



# NEXT Biometrics

Q4 Presentation  
February 23, 2022



# Agenda

## **Review of 2021**

Q4 Report and summary

Outlook and review of 2022

Q&A session

# Three proof points on our way to success

1. Design wins
  - A. Continued good traction – 3 design wins per quarter
  - B. 24 Design Wins Year end – mix of small, medium, large & 2-3 with great volume potential
2. Second measurement and today's key message, +47% Gross Margin
3. OPEX remain flat at 15m NOK

Revenue will be generated by existing and new Design-wins

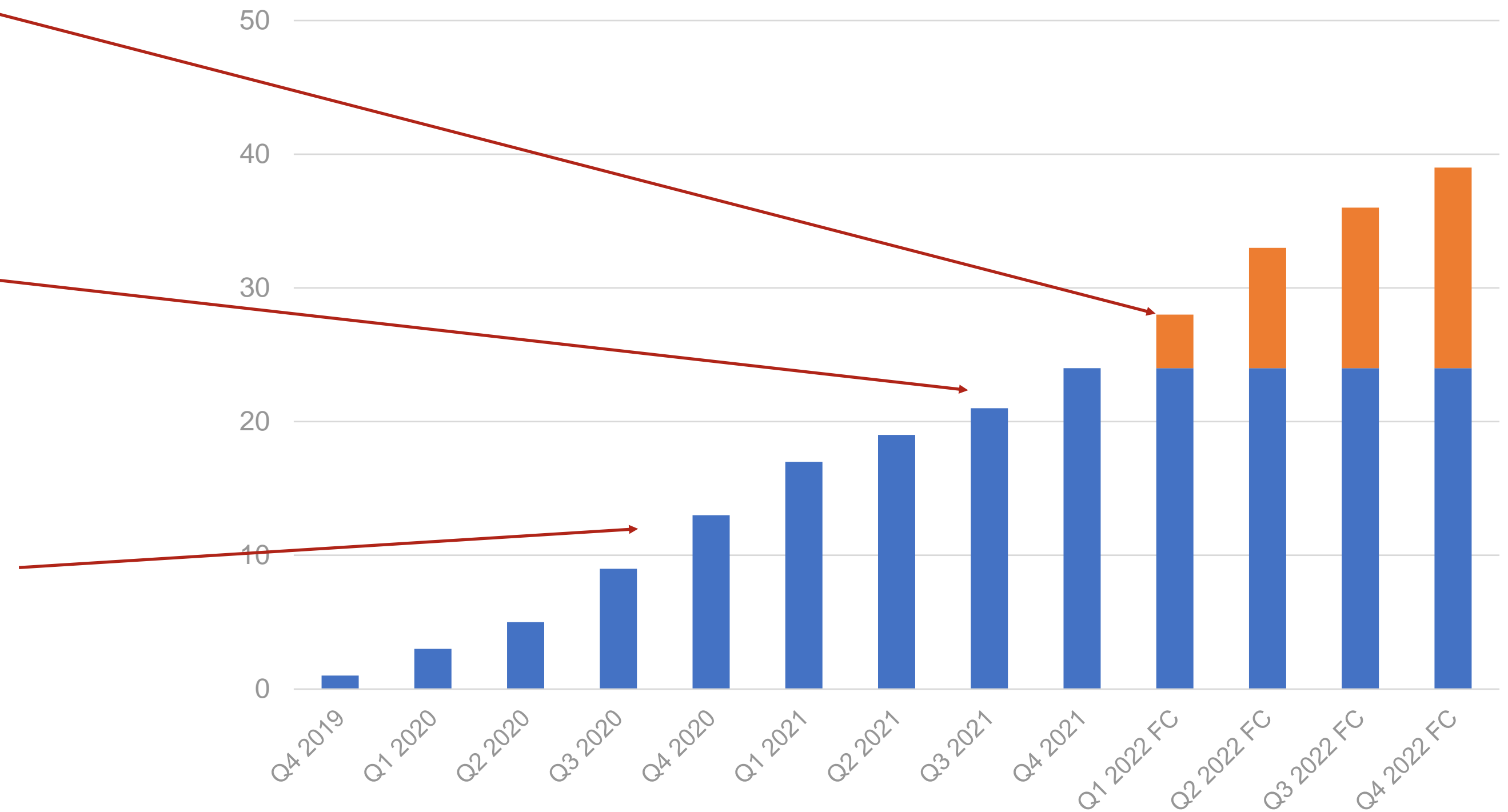
# Why is there a time lag from announced Design-Win to NEXT Revenues

- There is a natural time shift before NEXT receives recurring orders & revenues
- NEXT customers required to allocate time in: design effort, tech-integration & product development, certification, quality, marketing, sales and ramp up etc.
- NEXT keeps pushing customers via longer lead-times and providing incentives for committed early bookings

# Revenue contributing Customers (design-wins)

1. The India OEM  
Classified as great potential  
Will enter India market with NEXT FAP20  
When: As soon as UIDAI launch L1 (customer exp. July)
2. Tech Giant  
Classified as exceptional potential  
Will enter India market with NEXT FAP20  
Will integrate NEXT sensors in additional products  
When: As soon as UIDAI launch L1 (customer exp. August)
3. NGRAVE  
Classified as great potential  
NGRAVE entering with awarded product (waiting list in 90 countries already)  
When: In mass production but challenges with supply chain
4. New design-wins in funnel  
Multiple leads within our selected segments

Total number of design-wins (accumulated)



Indicative extrapolation of current pace of new design-wins (3 design wins per quarter). This is just an indication, not a guiding from NEXT

# NGRAVE – Small Design win with great volume potential

- Start-up company with an off-line "cold" crypto-wallet
- Design-win won in Q4 2020, initial order Q4 2020
- NGRAVE's product development process took approximately 12 months from design-win to commercial product launch
- Successful product launch and long waiting list of customers in 90 countries

## Potential

- Unique crypto currency users increased by 200 million in one year ending 2021, now totaling almost 300 million
- Latest follow up order, revenues NOK 3.1 m



# India based OEM & Tech Giant, design wins with great volume potential

## India OEM

- Total initial order revenues USD 2.2 m
- Deliveries starting April 2022
- This partnership agreement will open-up the Indian market for us as they will certify the FAP20 with UIDAI L1 certificate

## Tech Giant

- This Tech Giant has decided to enter Indian market with NEXT FAP20
- This Tech Giant will also integrate NEXT sensors in additional global products and tenders (for example readers and portable tablet type of devices)



Two OEMs confirming NEXT updated Go-To-Market model in India  
where strong local partners own the L1 certificate

# Updated Go-To-Market strategy in India

1. Indian technology shift from "L0" to "L1" certifications in the Aadhaar program with ~1.1B population
  - Where L0 compliant readers (for e.g. buy a SIM card or buying a train ticket) are shipped since 2017
  - L0 devices will be replaced by higher security certified biometric L1 devices
  - First L1 certified biometric readers in the market expected around end Q2 2022 (1 year COVID delay)
2. Historic L0 annual volumes 3-6m units, # of readers to be replaced with L1 amounting to approx. 15-20m units
3. NEXT now in partnership with 2 (out of 5) larger OEMs for upcoming L1 market

NEXT in great position for L1 volume market with updated Go-To-Market strategy,  
where we let strong local partners own the certificate



# Agenda

Review of 2021 and first part of 2022

**Q4 Report and summary**

Outlook

Q&A session

# Key Figures Q4-2021

## Profit and loss

| NOK million                   | Q4 2020 | Q4 2021 |
|-------------------------------|---------|---------|
| Revenue                       | 8.8     | 13.7    |
| Adjusted COGS                 | (7.3)   | (7.1)   |
| Adjusted gross margin         | 1.5     | 6.5     |
| Adjusted gross margin %       | 17%     | 47%     |
| Adjusted OPEX <sup>1)</sup>   | (9.4)   | (14.7)  |
| Adjusted EBITDA <sup>1)</sup> | (7.9)   | (8.2)   |
| Cash position                 | 67.9    | 102.7   |

Revenues of NOK 13.7 m vs. NOK 8.8 m in Q4 2020

- Revenues continued to be impacted by semiconductor shortage; revenues of NOK 23.7 m if components had been available

Adjusted gross margin of 47% vs. 17% in Q4 2020

- Improved product mix in Q4 2021
- Booked NOK 6.3 m in non-recurring inventory write-offs in Q4 2021

Adjusted OPEX<sup>1)</sup> of NOK 14.7 m vs. NOK 9.4 m in Q4 2020

Adjusted EBITDA<sup>1)</sup> similar to Q4 2020

Cash position of NOK 102.7 m vs. NOK 67.9 m in Q4 2020

Adjusted gross margin at all-time high  
Continued low quarterly OPEX

1) OPEX and EBITDA excluding share based remuneration and Option and options social security costs of net NOK 1.7 m in Q4 2021

# Q4 Key takeaways

Three main proof-points on NEXT's way to success

|                       | Status (Q4 2021)   |   |
|-----------------------|--|---|
| Operating costs       | In line with NOK 15 m/quarter                              | ✓ |
| Adjusted Gross margin | Best ever quarterly adjusted gross margin at 47%           | ✓ |
| Design wins           | 3 new design-wins during Q4 2021, accumulated 24           | ✓ |
| Revenues              | Revenues booked at NOK 13.7 m (NOK 24 m including backlog) |   |

In Addition:

- During Q4: Delivered highest quarterly FAP20 shipment level in company history
- Established new go to market model and secured local partners in India
- Events subsequent to Q4:
  - Announced FAP20 initial USD 2.2 m purchase order from India based OEM
  - Announced new repeat purchase order from NGRAVE

# Agenda

Review of 2021 and first part of 2022

Update on design wins

Q4 Report and summary

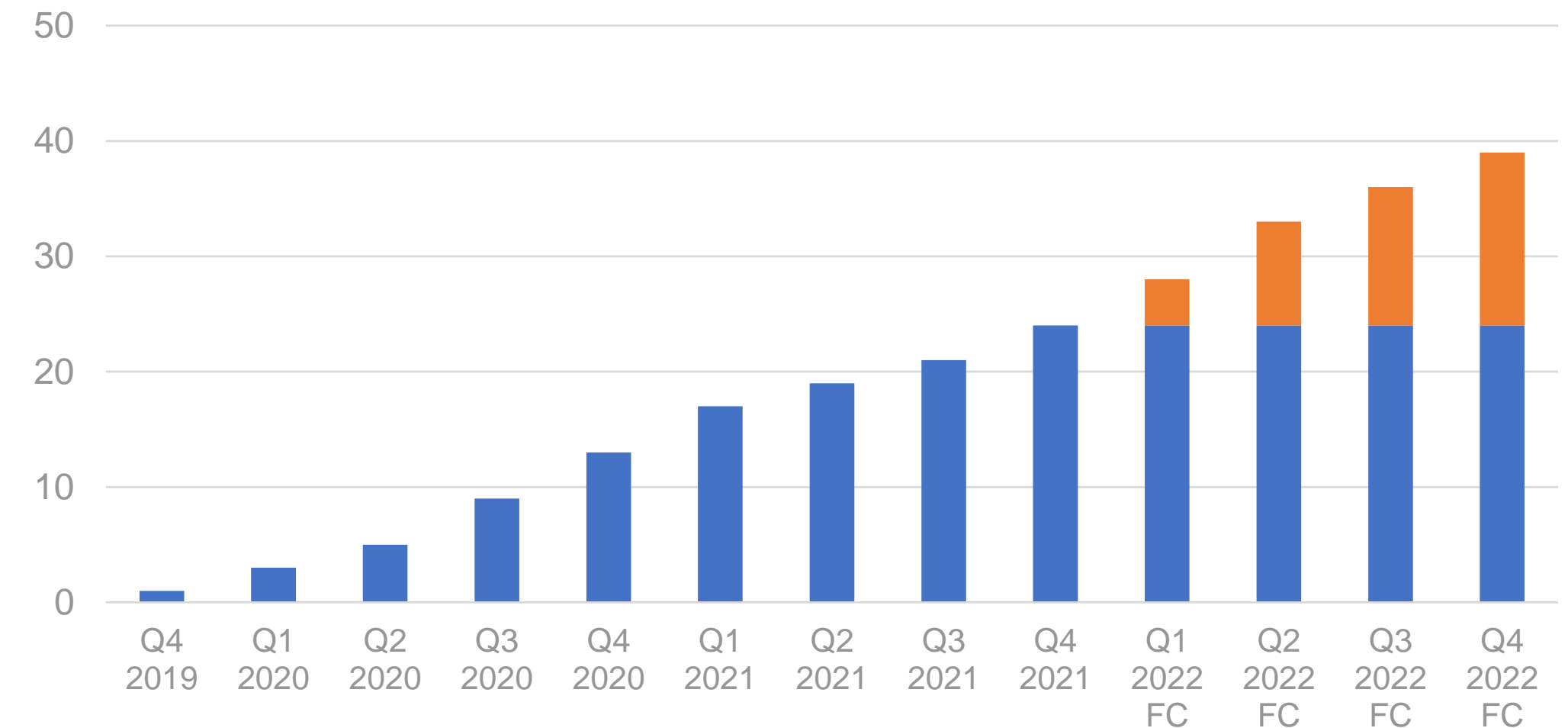
**Outlook**

Q&A session

# Outlook

- Continue with 3 new design-wins per quarter
- Structured increase of FAP20 design-wins
- Multiple ongoing dialogs with prospective partners with different volume potential (Small, medium, large and exceptional)

Total number of design-wins (accumulated)



With a strong balance sheet and a slim operation, NEXT main focus is scaling up revenues with existing and additional design wins

Indicative extrapolation of current pace of new design-wins (3 design wins per quarter). This is just an indication, not a guiding from NEXT

# Higher revenues is final piece of the puzzle

NEXT's cost structure was resolved quickly. It takes longer to improve gross margin, now that transformation is also demonstrated.

We are diligently working on converting current pool of 24 Design wins to revenues.

With quarterly revenues of NOK 35-40 m, adjusted OPEX of NOK 15 m and 40% gross margin, NEXT will reach EBITDA<sup>1)</sup> break even.



Current pool of design wins expected to be sufficient to reach EBITDA<sup>1)</sup> break even.



QnA



# NEXT Biometrics Group ASA

[www.nextbiometrics.com](http://www.nextbiometrics.com)