

NEXT BIOMETRICS GROUP ASA

Q3 Presentation

November 6, 2024



Disclaimer

This presentation includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements 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 NEXT Biometrics Group ASA (NEXT Biometrics) and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the NEXT Biometrics businesses, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time.

Although NEXT Biometrics believes that its expectations and the information in this presentation were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this presentation. NEXT Biometrics Group ASA nor any other company within the NEXT Biometrics Group ASA is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the presentation, and neither NEXT Biometrics Group ASA, any other company within the NEXT Biometrics Group ASA nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in this presentation. NEXT Biometrics Group ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in this presentation.

Today's speakers



Ulf Ritsvall
CEO, NEXT Biometrics



Eirik Underthun
CFO, NEXT Biometrics

Agenda

1) Q3 Summary and Business Update

2) Product updates

- NEXT FAP30
- Expanding PC offering
- New Government-ID product

3) Q3 Key Figures

4) Outlook

5) Q&A

Key developments

- > **Best quarter ever**
- > **Q3 Revenues at NOK 27.6 million**
(up 360% compared to Q3 2023)
- > **Gross Margin of 52%**
(improved from 37%¹⁾ in Q3 2023)
- > **4 new design wins**
(59 accumulated)
- > **Expanding PC portfolio**
- > **Developing new Government-ID product**

1) Gross margin adjusted for inventory write-downs



Business updates

> **Strengthening Presence in China and Beyond**

- Successfully shipped additional order for China ID this quarter
- Actively pursuing leads and future orders in banking, finance, and healthcare
- Collaborating with OEM partners for deployments across China, Africa, and Asia, including India

> **Expanding Biometric Solutions in India**

- Meeting high-volume tender demands driven by a generational upgrade and rising need for biometric solutions
- Additional shipments during this quarter targeted for ACPL
- Second India OEM still working on certification of its products

> **Strategic Expansion in Government-ID Markets - Bangladesh, Malaysia, Pakistan**

- Bangladesh shipment to distributor as part of multi-year NOK 95 million agreement, DW and first shipment to Malaysia (Q4), DW and first shipment to Pakistan



Expanding PC portfolio

Why?

- > Grow our revenue by offering additional products in the PC Portfolio
- > Complementing product PC portfolio and offering stand-alone TouchPad for Laptops
- > Partner has a proven track record with key OEMs such as Huawei, Samsung, Toshiba and Acer

How?

- > NEXT is expanding its PC portfolio adding TouchPad
- > Strategic partnership where NEXT offers international expansion outside China to its partner

What?

- > Sales & Marketing of TouchPads as part of NEXT product line – Limited need for additional NEXT resource and sales and marketing \$ spend
- > The first shipment is expected to happen by end of 2024 / early 2025
- > Our target next step is to integrate the NEXT High-Security sensor into the partner's TouchPad product



NEXT FAP30 under development

NEXT FAP30 product development

- First pre-engineering sensors received and tested – Results are excellent!
- Addressing market segments with higher security and quality requirements than FAP20
- FAP30 is based on the NEXT Biometrics' patented Active Thermal® technology
- First engineering sample planned for Q4 2024 (MP during 2025)
- Expecting initial order during Q2/Q3 2025, market deployment second half 2025

Project economics for NEXT FAP30

- Development cost is already included in 2024 OPEX cost guiding
- The product has gathered strong interest from partners as NEXT can offer sensor at very competitive prices
- FAP30 products are more high-end than FAP20; higher prices and better margins

NEXT FAP30 key product features

- Better biometric performance
- Improved reliability and durability
- Attractive price for the high-end markets like the Governmental and Healthcare sector



New government-ID product

- > New integrated government-ID product targeted for Aadhaar and MOSIP-markets (Asia and Africa)
- > Maintaining gross margins and higher ASP by developing a more comprehensive and integrated product
- > ACPL Purchase Order commitment of USD 3.2 million over 18 months following certification
- > Engineering Samples planned early 2025 and Mass Production-ready second half of 2025



A golden fingerprint graphic is centered on the page. The fingerprint is composed of many fine, concentric, wavy lines that create a sense of depth and texture. The color is a warm, metallic gold. The text "Q3 Financials" is overlaid on the fingerprint, with the "Q3" on the left and "Financials" on the right, both in a clean, white, sans-serif font.

Q3 Financials

Q3 2024

Key Figures

Profit and loss

NOK million	Q3 2023	Q3 2024
Revenue	6.0	27.6
COGS	(3.7)	(13.3)
Gross margin ¹⁾	2.2	14.2
Gross margin % ¹⁾	37%	52%
OPEX ex. Options ²⁾	(12.8)	(15.7)
EBITDA	(17.6)	(0.3)
Adjusted EBITDA ²⁾	(10.5)	(1.5)

1) Gross margin adjusted for inventory write-downs

2) OPEX and EBITDA excluding share based remuneration, options social security cost and inventory write-downs

Revenues

– NOK 27.6 m vs. NOK 6.0 m in Q3 2023

Gross margin

– Adjusted Gross margin¹⁾ of 52% vs. 37% in Q3 2023

Operating expenses

– OPEX ex. options of NOK 15.7 m vs. NOK 12.8 m in Q3 2023

EBITDA

– Adjusted EBITDA²⁾ of negative NOK 1.5 m relative to negative NOK 10.5 m in Q3 2023

Cash and cash flow

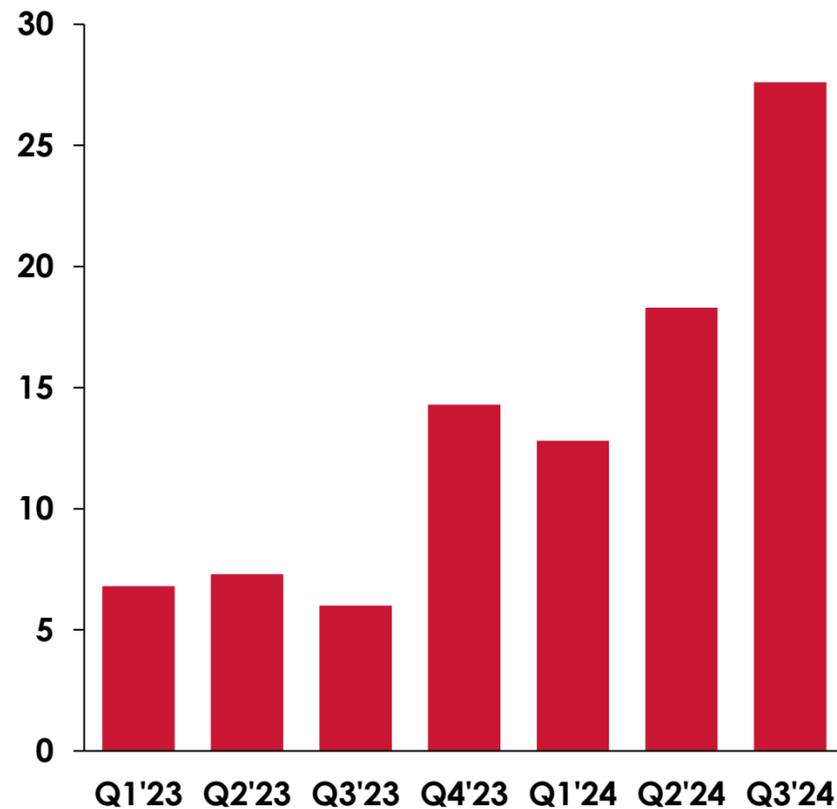
- Cash of NOK 45.5 m end of Q3 2024 versus NOK 40.9 m at end of Q2 2024
- More than 90% of sales in Q3 booked in September; impacting operational cash flow
- Q3 cash flow from financing of positive NOK 18.8 m

High revenue growth and strong gross margin
Operational Cash flow impacted by higher sales (increased receivables)
and slow cash collection during the quarter

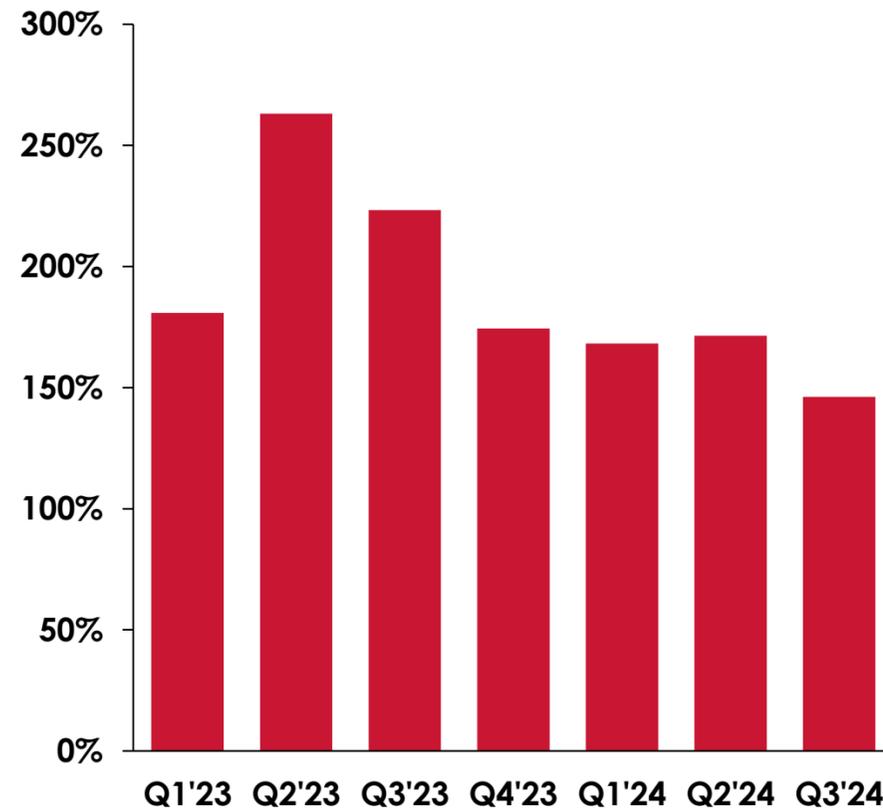
Rapid increase in revenues

Targeting to further improve working capital efficiency

Revenues per quarter (MNOK)



Gross working capital¹⁾ as % of last 6 months revenues



Strategic Working Capital Management for High-Growth Phase

Ensuring Product Availability

- High inventory levels and flexible credit terms to accelerate market adoption and capitalize on growth opportunities

2024 Working Capital Development

- Gradual reduction of NEXT inventory alongside distributor inventory build-up for market launch
- Increased A/R due to high revenues towards the end of Q3, extended credit terms to and delayed payments from selected distributors and OEMs

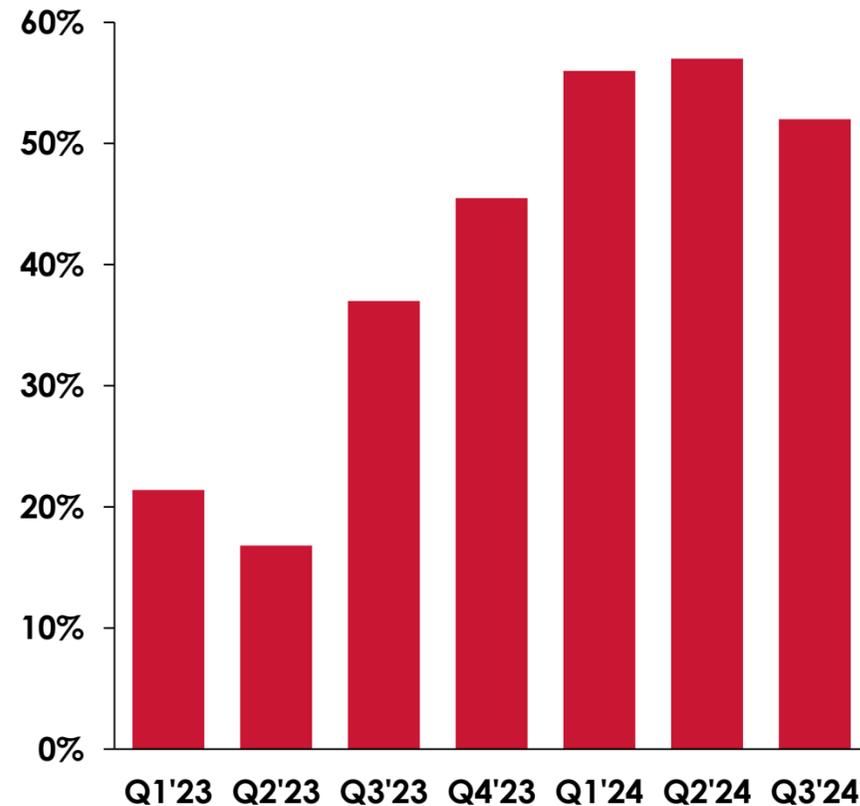
Efficiency Improvements Expected in Early 2025

- Anticipated working capital optimization with end-customer project completions and sensor deployments

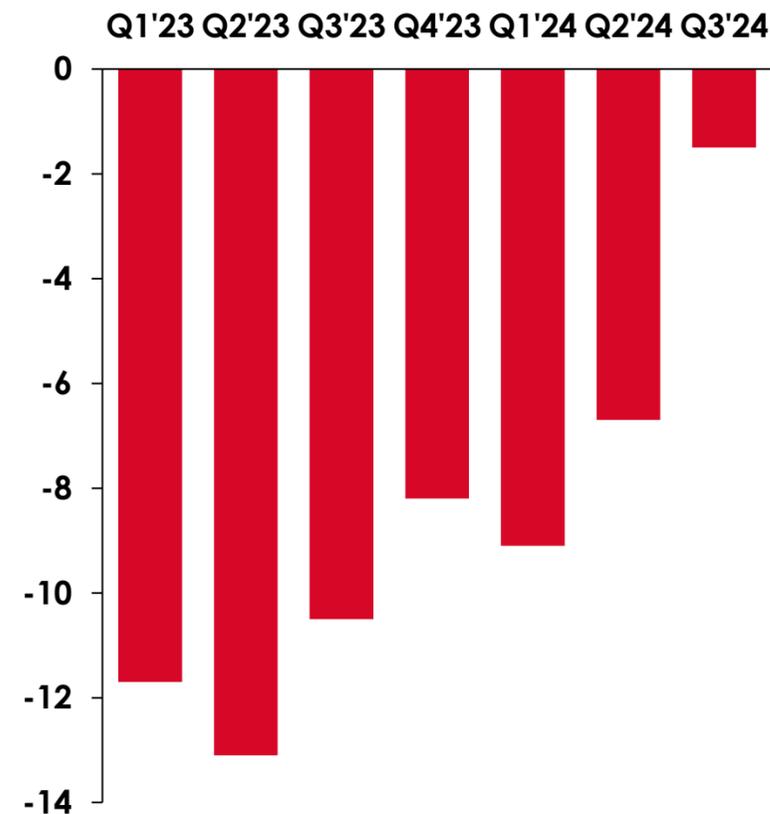
1) Inventory + account receivables

Strong gross margin and improved adjusted EBITDA

Gross margin (%)



Adjusted EBITDA¹⁾
per quarter (MNOK)



Observations

- > Continued high gross margin in Q3; favorable product mix with high FAP20 and China-ID portion
- > Improved adjusted EBITDA following increase in revenues

1) EBITDA excluding share based remuneration, options social security cost and inventory write-downs



Outlook

Outlook

> Significant Revenue Growth

- Anticipating continued very strong revenue growth in 2025
- Secured Revenue Pipeline of NOK 550 million, with substantial potential for further growth from both existing and new customers

> Targeting Profitability

- Expecting gross margin of over 50% in Q4 2024 and an annual OPEX run-rate of NOK 65 million
- Targeting profitability in Q4 2024

> Innovation of customer centric solutions

- Promising research and developments in totally new field of use is currently underway – positions NEXT for substantial growth over the coming years





Q&A



nextbiometrics.com