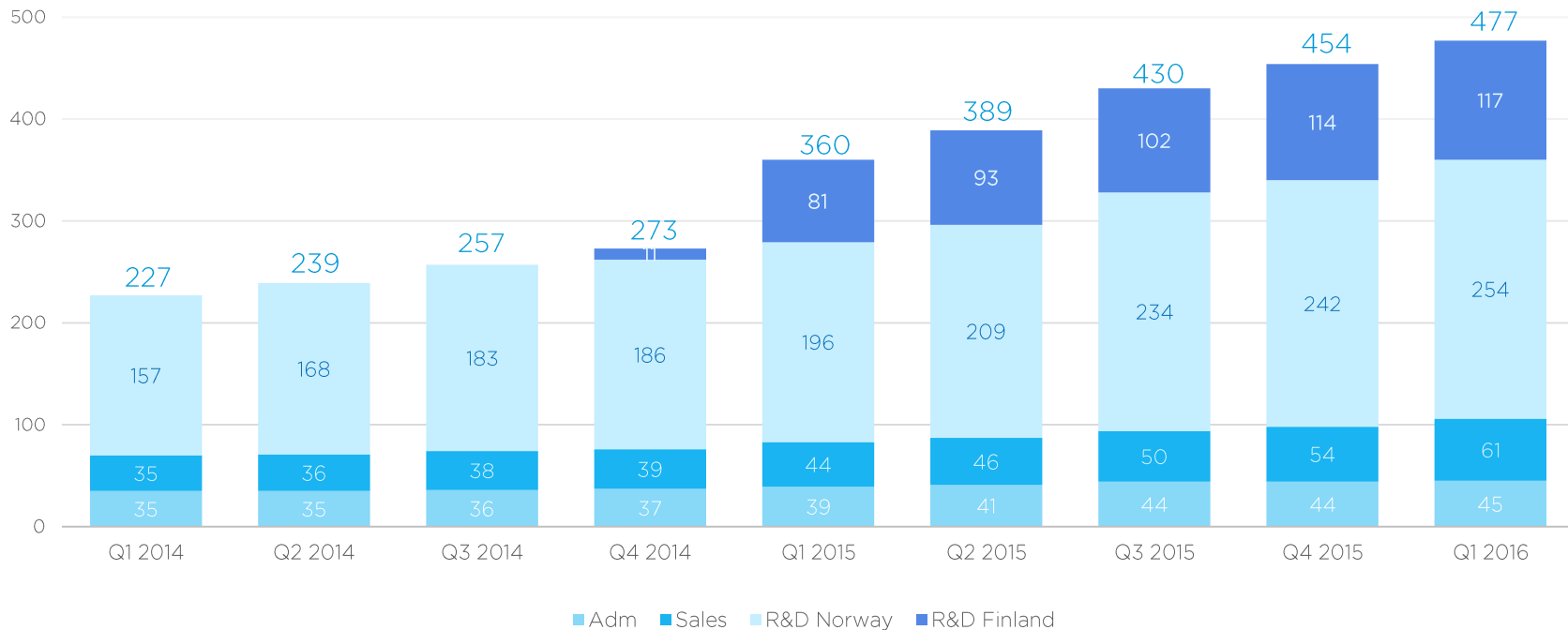
Gross Margin



- › Nordic had a GM of 49.1% in Q1 2016
- › Reduction compared to last year mainly due to mix within proprietary
- › Reduction compared to last quarter due to higher share of proprietary as well as product mix within BT Smart
- › Short term impact of low yield for the nRF52 Series negatively impacted gross margins

Headcount

Increased 5% during Q1 and LTM 33%



Operating Expenses

- › Finland OPEX at MUSD 3.5 – Down from MUSD 4 in Q4 2015
- › Capitalized R&D expenses in Q1 at MUSD 1.1 – expect less than MUSD 1 for per remaining quarters in 2016

<u>USD '000</u>	<u>Q1 2016</u>	<u>Q4 2015</u>	<u>Q1 2015</u>	<u>Growth Y-o-Y</u>
Total Cash Operating Expenses , excluding Depreciation*	18 481	18 668	15 715	18 %
Add: Pension liability adjustment	-	(6 981)	-	
Add: Options expense**	248	85	959	
Less: Capitalized R&D***	(1 084)	(1 451)	(1 998)	
Total Reported Operating Expenses, excluding Depreciation	17 645	10 321	14 676	20 %
Total Cash Operating Expenses, excluding Depreciation* in % of LTM Revenue	38 %	39 %	36 %	

Operating Profit

Operational leverage short term offset by investments

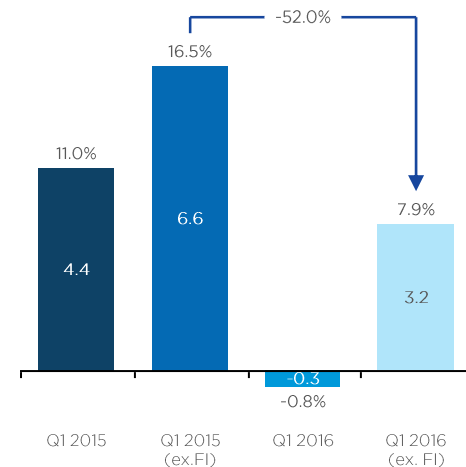
Reported EBIT

- Effects of company expansion lead to negative EBIT

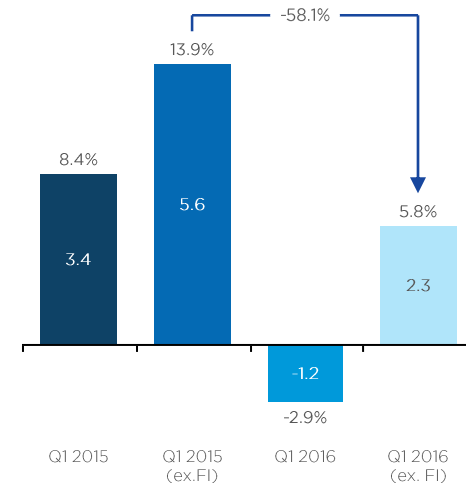
Adjusted EBIT

- Adjusted EBIT excluding Finland in Q1 2016 down 58% from Q1 2015, this is a result of high costs not offset by higher revenues

EBIT MUSD Reported
as % of revenue

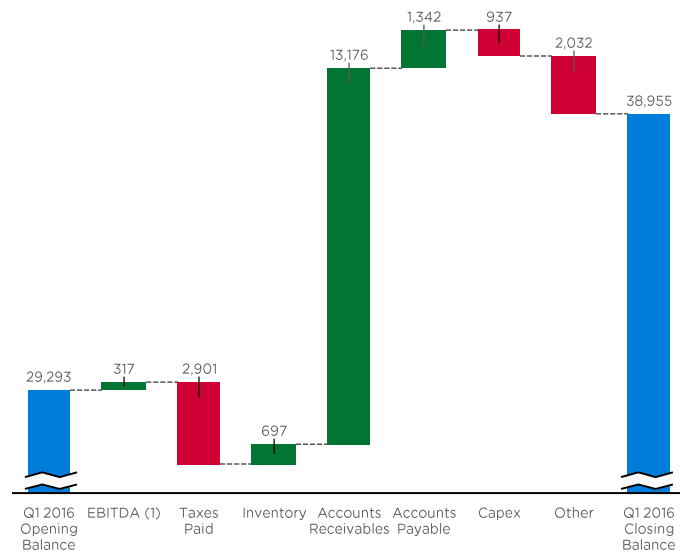


EBIT MUSD Adjusted*
as % of revenue



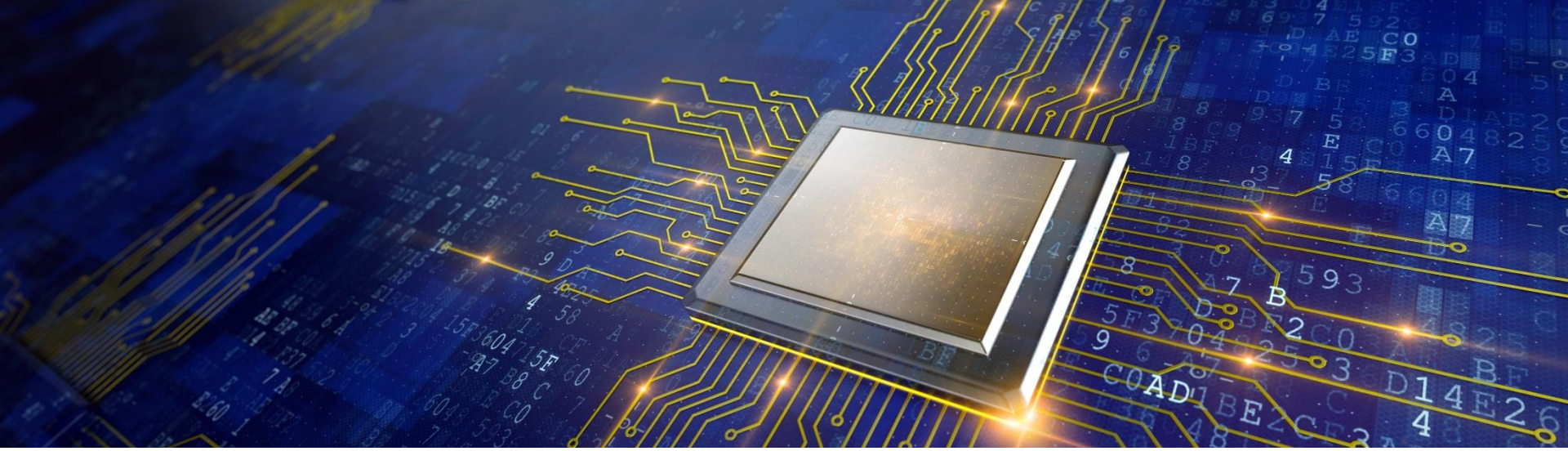
*Adjusted for capitalized R&D and options

Q1 Cash Flow



Cash flow Q1 2016 USD ('000)

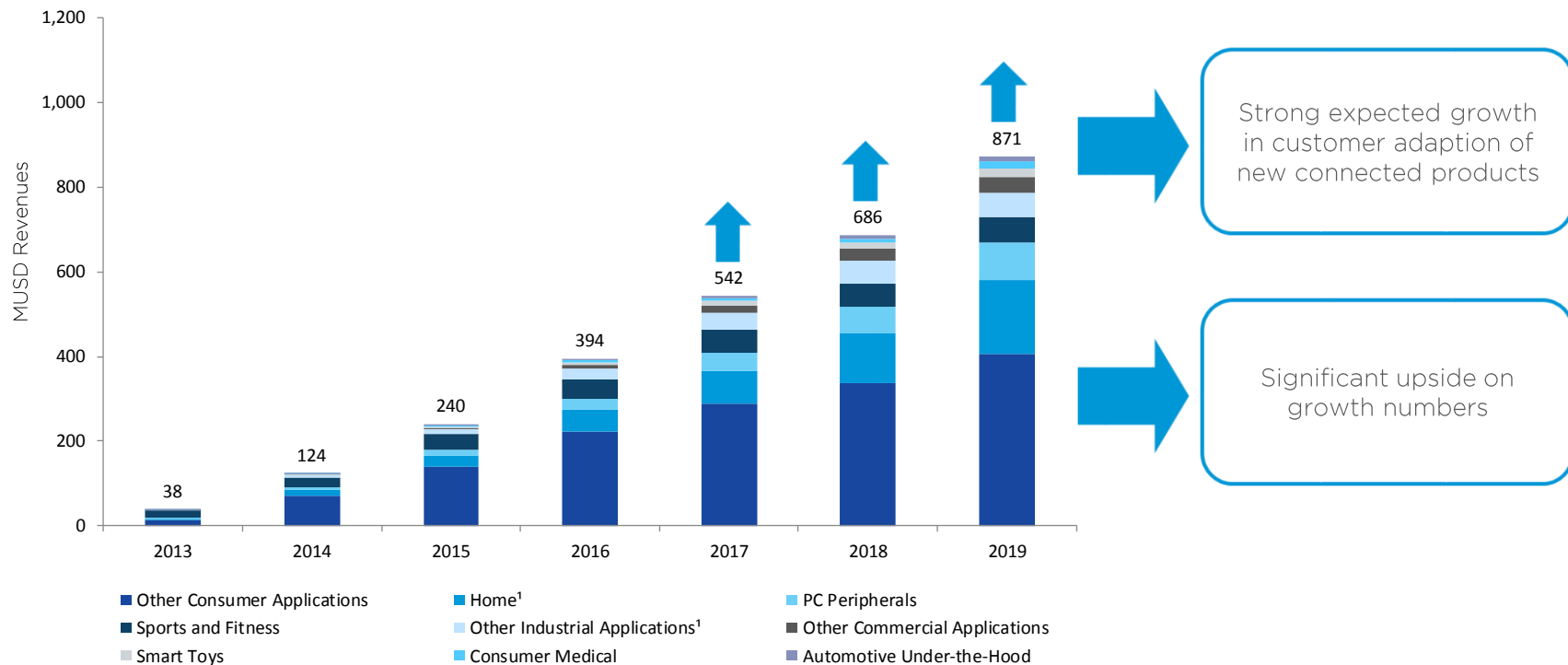
- › Significant improvement in WC during the quarter
- › Main driver for reduction related to accounts receivable
- › Although partly explained by less revenue, improved DSO (adjusted) from 83 days to 69 days is main factor
- › NWC in % of LTM revenues reduced from 35% to 28%
- › Low capex of MUSD 1 during Q1



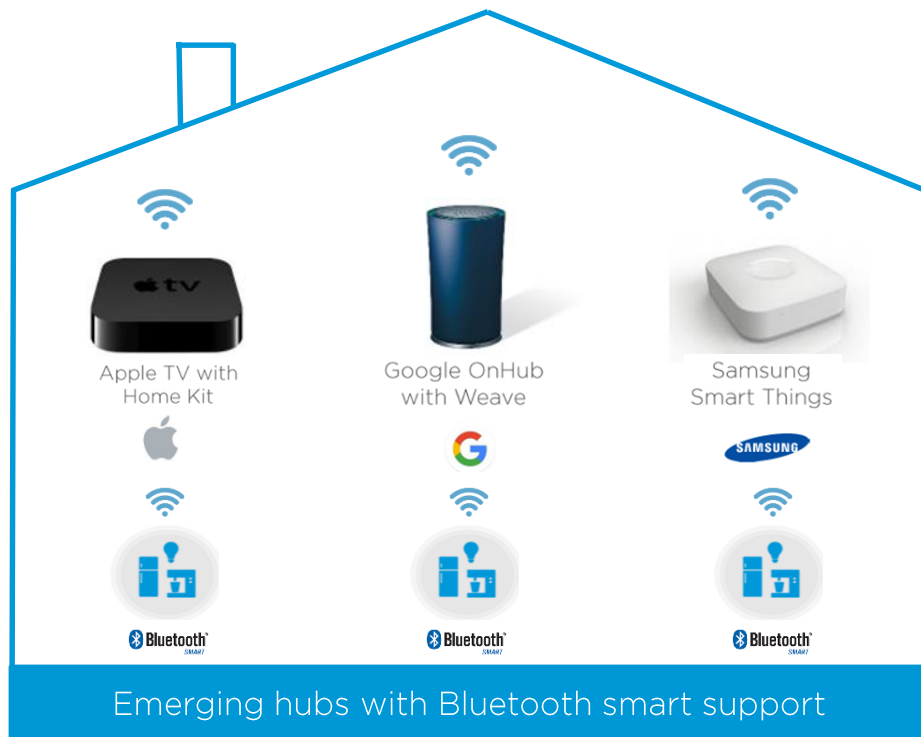
Business Outlook

Svenn-Tore Larsen, CEO

Continued strong BT Smart growth



Expanding ecosystem driving growth



Ecosystem in place enabling the growth in “Things around us”



Samsung S-Health
SmartThings, Artik



Google Weave, Physical
Web, Edystone, Fit



AirFuel™ Alliance
Wireless Charging



Apple Home Kit,
Health Kit, and iBeacon

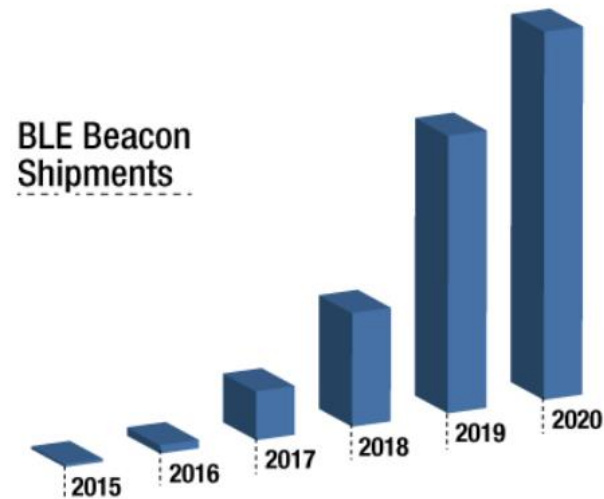
Google taking beacons to the next level



- › New advanced security features
- › Integration with Cloud and Mobile Platforms
- › Capable of working across Android and iOS
- › Strong partner ecosystem
- › Close collaboration with Google team
- › Unique and leading solution for Beacons
- › The SDK is designed for nRF52 Series, soon OTA update will be available for nRF51 Series based Beacons

ABI Research view on Beacon Market

ABI Research has forecast Eddystone to become the dominant standard in the BLE Beacon industry by 2020.



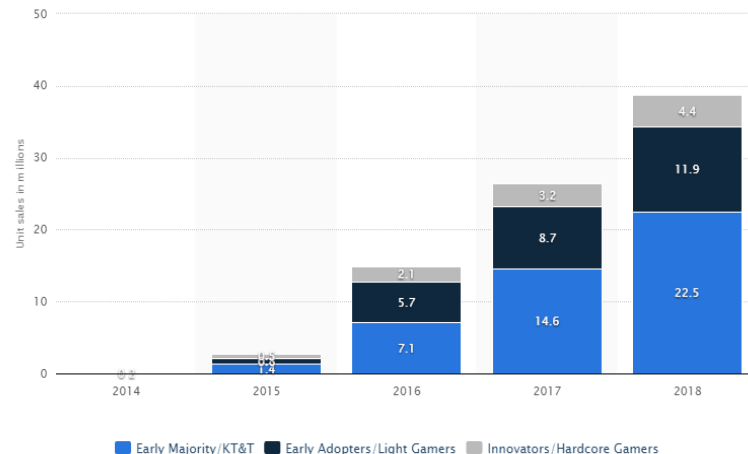
ABI Research 2016

A New Experience - Virtual Reality

Large Potential as each device contains several SoC's



Virtual reality head mounted displays (HMD) unit sales worldwide from 2014 to 2018 (in million)



Additional Information:

Worldwide; KZero

© Statista 2016

Source:

KZero

*Source: Statista 2016

Modules enables faster Time-to-Market

- › Module manufactures develop compact ultra-low power Bluetooth Smart modules for space-constrained applications employing coin cell batteries
 - › Reach
 - › Scalability
 - › Diversity
 - › Time to market
-
- › 50+ Modules with nRF51 Series / 8001 Series
 - › 19 Modules with nRF52 Series



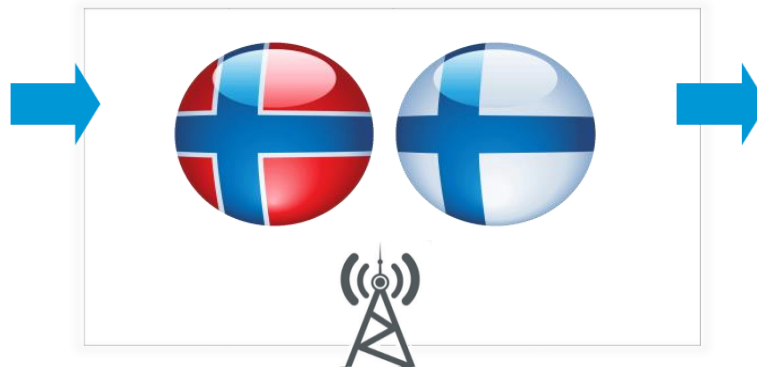
Finland Operations - Great achievements so far

World class team

- › Largest, most experienced team within LTE - >110 employees
- › One of few teams with proven track record of delivering 2/3/4G connectivity
- › Well known in the industry for inventing fundamental systems in cellular connectivity



Nordic positioned at the forefront of the next big wave in LPWAN from its unique Nordic platform



Winning approach

- › Mature project: Head start with acquired key IP developed
- › Milestone: 2nd RF test chip sent to production with feature complete LPWAN Radio on board
- › Approach & ambitions are generating strong interest
- › Promising commercial discussions with strategic partners & customers

Positioned for massive market opportunity

Emerging LPWAN market with huge possibilities +3.8 billion units expected in 2024*



Transport and logistics



Industrial



Smart cities



Utilities



Agriculture



Predictive maintenance



Vehicle telematics



Environment monitoring



Connected healthcare



Wearables



Object tracking



- › LPWAN revenue is expected to materialize from 2018
- › Expected margin uplift from a \$4-5 chip price

Business Outlook

- › Strong growth in nRF52 Series revenue in Q2
- › Significant Wireless Charging volumes expected in 2H 2016
- › Continuous strong design wins
 - › Several new Tier 1 design wins
 - › Diversification into new product segments and strong growth in customer base
 - › Tier 1 customers from pilot to production in 2H 2016
- › Bluetooth Smart will revert to be the main revenue driver
- › Revenue opportunities are maturing in Long Range Wireless from the Finland Operations

A tiny selection of Q1 Product News

- “Virtuix has selected Nordic’s multiple award-winning nRF51822 SoC for its new Virtuix Omni virtual reality (VR) motion gaming platform.”
- “Tag2Sense, using nRF51822 SoC, is designed to monitor temperature, light, humidity, barometric pressure, and location of cargo in transit.”
- “Hideez Technology’s SafeBand and SafeTag employ nRF51822 SoC to create a secure network of personal device.”



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