

NEXT Biometrics Group ASA

Q3 2020 Presentation

10 November 2020

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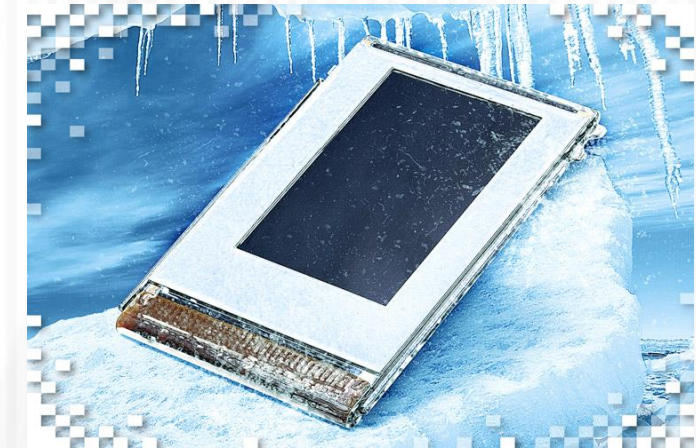
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Agenda

- **Q3 Main Takeaways**
 - **Q3 Financial Summary**
 - **Cost Reduction Update**
 - **Growth Agenda Update**
 - **Q3 summary**
 - **Q&A session**
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Main takeaways from Q3 2020

- **NEXT reached its communicated OPEX run rate Q4 target one quarter ahead of target**
- **NEXT growth from low point Q4 2019 of 65%**
- **NEXT growth from Q2 12% despite a few delayed POs due to customers' COVID-19 lockdowns**
- **NEXT now designed in with multiple Point of Sales (POS) and Biometric device manufactures providing a foundation for tangible growth. First orders from this strategy provided by Newland during the quarter**



Key Figures Q3-2020

Profit and loss

NOK million	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Revenue	9.2	20.5	13.6	15.2
COGS	(9.4)	(17.1)	(11.8)	(13.1)
Gross margin	(0.2)	3.4	1.8	2.1
Gross margin	-2%	17%	13%	14%
EBITDA	(45.1)	(33.6)	(21.9)	(18.6)
EBITDA ex options ¹⁾	(44.3)	(33.6)	(23.0)	(14.2)

1) EBITDA excluding share based remuneration

Revenue of NOK 15.2 m

Gross margin of 14% vs. -2% in Q4-2019

- Depending on production volume and product mix

OPEX²⁾ of NOK 17.3 m vs. NOK 44.3 m in Q4-2019

- OPEX heading lower and now close to the target
- FTE reduction, cancellation and renegotiation of supplier agreements contributing to lower operating costs

EBITDA ex options improved by NOK 30.1 m compared to Q4-2019

NOK 10.8 million subsequent offering completed in July

Cash position of NOK 86.8 million as per 30 September 2020

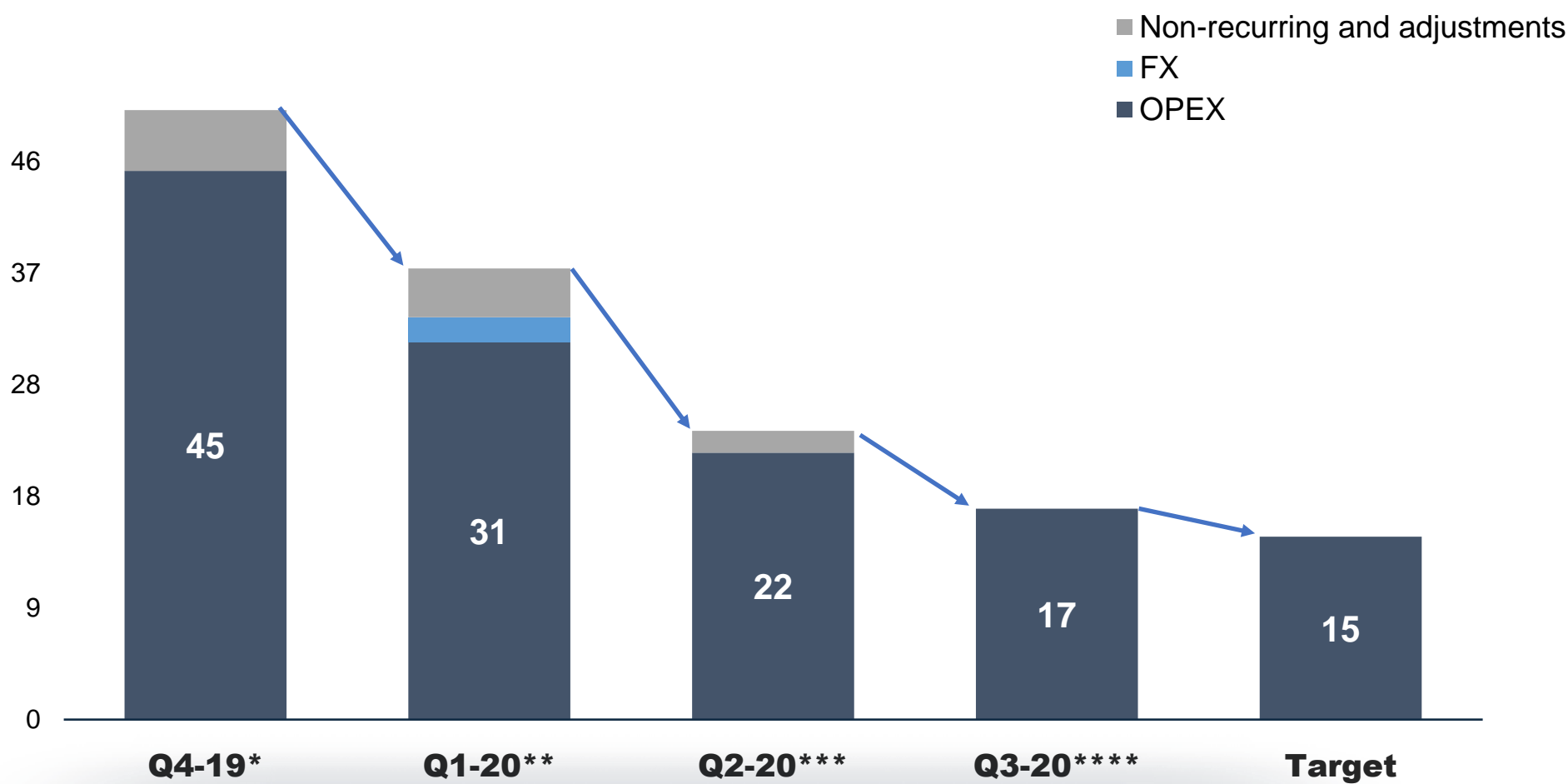
2) OPEX=Payroll and Other operating expenses

NOK 5 million Skattefunn benefit included in Q4-19 OPEX and NOK 1 million included in Q3 -20 OPEX

Cost reduction program completed

NEXT OPEX¹⁾

NOK million (excl. cost of options)



1) OPEX = Payroll + Other operating expenses

Cost reduction program target reached at end of Q3; cost effectiveness focus continues

Selected outsourcing completed

Cancelling and renegotiation of external service agreements implemented

Limited R&D spending - prioritized projects with near term sales potential

Subsequent to quarter end: Implemented costs reduction measures related to office leases in Seattle and Oslo

Headcount of 30 as per end October (down from 64 as per December 2019 and 77 average 2019)

*) Adjusted NOK 4.7 million severance pay and other one-off effects. NOK 5 million Skattefunn benefit not included in OPEX.

**) Adjusted for NOK 4.4 million severance pay and other one-off effects

***) Adjusted for NOK 1 million non-recurring salary cost

****) Adjusted for NOK 1 million Skattefunn grant

Status Growth Agenda - Overall status per market segment

Revenue background:

- 1. Biometric Industry sales cycles 7-18 months, for PC even longer. Covid-19 has extended cycles with up to 6 months**
- 2. At arrival as CEO (Q4 2019), Company lacked tangible plan for growth & dependent on single PC customer**
- 3. Q4 2019 Sales/Growth initiated measures:**
 - A) New Go 2 market strategy**
 - B) Systematic approach - tangible growth agenda established**
 - C) Q1 2020 Disruptive product FAP20 launched**
 - D) Verified product validity and competitiveness**

Current Status Q3 2020

PC/Laptop

- 1. Main stable revenue source with existing customer**
- 2. Now in project with largest existing customer and additional PC manufactures for new product, if won to be commercial with start H2 2021**

POS & Biometric devices

- 1. Won multiple FAP20 design ins with potential recurring orders:**
- 2. FAP 20 well positioned for Citizen-ID, e-voting & government applications**

Aadhaar India - Established position & distribution network

- 1. L0- several sensor and reader deals won**
- 2. L1- unlocks new opportunities and potential partners**

Smart Cards & IoT

- 1. High margin niche verticals with potential**

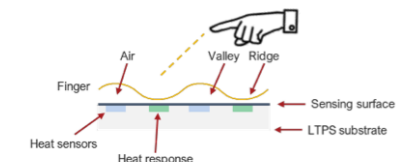
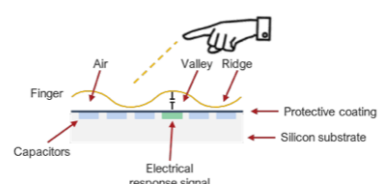
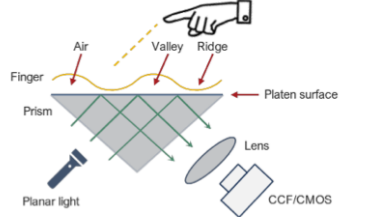
Multiple untapped growth areas for NEXT Biometrics

General Active Thermal Advantages

FAP20 Unique Selling Points

Appendix – Technology

Competitive advantage for large size sensor market

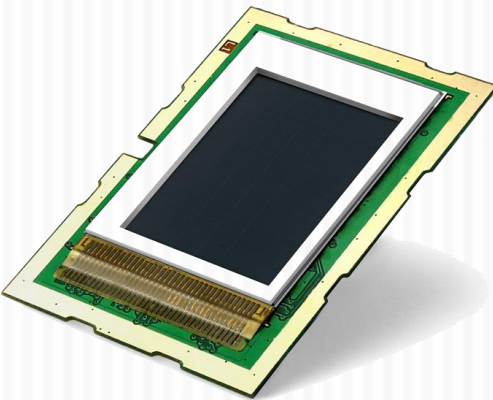
Active thermal	Capacitive	Optical
		
<ul style="list-style-type: none">▪ Cost efficient for large size sensors with high security needs▪ High margin potential, but smaller volume compared to capacitive mass market▪ Thin form factor and may be both flexible and rigid	<ul style="list-style-type: none">▪ Cost efficient for small size sensors, but cost increase significantly with size▪ Mass market with low margins (PC and mobile)▪ Thin form factor. Rigid only (flexible not proven)	<ul style="list-style-type: none">▪ Medium to high cost and increasing with size▪ Large and bulky form factor▪ Relatively good performance

1. **Ultra slim form-factor for a FAP20 size sensor (Fits well with mobile/portable devices)**
2. **Disruptive price points for customers, still (3X Revenue and solid GM for NEXT)**
3. **PIV certified by FBI (US) and certified by NIBSS Nigeria**
4. **Can be available in both rigid and flexible format**
5. **Low power consumption / High resolution image**
6. **Disruptive technology challenging existing optical FAP30 sensors**

20 Source: Company



Several untapped growth areas for NEXT Biometrics FAP20 sensor



Status Growth Agenda - “Design-ins” momentum YTD 2020

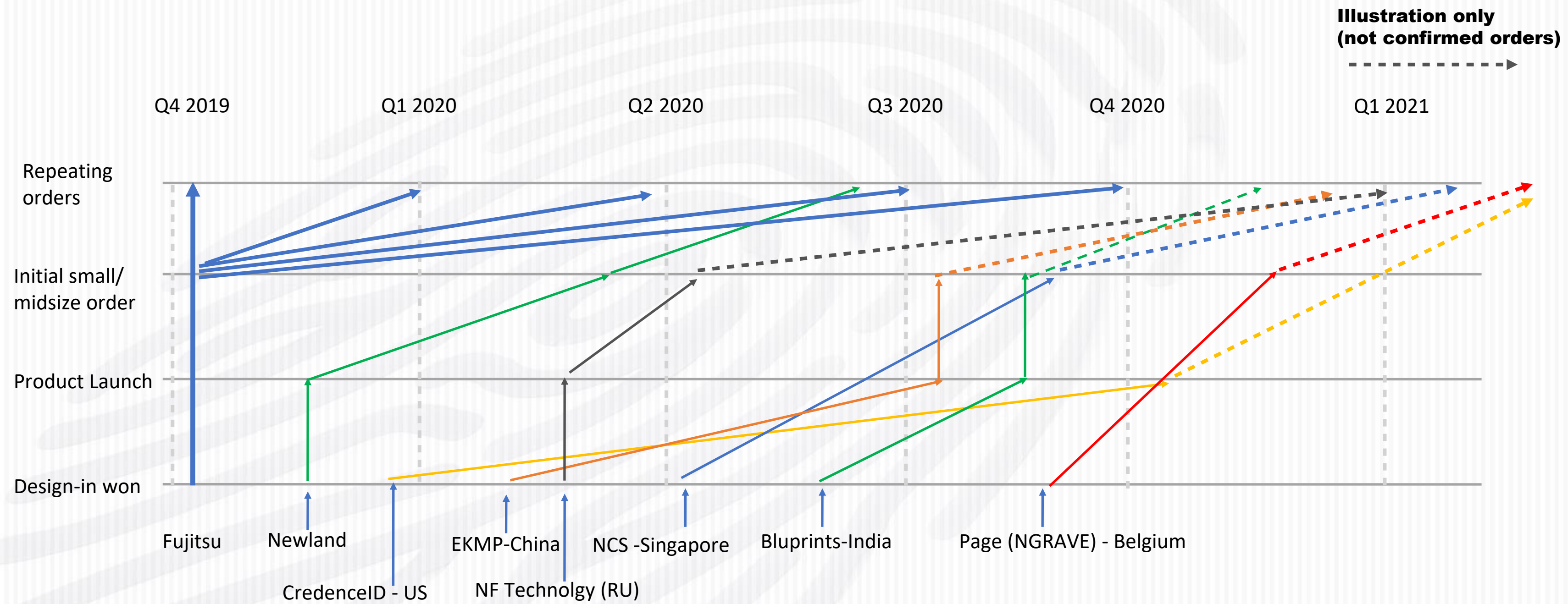
	2019 Q4	2020						
	1	2	3	4	5	6	7	8
Partner	Fujitsu	CredenceID	Newland	EKEMP	NCS	Page (NGRAVE)	Blueprint	NF Technology
Next Product	200 Sensor	FAP20	FAP20	FAP20	FAP20	200 Sensor	Adhaar 200 Sensor	FAP20
Partner product name	Laptop	ECO-Identifyer	Financial POS	FAP20 Reader	Rugged mobile Notebook	NGRAVE ZERO Digital wallet	BluPrint Vriddhi	Citizen-ID/device
Partner location	Japan	US	China	China	Singapore	Belgium, EU	India	Russia
Use case	PC - B2B segment	Biometric device for voting , law enforcement, etc	Biometric POS devices for secure Paym/trx & Retial	FAP 20 Reader/e-voting	Military Mission Critical application	Payments & Crypto currencies	Bluetooth mobile receipts printer	Citizen-ID card/device
Key markets	Global	Africa, Middle East & SE-Asia	Global	Asia, Africa & Middle East	Singapore	Global	India	Russia

Existing Design-ins
per Dec 2019

Design-ins won YTD 2020

- 1. NEXT steadfast in pursuing additional design-ins securing long-term revenue**
- 2. High customer interest in FAP20 product applicable for multiple User/Customer Segments**
- 3. Several applicable Geographical Markets**

NEXT Revenue momentum build YTD 2020



NEXT in steadfast pursuit of integrating with more devices - enabling long term growth
Q4 2019 1 main revenue generating device, Q3 2020 +8 devices with NEXT sensors

- **We expect quarterly revenues to rise from current levels but exact timing and volume numbers difficult to predict in advance**
- **There are multiple additional Biometric devices manufactures in pipeline**
- **The more POS & Biometric devices we are designed into the more likely revenues will grow**
- **New notebook sensor product to be launched with existing customer early H2 2021**
- **In addition NEXT currently evaluating untapped growth areas with shorter sales cycles**

**“Fitter and leaner than ever before and
soon... More than 10 Devices with NEXT sensors enabling future growth”**

Q & A



One Touch.
One You.
NEXT Biometrics

