

A person is seen from behind, sitting in a bright orange hammock. They are holding the edges of the hammock with their arms outstretched. The hammock is strung between trees, and the person is looking out over a calm lake. In the background, there are green, forested mountains under a cloudy sky. The foreground shows some green grass and foliage.

# Quarterly Presentation Q1 2019

April 24 (Oslo, Norway)



**NORDIC**  
SEMICONDUCTOR

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This presentation was prepared for the interim results presentation for the first quarter, held on April 24, 2019. Information contained herein will not be updated. The following slides should also be read and considered in connection with the information given orally during the presentation.

# New Director Investor Relation

## Ståle «Steel» Ytterdal



- Working in Nordic since 2001
  - Director Sales & Marketing-APAC
  - Last 15 years stationed in Hong Kong
- Work tasks
  - Build up the sales channel in APAC
  - Implement Nordic Business strategy
- Now phasing over to IR

# Today's presentation

## Business update



Svenn-Tore Larsen  
CEO

## Financials



Pål Elstad  
CFO

## Business outlook



Svenn-Tore Larsen  
CEO



A person with brown hair tied in a bun, wearing a brown jacket and a yellow life vest, is seen from behind, paddling a red kayak on a calm, teal-colored body of water. The water reflects the surrounding steep, green mountains and the overcast sky. A yellow paddle is visible in the water to the right of the kayak. The scene is peaceful and scenic, typical of a Norwegian fjord.

# Business update

Svenn-Tore Larsen, CEO



**NORDIC®**  
SEMICONDUCTOR

# Q1 Highlights

- Continued strong market position in Bluetooth® Low Energy
- Nordic Bluetooth design certifications grew by 33% from 102 in Q1 2018 to 136 in Q1 2019, with Nordic market share of 37%
- Record high backlog driven by new design wins with Tier 1 customers worldwide
- Continued strong cost focus results in solid gross margins above 50%
- Successful certification progress in all targeted markets for cellular IoT
- Semiconductor industry still impacted by channel inventory adjustments

# Quarter in line with guidance

Total revenue of MUSD

52.6

Y-o-Y decrease of -12.6%

- Bluetooth: -2.7% y-o-y decline
  - Revenue impacted by channel rebalancing
  - Maintaining market share
- Proprietary: -37.4% y-o-y decline due to strong Q4 shipments prior to tariffs
- Cellular IoT samples revenue of kUSD 100
- Solid backlog of MUSD 89.0, +9.9% y-o-y

Gross Margin

51.0%

Gross margin expansion +2.1 p.p y-o-y

- Higher value nRF52 Series devices continues to be the main revenue driver
- EBITDA\* at MUSD -0.7 (MUSD 4.4 in Q1 2018)
  - Adjusted short range EBITDA of MUSD 4.5

\*includes IFRS 16 Leasing adjustment of MUSD 1

# Revenue by market\*

Consumer Electronics	Wearables	Building /Retail	Healthcare	Others
MUSD 21.1	MUSD 7.6	MUSD 8.0	MUSD 4.3	MUSD 8.8
-10.6% y-o-y      -15.3% q-o-q	-25.1% y-o-y      -18.4% q-o-q	-34.2% y-o-y      -19.3% q-o-q	-9.2% y-o-y      -22.1% q-o-q	+15.6% y-o-y      +10.6% q-o-q

\*Excluding ASIC's, consulting and other revenue





# Financials

Pål Elstad, CFO



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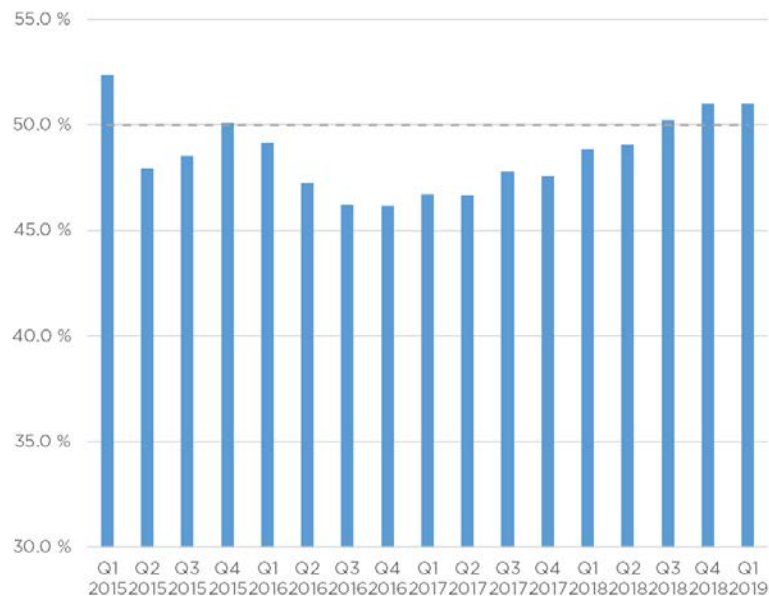
# Operating model performance Q1 2019

	Q1 2019*	Q1 2018	
Gross Margin 51.0 %			
Revenue change y-o-y	-12.6% (MUSD 52.6)	+27.0% (MUSD 60.1)	Revenue within guidance in challenging market
R&D short-range 24.2 %			(+2.1pp) Continued positive contribution from cost improvements and favorable customer and product mix
Gross margin	51.0%	48.9%	
R&D short-range	24.2% (MUSD 12.7)	18.5% (MUSD 11.1)	(+5.7pp) Continued investments to capture growth opportunities
R&D cellular IoT 9.9 %			
R&D cellular IoT	9.9% (MUSD 5.2)	7.8% (MUSD 4.7)	(2.1pp) Preparing for commercialization
SG&A 18.3 %			
SG&A	18.3% (MUSD 9.6)	15.3% (MUSD 9.2)	(+3.2pp) Increase spending during ramp of cellular IoT
EBITDA margin	-1.4%	7.3%	(-8.8pp) EBITDA margins impacted by weak revenue

\*Included in SG&A MUSD 1 in reduced opex following implementation of IFRS 16

# Gross margin expansion

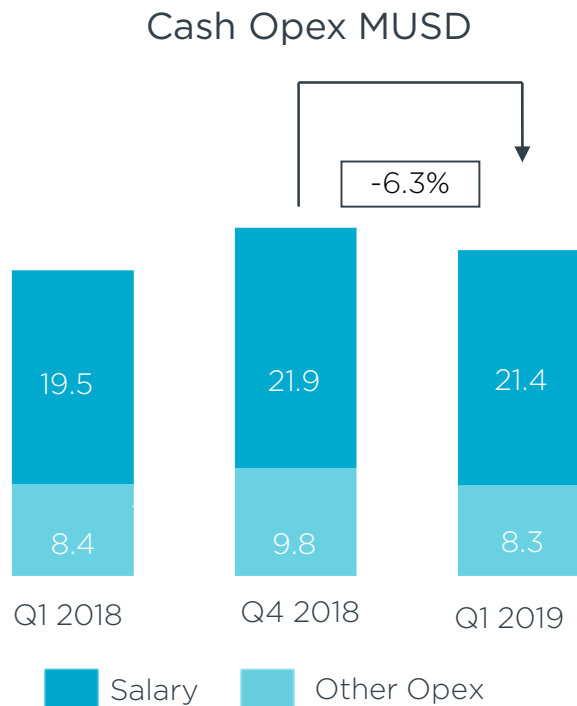
Gross margin 2015 –2019



## Gross margin 51.0% +2.1pp y-o-y

- Continued positive contribution from cost improvements and stable yield on nRF52 Series
- Increased revenue of high end products
- Quarter to quarter fluctuations to be anticipated due to change in product and customer mix

# Cash operating expenses\*)



- Continued cost discipline during the quarter
- Q1 cash operating expenses decreased 6.3% compared to last quarter
  - Excl. IFRS 16 adjustment cash opex decrease 3.2% q-o-q
- Compared to last year, cash operating expenses increased 6.5%
- The increase is driven by new product releases and headcount growth of 13.5% from 615 in Q1 2018 to 698 in Q1 2019
- Continued investments to capture future growth

\*) Operating expenses, excl. capitalized R&D, depreciation and amort. and option expenses

# Maintaining cash

Cash flow Q1 2019



## Strong financial position

- MUSD 6 cash outflow during Q1 2019
- Cash positively impacted by high customer payments during the quarter
- NWC/LTM at 21.9% (22.6% in Q4 2018)
- Capex of MUSD 4.2 – test equipment for production releases on high-end nRF52 and nRF91 Series. Deferred capex to Q2.

## Continued disciplined cash strategy

- Tight cash management and optimized cash generating ability

\* EBITDA Adjusted for Capitalized Development Costs



A woman with a braid is seen from behind, looking out from a tent. The sun is setting over a body of water, creating a warm, golden glow. Two other people are visible in the distance on the shore.

# Business outlook

Svenn-Tore Larsen, CEO



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# New Nordic powered products



Specialized  
Helmet sensor

Xiaomi MiJia  
Door Lock

Anicare  
Animal tracker

Minut  
Smart Alarm

Intellinium  
Smart Add-On

Bicycle  
safety

Smart  
Home

Livestock  
tracking

Smart  
Home

Personal Protective  
Equipment

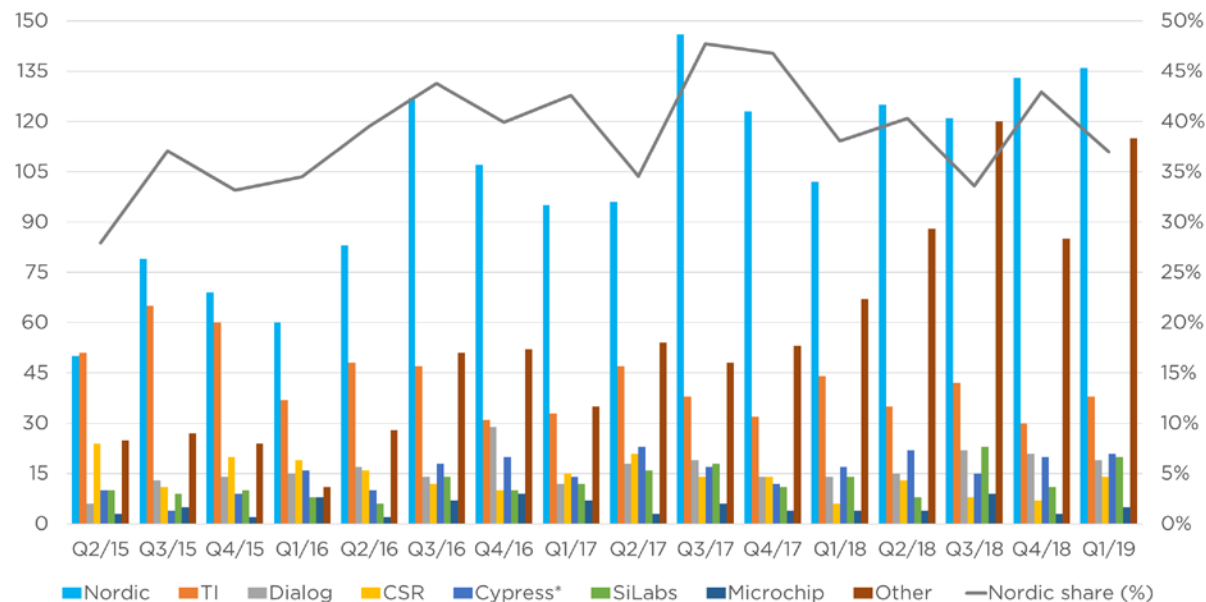
Short-range  
nRF52 Series

Long-range  
nRF91 Series

Short- & long-range  
nRF52 & nRF91 Series

# Leading and broad position in Bluetooth

Bluetooth Low Energy end-product certifications\*



End-product  
certifications,  
Nordic Q1 19

136

+33%  
y-o-y

+2%  
q-o-q

\*Source: DNB Markets

# Professional Lighting Mega Trend

## Building Automation



- Light control is getting smart
- Simplifies installation
- Adding functionality:
  - Beaconing for customer interactions
  - Bluetooth 5.1 for indoor position/asset tracking

## Horticultural lighting

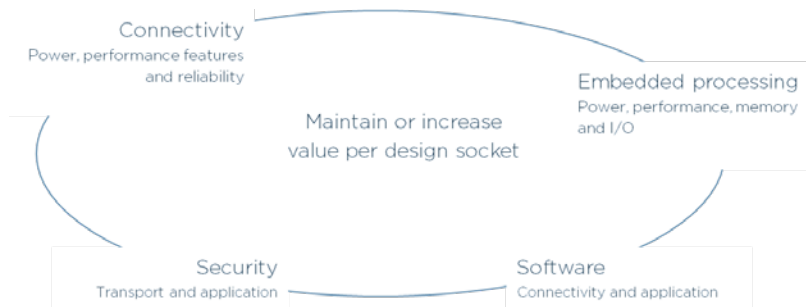


- Vary color temperature in order to optimize growth
- Reconfigure during seasons
- Energy saving and reduced installation cost

# Nordic Design Strategy

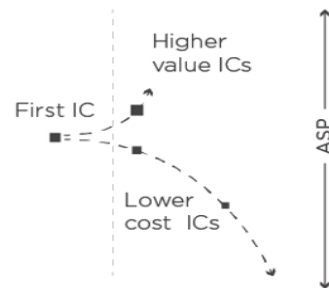
## Example: nRF52 Series

High integration early



- Bluetooth, Thread, ZigBee, ANT and Proprietary
- Extensive computational power
- Substantial amount of on-chip memory
- Advancements in security and peripherals

Further expansion later



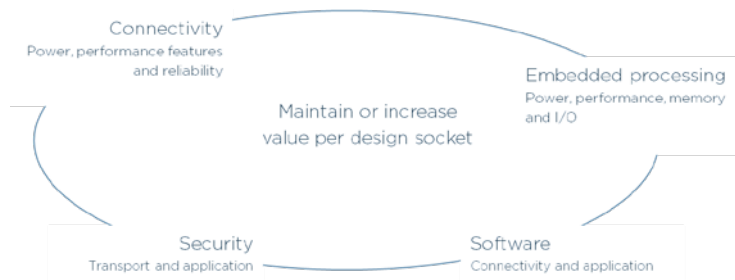
- Variants tailored to markets and verticals
- Continued integration
- Scalability across series



# Nordic Design Strategy

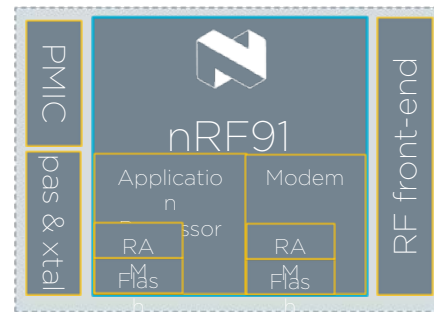
## As implemented in long range

### High integration



- World-wide cellular band coverage for design once, deploy everywhere
- Substantial amount of on-chip memory for low power operation
- Enable mass scale adoption by integrating and certifying functionality needed in most applications

### Focus on system cost



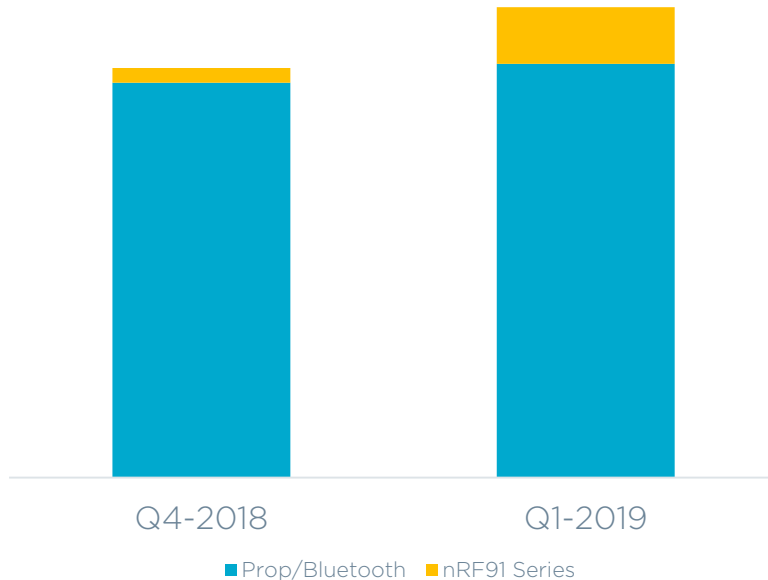
- Cost of on chip features << value
- IC cost only portion of system cost
- Integration of MCU, power management, LTE and GPS provides synergies

# nRF9160 SiP Production Status

Hardware	Supported features	Dec 12 <sup>th</sup> , 2018	May	June
nRF9160-SICA	LTE-M/NB-IoT/GPS	Public Sampling of HW and LTE-M SW	Production of HW. Public sampling of GPS and NB-IoT SW	LTE-M, NB-IoT, GPS SW production
nRF9160-SIBA	LTE-M		Production of HW	
nRF9160-SIAA	NB-IoT		Public sampling of NB-IoT SW	Production

# 12% of all customer engagement in Q1 from nRF91

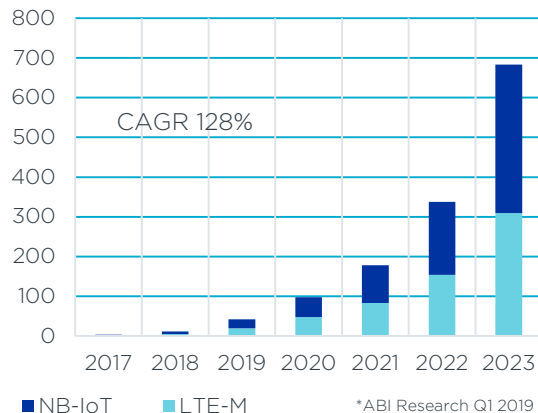
Engagements per quarter



- Rapid growth in customer engagements seen from nRF91 Series
- Growth exceeding any previous product introduction
- Significant efforts undertaken to train global support organization

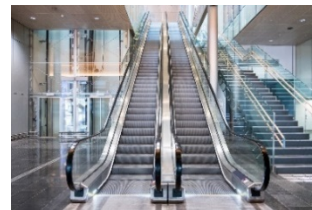
# Cellular IoT – Nordic's next growth driver

M Units\*



## Strong position to take market share

- A complete Nordic cellular IoT Solution
  - SOC and SiP module suited for a broad range of verticals
  - Market-leading power consumption
  - Software and developer community
- Broad customer engagement model and synergies with short range
- Plan to achieve long range break even in 2020 requires less than 10% market share\*, we aspire for more
- Current ASP at >10X Bluetooth



# Guidance Q2 2019

Revenue

MUSD  
69-74

Continued uncertainty related to trade tensions results in temporarily reduced growth rates in Q2 2019

Gross  
margin

Appr. 50%

Continued focus on cost improvements and customer and product mix

Other

Capex  
MUSD 5-6

Increased capex related to investments in lab equipment to secure future growth in cellular IoT and Tier 1 customers' requirements transferred partly from Q1



# Q&A