



NEXT Biometrics

Q2 Presentation
August 23, 2023



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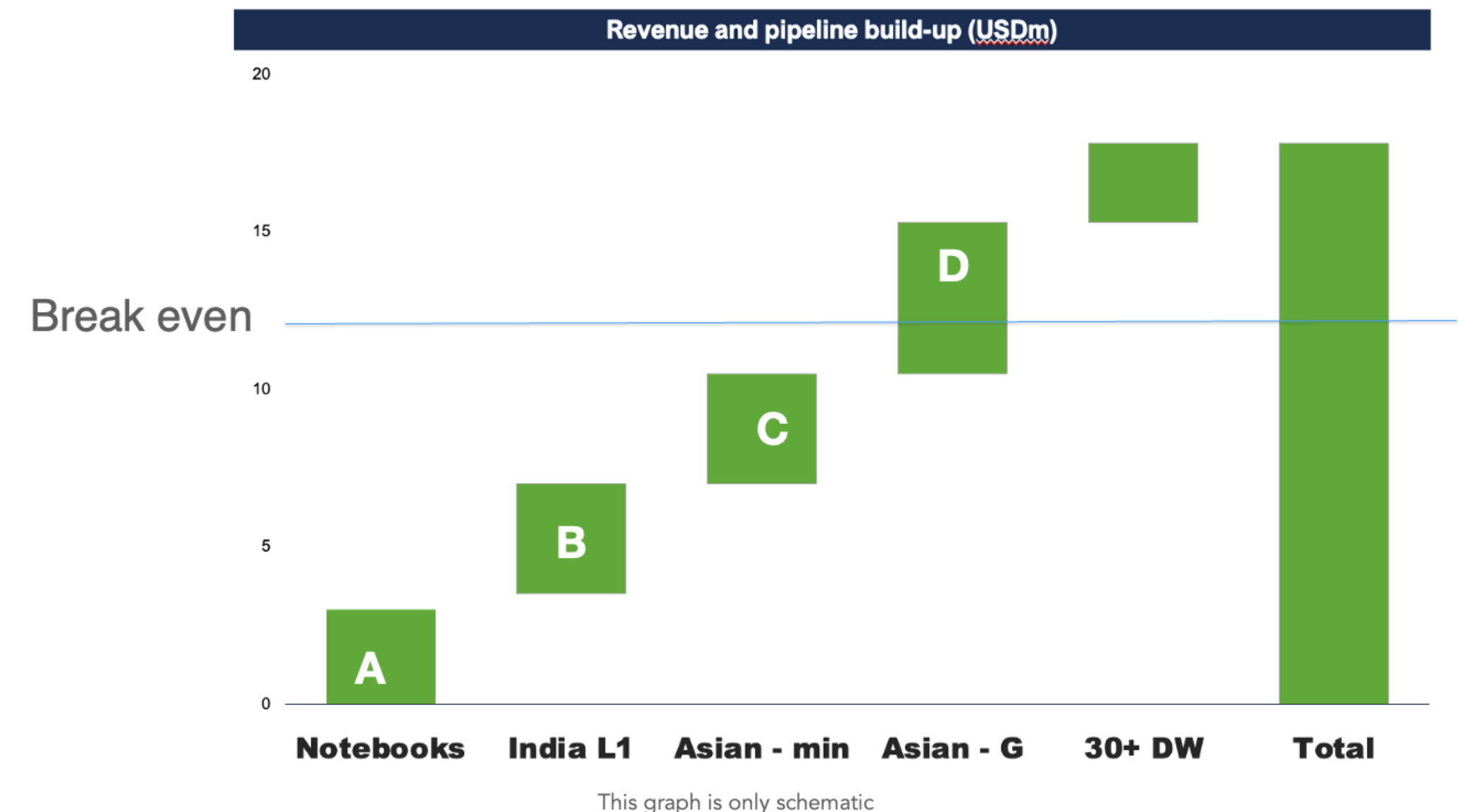
Agenda

- Highlights Q2
- Q2 Report
- Outlook
 - Status and market insight
- Q&A session

Highlights Q2

- Adding two pillars to the foundation, won two significant FAP20 high-volume contracts.
 - Breakthrough contract with Asian distributor, estimated contract value NOK 110 – 250 million over 3 years (5yrs).
 - Signed a five-year commercial agreement with new (L1 POS OEM) partner in India. Contract won including NOK 65 million purchase order.
- Listed Oyster III and FAP20 on GSA-portal (USA) enabling government direct award opportunities.
- New design-win; point of sales terminal for taxis with dual NEXT FAP20 fingerprint sensors and initial order of NOK 1 million.

Presented May 23, 2023, when introducing breakthrough deal





Q2 summary

Q2 2023 - Summary

1. Q2 Revenues

- Temporary low Q2 Notebook sensor shipments (slower global PC market)
- India L1 launched, as expected limited revenue in Q2 from India
- FAP20 China foundation in preparation phase, will provide revenue from Q4

2. Gross Margin 17% (revenue & product mix contribution)

3. Continued cost control with low quarterly OPEX

4. Increased inventory in line with plan to prepare for expected ramp-up in India and China

Strong business development progress vs. revenue

Q2 2023 - Key Figures

Profit and loss

NOK million	Q2 2022	Q2 2023
Revenue	11.7	7.3
COGS	(7.4)	(6.1)
Gross margin ¹⁾	4.3	1.2
Gross margin % ¹⁾	36%	17%
OPEX ex. Options ²⁾	(14.2)	(14.4)
Adjusted EBITDA ²⁾	(9.9)	(13.1)

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 7.3 m vs. NOK 11.7 m in Q2 2022

Gross margin

- Gross margin¹⁾ of 17% vs. 36% in Q2 2022

Operating expenses

- OPEX ex. options of NOK 14.4 m vs. NOK 14.2 m in Q2 2022

EBITDA

- Adjusted EBITDA²⁾ of negative NOK 13.1 m relative to negative NOK 9.9 m Q2 2022

Cash and cash flow

- Cash of NOK 38.6 m end of Q2 2023 versus NOK 53.0 m at end of Q1 2023
- Q2 cash burn of NOK 14.4 m; impacted by lower shipments and increase in inventory

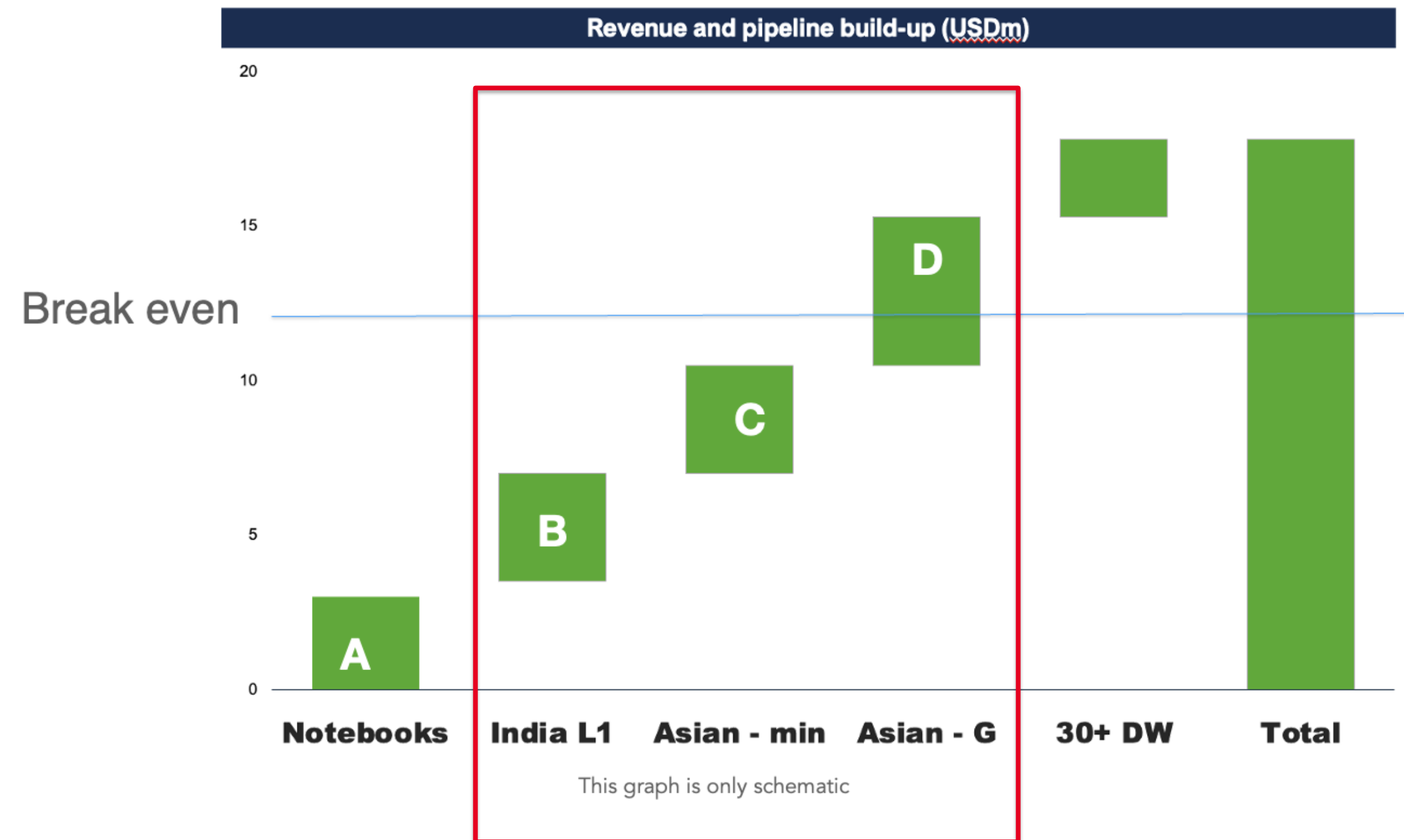
Continued low quarterly OPEX
Cash position affected by inventory, in preparation for ramp-up



Outlook

Status and market insight

China and India are key markets



China and India are expected to represent 70% of NEXT targeted annual revenues

Latest status - India

- New L1 standard finally deployed in India
- Government has given EOL (End Of Life) date as June 2023 for all L0 devices
- Estimated 4.5 Million devices need to be migrated from L0 to L1
- India authorities favor Indian OEMs under the L1 tenders
- New L1 tenders +300,000 majority from department of Postal services
- NEXT Indian OEM has won 30% of the department of Postal tender, and will swap to NEXT's sensor once certified (Q3)
- NEXT New Indian OEM plan launch early Q2 2024
- Potential market share of partners (OEMs) working with NEXT is +30%
- Growth plan includes replacing optical sensors

India partners expected to start ordering L1 sensors, Q3 2023

Market status - China

Two biometric market categories

- Regulatory China ID certification required – Chinese authorities
- No certification required – Consumer goods
- NEXT addressing both categories

Status NEXT and China ID

- Under China ID biometric companies like NEXT required to work with approved algorithm providers
- NEXT already working with two China ID approved algorithm providers
- Expecting completion of first China ID certification by October

Status go-to-market - China

NEXT has two go-to-market partners

Asian distributor

- NEXT exclusive preferred supplier for five key OEMs (replacing two sensor vendors)
- Contract estimated contract value NOK 110 – 250 million over 3 years (5 yrs)
- Public security domain, such as police, bank, healthcare

WISER

- Strategic go-to-market partner
- Targeting consumer and commercial products such as payment devices, tokens, ATMs
- Will be supported by NEXT distributor XM Holder

Latest status - China

Asian distributor

- Contract estimated contract value NOK 110 – 250 million over 3 years (5 yrs)
- NEXT has insight into current inventory levels, expected volumes, timing for change of supplier and launch dates for the five OEMs
- NEXT expects stocking order early Q4 23
- Initial product launch expected Q1 24

WISER

- Multiple design wins and new partnership agreement under negotiation
- XM Holder expected to place initial stocking order before end-Q3



Summary

- **China and India key for success**
- **Volumes in sight**
- **Set for mid/long term success**





QnA



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