



# Quarterly Presentation Q4 2020

February 4, 2021



**NORDIC**<sup>®</sup>  
SEMICONDUCTOR

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# Accelerating growth through 2020

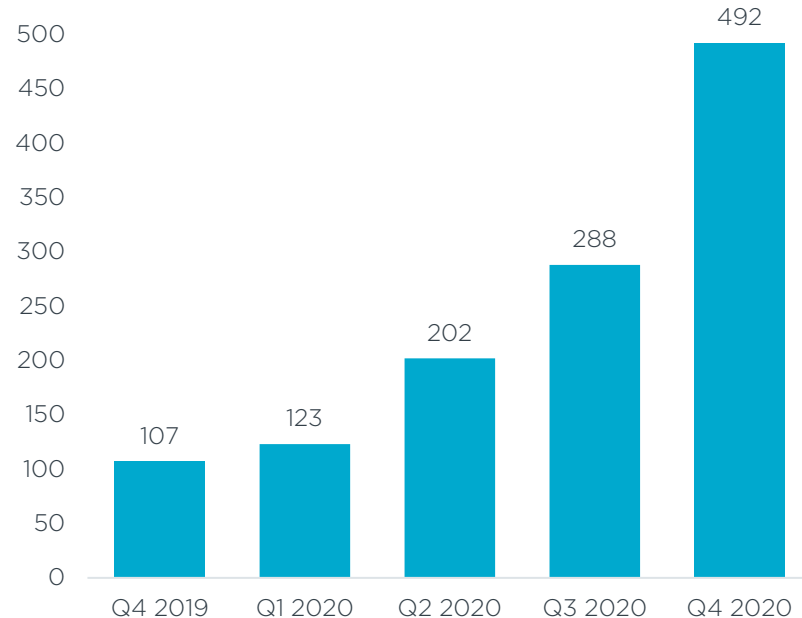
## Strong demand across all end-user markets

Revenue		Gross margin	
USDm			
127.1		52.7%	
+52.9%	+6.5%	+1.1%p	-1.4%p
y-o-y	q-o-q	y-o-y	q-o-q

- Bluetooth revenue USD 97.6m (+49%)
- Proprietary revenue USD 25.3m (+55%)
- Cellular IoT revenue USD 2.7m
- Gross margin of 52.7%
- Continued high volumes of advanced high-margin SoCs

# Order backlog at new and higher level

Backlog (USDm)

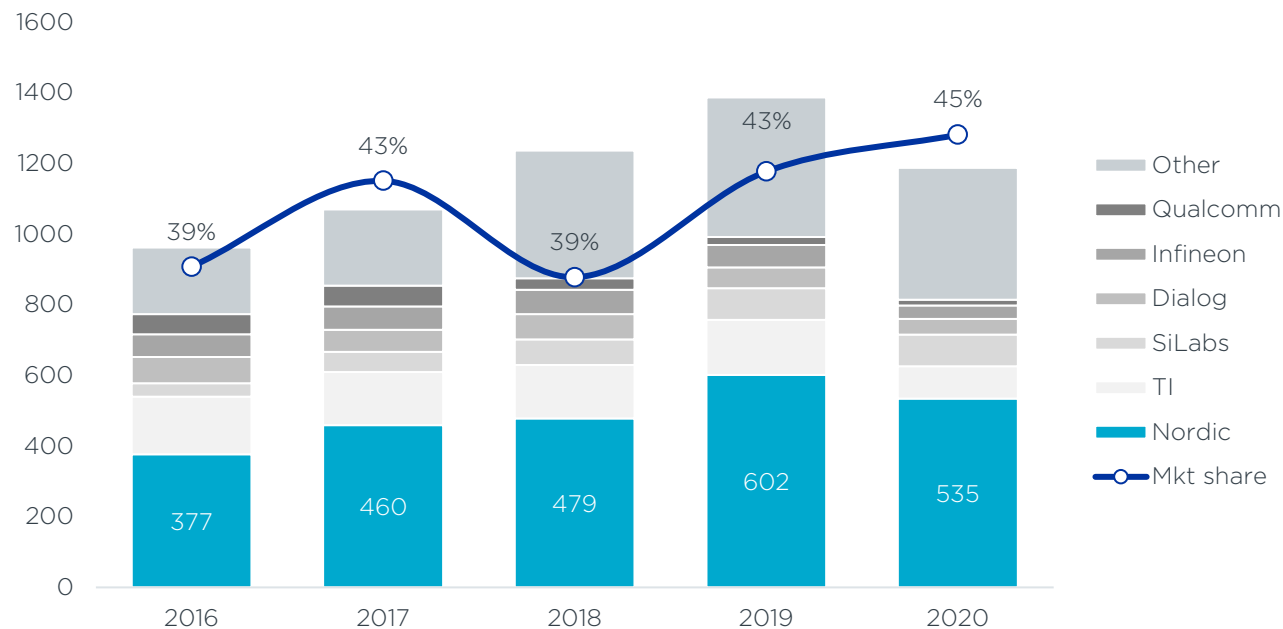


- Order backlog of USD 492m, +361% y-o-y
- Bluetooth Low Energy and multiprotocol solutions account for 84%
- Shift in customer mix with several major tier-1s placing high-volume orders
- Technology shifts and accelerated technology adoption for tier-1s
- Order inflow boosted by customers placing early orders
- Order backlog stretching out through 2021

# Fortifying the broad market leadership

## Continued high certification market share

Bluetooth Low Energy end-product certifications



End-product certifications, Nordic Q4 20

141

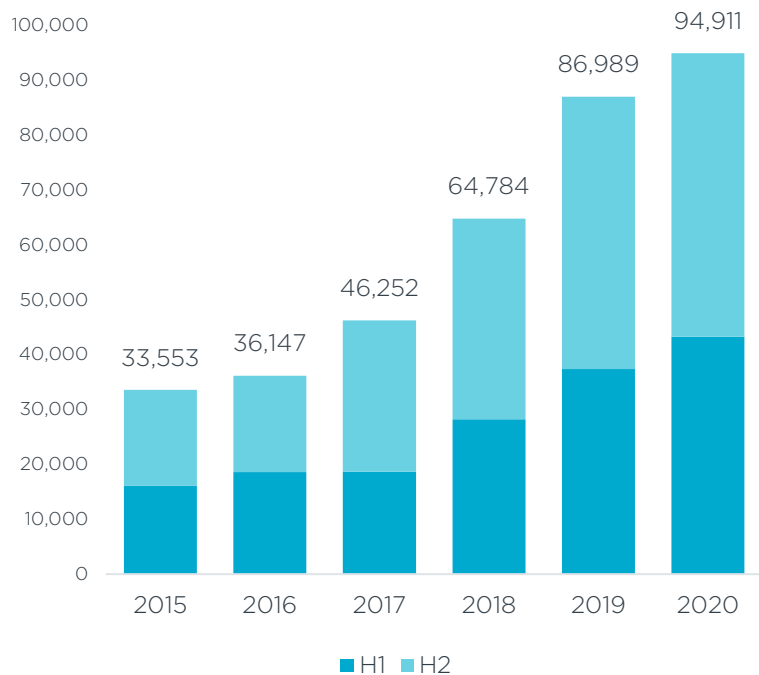
45 % mkt share in Q4'20 isolated

+1%  
y-o-y

+16%  
q-o-q

# Developer kit shipments continue to grow

Kit shipments



Total kit shipments **+9%** in 2020

High installed base of reusable kits

Shipped >50K kits in H2 2020

Significant contribution from nRF52840 development kits

Cellular IoT accounting for ~12% of kit shipments

# New product launches in Q4



Tsingal  
nRF52833

Bluetooth LE & UWB  
Module

Shenzhen DO  
Intelligent Technology  
nRF52840

Smartwatch

Eve Systems  
nRF52840

Smart home products  
supporting both  
Bluetooth LE & Thread

NousLogic  
nRF9160

Healthcare/medical  
realtime monitoring

tiptap  
nRF9160

Contactless payment  
terminal

# Multiprotocol SoCs enabling smart homes



- Eve Systems launching the first smart home products to take advantage of Apple HomeKit's new Thread functionality
- New 'Eve Thermo' is powered by Nordic's nRF52840 SoC, which supports both Bluetooth 5, Thread and Zigbee



# Nordic inside COVID-19 home tester



- Nordic's nRF52810 Bluetooth LE SoC powers new COVID-19 Home Test kit from Ellume
  - Authorized by the FDA under an emergency use authorization, easy-to-use 15 minutes test for SARS-CoV-2 infection
  - Automatically transmitting results via Smartphone to secure cloud connection
  - Available over-the-counter
- Ellume expects demand in tens of millions

# nRF5340 in volume production

## Taking IoT to the next level



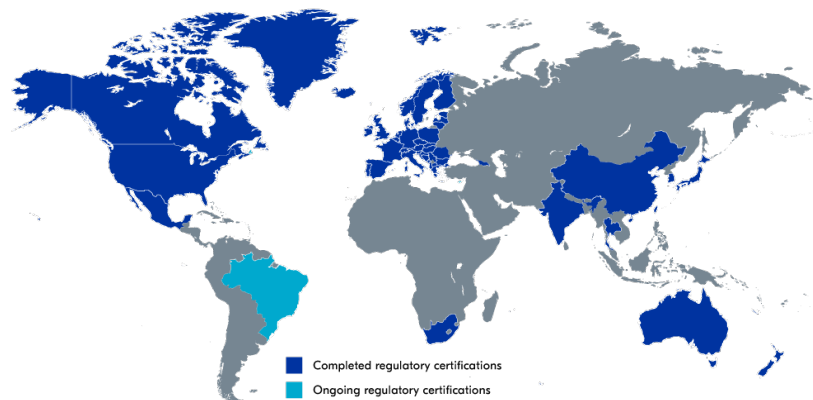
*"Laird sees Nordic as the premier Bluetooth LE SoC vendor and the nRF5340 is pushing that envelope even further,"*

*- Jonathan Kaye, Laird Connectivity"*

- The world's first dual Arm Cortex-M33 wireless SoC
  - High performance - high efficiency - no trade-offs
- Advanced features and security required for highly complex IoT applications
  - LE Audio
  - Advanced wearables
  - Professional lighting
- Chosen by Laird Connectivity for new module for demanding IoT applications

# Cellular IoT progressing

Regulatory certifications overview for nRF9160:



Carrier certifications for **LTE-M** **NB-IoT**

**verizon**

**T**

**vodafone**

**Telstra**

**中国电信**  
CHINA TELECOM

AT&T

Bell Canada

KDDI

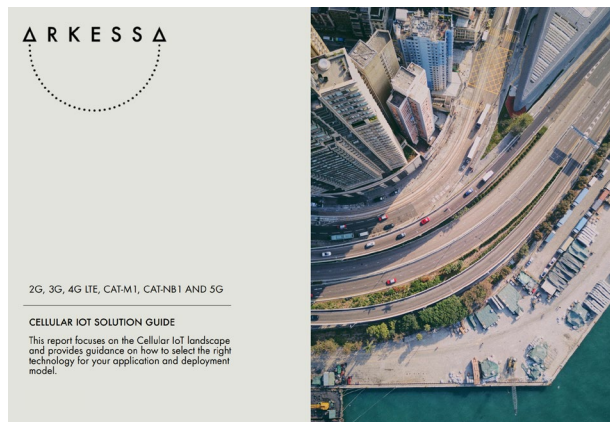
Softbank

LGU+

- Strong APAC carrier coverage with three new major certifications in Q4:
  - KDDI (Japan)
  - Softbank (Japan)
  - LGU+ (S. Korea)
- New IoT solution designs and partners help scale our business
- Introduced unique cellular power measurement tools with the Power Profiler Kit II

# Nordic expands global cellular IoT coverage

## Partnering with Arkessa to provide global LTE-M/NB-IoT service



- Leader in virtual SIM (eSim/eUICC)
- Eliminates need for Nordic customers to negotiate IoT data contracts with individual carriers
- Extensive European and global LTE-M/NB-IoT coverage
- Arkessa will offer technical support and access for connectivity testing and evaluation

*"Arkessa is delighted to partner with Nordic to give their customers access to our global footprints for both NB-IoT and LTE-M"*  
- Andrew Orrock, Arkessa

# nRF9160 in Ericsson/Sigma reference design

## Enabling rapid IoT development for industrial customers



*Ericsson & Sigma Connectivity  
nRF9160 + nRF52840  
'ARDESCO' reference design*

- Ericsson and Sigma chose nRF9160 and nRF52840 for joint 'ARDESCO' reference design
- Integrates accelerometer and temperature, humidity, air quality, air pressure and light sensors
- Suitable for broad range of cellular IoT product verticals, including logistics, environmental monitoring, metering and asset tracking
- Supports Ericsson's 'IoT Accelerator' suite, providing Cloud-based connectivity and device management out-of-the-box

# nRF9160 in new modules & turn-key products

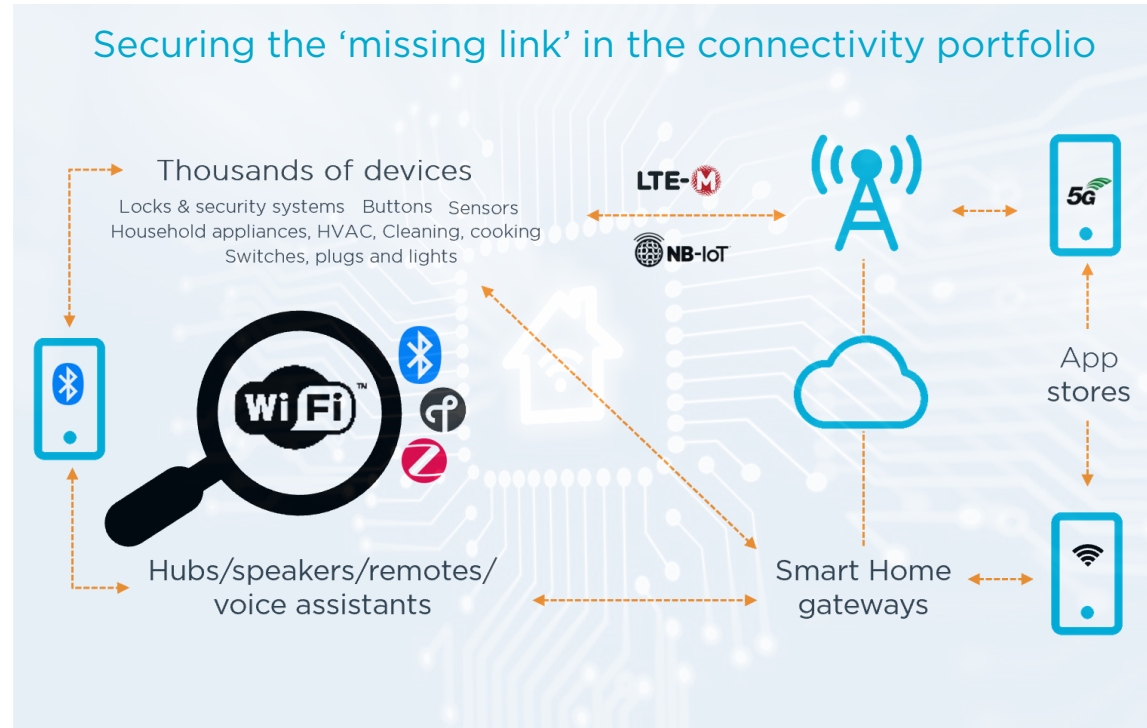
## Enabling rapid IoT development for industrial customers



- Avnet Asia integrating nRF9160 and nRF52840 for the smallest available module combining LTE-M/NB-IoT, Bluetooth and GPS
- Braveridge in Japan using nRF9160 for new 'Sonicboard' development kit
- Dutch SODAQ using nRF9160 in turn-key solutions for miniaturized asset trackers, including solar-powered battery-less version
  - Light sensor, accelerometer, temperature sensor and status LEDs with GPS, Wi-Fi and cellular -powered by 0.5W solar panel

# Wi-Fi to complete the connectivity portfolio

- Wi-Fi development team with 80 people + IP tech assets/patents across Wi-Fi 4/5/6
- Nordic positioned to create first platform unifying low-power Bluetooth, Wi-Fi and cellular IoT
- Significant expansion of the addressable market





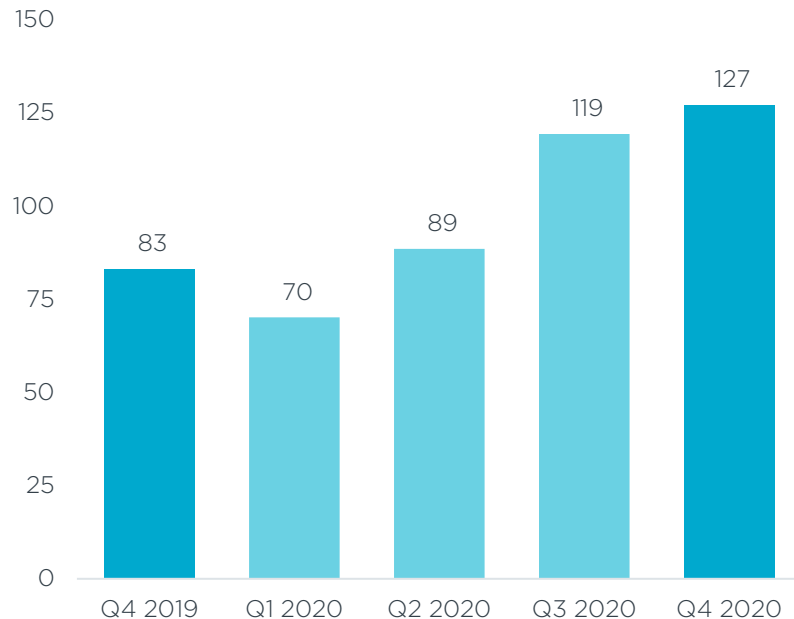
# Financials

Pål Elstad, CFO



# Revenue growth of 53% in Q4

Quarterly revenue (USDm)



- Growth in all technologies in Q4...
  - Bluetooth accounting for 77% total revenue, after increasing 49% y-o-y to USD 97.6 million
  - Proprietary +55% to USD 25.3 million
  - Cellular IoT USD 2.7 million (USD 0.2 million)
- ...and for the full year 2020
  - Bluetooth +43% to USD 316.0 million
  - Proprietary +27% to USD 76.1 million
  - Cellular IoT +524% to USD 6.5 million

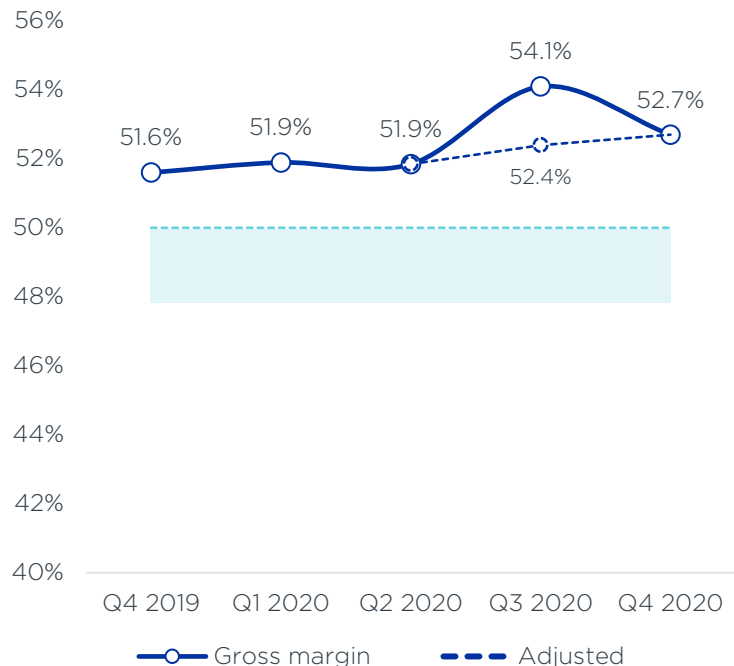
# Revenue growth in all markets

Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm <b>127.1</b>	USDm <b>53.7</b>	USDm <b>18.1</b>	USDm <b>27.0</b>	USDm <b>10.6</b>	USDm <b>13.5</b>
+52.9% y-o-y      +6.5% q-o-q	+59.0% y-o-y      -3.0% q-o-q	+12.3% y-o-y      -6.7% q-o-q	+62.3% y-o-y      +17.8% q-o-q	+113.2% y-o-y      +36.0% q-o-q	+30.3% y-o-y      +26.6% q-o-q

- Year-on-year growth across the markets
- Strong but seasonally slower for Consumer Electronics and Wearables
- Building/Retail, Healthcare and modules securing growth from Q3 to Q4

# Gross margin remaining at high level

Gross margin (%)



## Gross margin at 52.7%

- Continued favorable product mix, with high share of complex high value SoCs
- Decline from reported Q3-margin, as Q3 was supported by USD 2 million (1.7 pp) in reversal of cost of goods from the previous quarter
- Gross margin expected at 50-51 % in Q1 2021
- Reiterating medium-term gross margin range of 48%-50% for the short-range business

# Operating model performance Q4 2020

Gross margin  
52.7%

Q4 2020

Q4 2019

R&D short-range 13.7%	Revenue	USD 127.1m	USD 83.1m	+52.9%	Growth in all technologies and markets
R&D cellular IoT 7.9%	Gross margin	52.7% USD 67.0m	51.6% USD 42.9m	+1.1pp	Product mix and unit costs
SG&A 10.0%	R&D short-range	13.7% USD 17.4m	14.4% USD 12.0m	-0.7pp	Continued investment growth but high operational leverage
EBITDA 21.1%	R&D cellular IoT	7.9% USD 10.1m	9.1% USD 7.6m	-1.2pp	Continued investment growth but high operational leverage
	SG&A	10.0% USD 12.7m	13.4% USD 11.1m	-3.4pp	Continued growth in no. of employees but high operation leverage
	EBITDA	21.1% USD 26.9m	14.7% USD 12.2m	+6.5pp	High operational leverage, solid cost control

# Cash operating expenses

- Cash cost increase of 23%, mainly due to increased number of employees and bonus accruals

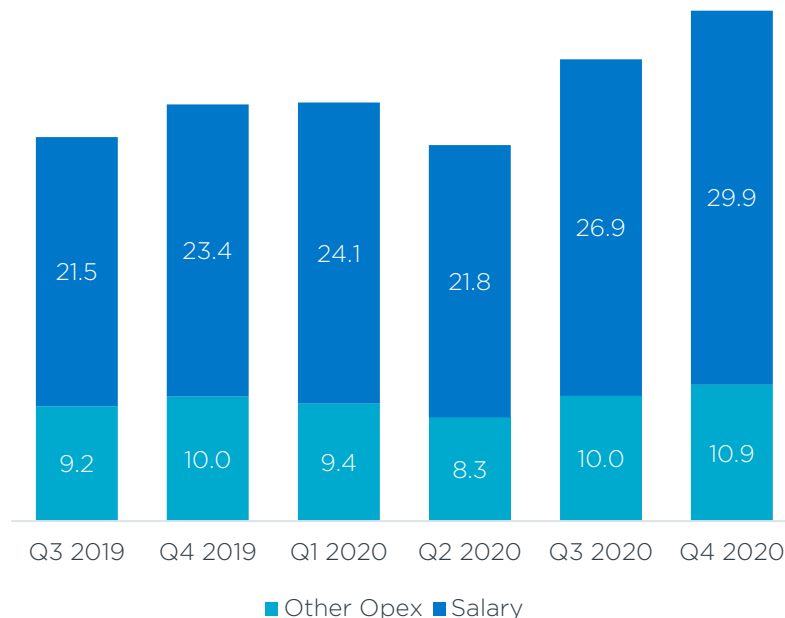
## Salary:

- Number of employees increased by 17% to 897\*\* over the past last 12 months

## Other Opex:

- Varies with pace of product introductions
- Sharp focus on cost containment
- Reduced travelling in 2020

Cash OPEX\* (USDm)

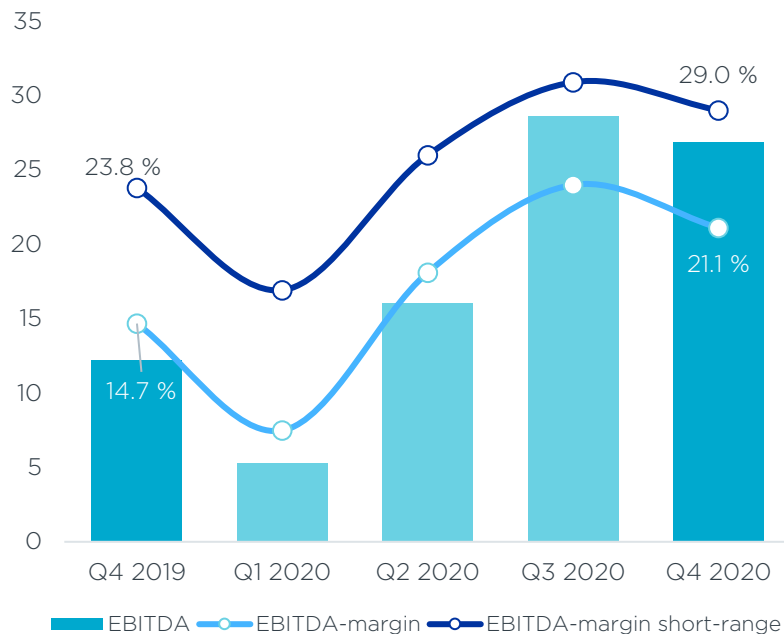


• Operating expenses, excl. capitalized R&D, depreciation and amortization and option expenses

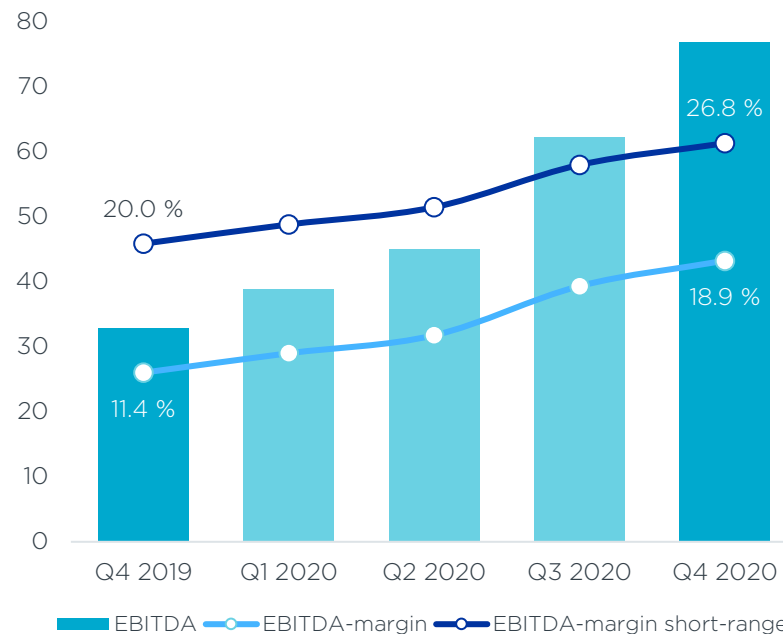
• \*\* Excluding 81 employees included from Wi-Fi business acquired December 31, 2020

# Year-on-year EBITDA improvement

EBITDA (USDm) and margin (%), quarterly

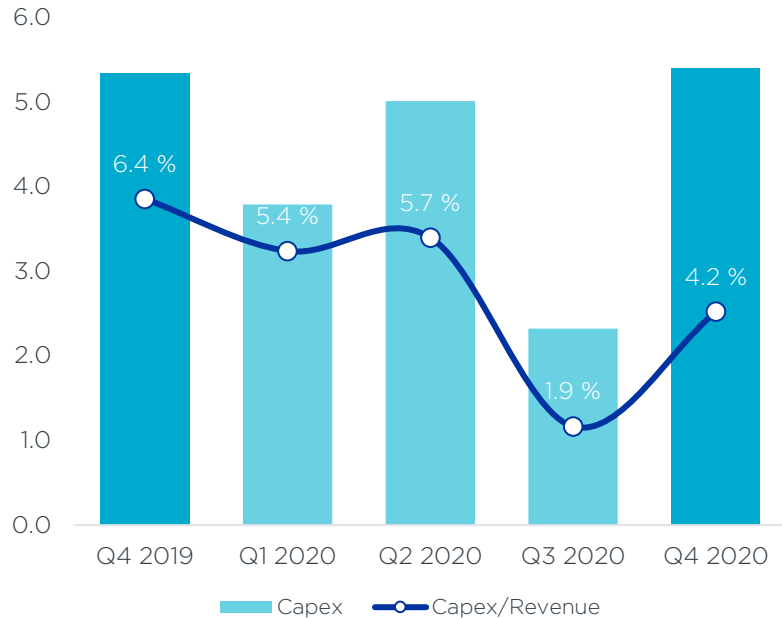


EBITDA (USDm) and margin (%), LTM



# Capex development

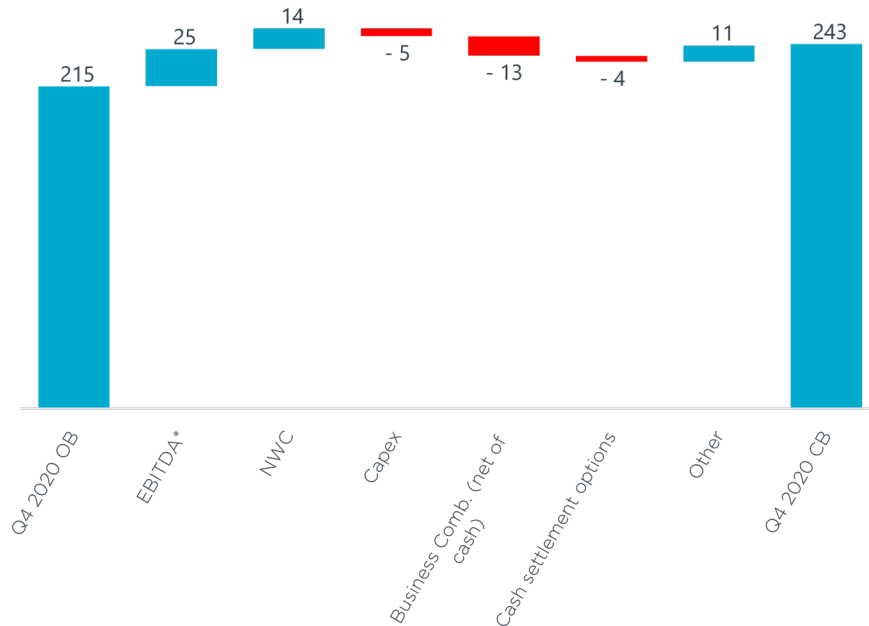
Capex (USDm)



- Capex of USD 5.4 million in Q4, mainly delivery of new manufacturing testers
- 2020 Capex intensity of 4% of revenue, down from 7% in 2019
- Expect 2021 Capex intensity level similar to 2020 level

# Continued strong cash position

Cash position and Cash Flow Q4 2020 (USDm)



\* EBITDA Adjusted for Capitalized Development Costs

## Operating cash flow of USD 51.0m

- NWC/Revenue LTM at 19.4%, compared to 24.3% at end of 2019

## Continued disciplined cash strategy

- Tight cash management and optimized cash conversion


## Strengthened cash balance

- Cash balance at ~2.7x last 12 months R&D-spend, up from ~1.4x at end of 2019

## 2020 Cashflow

- USD 40m generated in 2020 from operations, excluding capex/intangibles

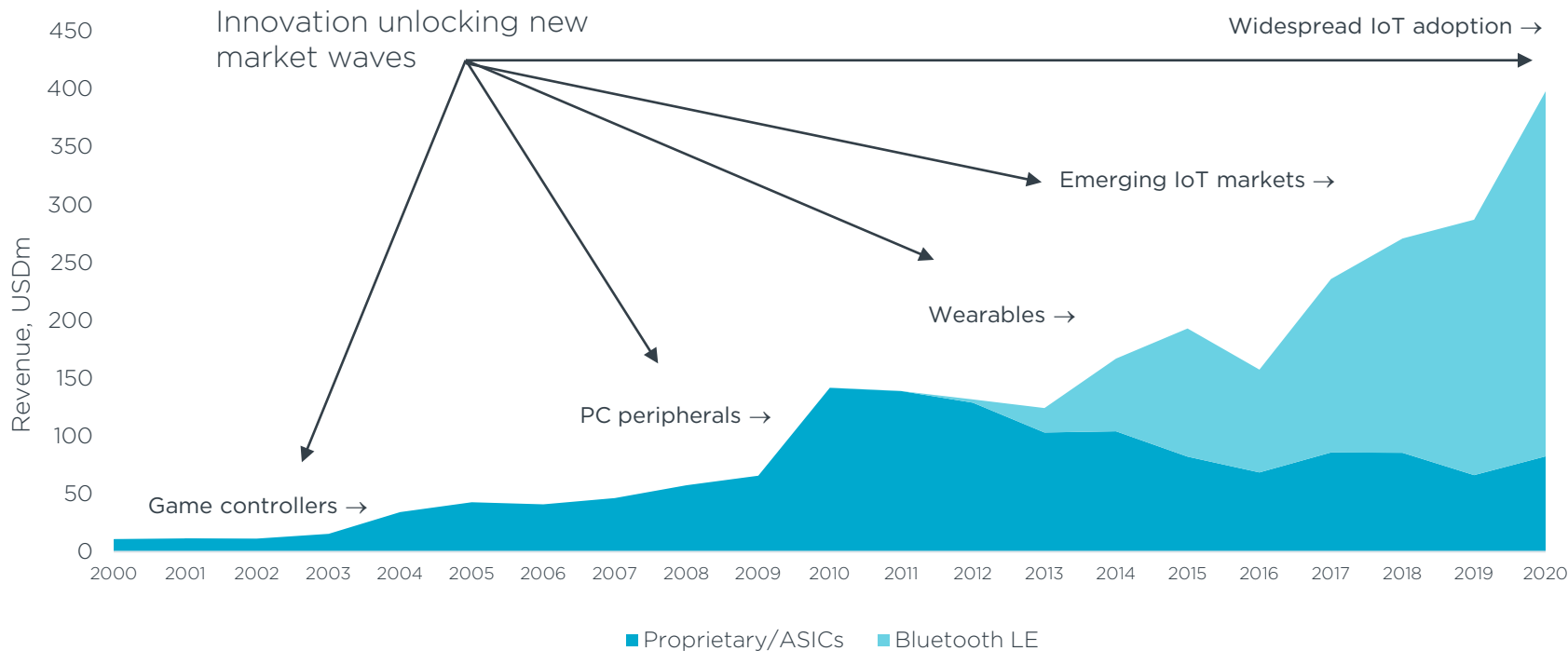




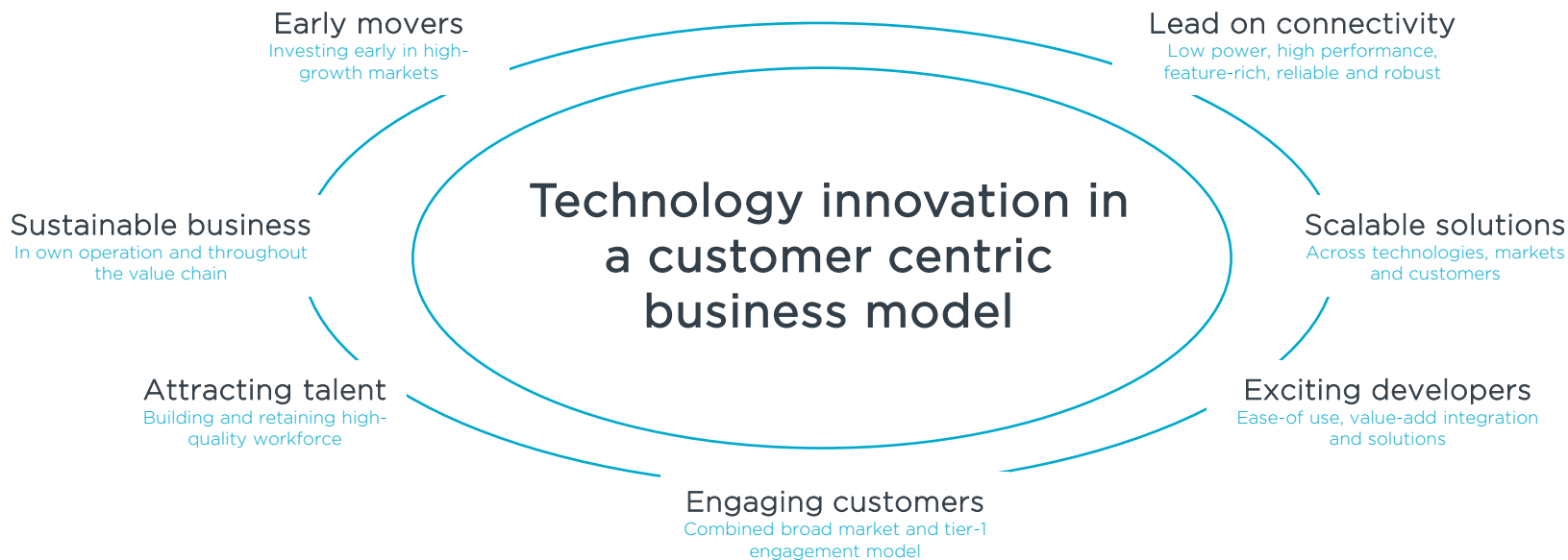
# Summary and Outlook

Svenn-Tore Larsen, CEO

# Nordic is on a long-lasting growth journey



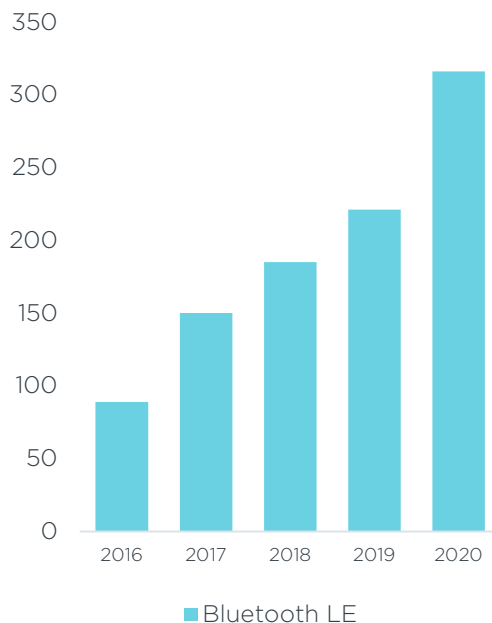
# A strong and resilient operating model



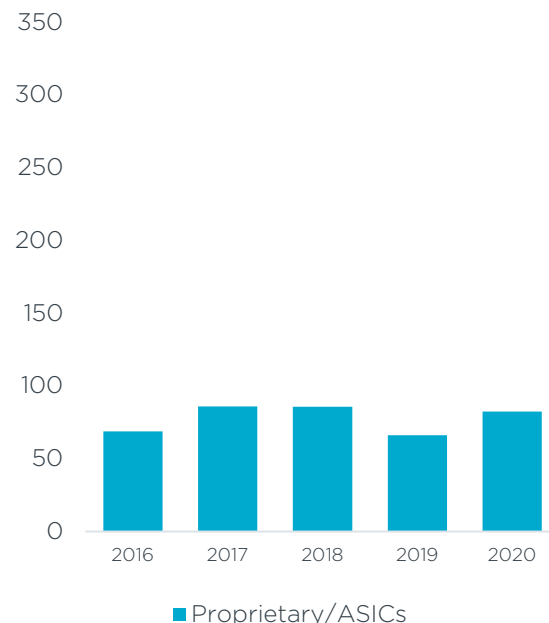
# Bluetooth acceleration + proprietary revival

- Bluetooth +43% in 2020
  - Well above the indicated mid-term 20%-30% growth range
  - CAGR of 19%-29% over the past 5-6 years\*
- Proprietary revenue +27% in 2020
  - Solid demand from major customers
  - Significantly better than expected

Bluetooth revenue, USDm



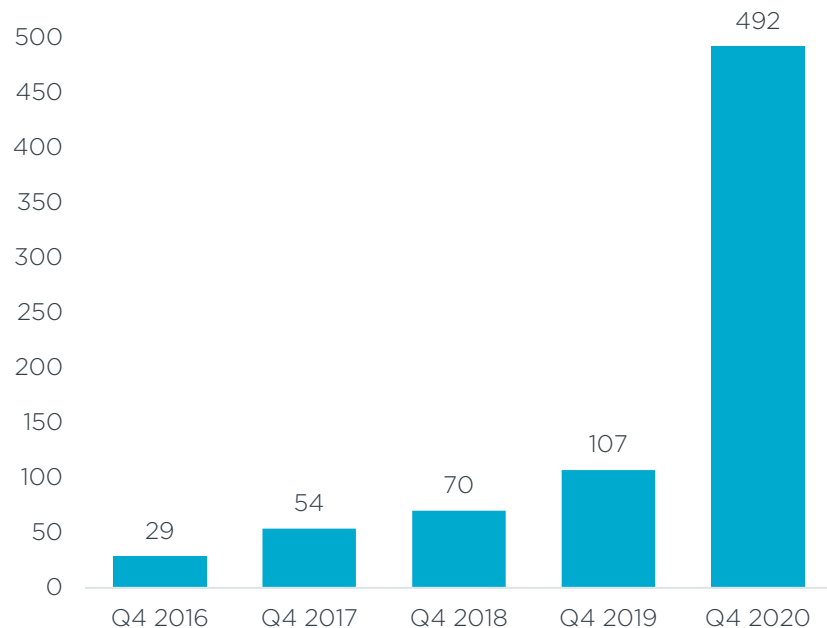
Proprietary revenue, USDm



\*Bluetooth revenue: 29% CAGR past 5 years, 19% CAGR past 6 years

# Demand shift supports long-term growth plan

Backlog (USDm)



- Solid market position
  - Market leader in Bluetooth
  - Positioned to take lead in cellular IoT
  - Complementing portfolio with Wi-Fi
- Accelerating demand growth through 2020
- Medium- and long-term drivers in place to support the ambitious growth strategy

# Supply temporarily limits the upside in 2021

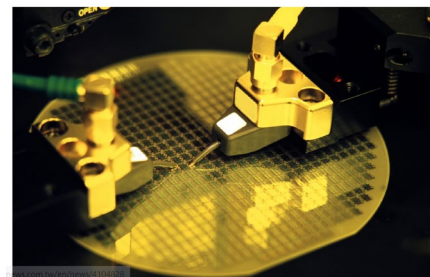
- Nordic had ordered wafer volumes allowing for significant growth also in 2021
- Nordic has now been notified of limitations in wafer supply, with current allocation allowing for minimum 25% increase in production volumes in 2021
- Backlog and wafer allocation allow for Q1 2021 revenue guiding of USD 130-140 million
- Largest impact of wafer shortage expected in Q2 2021; higher volumes expected in H2 2021
- Semiconductor Fabs are stepping up investments

## Global semiconductor shortage puts pressure on tech supply chain

Tech industry one of few sectors to experience growth during pandemic

8500 Tweet 115 Share Like 56

By Eric Chang, Taiwan News, Contributing Writer  
2020/12/18 15:04



TECH

## TSMC to Spend Up to Record \$28 Billion on Advanced Chips, Capacity

The world's biggest contract chip maker plans to boost capex by at least 47% in 2021

# Expect strong Q1 in challenging supply environment

## Q1 2021 guidance

Revenue		Gross margin
USDm 130-140		~50%-51%
+85% - 100% y-o-y	+2% - 10% q-o-q	

- Risks and uncertainties remain
  - + Faster technology adoption strengthens long-term growth potential
  - Supply capacity temporarily curtails production
- Higher share of lower-margin SoCs in Q1 2021 deliveries
  - Reiterating medium-term gross margin range of 48%-50% for the short-range business