

Proven Fingerprint Sensor Technology for Advanced Authentication



NEXT Biometrics Group ASA

Q4-2018

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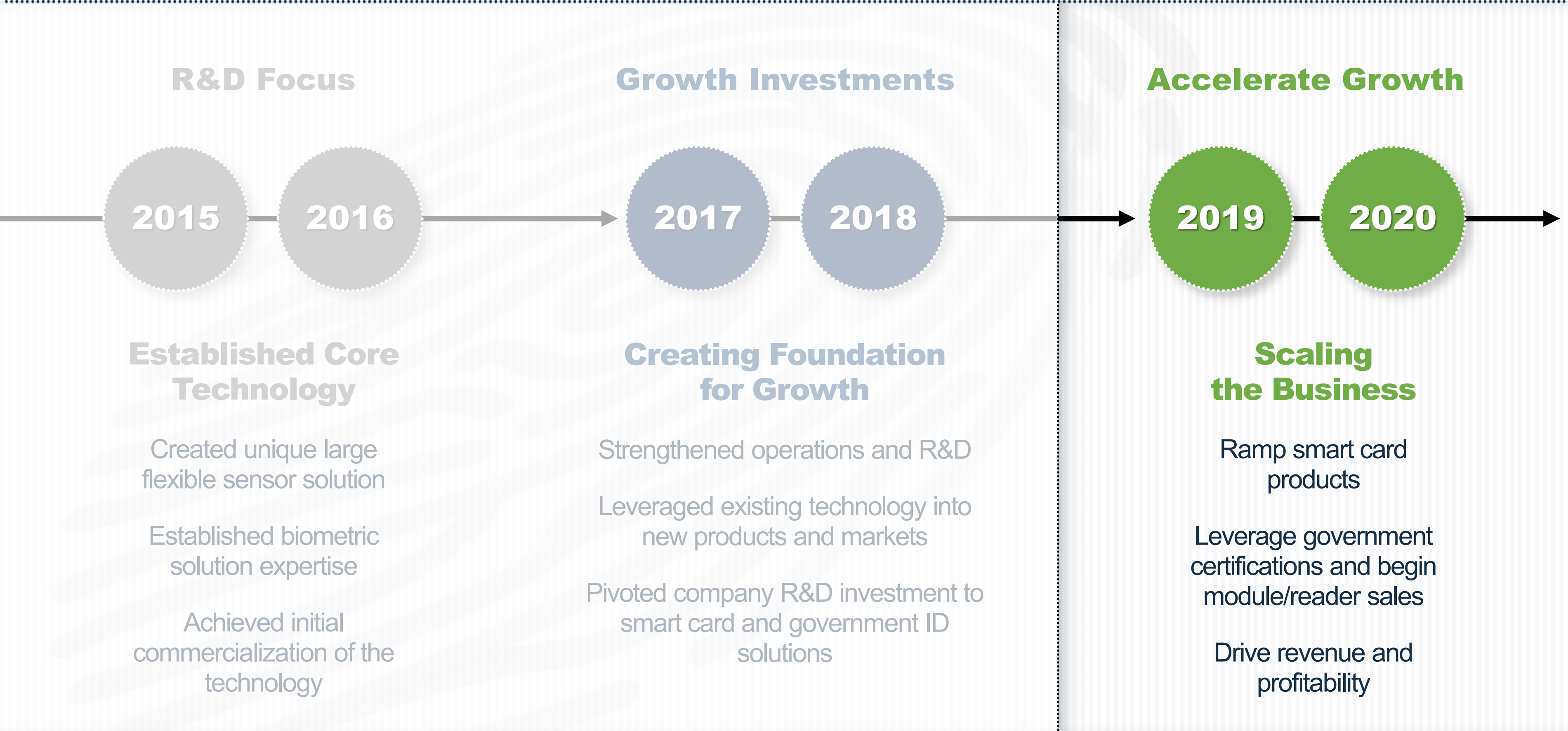
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Next Biometrics – Growth Path



Financial Highlights

Q4-2018

- **Revenue:** NOK 29.3 million compared with NOK 30.2 million in Q3-2018
- **Gross margin:** 36% compared with 30% in Q3-2018

FY 2018

- **Revenue:** growth of 10% to NOK 108.4 million
- **Gross margin:** increase to 28% (FY 2017: -6%)



Business Highlights Q4-2018

Smart Card:

- Technology Partnership with Infineon
- Joint R&D Program with MK Group, Vietnam
- Tactilis selected for 3 UN smart card pilots utilizing NEXT sensor technology

Government ID:

- Purchase order from Telpo for POS terminal solutions for the Indian market
- Purchase order from Tysso for POS terminal solutions for global use
- Cooperation agreement with Digitsecure (LastMile Mobi) for the Indian market

Access Control:

- Sampling of One Touch ID FAP20 sensor

Technology:

- Study by Carlos III University of Madrid confirms superiority of NEXT sensor technology
- UIDAI certification for NEXT L0 Registered Device Service for Android in India



Business Highlights 2019 to Date

Smart Card:

- Received and delivered purchase order for 30,000 chipsets from Tactilis
- Expanding smart card ecosystem with agreements in Asia
- Dual Interface sensor sampling starting in Q2-2019

Government ID:

- Increased customer traction in India reflected in firm awards and growing lead pipeline

Performance:

- Initiated cost reduction program
- Raised NOK 160 million in gross proceeds in private placement
- Subsequent offering with potential gross proceeds of NOK 28 million



Delivering on Gross Margin Improvement

Gross margin of 36% in Q4-2018

- Fourth consecutive quarter with positive gross margin
- Full-year gross margin of 28% (FY 2017: -6%)

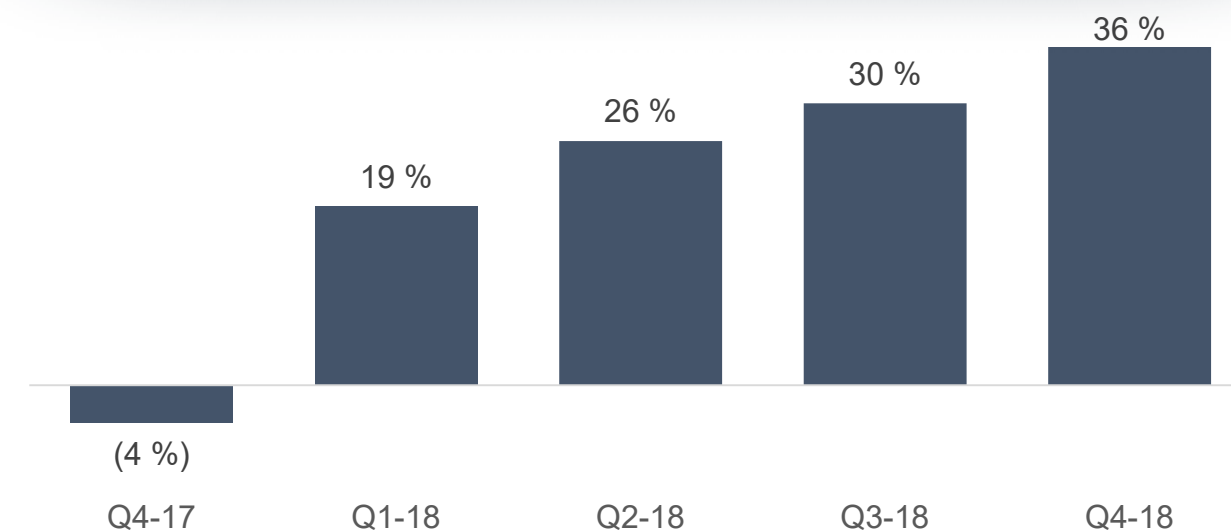
Drivers for margin improvement

- New ASIC
- Improved yields and scaling impact
- New segments with higher gross margin contribution

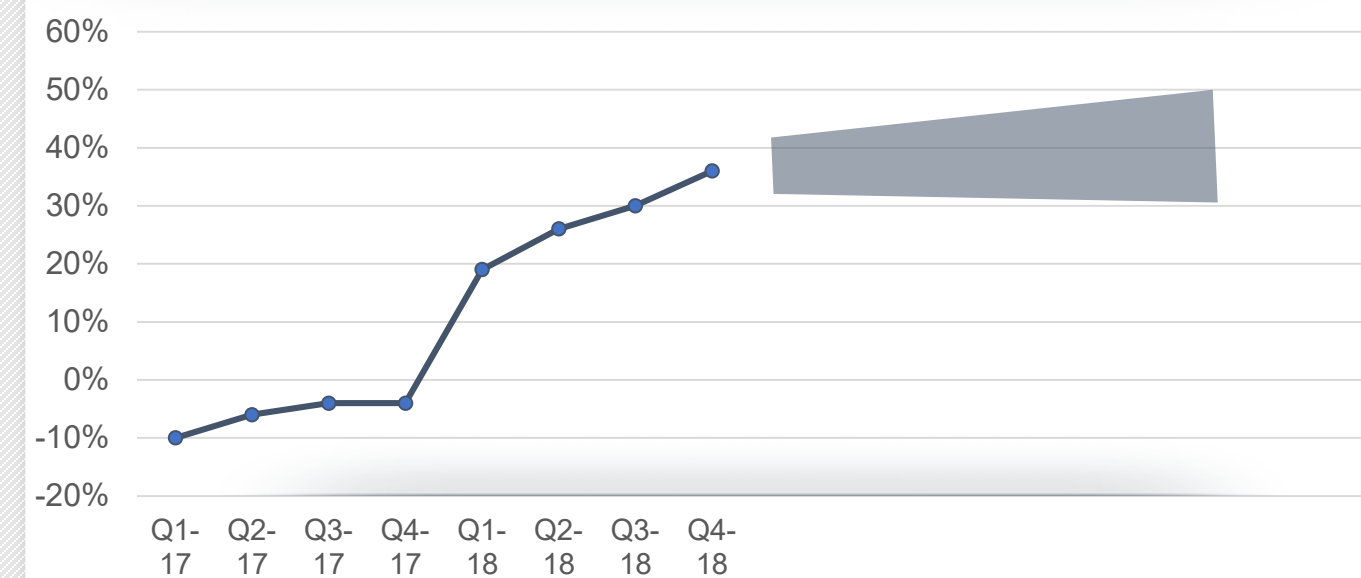
Future gross margin

- Expect to move towards long-term target over time
- Long-term margin performance will depend on product and customer mix

Gross margin



Expected long-term margin range



Key Figures for Q4 and FY 2018

Profit and loss

NOK million	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2017	2018
Revenue	24.7	23.3	25.6	30.2	29.3	98.2	108.4
COGS	(25.6)	(18.8)	(18.9)	(21.1)	(18.8)	(104.0)	(77.6)
Gross profit	(0.9)	4.5	6.7	9.1	10.5	(5.9)	30.8
Gross margin	(4%)	19%	26%	30%	36%	(6%)	28%
EBITDA	(41.8)	(38.8)	(44.4)	(39.1)	(35.5)	(163.3)	(157.8)
EBITDA adjusted*	(36.9)	(37.8)	(41.1)	(35.7)	(31.9)	(150.1)	(146.4)

*EBITDA adjusted for cost of options.

FY 2018:

- Revenue growth of 10%
- Gross margin of 28% (FY 2017: -6%)

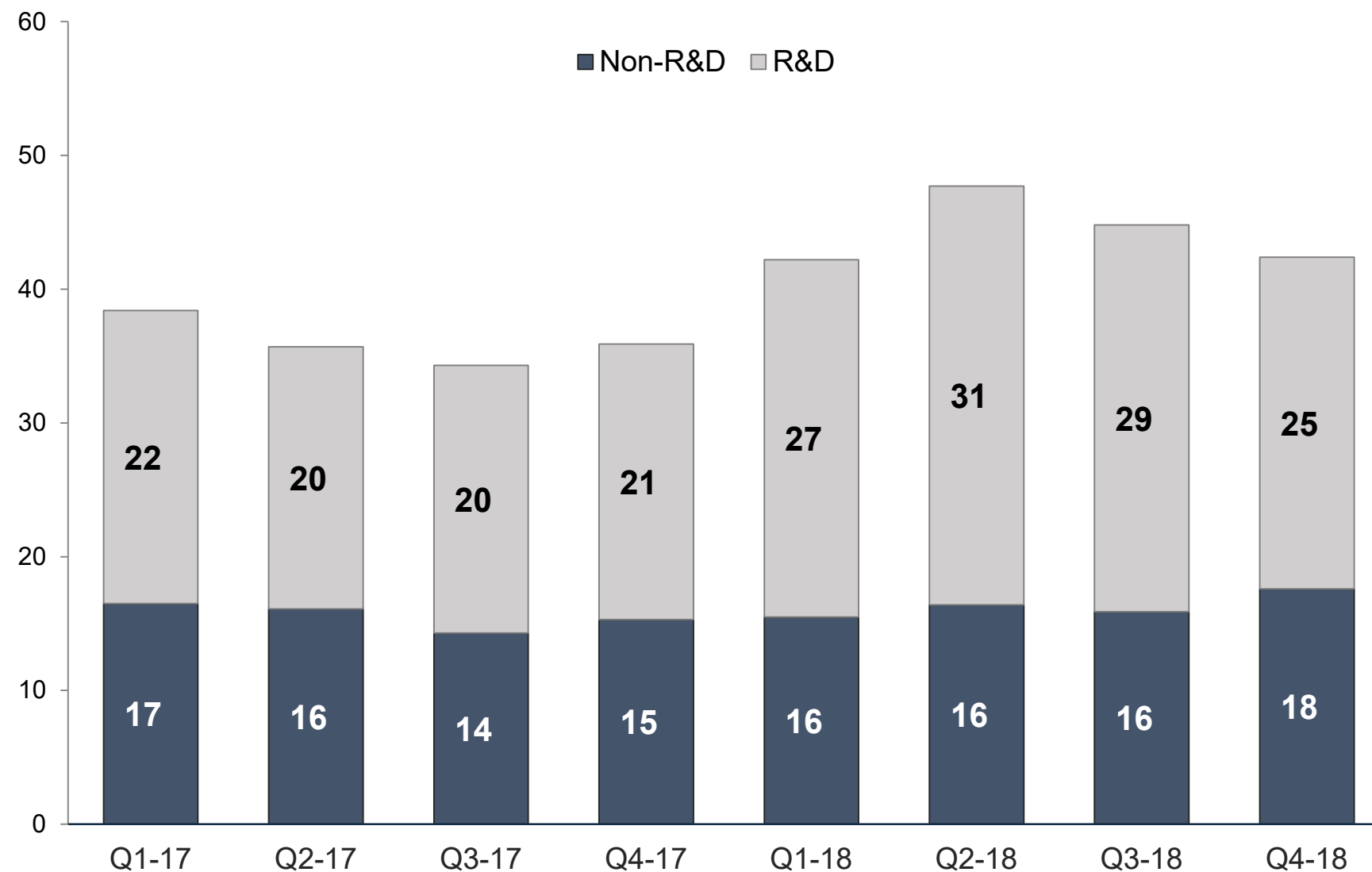
Q4-2018:

- Revenue of NOK 29.3 million, compared with NOK 30.2 million in Q3-2018
 - Notebook volumes the main driver
 - Passed 6 mill sensors shipped in Q4-2018
 - Pilot projects and samples have limited impact
 - Revenue to increase as customers roll out their solutions

Passing Peak OPEX and R&D Investments

R&D related vs non-R&D related OPEX*

NOK million (excl. cost of options)



*OPEX = Payroll + Other OPEX

Non-R&D related OPEX stable

R&D related OPEX reflecting high activity

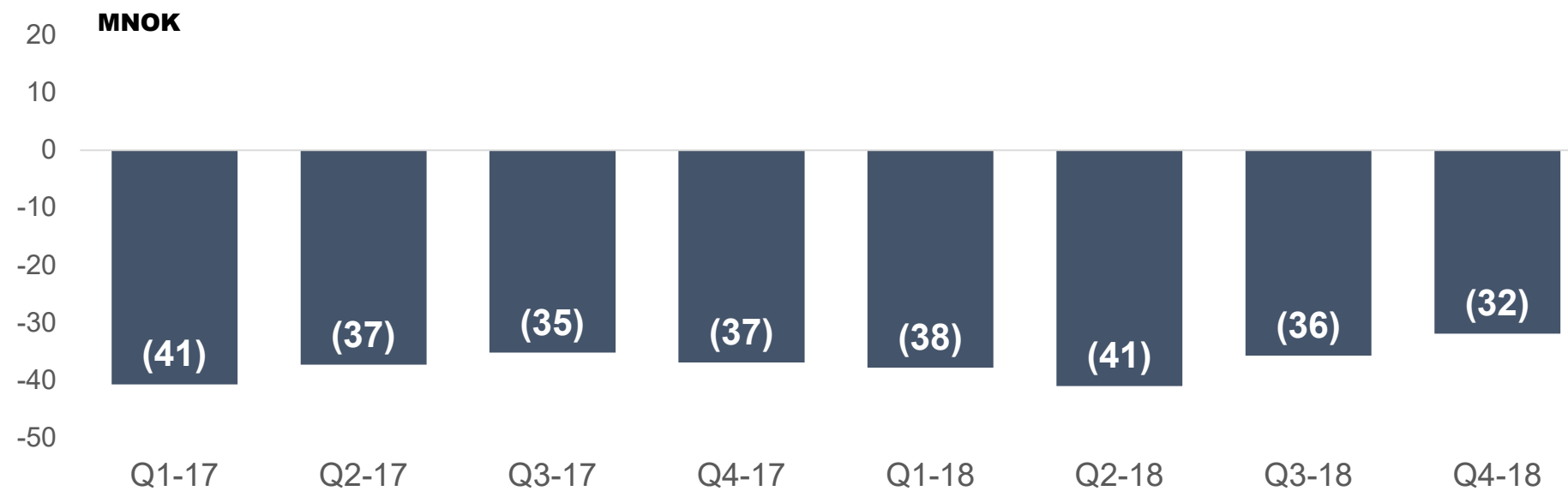
- Focus on Smart Cards and Government ID
- Projects on track for expected volume market take off
- 5 MNOK skattefunn, included in Q4-2018 and Q4-2017

Cost reduction program

- Initiated with target of 20% decrease
- Full impact from Q3-2019
- Optimizing organization
- Commercializing payment card solution; Scaling back other development processes

Improved EBITDA Performance and Reduced Cash Burn

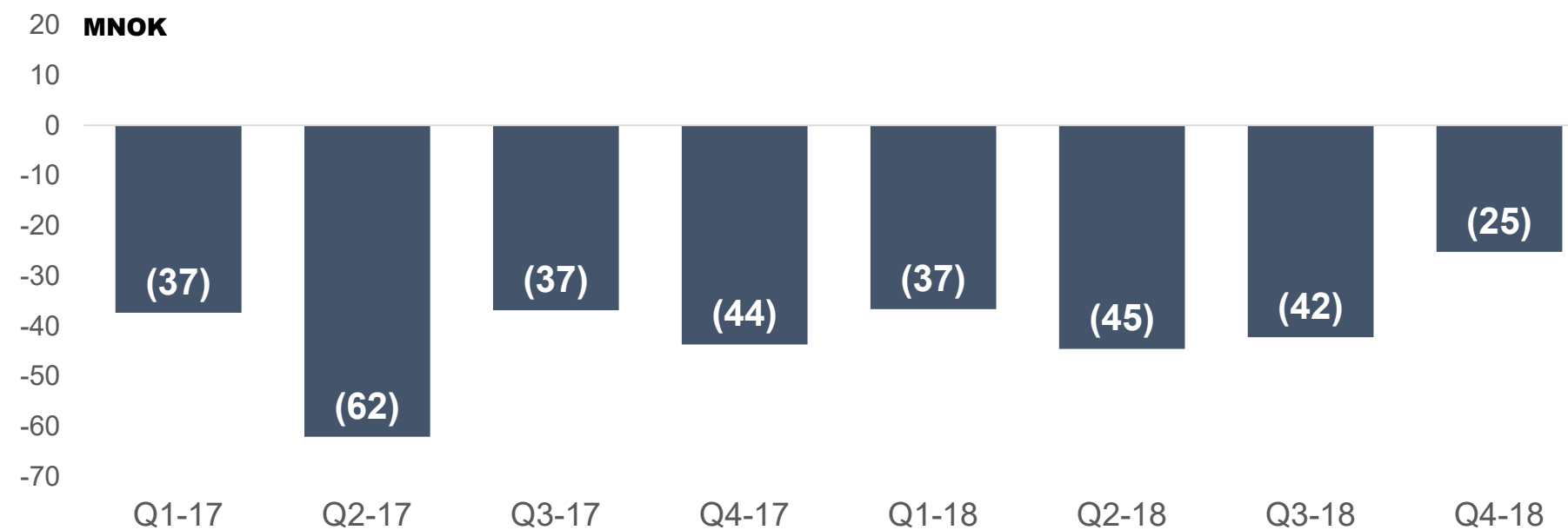
EBITDA ex options



EBITDA:

- Q4-2018 EBITDA-loss excl. options reduced by NOK 5 million compared to Q4-2017
- 5 MNOK skattefunn, included in Q4-2018 and Q4-2017

Cash flow from operations and investment activities



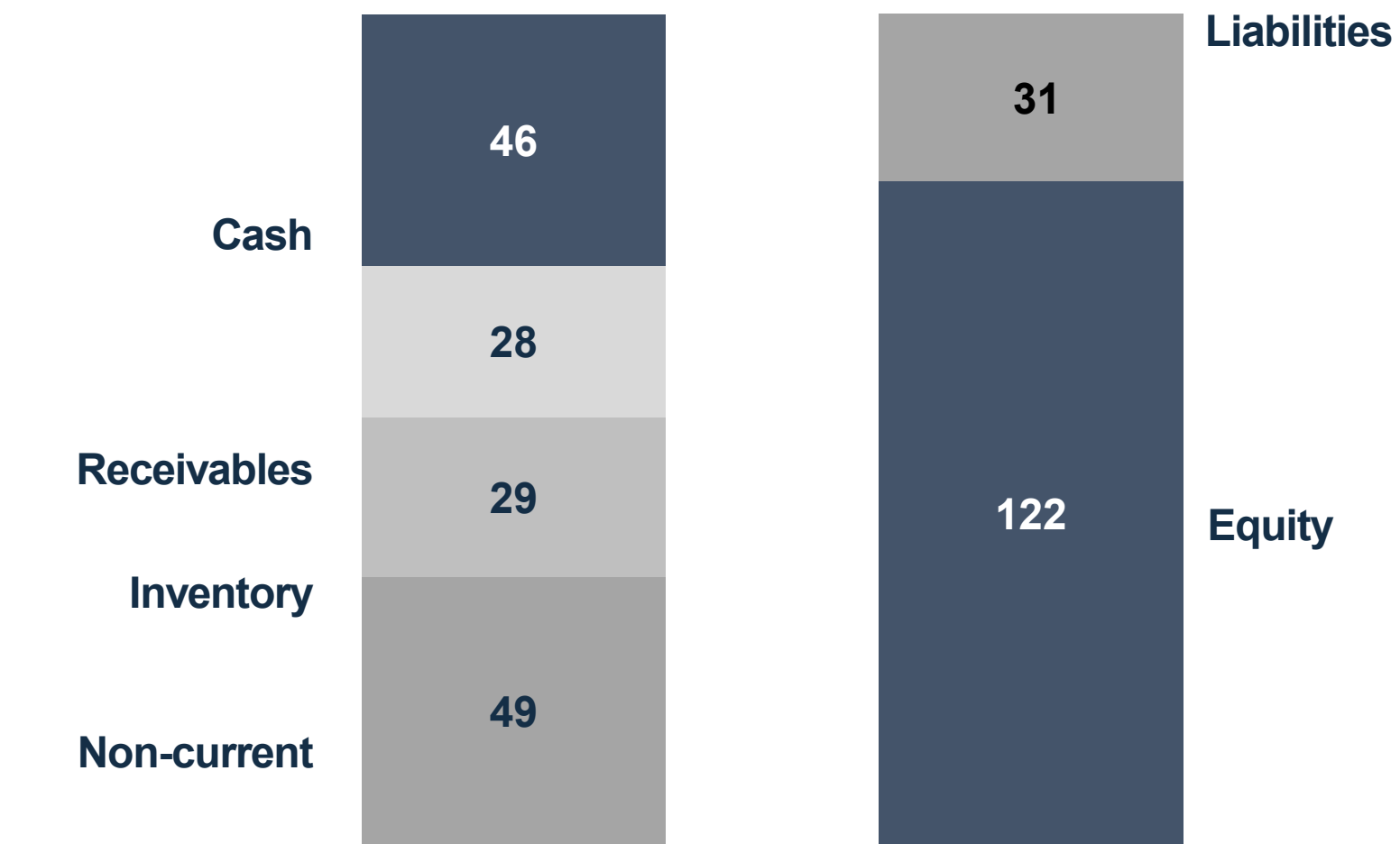
Cash flow:

- Cash used for operations of NOK 25 million in Q4-2018 compared to NOK 44 million in Q4-2017
- Long-term cash flow levels to improve

Balance Sheet & Cash Flow Development

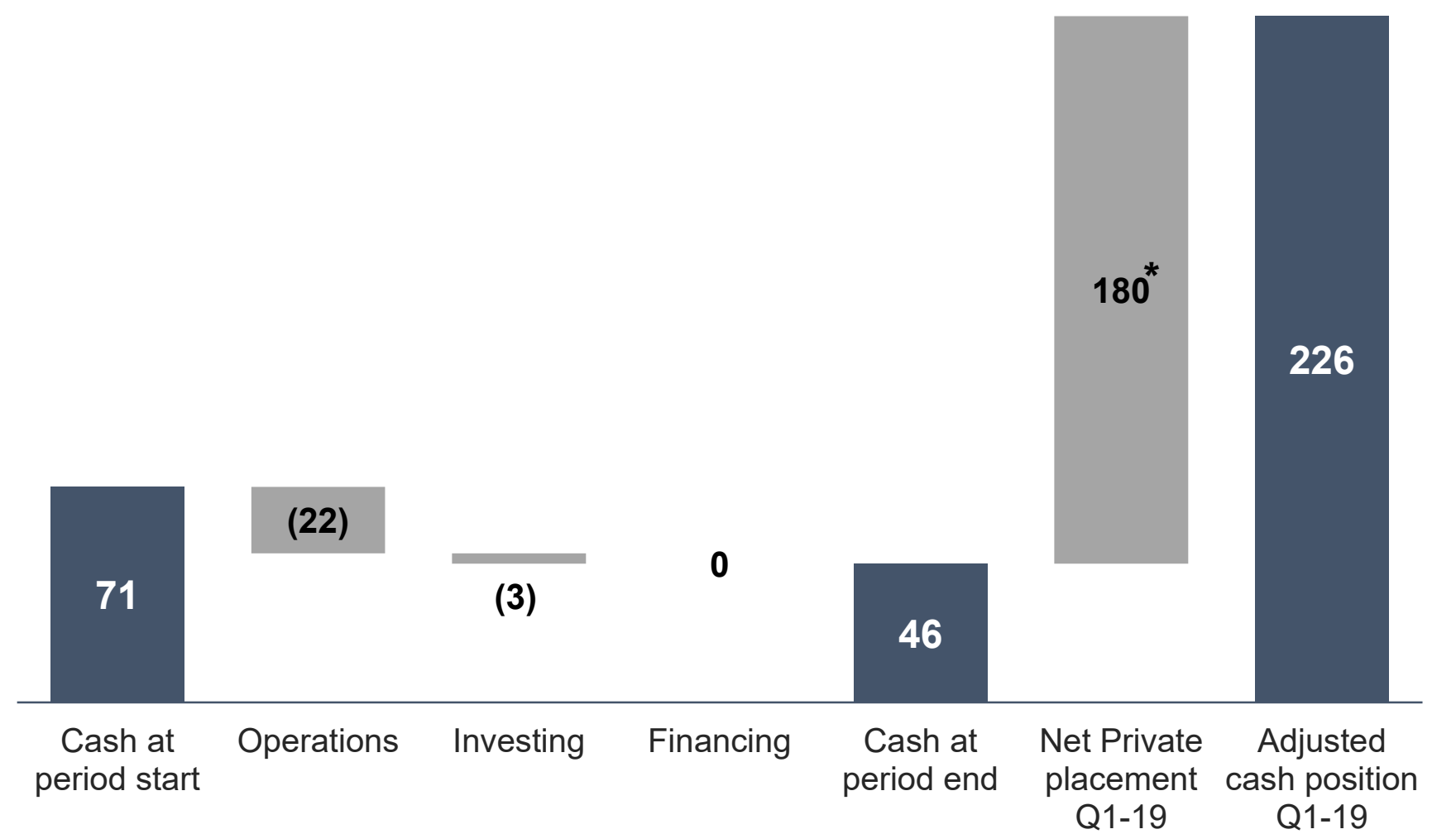
Balance sheet

NOK million



Cash flow development

NOK million



*Assumes completion of subsequent offering

Leveraging NEXT's Large Size, Cost Benefit in Four Target Markets

Smart Card

#1 priority



Government ID

Certification of existing products; Expanding sensor portfolio



Notebook

Stay strong and relevant



Access control

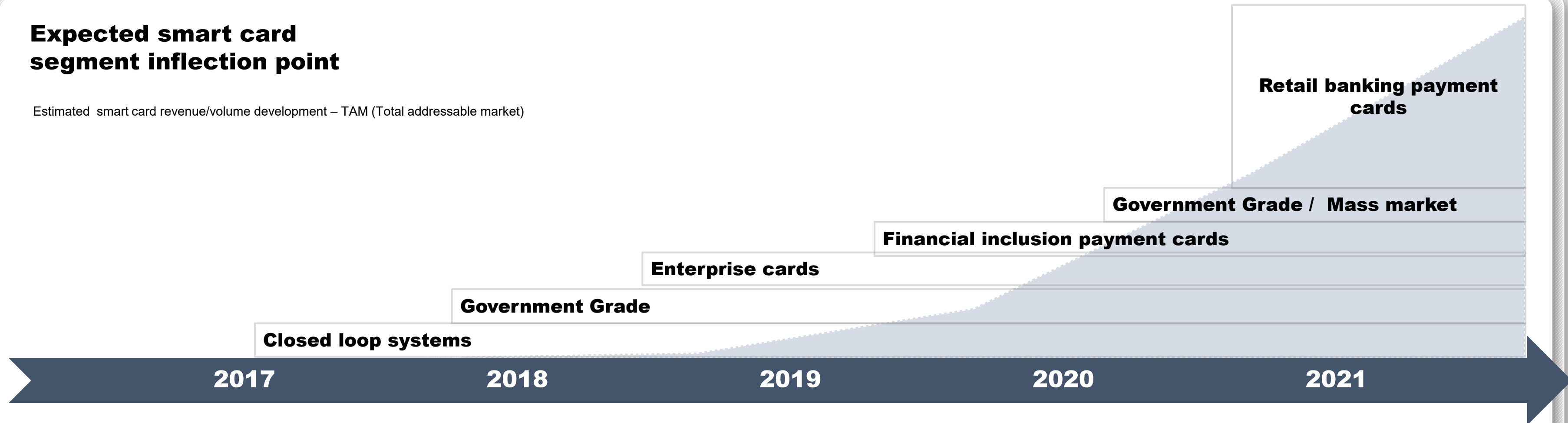
Leverage existing portfolio through distribution channels



Focused on Smart Cards and Completing Payment Card Solution

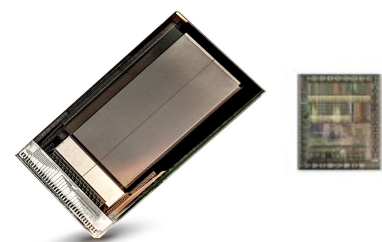
Expected smart card segment inflection point

Estimated smart card revenue/volume development – TAM (Total addressable market)



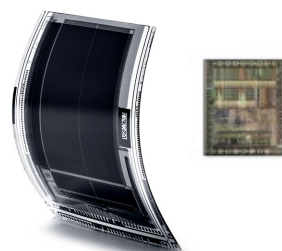
Technology roadmap

✓ Chipset

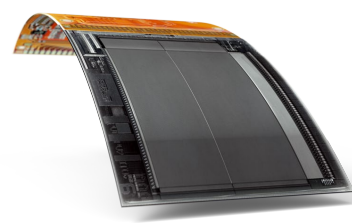


- Chipset for Closed loop projects
- Flexibility to adapt to complex projects
- Large rigid and flexible sensors
- Contact cards

✓ One Touch Connect CS



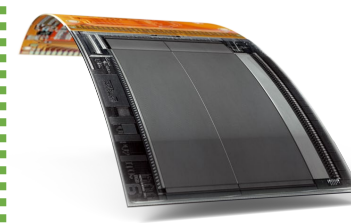
✓ One Touch Flex CT – Payment



- Ready to integrate
- Large Flexible sensor
- Turnkey solution
- Contact cards

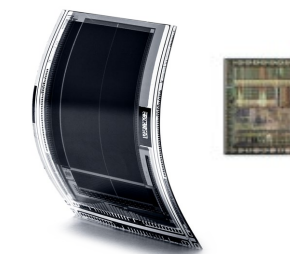
Sampling from Q2 2019

One Touch Flex CL – Payment



Gen 1

- Low power
- Large flexible sensor
- Turnkey solution
- Contactless



Gen 2

Highly integrated, cost-optimized dual interface smart card solution

Building Payment Card Traction

2018 achievements

- 4 new agreements signed with tier-2 customers in APAC
- Technology partnership with Infineon

Lead pipeline

- Advanced discussions with 3 additional tier-2 players
- Engaged in payment card specification project

Strategic priorities

- Build payment card traction with the new solution
- Target new wins to start using biometric dual interface technology from 2020
- Close alignment with all major players in the smart card ecosystem
- Further develop ongoing technology partnership with Infineon



- Agreement with M-Tech Innovations to develop and deploy biometric smart card solutions
- Contact-based and dual interface solutions for current and evolving banking card standards
- Accredited and certified for RuPay, MasterCard and VISA
- M-Tech is one of India's largest smart card producers



- Joint R&D program for biometric smart cards for banking and other applications
- Initial focus on contact based solutions
- MK Group is the leading smart card and digital security solutions provider to financial, telecommunication and retail enterprises in Vietnam and one of the largest in South East Asia

Smart Card: Ready to Support Tactilis' Ramp-up

Shipped 30k chipsets in Q1-2019

- Call-off under previously received open purchase order for 250k chipsets
- Over 60k sets of fingerprint sensors and ASICs shipped to date for product development, pilots and initial production

Tactilis contract backlog and pilots represent significant volume potential for NEXT

- 3xUN pilots
- Madeira Smart City
- US Veterans card

Ready to provide additional chipsets to support Tactilis' ramp-up



Building World-Wide Government ID Position

INDIA

2018 achievements

- Aadhaar L0 certification for modules, readers & software
- Start of discussion with all relevant terminal vendors
- First PO's received in early 2019

Lead pipeline

- 3 additional agreements in advanced negotiations

Strategic priorities

- Increase market share in India through 2019
- Aadhaar L-1 certification in line with market development

RoW

2018 achievements

- 4 agreements won and supply started
- Start of FAP 20 sensor sampling to customers

Lead pipeline

- 3 additional agreements in advanced discussions
- FAP 20 sensor available for volume sales from Q3-2019

Strategic priorities

- Expansion of product portfolio alongside market growth
- Further market penetration in APAC



- MobiOcean order of NEXT STQC and UIDAI certified sensors for the Indian market
- Mobile POS platform for Aadhaar authentication and payments
- Supports credit card, debit card, UPI (Unified Payments Interface), wallet and a range of other payment forms.



- Purchase order for NEXT STQC and UIDAI certified fingerprint sensors for the Indian market
- Sold through distribution partner AqTronics Technologies, Pvt. Ltd.
- For use in Aadhaar based applications such as Jeevan Pramaan, AEPS, and AEBAS

Access Control Volumes Emerging

2018 achievements

- License algorithm providing easy customization, superior performance and faster time-to-market
- Segmentation for effective, tailored market cultivation and extended regional coverage

Lead pipeline

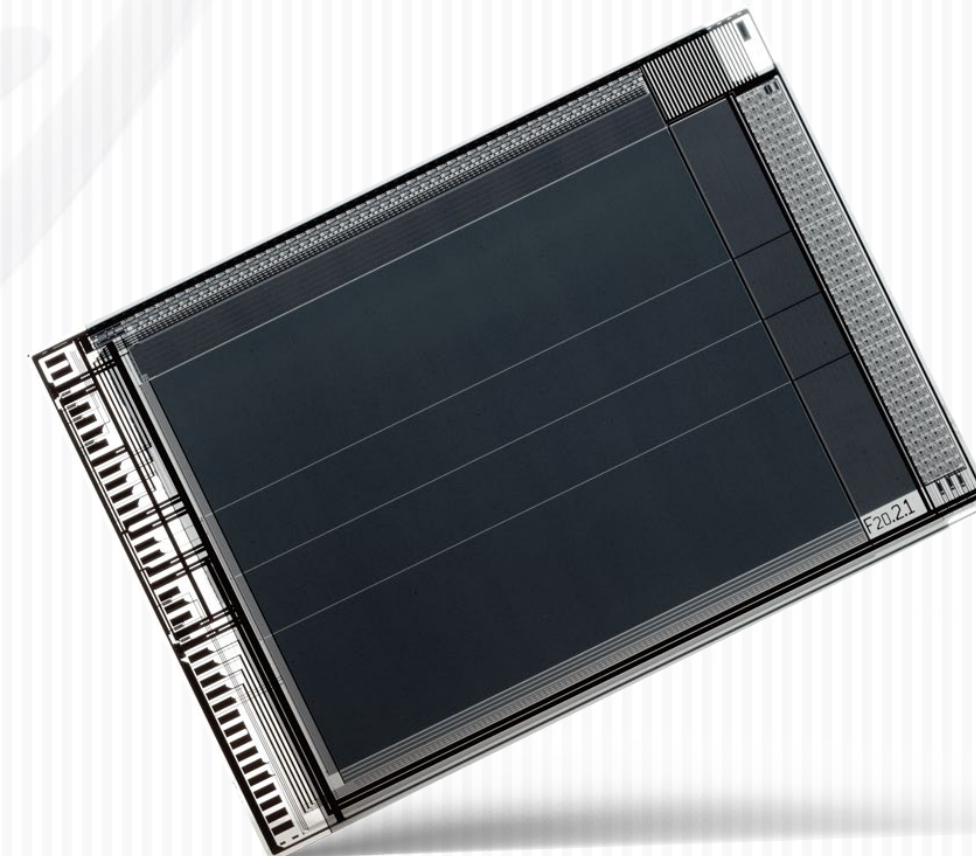
- 3 new distribution agreements in very advanced negotiations to broaden regional footprint

Strategic priorities

- Increase market penetration with existing product portfolio
- Leverage new FAP 20 solution for physical access control, and time and attendance applications
- Extend geographic presence



- Prima Technology Inc. integration of NEXT One Touch Access 100 sensor module in high-quality display panels
- Initial sensor modules shipped to be used in display solutions for the educational market in North America



Notebook – Achievements & Outlook

2018 achievements

- Sensor and ASIC development completed and solutions in mass production
- New sensor and ASIC driving gross margin improvement
- Record shipments to US tier-1 customer
- Initial volumes to Fujitsu in 2018, further ramp in 2019

Lead pipeline

- Ongoing technology evaluation with additional notebook manufacturers

Strategic priorities

- Maintain strong relationship with current customers
- Further market penetration with existing product portfolio
- Leverage new FAP 20 solution



Secure Authentication for Identity Management



6m

Founded 2004; IPO 2014

>6 million sensor
modules shipped to-date

Proven biometric fingerprint
sensor provider



Cost-efficient
mass-production of
large-size, rigid and
flexible sensors

Key enabler of coming
wave of biometrics



1bn

Rapidly growing
fingerprint sensor market
>1 billion units

Positioned for leadership
in emerging smart card & government
ID markets

- **Increase in design wins and revenue**
- **Volume shipment of high-end smart card sensors**
- **Sampling of Dual Interface solution planned from Q2-19**
- **Expand and capitalize on network in payment smart-card ecosystem**
- **Ramp India sales**
- **Increased interest for FAP20 products**
- **Significant increase of sensor module shipments to Fujitsu expected in Notebook segment**
- **OPEX to decline in H2-19**





One Touch.
One You.
NEXT Biometrics

