

NEXT Biometrics Group ASA

Q2 2020 Presentation

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Agenda

- **Fundraising update**
- **Business transformation update and cost reduction**
- **Short term revenue outlook**
- **Q2 financials**
- **Q2 summary**
- **Q&A session**

Fundraising completed

Completed private placement of 25 million shares at a NOK 2.00 per share raising NOK 50 million gross proceeds. The private placement was over-subscribed.

Subsequent to quarter end, NEXT also completed a repair share issue raising NOK 10.8 million in gross proceeds.

The two completed equity issues, combined with the implementation of the turnaround plan, is expected to substantially lengthen NEXT's financial runway.

Current transformation recap & update

Before

- **Q4 2019 initiated turnaround with focus on accelerating growth, lowering cost and improve customer centricity**
- **High cost levels, all inhouse, complex structure and large share of employees in high cost countries**
- **Remaining cash not sufficient given legacy cost & structure**
- **Sales and marketing strategy mainly focused on payment card with low near-term revenue potential**
- **Lack of recurring revenue focus and low conversion from leads to signed deals**
- **Cost plus pricing with low margins**

Now

- **Reduced cost levels through outsourcing and higher share of employees in low cost countries; cost efficiency measures implemented and full effect to be found in Q3 and Q4 P&L**
- **Recapitalized company with cash reserves and improved financial runway**
- **Revised go to market strategy with focus on PC, India and Biometric HW manufactures within Access Control, Transport, Financial Inclusion and POS with well positioned FAP20 Sensor**
- **Established improved sales pipeline and sales momentum – COVID-19 not a showstopper, but source of delaying current improved momentum**
- **Introduced value-based pricing and increased internal focus on margins for new sales opportunities**

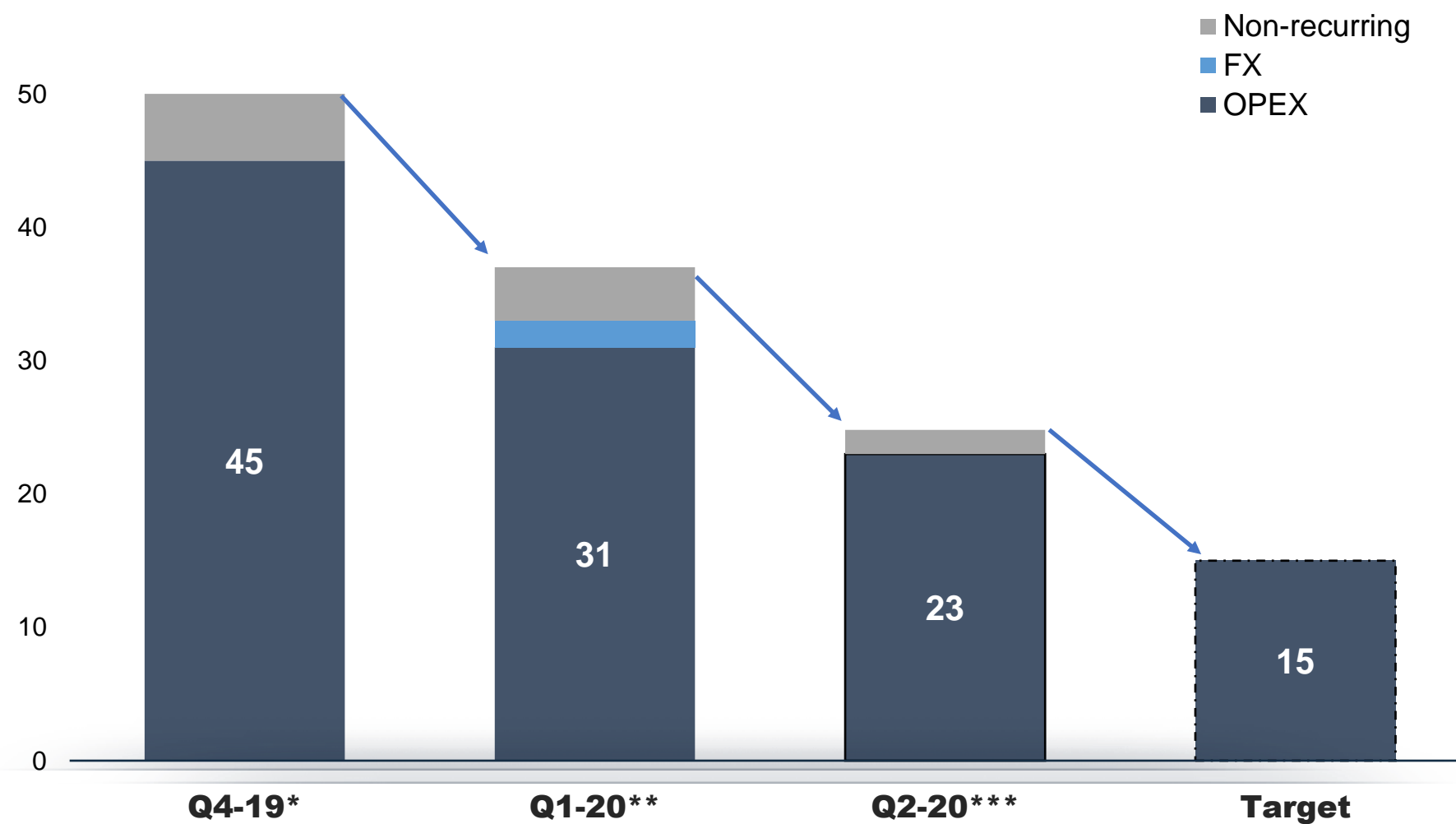
Current Position

Lowered cost levels and improved margin outlook will significantly lower required revenues for break-even

Cost reduction program substantially completed

NEXT OPEX¹⁾

NOK million (excl. cost of options)



1) OPEX = Payroll + Other operating expenses

Continued execution of cost reduction measures during the quarter

Reached headcount target at the end of June

Cancelling and renegotiation of external service agreements implemented

Selected outsourcing to improve efficiencies

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

*) Adjusted NOK 4.7 million severance pay and other non-recurring costs. NOK 5 million Skattefunn benefit not included in OPEX.
 **) Adjusted for NOK 4.4 million severance pay and non-recurring costs and Q1-20 foreign exchange effect on OPEX relative to Q4-2019
 ***) Adjusted for net NOK 1.8 million severance pay cost

Improved sales pipeline; Q3 revenues higher than Q2

Achievements to date

FAP20 deals with recurring order potential:

- **First FAP20 deal with Asia POS vendor**
- **First FAP20 HW device win with US partner**

In dialogs with current PC customers for new projects to be launched in 2021

Several tenders won with partners in India

Observations

Strong PC-sensors orderbook in Q3

Multiple FAP20 deals and deals with recurring revenue discussed with clients and at advanced stage

Shipped Q3 volumes to date in line with plan

Q3 revenues to exceed Q2 revenues

Quarterly highlights

Revenues of NOK 13.6 m; up 48% relative to Q4 2019

Gross margin of 13%

EBITDA ex options of NOK -23.0 m

Non-recurring costs of NOK 8.3 m mainly related to non-cash impairment losses

Cash position NOK 97.8 m as per 30 June 2020



Profit and loss

NOK million	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Revenue	17.6	9.2	20.5	13.6
COGS	(15.8)	(9.4)	(17.1)	(11.8)
Gross margin	1.9	(0.2)	3.4	1.8
Gross margin	27% ¹⁾	-2%	17%	13%
EBITDA	(31.2)	(45.1)	(33.6)	(21.9)
EBITDA ex options ²⁾	(34.7)	(44.3)	(33.6)	(23.0)

1) Before inventory write-down

2) EBITDA excluding share based remuneration

Revenue of NOK 13.6 m

- 48% increase in quarterly revenues relative to Q4-2019
- Q4 2019 still expected to be low point in revenue per quarter

Gross margin of 13% vs. -2% in Q4-2019

- Depending on production volume and product mix

OPEX³⁾ of NOK 23.7 m vs. NOK 44.3 m in Q4-2019

- OPEX heading lower but not fully visible in Q2 due to cost reductions effective in the middle of the quarter and non-recurring costs
- FTE reduction, cancellation and renegotiation of supplier agreements contributing to lower operating costs

EBITDA ex options improved by NOK 21 m compared to Q4-2019

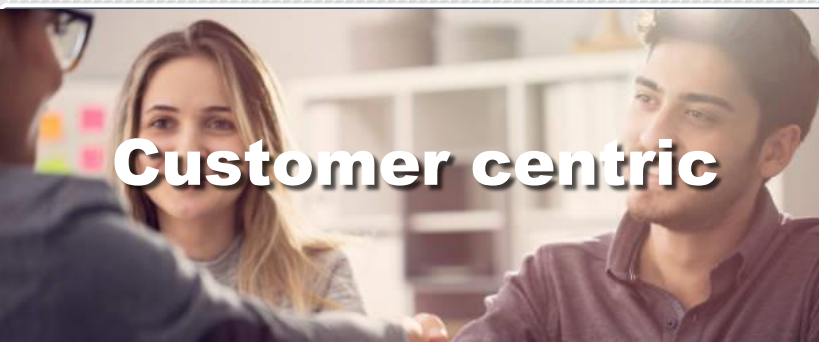
Impairment losses of NOK 6.6 m resulting from general review of assets during Q2

3) OPEX=Payroll and Other operating expenses
NOK 5 million Skattefunn benefit included in Q4-19 OPEX

Q2 Summary



- Revenues low but still up 48% compared to low point Q4 2019
- First commercial order of PIV certified FAP 20 sensor with US HW manufacturer
- Additional partnerships with companies providing recurring revenue potential in funnel



- Existing customers funding dedicated product/solutions
- As the Covid-19 situation continues globally we have secured our customer service levels as well as the health of our employees



- During Q2 all critical resources allocated to near term activities
- Accelerated execution of earlier announced cost program
- Outsourcing of SW development completed during Q2
- Implemented improved working capital management



- Capital secured during private placement and subsequent offering
- Covid-19 related loan of USD 1 million received in US



NEXT Biometrics is now leaner and fitter than ever before. With improved margin outlook this will significantly lower required revenue for break even.

We will do everything in our power to succeed.

Q & A



One Touch.
One You.
NEXT Biometrics

