

Deutsche Bank TMT

Nordic Semiconductor

6 September 2023

London



NORDIC[®]
SEMICONDUCTOR

A globally leading IoT enabler

Simplifying lives through all things connected



Founded
1983

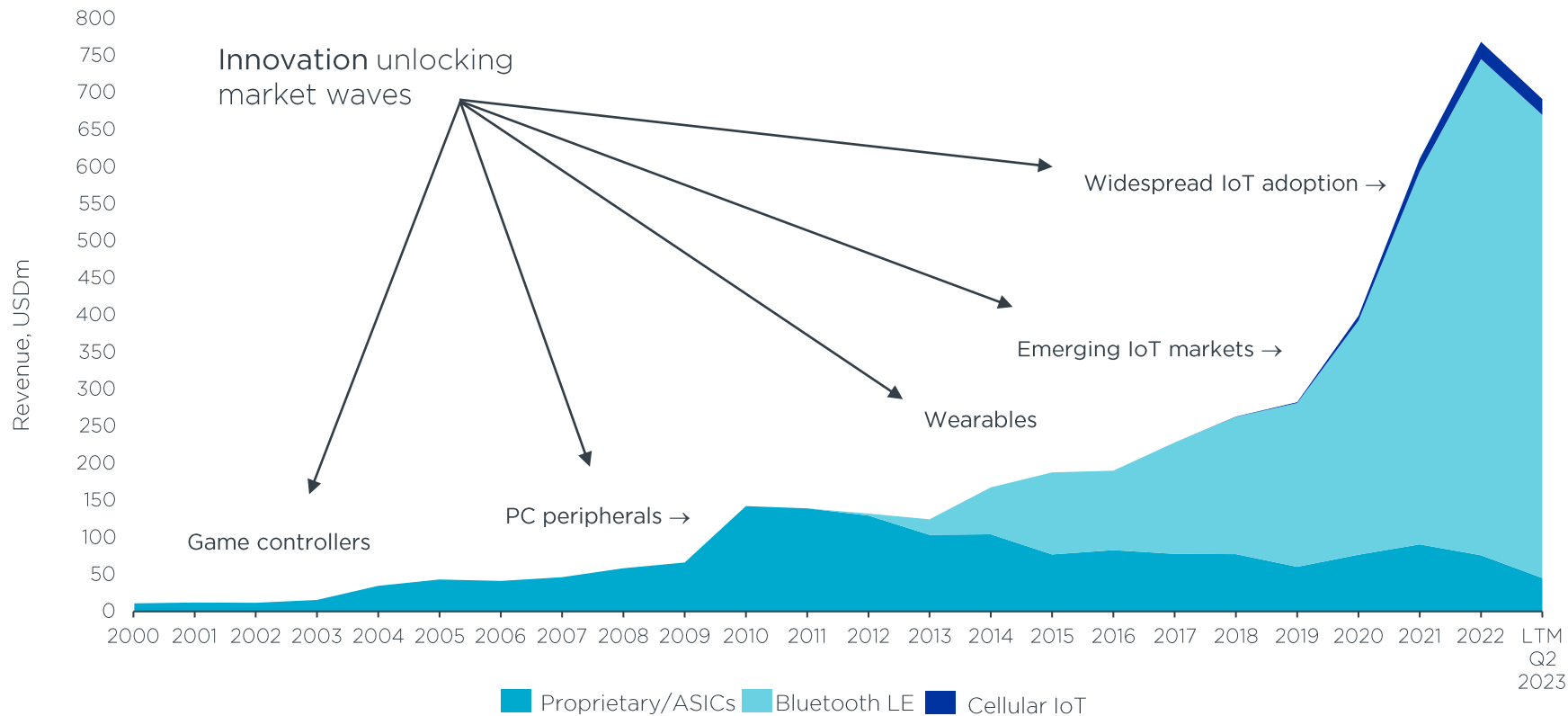
Employees
1,520 (~75% R&D)

Oslo listing
OSEBX:NOD

Market Cap
~\$2.2bn

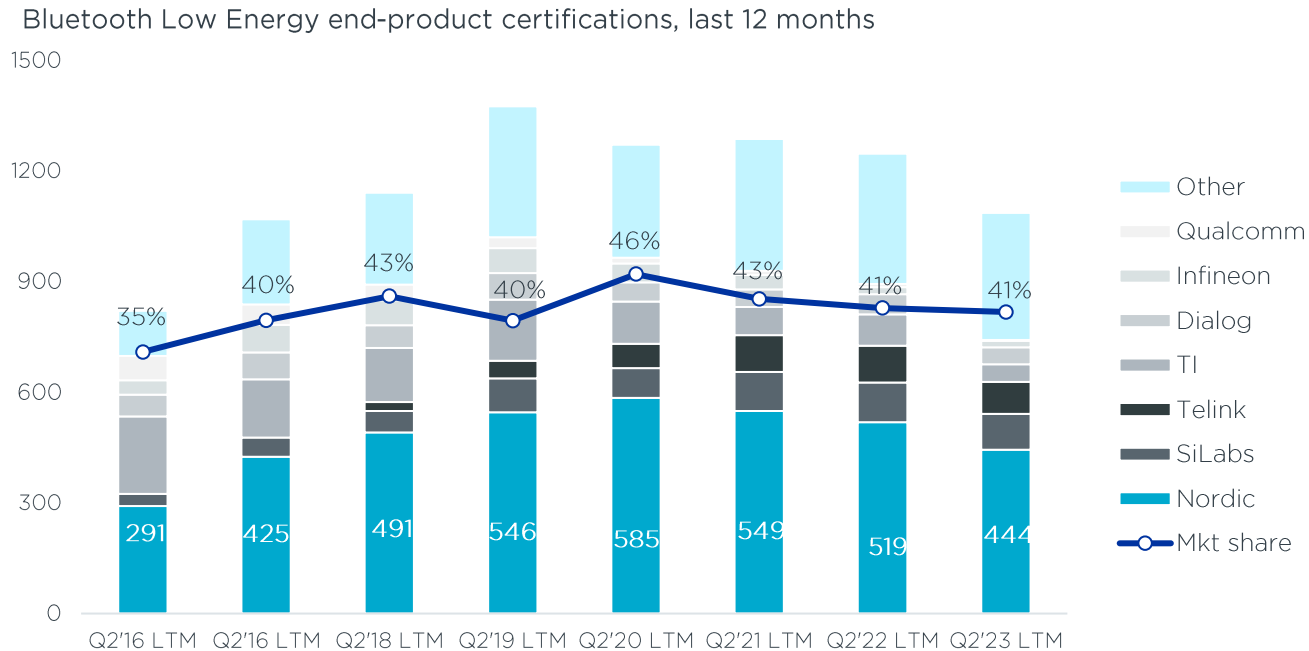
- Fabless semiconductor company: specialized in low power wireless connectivity and embedded processing for IoT
- Market leader in Bluetooth Low Energy
- Early adopter of Thread (802.15.4) and support for Zigbee
- Launched Wi-Fi 6 connectivity (dual band)
- Committed to Matter - active contribution to Matter SW development
- Early mover in cellular IoT & 5G with LTE-M, NB-IoT and DECT 2020
- Value added device control and management through nRFCloud

Nordic is on a long-lasting growth journey



Steady and high certification market share

Significantly increasing value per design



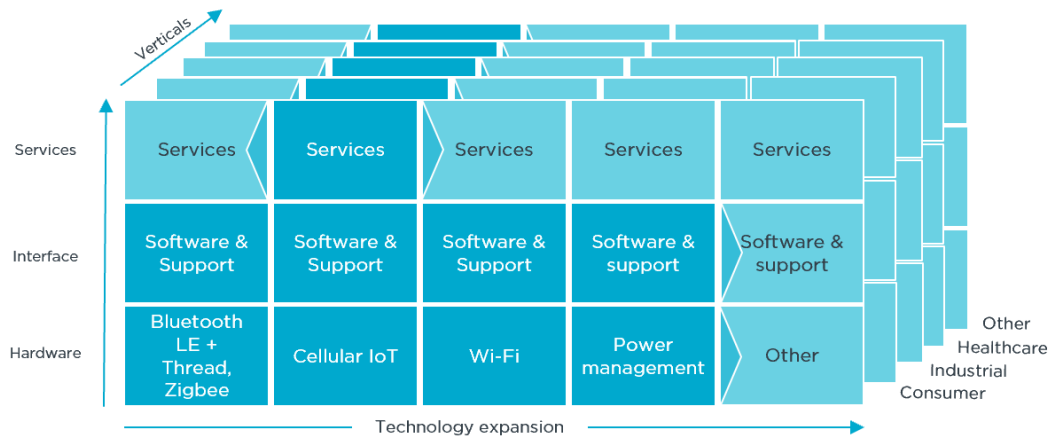
Nordic
end-product
certifications

Q2'23
108 designs
41% mkt share

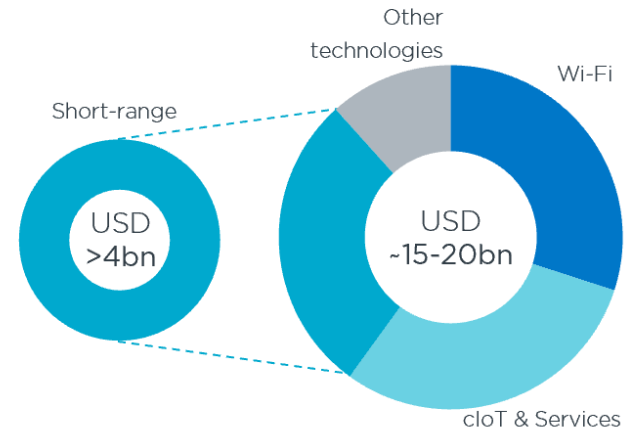
LTM
444 designs
41% mkt share

Nordic trends
toward high volume
designs

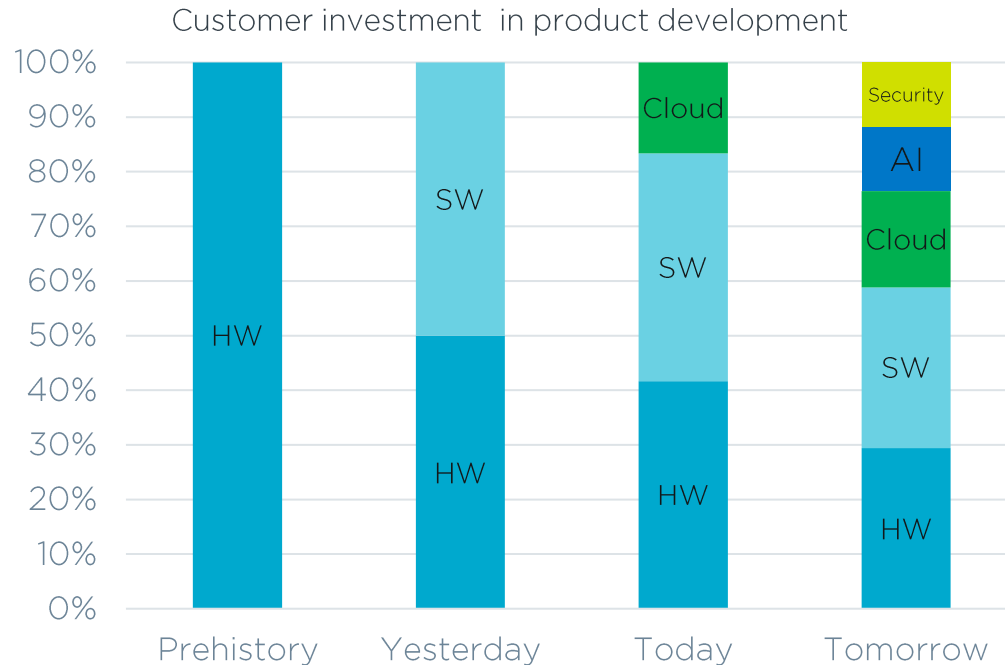
Investing to significantly broadening market space



Addressable markets, 2026
by technology



Delivering on our customers' needs



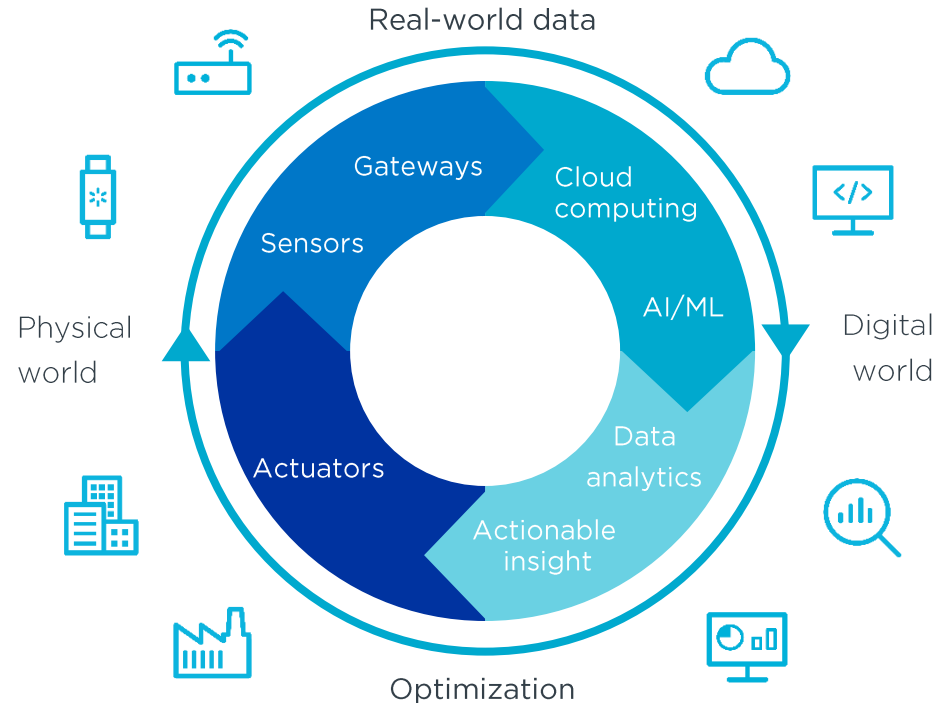
- Nordic is providing solutions to our customers reaching beyond ICs
- Investments in Software, Cloud, AI and Security is essential for the next growth wave

IoT - Connect, Compute, Analyze and Act

IoT starts with connecting things

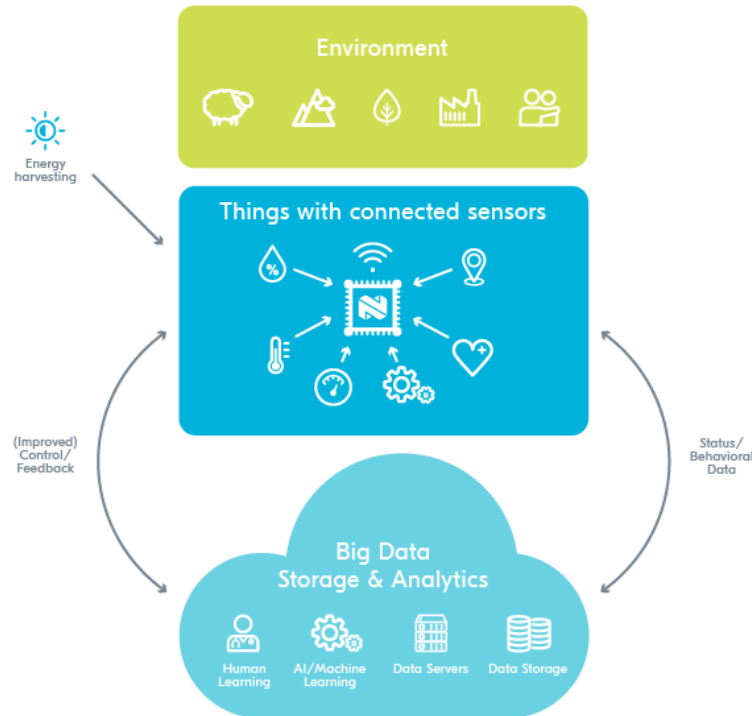
Bridging the physical and digital worlds requires:

- advanced connectivity solutions
- powerful low power compute
- accurate sensing capability



Sustainability thrives on IoT, big data & cloud

IoT is crucial to deliver on UN SDGs



Nordic is making 'things' more capable and efficient by:

- Lowering power consumption
 - Increasing computational capability
 - Adding AI/ML Capability
 - Adding sensor capabilities
-
- Enabling a large variety of sustainable applications
 - Precision farming
 - Climate smart cities and communities
 - Smart mobility
 - Energy efficiency of buildings
 - Sustainable manufacturing and waste reduction
 - Extreme weather and climate impact modelling

Harnessing the Power of AI

Transforming Nordic Semiconductor in the IoT Business

- Market demand

The IoT market is experiencing rapid growth, and there is a [rising demand for intelligent, efficient, and connected devices](#). By harnessing the power of AI, Nordic Semiconductor can stay ahead of the curve and meet the evolving needs of the market

- [Nordic acquires](#) AI/ML tech IP and team

- Bolt-on acquisition of high strategic significance
- IP portfolio and employing small core team from San Diego
 - [Always-on AI/ML accelerator](#)
 - [Smart Health analog front-ends](#)
 - [Power Management IC \(PMIC\)](#)
- Expecting to see initial benefits within 12-18 months of closing
- Important to have this IP in-house to drive its development



“This brings a new level of always-on AI/ML capabilities and technologies that will strengthen our core business”

Kjetil Holstad, EVP Strategy and Product Management

Securing leadership in ultra-low power memory



"We are very excited to bring on-board this world class team, recognized as an industry leader in optimized, low voltage embedded SRAM designs. A team we know intimately from years of working together."

Svein-Egil Nielsen CTO/EVP R&D and Strategy

- **Technology acquisition** of Mobile Semiconductor
 - Market-proven track record of delivering ultra-low power-performance-optimized, leading-edge static RAM (SRAM) memory technology for various MCUs and SoCs
 - Small team based in the US (Seattle, Washington)
- Mobile Semiconductor's memory technology already used in our nRF52, nRF53 and nRF91 Series devices
 - Also engaged for the next generation Nordic products
- Ultra-low power operation is a vital sustainability requirement

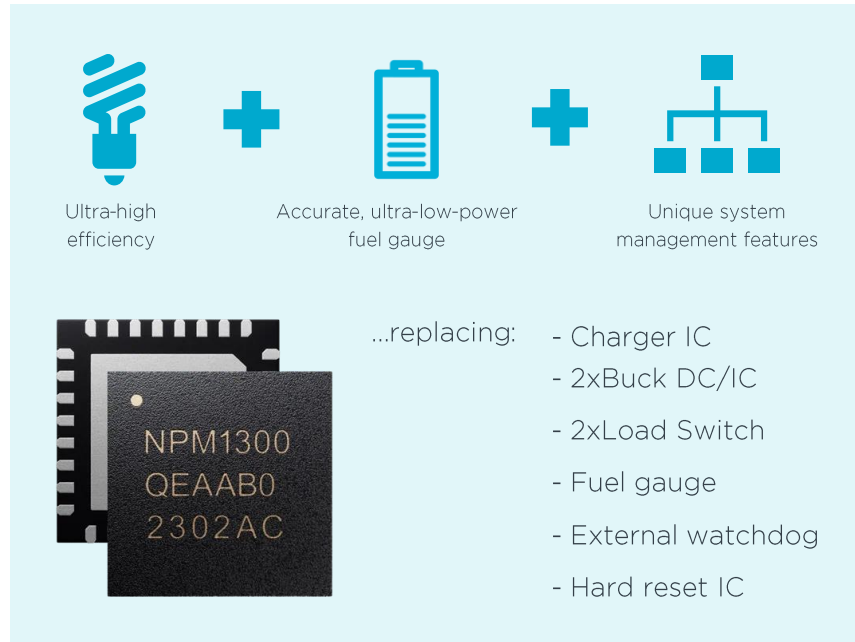
Nordic investing into RISC-V



- Establishing a new company together with Semiconductor Industry Players:
 - Robert Bosch GmbH, Infineon Technologies AG, Nordic Semiconductor, NXP® Semiconductors, and Qualcomm Technologies, Inc.
- Formed in Germany, driving RISC-V ecosystem and hardware development
 - Company will aim to accelerate the commercialization of future products based on the open-source RISC-V architecture.

Latest PMIC from Nordic - nPM1300

The most intelligent PMIC on the market



Ultra-high efficiency

+


Accurate, ultra-low-power fuel gauge

+

Unique system management features

...replacing:

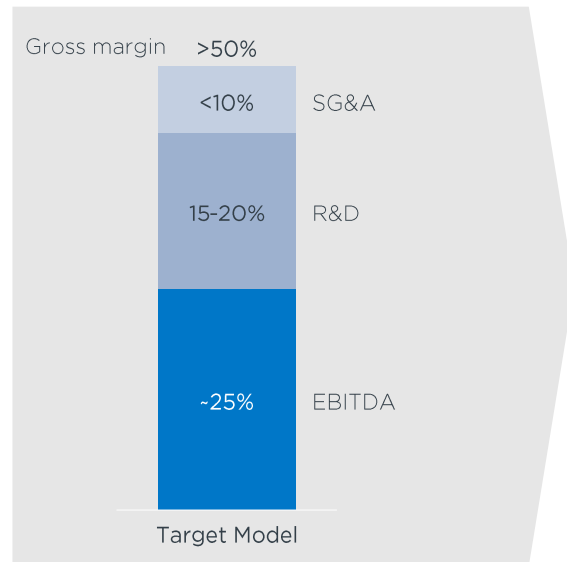
- Charger IC
- 2xBuck DC/IC
- 2xLoad Switch
- Fuel gauge
- External watchdog
- Hard reset IC



- Adding features that customers need!
- Controlling the entire energy path from battery to antenna
- Unique power and system management features
- Replacing up to eight circuits from competing solutions
- nPM Power UP PC Software sets a new ease-of-use standard for PMICs

Expansion within target operating model

Target operating model



Gross margin

- Gross margin depending on technology and customer mix
- Lower gross margins expected in cellular IoT Module business
- Higher gross margin opportunities in other new technologies and service offering
- Overall goal to maintain above 50%

SG&A

- Increasing operational leverage

R&D

- Continued strong commitment to innovation

EBITDA

- High operational leverage - margins depending on volume growth

Welcome to the Future



NORDIC[®]
SEMICONDUCTOR

Q&A



NORDIC[®]
SEMICONDUCTOR



Q2 2023

Quarter presentation

Disclaimer

The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (“relevant persons”). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in Nordic Semiconductor ASA (The Company). The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

This presentation includes and is based, inter alia, on forward-looking information and contains statements regarding the future in connection with The Company’s growth initiatives, profit figures, outlook, strategies and objectives. All forward-looking information and statements in this presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for The Company. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions.

Important factors may lead to actual profits, results and developments deviating substantially from what has been expressed or implied in such statements. Although The Company believes that its expectations and the presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the presentation.

The Company is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the presentation, and neither The Company nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use.

This presentation was prepared in connection with the Q2 results released on July 11, 2023. 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.

Solid revenue in challenging market

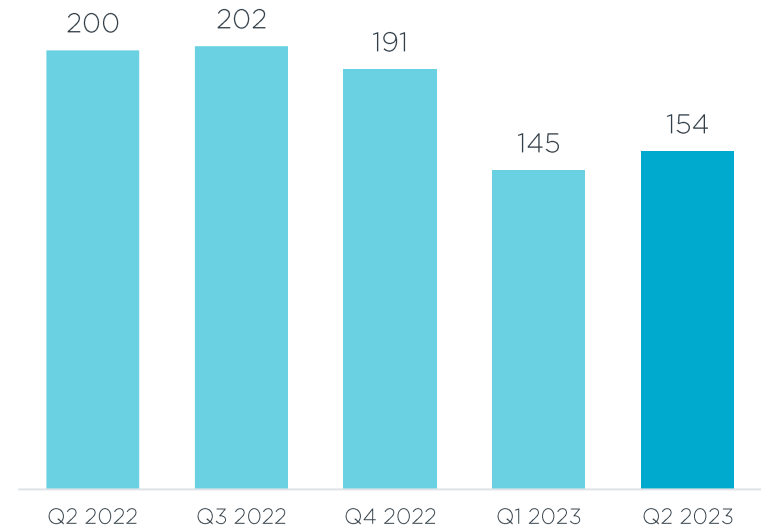
Q2 2023:

- Revenue of USD 154m (-23% y/y, +6% q/q)
- Bluetooth USD 143m (-15% y/y, +9% q/q)
- Gross margin 53% and EBITDA margin of 18%

Outlook:

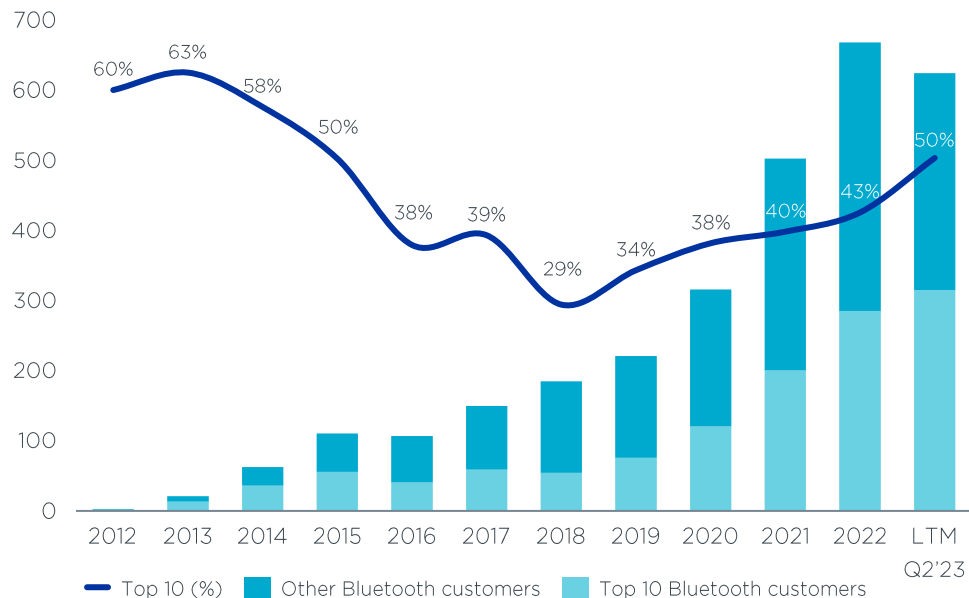
- Guiding for revenue of USD 145-165 million and gross margin of >52% in Q3
- Clear growth opportunities but cautious customers
- Low visibility and wide range of outcomes beyond the current quarter

Quarterly revenue development (USDm)



Tier-1s revenue share continue to increase

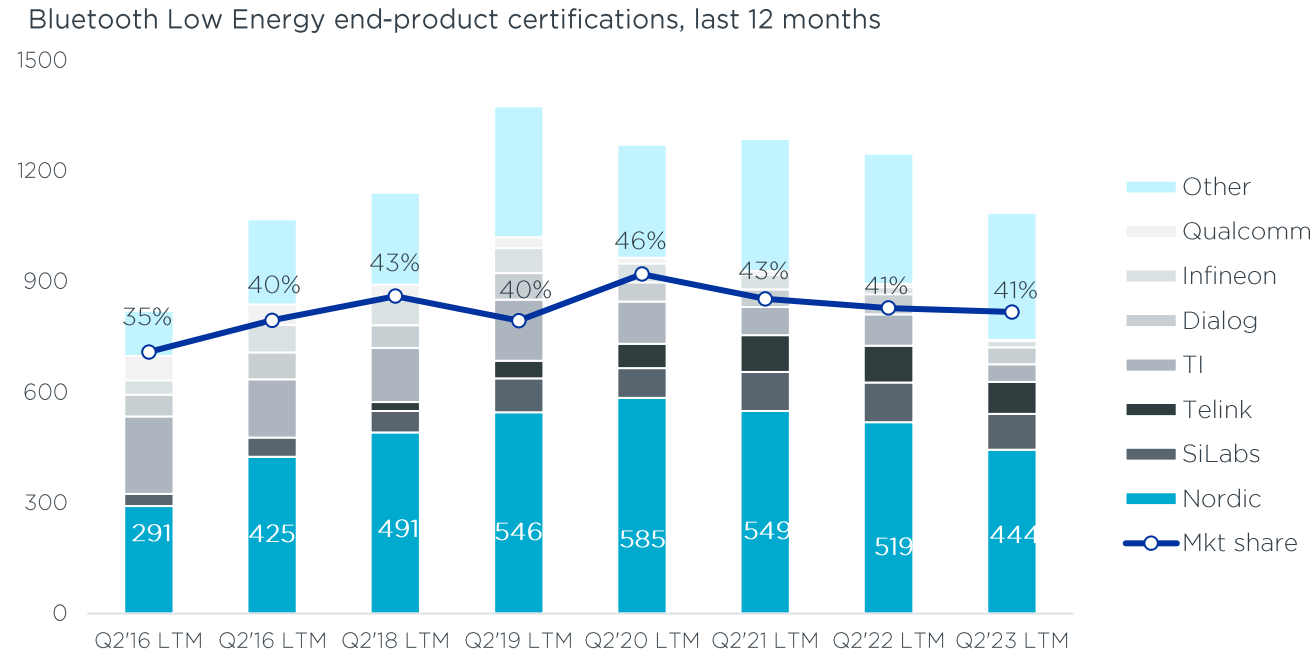
Bluetooth revenue composition (USDm)



- Top-10 accounted for ~50% of Bluetooth revenue LTM

Steady and high certification market share

Significantly increasing value per design



Nordic
end-product
certifications

Q2'23
108 designs
41% mkt share

LTM
444 designs
41% mkt share

Nordic trends
toward high volume
designs

New customer product launches in Q2



OPUM Technologies
Digital Knee®
nRF52840



Casio
Sport Watch
nRF52833



Rulo
Industrial connectivity
solution
nRF9160



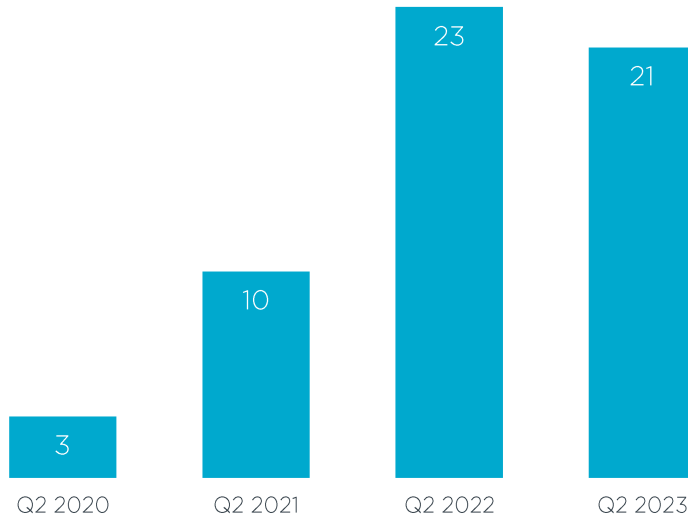
7Sense
Irrigation Sensor
nRF9160



Innomar Ocean Tech
Smart Buoy
nRF9160

Cellular IoT

Cellular IoT revenue last 12 months (USDm)



- Solid and healthy inflow of projects into pipeline, no signs of slowdown in design activity
- Good conversion rate through the pipeline, large base of ~370 commercial projects
- Lifetime value of designs is increasing
- Still lumpy revenue development, depending on customer production and purchasing cycles

Launching significant uplift of cellular offering

Full product + services solution from device to cloud

Saving our customers from dealing with today's fragmented cellular IoT supply chains

World's first devices supporting both cellular and DECT NR+

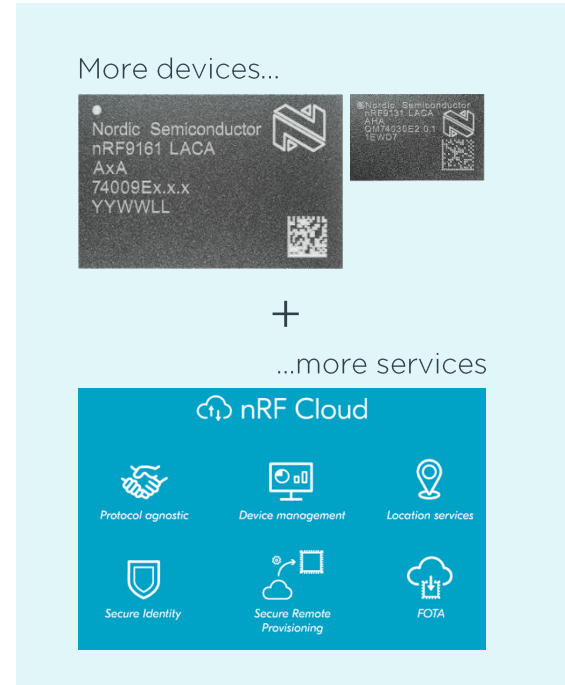
- **nRF9161 SiP**, fully integrated for global certification and massive adoption
- **nRF9131 mini-SiP**, a low-risk alternative to traditional high-volume chipset designs

Unique cellular feature uplift

- Firmware stack uplift on GNSS, large power savings for roaming devices, and more
- Network evaluation and debug tools shaving months off development cycles

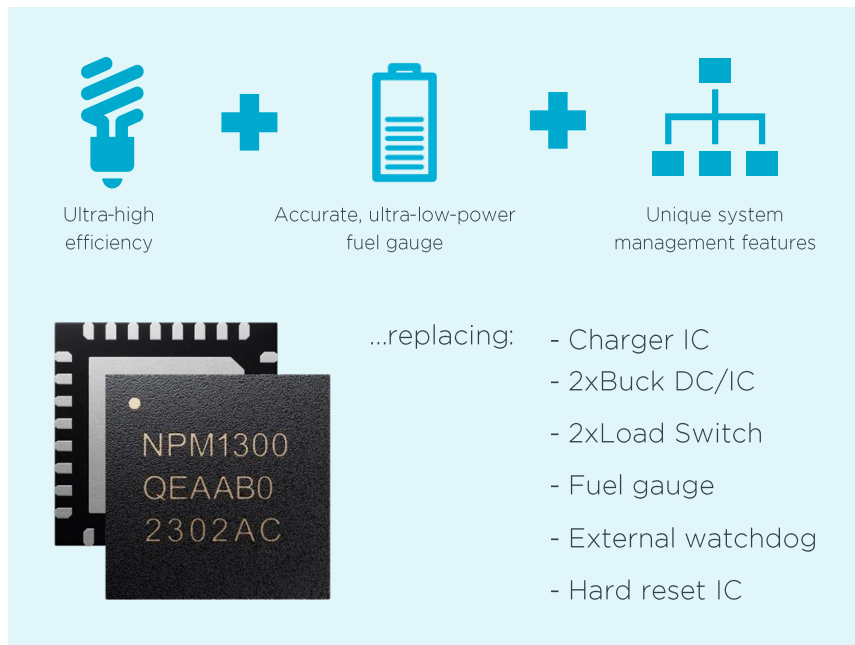
Fully optimized IoT devices added to nRF Cloud

- Secure and reliable lifecycle management of devices
- Highest deployment and protocol layer flexibility for a big and diverse IoT market



Wide launch of the nPM1300

The most intelligent PMIC on the market



Ultra-high efficiency

+

Accurate, ultra-low-power fuel gauge

+

Unique system management features

...replacing:

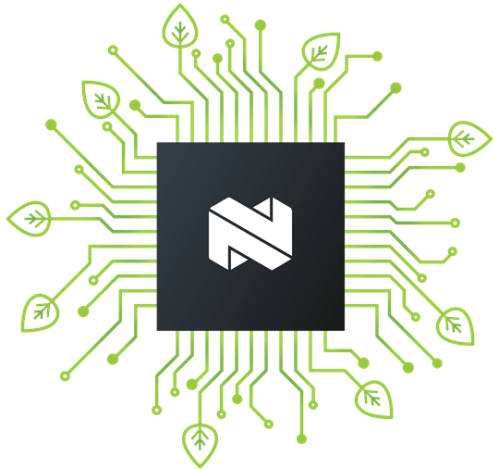
- Charger IC
- 2xBuck DC/IC
- 2xLoad Switch
- Fuel gauge
- External watchdog
- Hard reset IC

NPM1300
QEAB0
2302AC

- Nordic takes care of energy efficiency from battery to antenna
- Unique power and system management features
- Replacing up to eight circuits from competing solutions
- [nPM Power UP](#) PC Software sets a new ease-of-use standard for PMICs
- Design wins already secured, see products ramping towards the end of 2023

Nordic one of Europe's Climate Leaders 2023

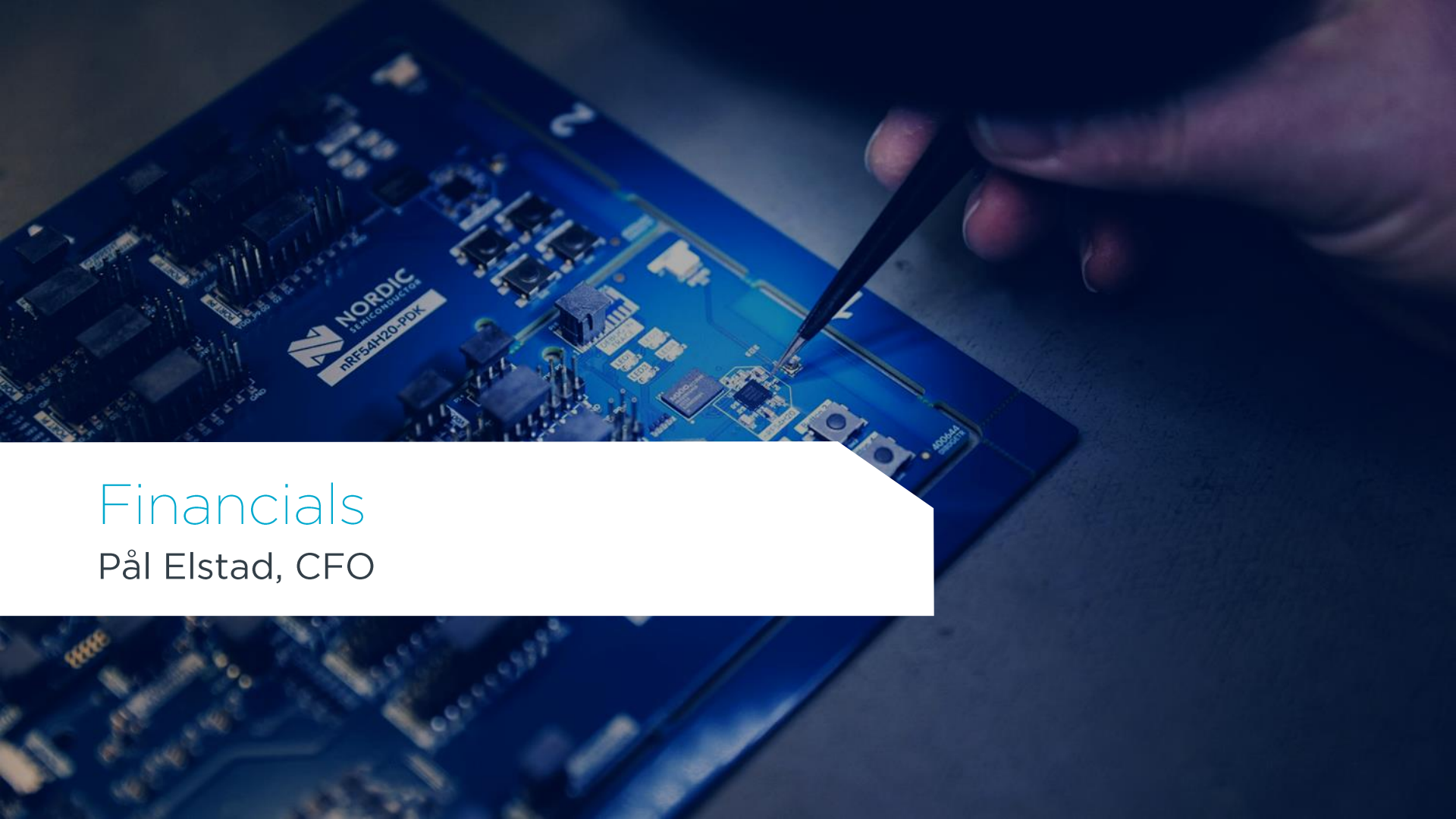
Compiled by Financial Times and Statista



"I am honored to witness the recognition we have received for our dedication and initiatives toward promoting sustainable development"

Linda Petterson,
SVP Legal & Compliance, Chair of Nordic Semiconductor ESG Committee

- Nordic ranked number 26, making it the highest-ranked Norwegian company on the prestigious list of 500 companies
- The methodology for this list was tightened to reflect on companies' environmental performance:
 - reduction of core greenhouse gas emissions intensity over a five-year period
 - transparency on disclosing emissions that arise elsewhere within a company's value chain

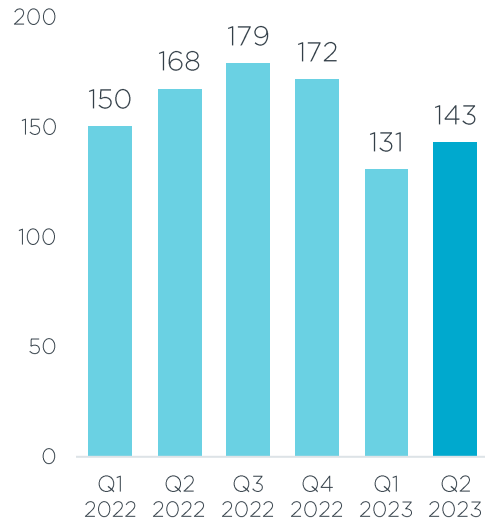


Financials

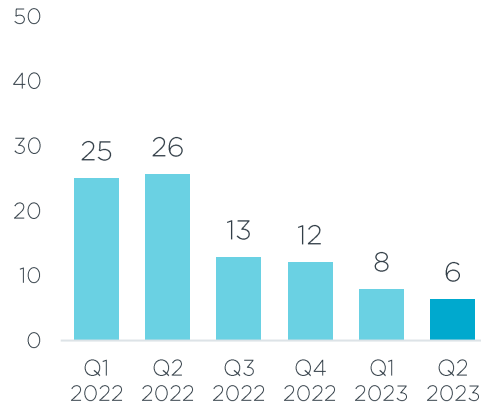
Pål Elstad, CFO

Bluetooth driving the q-o-q upturn

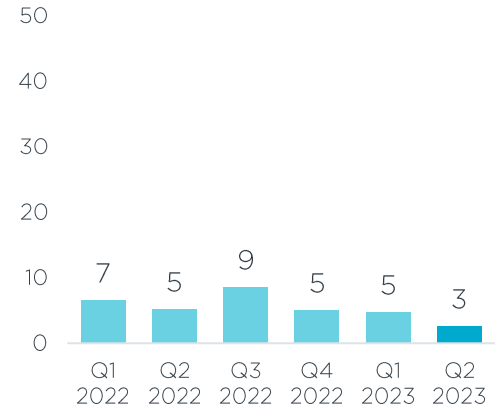
Bluetooth revenue (USDm)
Quarterly



Proprietary revenue (USDm)
Quarterly

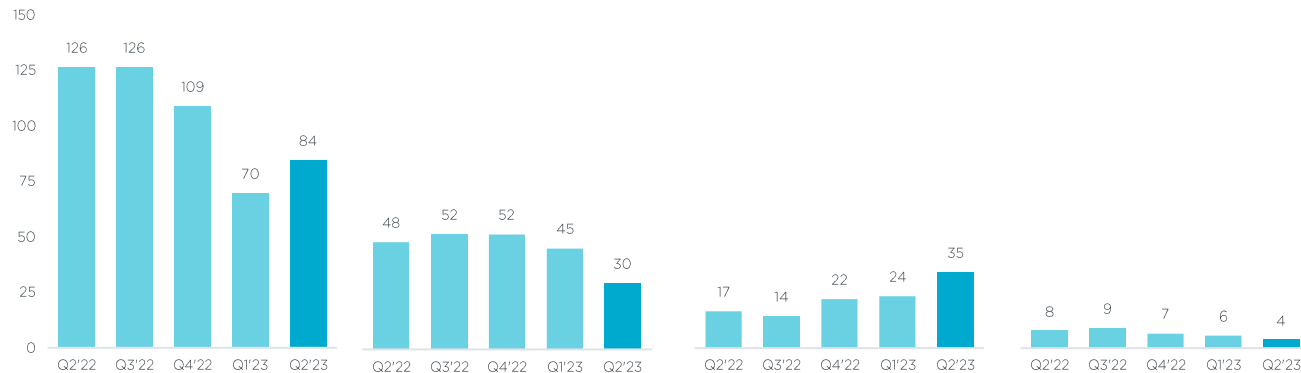
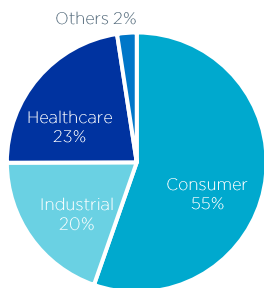


Cellular IoT revenue (USDm)
Quarterly



Revenue by markets

Group	Consumer		Industrial		Healthcare		Others		
USDm 154.2	USDm 84.4		USDm 29.9		USDm 34.5		USDm 3.7		
-23% y-o-y	+6% q-o-q	-33% y-o-y	+21% q-o-q	-38% y-o-y	-34% q-o-q	+106% y-o-y	+47% q-o-q	-52% y-o-y	-33% q-o-q



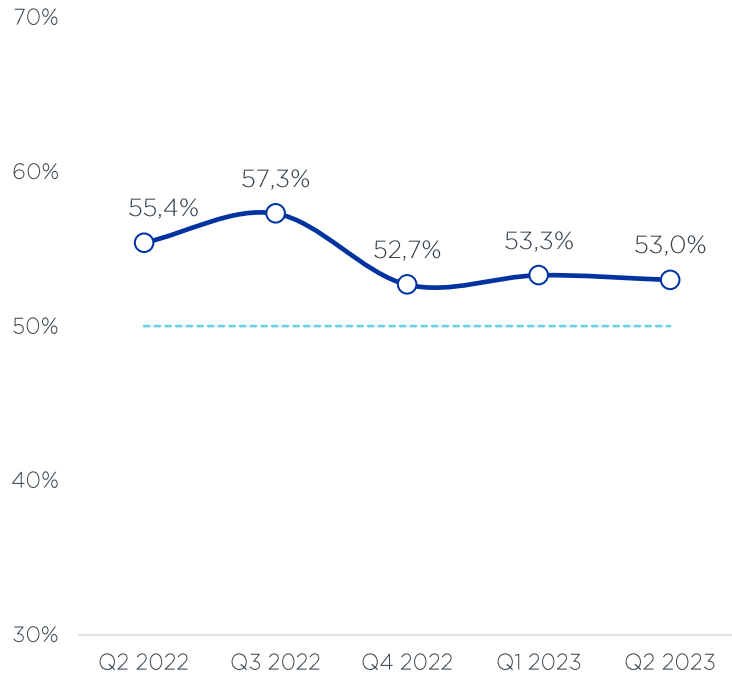
Revenue for the individual markets excludes ASICs and consulting revenue

Breakdown by end-user markets (Slide from Q1 2022)

Aligned with customers end-products and our sales structure

Markets	Verticals		
Consumer	<ul style="list-style-type: none"> Mobile/PC HID Wearables Smart Home Gaming 	<ul style="list-style-type: none"> VR/AR Consumer Asset Tracking Consumer Health Audio 	<ul style="list-style-type: none"> Toys CE Remotes Wireless Charging Other
Healthcare	<ul style="list-style-type: none"> Drug Delivery Disease Monitoring 	<ul style="list-style-type: none"> Hearing Aids Other 	
Industrial	<ul style="list-style-type: none"> Asset Tracking Professional Lighting Metering Building Automation Modules 	<ul style="list-style-type: none"> Retail Transportation Payment / ID Tools and Machinery Agriculture 	<ul style="list-style-type: none"> Beacons Maker and Education Automotive Other
Other	<ul style="list-style-type: none"> Catalog sales Undefined 		

Gross margin



- Stable and solid q-o-q margin development
- Expecting gross margin >52% for Q3 2023
- Reiterating long-term ambition to maintain gross margin >50%

Operating model performance Q2 2023

Gross margin 53.0%		Q2 2023	Q2 2022	Δ	
R&D short-range 12.3%	Revenue	USD 154.2m	USD 200.2m	-23.0%	Demand slowdown in 2023
	Gross margin	53.0% USD 81.7m	55.4% USD 110.8m	-2.4pp	Stable adjusted for price increase effects in 2022
R&D cellular IoT 7.4%	R&D	12.3% USD 18.9m	12.2% USD 24.4m	+0.1pp	<ul style="list-style-type: none"> Total R&D down from USD 39.8m to USD 34.4m Partly reflects start of capitalization of nRF54 Up from 19.9% to 22.3% of revenue Continued favourable y-o-y effect of fx developments
R&D Wi-Fi 2.6%	short-range				
SG&A 12.3%	R&D	7.4% USD 11.5m	6.1% USD 12.3m	+1.3pp	
	cellular IoT				
EBITDA 18.6%	R&D	2.6% USD 4.0m	1.6% USD 3.2m	+1.0pp	
	Wi-Fi				
	SG&A	12.3% USD 18.9m	9.5% USD 19.1m	+2.8pp	Cost ratio up mainly due to lower revenue
	EBITDA	18.5% USD 28.5m	25.9% USD 51.9m	-7.4pp	Decline mainly due to lower revenue

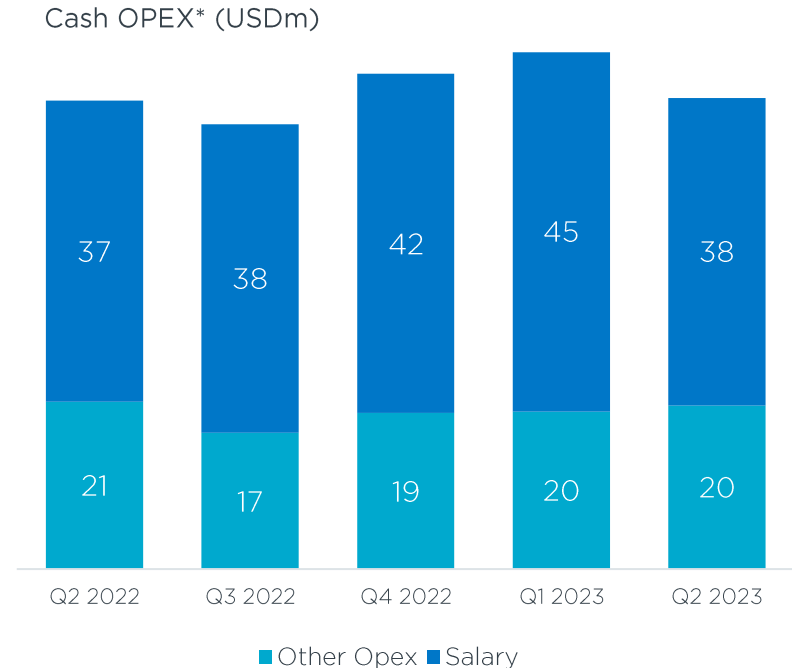
Balancing investments and cost awareness

Flat cash costs vs. Q2'22

Salary +2.1%:

- Employees increased by 17% y-o-y to 1,520
- Currency reduced payroll cost in Q2'23 by USD ~2m compared to Q2'22 rates

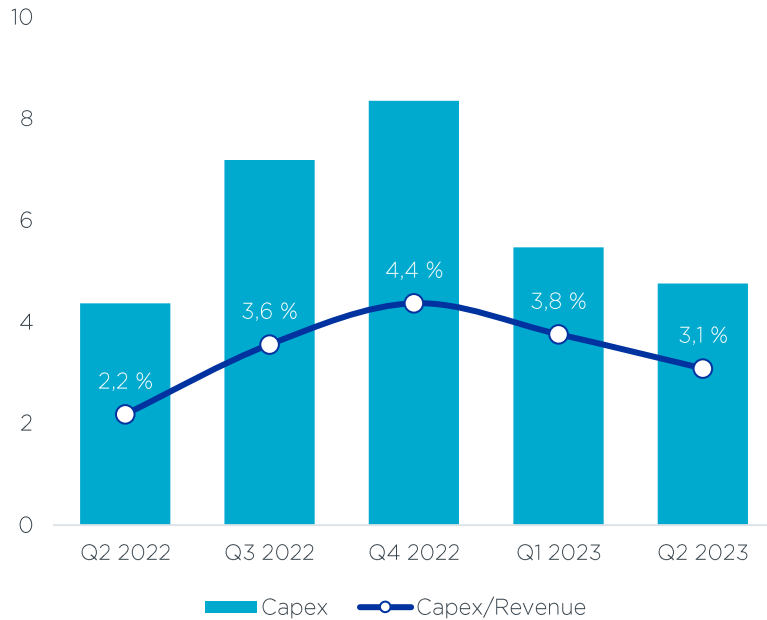
Continuing work to adjust cost base to protect margins



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

Capex intensity remains low

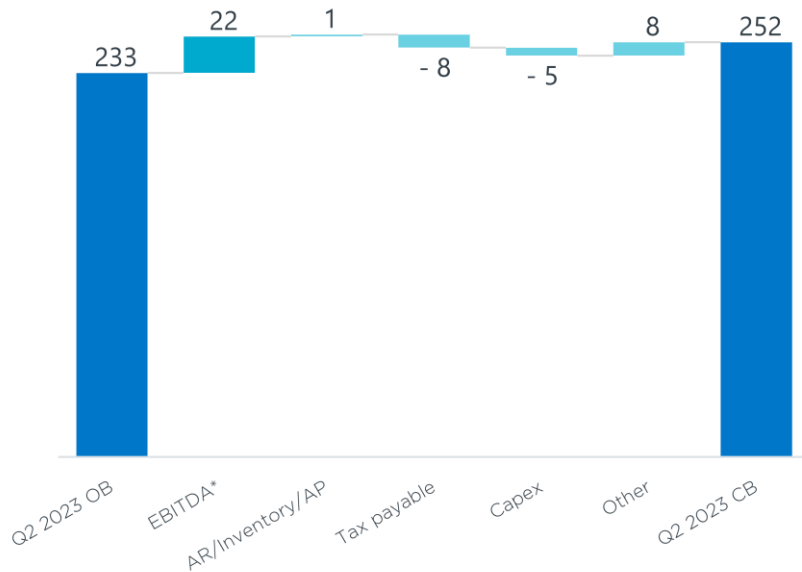
Capex (USDm)



- Capex of USD 4.8 million in Q2
- Overall capex intensity 3.7 % LTM

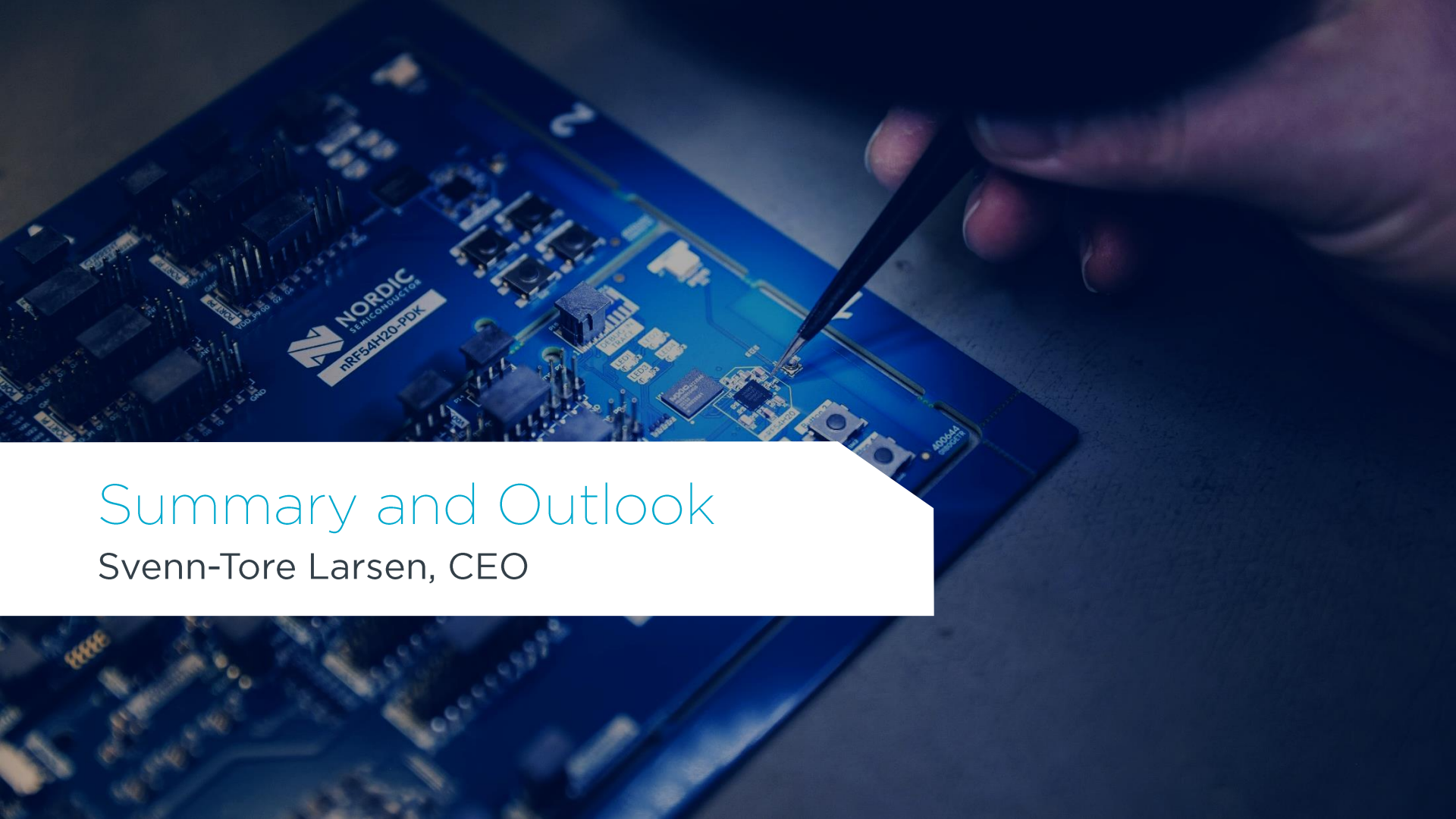
Strong cash position

Cash position and Cash Flow Q2 2023 (USDm)



- Cash flow from operations adjusted for capitalized development expenses of USD 25 million
- q-o-q decrease of NWC
 - NWC/Revenue LTM of 29.0%
- Other items mainly impacted by increased refund liabilities

* EBITDA Adjusted for Capitalized Development Costs



Summary and Outlook

Svenn-Tore Larsen, CEO

Expecting Q3 revenue in line with Q2

Q3 2023 guidance

Revenue	Gross margin
USDm 145-165m	>52%
-28% to -18% y-o-y	-6% to +7% q-o-q

- Stable q-o-q revenue development expected from Q2 to Q3
- Clear growth opportunities but cautious customers
- Low visibility and wide range of outcomes for revenue beyond the current quarter

Q&A



NORDIC[®]
SEMICONDUCTOR