

Quarterly Presentation

Q4 2021

February 3, 2022



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SEMICONDUCTOR

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This presentation was prepared in connection with the Q4 results released on February 3, 2022. 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.

Revenue growth and margin improvement

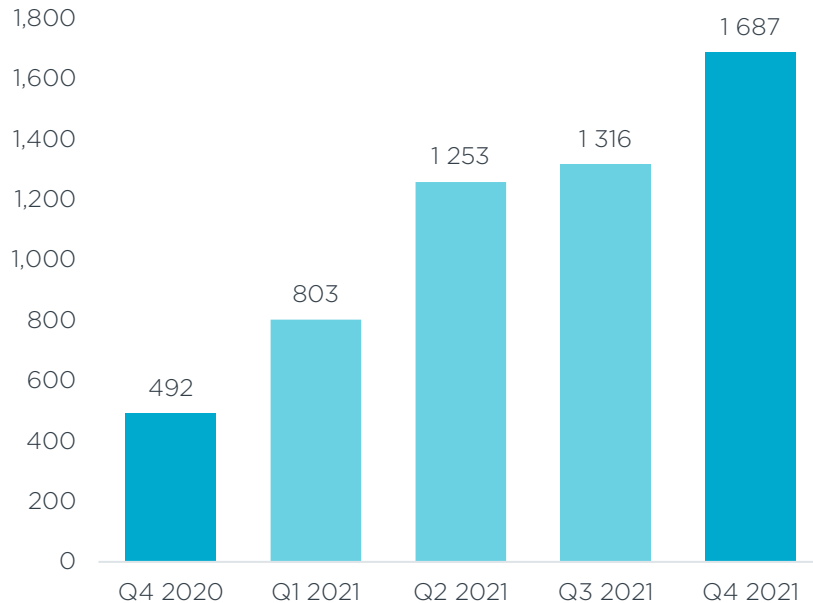
Volume growth remains capped by wafer supply

Revenue		Gross margin	
USDm 171.2		58.9 %	
+35% y-o-y	+15% q-o-q	+6.2%p y-o-y	+5.8%p q-o-q

- Significant revenue increase
 - Price increase from December 1, including distributor inventories
 - Bluetooth revenue USD 136.0m (+39%)
 - Proprietary revenue USD 27.2m (+7%)
 - Cellular IoT revenue USD 5.9m (+121%)
- Gross margin of 58.9%
 - Underlying gross margin of ~53%

Record high order backlog

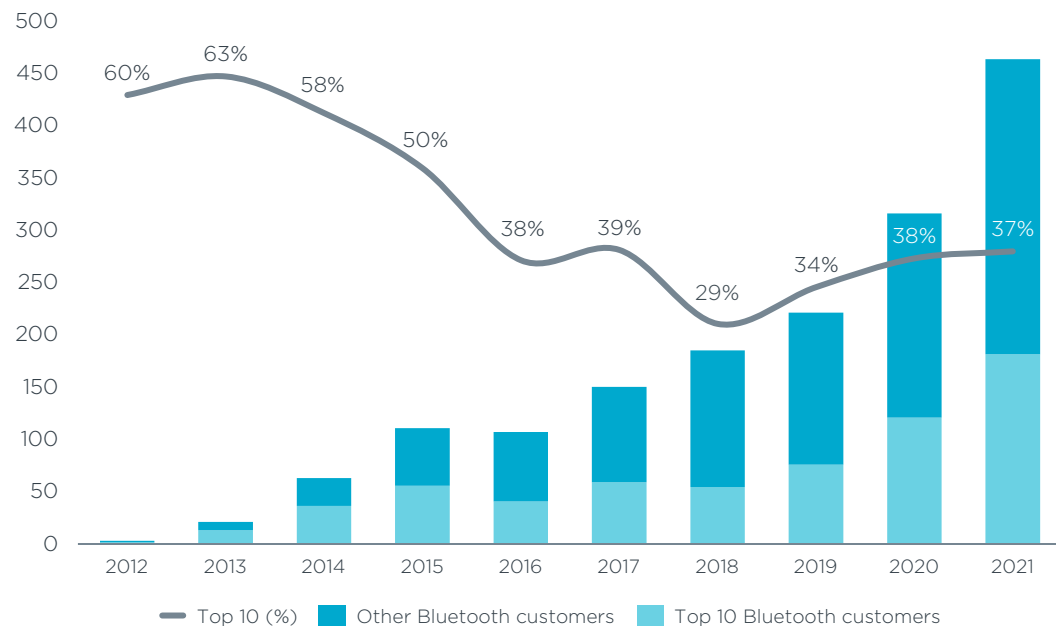
Backlog (USDm)



- Order backlog more than tripled in 2021
- Increase from Q3 reflects both volume increase and price adjustments
- Backlog stretches into 2023 - timing of deliveries dependent on wafer supply
- Focus on mitigating customer challenges

Growing across the whole customer base

Bluetooth revenue composition (USDm)



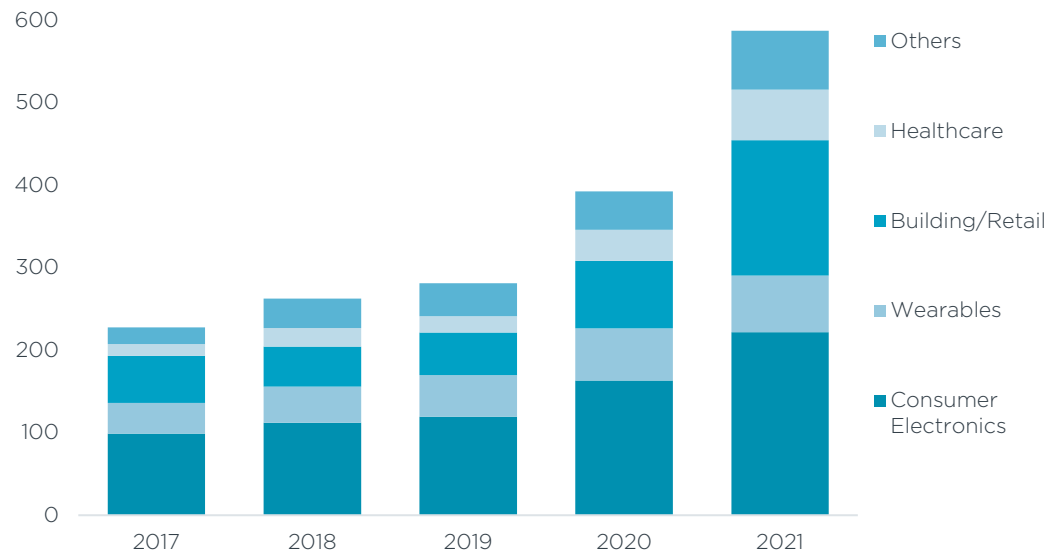
- Growing customer base and increasing revenue per customer
- Balancing allocation across tier-1 customers and the broad market

Growth across all verticals

Driven by both consumers and industrials

- Consumer electronics remains the largest area
- Healthcare being driven by new applications
- Ongoing disruption in several applications:
 - Logistics/asset tracking
 - Smart home
 - Smart lighting
 - Healthcare
 - ++

Short-range revenue by end-user markets, last 12 months (USDm)



New product launches in Q4



Two Commas Company
"Garage Door Minder"
nRF52811/nRF52820

Home security solution
for garage door
monitoring



Glorious
"O Wireless mouse"
nRF52840/nRF52820

Low-latency data
transfer between mouse
and the user's PC for
gaming applications



Dronetag
"Dronetag Mini"
nRF9160/nRF52833

Smallest LTE-M and
Bluetooth LE drone
tracker for professional
pilots to be compliant
with new remote ID
regulation



TZero
"MachineMailbox"
nRF9160

Cellular IoT gateway
solution enables
connectivity for industrial
systems



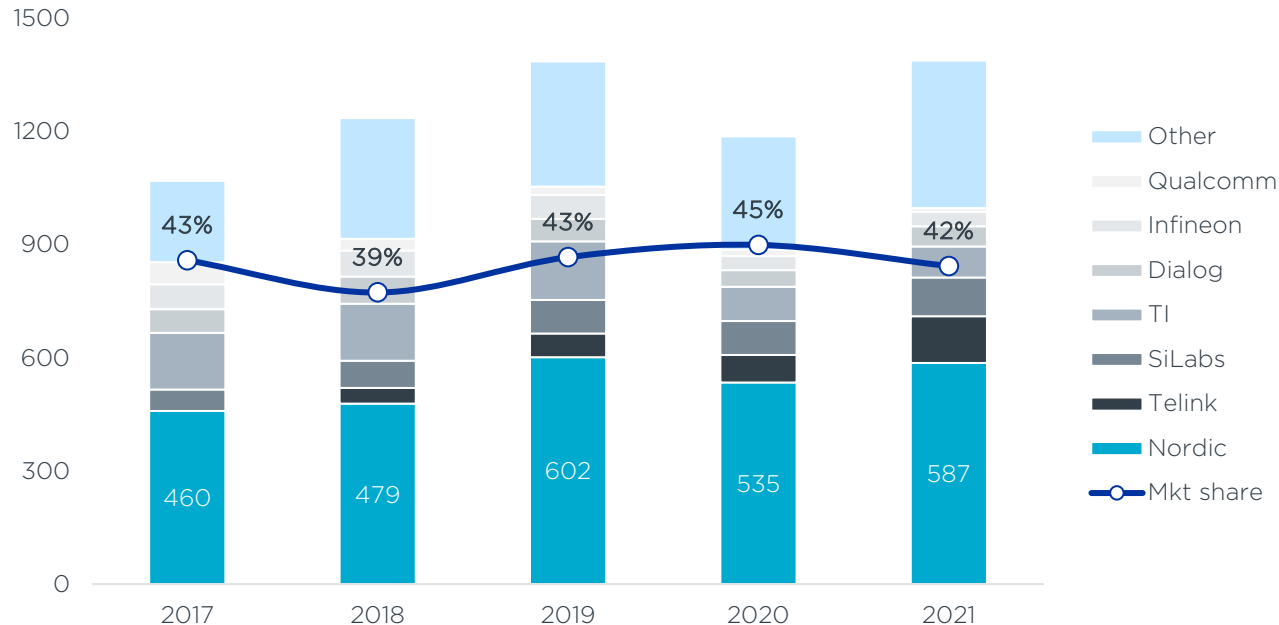
Digital Matter
"Oyster3"
nRF9160

Geolocation asset
tracker for
environments and
features claimed
battery life of over 10
years

Steady and high certification market share

Significantly increasing value per design

Bluetooth Low Energy end-product certifications, last 12 months



End-product
certifications,
Nordic Q4 2021

178

44 % mkt share in
Q4 2021 isolated

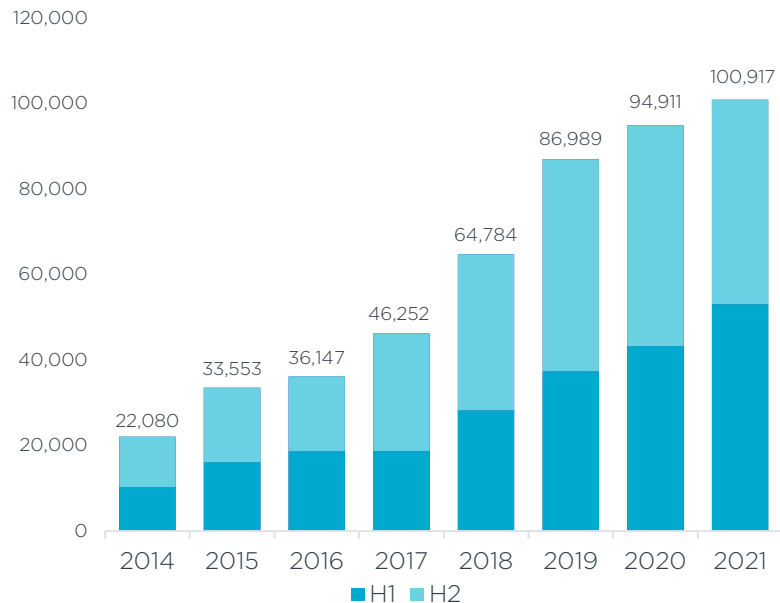
+26%
y-o-y

+45%
q-o-q

*Source: DNB Markets/FCC

Developer kit shipments continue to grow

Kit shipments



Total kit shipments **+6%** in 2021

- Sold more than 100k kits in 2021, adding to a high installed base of reusable kits
- Close to 25% of kits from recently launched products
 - nRF52833 and nRF5340
 - nPM1100
 - Power Profiler Kit II

Successful CES 2022

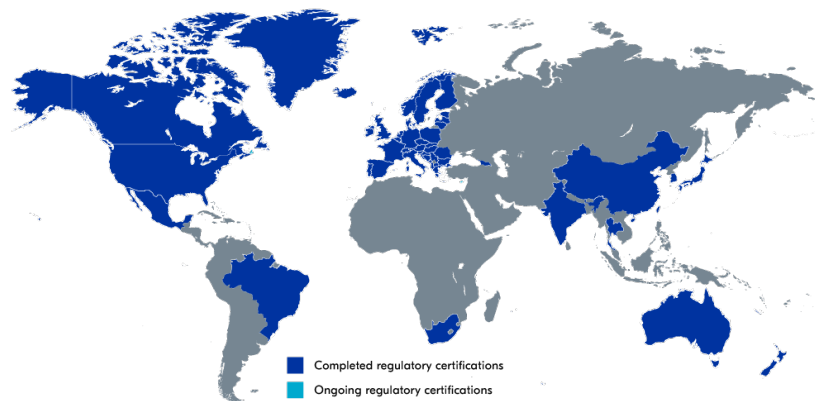
Nordic demonstrated innovative demos and hosted live webcasts on:

- **LE Audio** using nRF5340 SoC
 - the next Evolution of wireless audio
- Latest trends within **cellular IoT** and **location services**
- **Matter** working with
 - Nest Hub
 - Leedarson Smart Bulb
 - Yale Smart Door Lock
 - Eve Energy smart plug/power meter
 - Nordic Thingy:53



Nordic cellular IoT - global coverage

Regulatory certifications overview for nRF9160

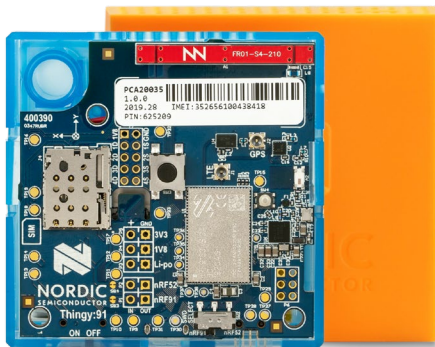


- Certified with Vivo (Telefônica Brasil) in Q4 2021
- Achieved a broad regulatory and carrier certification coverage globally

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



Flexible and scalable cloT business model



Nordic Thingy:91
cellular IoT prototyping platform

- Nordic reaching out to the broad market
 - cloT offerings have previously not been suitable for this segment
 - Was built for cell phones and 2G/3G industrial applications
 - Supported few customers – 1 to 1 support
- Nordic has built a scalable and flexible cloT go-to-market strategy
 - Able to support and drive innovative customers on a large scale
 - Making cloT-design easy
 - Solution provided: application MCU + memory + connectivity
 - Open-source SW and HW design examples
 - Tech support through Nordic DevZone and distributors

Expanding the Nordic Partner Program

Accelerating our cellular IoT customers' time to revenue



- Edge Impulse's ease-of-use development tools for cloT embedded [machine learning](#) (ML)



- The [A1 Digital](#) IoT Center is a turnkey platform that provides developers with all they require to power their cloT product from [device-to-Cloud](#)



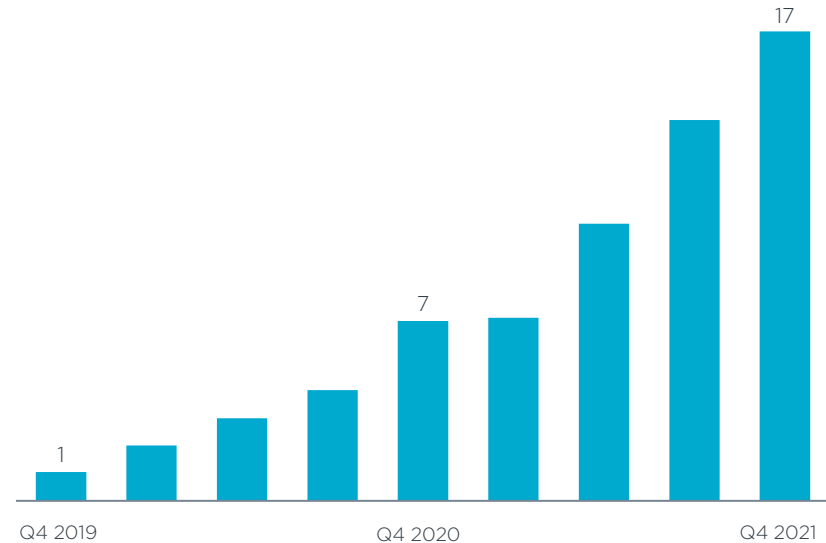
- [Polte](#) CoreRes is a Massive IoT [location service](#) targeted to developers of asset tracking solutions using Nordic's nRF9160 SiP

Focusing on cloT customers in growth verticals

- Asset Tracking
 - Industrial & consumer
- Retail/sensors/metering
 - Industrial
- Smart home
 - Consumer
- Healthcare
- Modules

Enabling the broad cloT market with disruptive and 'easy to design' solutions

cloT revenue last 12 months (USDm)



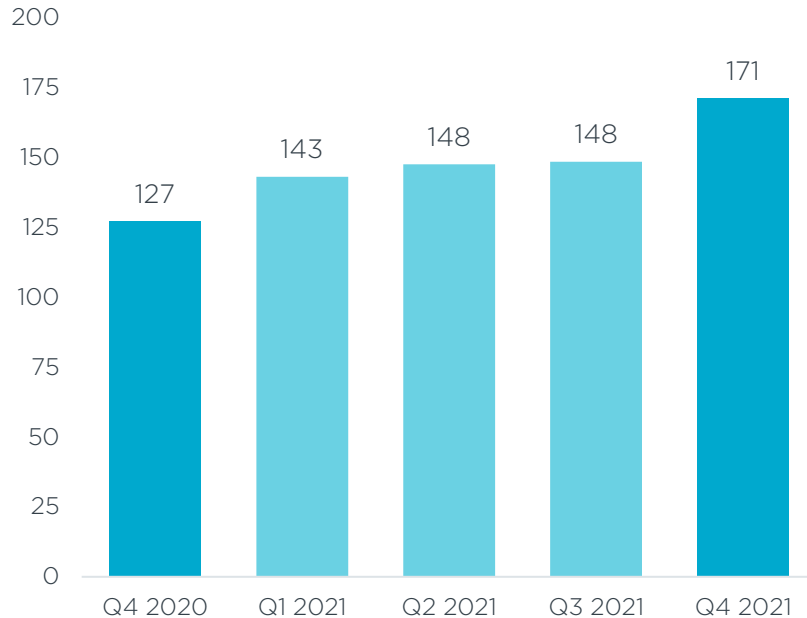
The background of the slide is a close-up, high-angle photograph of a microchip. The chip's surface is covered in a complex grid of gold-colored pads and intricate circuitry. A solid blue diagonal shape cuts across the top-left corner of the image. A white rectangular box with a pointed right side is positioned in the lower-left area, containing the text.

Financials

Pål Elstad, CFO

Revenue growth of 35% Y-o-Y

Quarterly revenue (USDm)



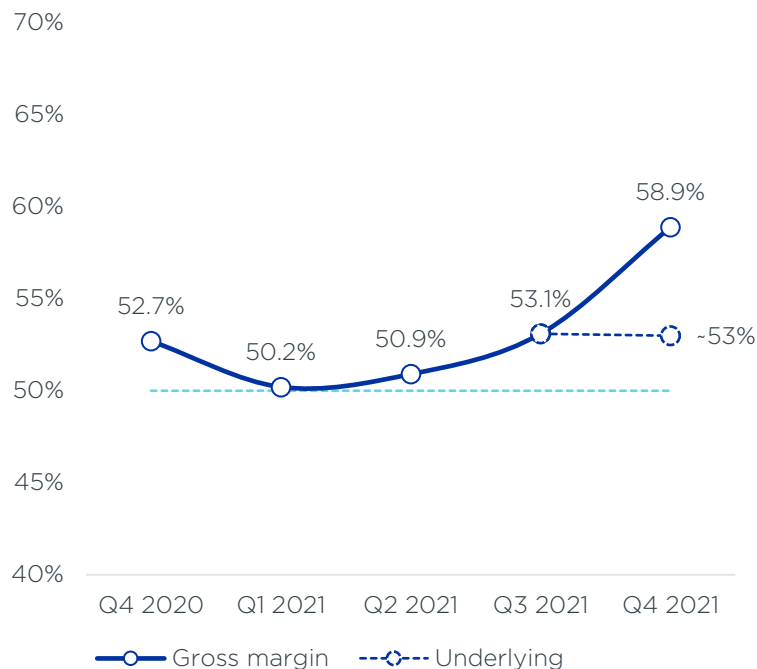
- Y-o-Y growth across all technologies, although capped by wafer supply
 - Bluetooth +39% to USD 136.0 million
 - Proprietary +7% to USD 27.2 million
 - Cellular IoT +121% to USD 5.9 million
- +15% increase from Q3, driven by price, volume and product mix

Revenue per market

Group	Consumer Electronics	Wearables	Building/ Retail	Healthcare	Others
USDm 171.2	USDm 61.2	USDm 17.6	USDm 47.5	USDm 17.3	USDm 19.5
+34.7% y-o-y +15.3% q-o-q	+14.0% y-o-y +5.6% q-o-q	-2.5% y-o-y +16.2% q-o-q	+76.0% y-o-y +20.4% q-o-q	+63.3% y-o-y +40.1% q-o-q	+44.2% y-o-y +11.0% q-o-q

- Year-on-year growth across most end-user markets
- Quarter-on-quarter changes reflect product allocations between segment
- Preparing change in markets reporting from 2022

Continued strong gross margin



- Underlying gross margin of ~53%
 - Continued strong, despite increased costs from suppliers throughout 2021
 - Driven by operations and product mix
- Effects of price increase on the reported gross margin
 - Price increase included distributors' existing inventory
 - Full effect of wafer cost increase in Q1 2022

Operating model performance Q4 2021

Gross margin
58.9%

R&D
short-range
13.8%

R&D cellular IoT
7.3%

R&D Wi-Fi 2.2%

SG&A
10.8%

EBITDA
24.7%

	Q4 2021	Q4 2020	
Revenue	USD 171.2m	USD 127.1m	+34.7% Volume growth + price effect in Q4 2021
Gross margin	58.9% USD 100.8m	52.7% USD 67.0m	+6.2pp Roughly flat adj. For price effects
R&D short-range	13.8% USD 23.7m	13.7% USD 17.4m	+0.1pp
R&D cellular IoT	7.3% USD 12.5m	7.9% USD 10.1m	-0.7pp
R&D Wi-Fi	2.2% USD 3.8m	-	+2.2pp
SG&A	10.8% USD 18.5m	10.0% USD 12.7m	+0.8pp
EBITDA	24.7% USD 42.4m	21.1% USD 26.9m	+3.6pp

Total R&D up from 21.6% to 23.6%
- continuing to invest despite current
revenue constraints due to wafer supply

High growth in number of employees

Strong EBITDA margin

Investing in growth

Cash cost increase mainly due to increased number of employees, acquisition and FX

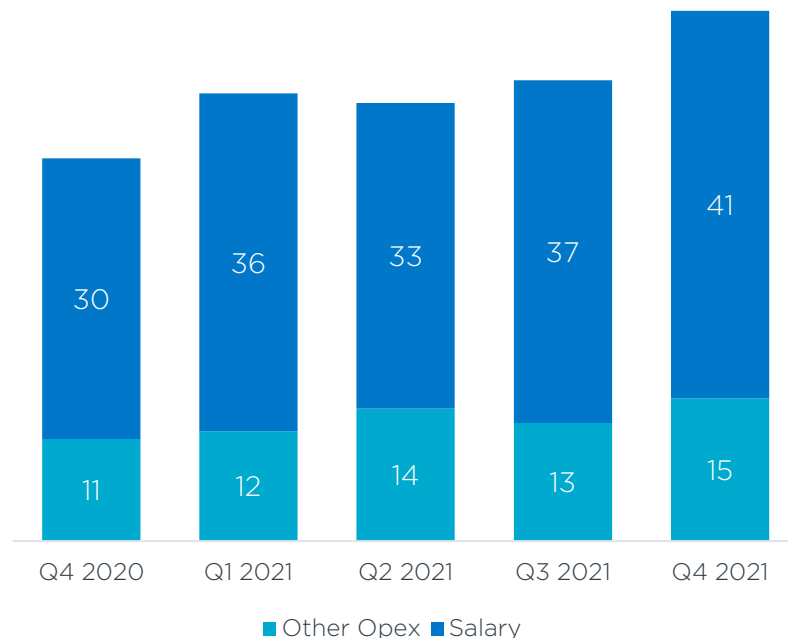
Salary:

- Number of employees increased by 22 % to 1 197 over the past last 12 months
- Wi-Fi acquisition added 81 people at YE 2020
- Increased performance pay

Other OPEX:

- Varying with pace of product introductions
- High external consultant cost

Cash OPEX* (USDm)



*Cash OPEX: Operating expenses, excl. capitalized R&D, depreciation and amortization and option expenses

Capex development

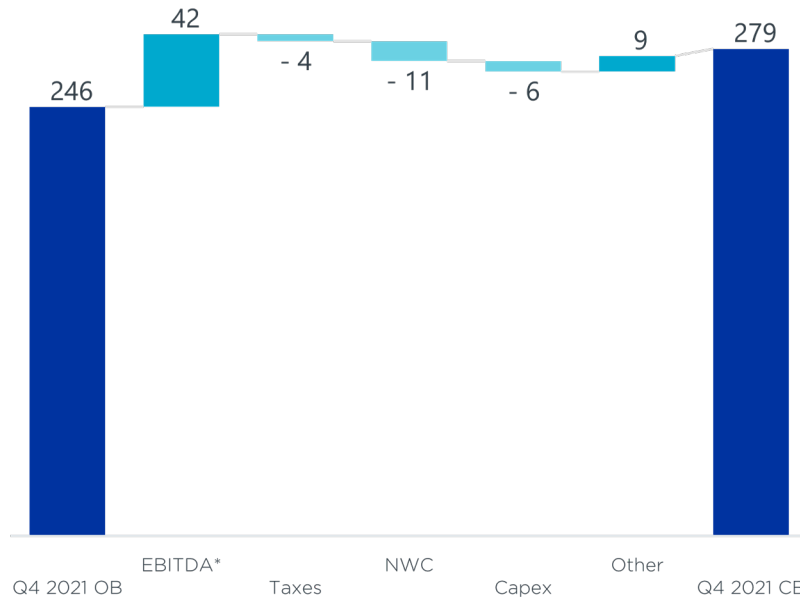
Capex (USDm)



- Capex of USD 6 million in Q4
- Continuing to invest in additional test capacity to finalize end-products quickly when we receive wafers
- Overall capex intensity of 4% of revenue in 2021, roughly on par with 2020
- 2022 capex in-line with 2021

Continued strong cash position

Cash position and Cash Flow Q4 2021 (USDm)



- Operating cash flow of USD 42.5m in Q4
- Increasing net working capital due to accounts receivables
 - NWC/Revenue LTM down to 17.8% from 19.0%, at the end of Q3 2021
- Continued disciplined cash strategy
- Solid cash balance at 2x last 12 months R&D-spend

* EBITDA Adjusted for Capitalized Development Costs

A close-up, high-angle photograph of a microchip, showing a complex grid of gold-colored circuitry and numerous small, rectangular components. The image is overlaid with a blue gradient that is darker in the top-left corner and lighter towards the bottom-right.

Summary and Outlook

Svenn-Tore Larsen, CEO

Expect solid Q1 despite supply challenges

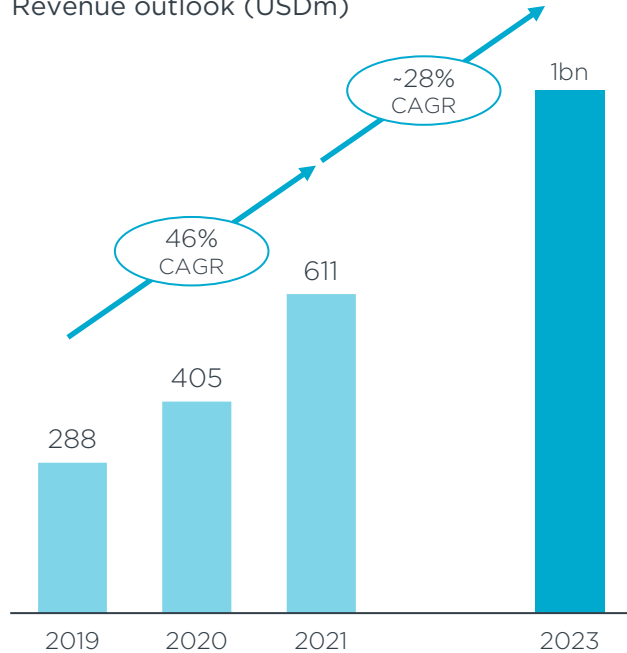
Q1 2022 guidance

Revenue	Gross margin
USDm 170-190	53-54%
+19% to +33% y-o-y -1% to +11% q-o-q	

- Revenue guidance reflects current wafer allocations for Q1 2022
- Higher wafer supply expected in the remaining quarters of the year

Solid platform for continued strong growth

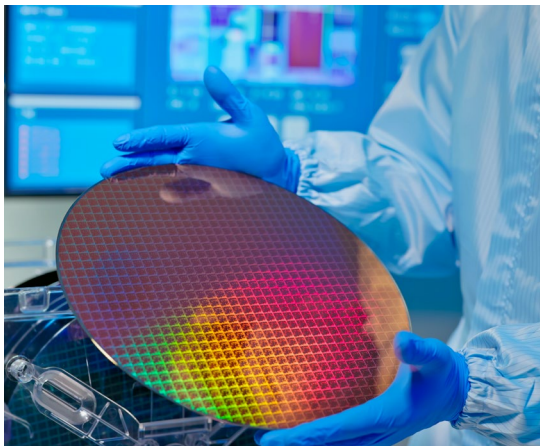
Revenue outlook (USDm)



- Capacity support plan for 2022 will put Nordic on track for its 2023 revenue target of USD 1 billion

Extending the lead on connectivity

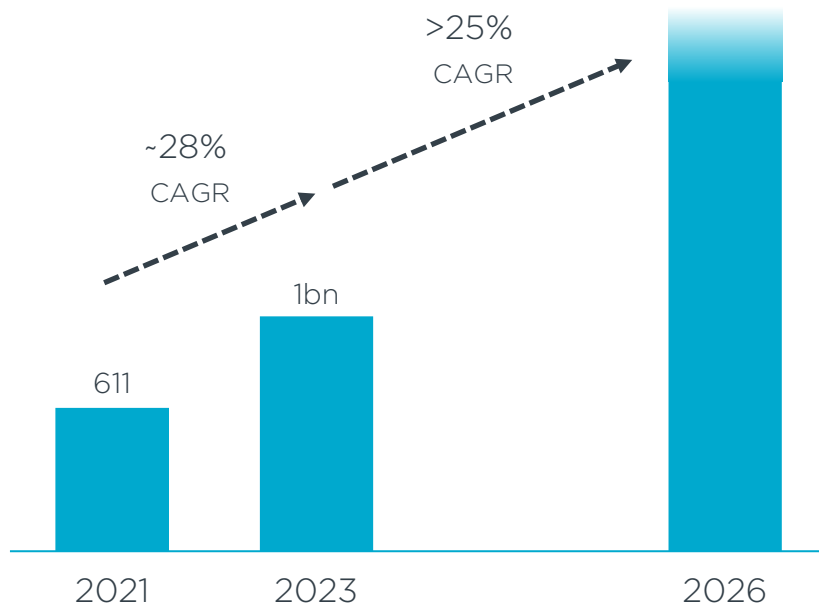
Delivering features that IoT requires in the future



- Developing new cross technology platform
 - Short-range, Wi-Fi and Cellular IoT
 - R&D innovation with high customer involvement
 - Multi-year project with large R&D teams over multiple sites
 - Leveraging state-of-the-art development ecosystem
- Leading process technologies optimized for IoT
 - Enabling stable supply and disruptive performance
 - First short-range product ramping H2 2023

High financial ambitions

Revenue (USDm)



- USD 1bn revenue target in 2023
- Aiming to more than double revenue in 2023-2026
 - Continued strong growth in short-range
 - Accelerating in cloT
 - Early traction in Wi-Fi
 - Gradually increasing revenue contribution from power management and other adjacent products and technologies

Q&A



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