

NEXT Biometrics Group ASA

Q3-2019 Presentation

Oslo, November 12, 2019

Peter Heuman, Chief Executive Officer

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Oslo Børs: NEXT
OTC: NXTBF

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Management with Extensive Commercial and Technology Background



Peter Heuman – CEO

- Appointed in Sept 2019
- 15+ years of experience in management roles and on company boards
- CEO of stock-listed media-tech company and extensive experience in the payment industry



Knut Stålen – CFO

- Joined NEXT as CFO in 2014
- Business degree in Economics, Norwegian Business School
- Senior management positions with Trolltech, Microsoft Norway, Mamut, CFEngine AS



Dan Cronin – COO

- Joined NEXT as COO in 2017
- Master`s degree in Electrical Engineering, Georgia Institute of Technology
- Senior management & technical positions with Motorola, Freescale, NXP, IBM



Alain Faburel – CSMO

- Joined NEXT as CSMO in 2018
- Master`s degree in Marketing & Sales, INSEEC Alpes-Savoie
- Senior management positions with Gemalto, CPS Technologies, Crocus Technology, IDEMIA



Highlights

Revenue YTD of NOK 75.2 million, down 5% compared to same period last year

Revenue of NOK 17.6 million in Q3-2019, down 42% from Q3-2018 as the US tier 1 customer reduced the number of platforms using NEXT sensors

Gross margin of 27% in Q3-2019 (30% in Q3-2018), excluding non-recurring inventory write down

EBITDA ex options of NOK -34.7 million

Cash position NOK 131.7 million

Peter Heuman appointed CEO of NEXT



Profit and loss

NOK million	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	2018
Revenue	30.2	29.3	27.5	30.1	17.6	108.4
COGS	(21.1)	(18.8)	(18.2)	(18.2)	(15.8)	(77.6)
Gross profit	9.1	10.5	9.3	9.6	1.9	30.8
Gross margin	30%	36%	34%	32%	27% ¹	28%
EBITDA	(39.1)	(38.6)	(38.7)	(32.8)	(31.8)	(160.9)
EBITDA adjusted ²	(35.7)	(35.0)	(35.4)	(30.5)	(34.7)	(149.5)

1) Before inventory write-down

2) EBITDA adjusted for cost of options.

Revenue of NOK 17.6 million, down from NOK 30.2 million in Q3-2018

- Reduced notebook volumes to US tier-1 customer
- Initially announced at Q3-2018
- Partly offset by increased revenue from other customers

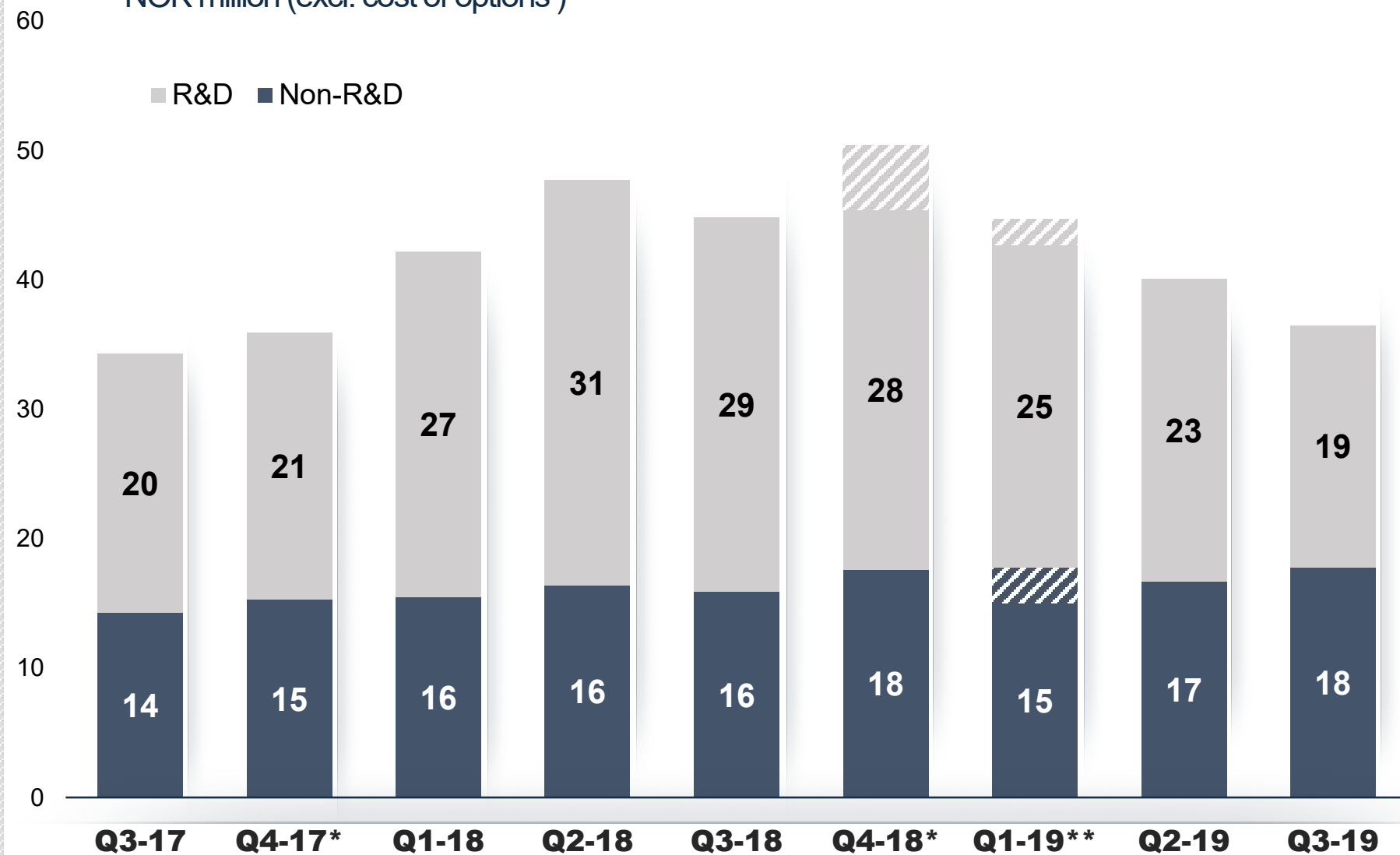
Gross margin of 27% vs. 32% in Q2-2019

- Before impact from non-recurring inventory write-down of NOK 3.0 million

Continued OPEX reduction

R&D related vs non-R&D related OPEX¹

NOK million (excl. cost of options)



1) OPEX = Payroll + Other operating expenses

Disciplined approach to investments and cost levels

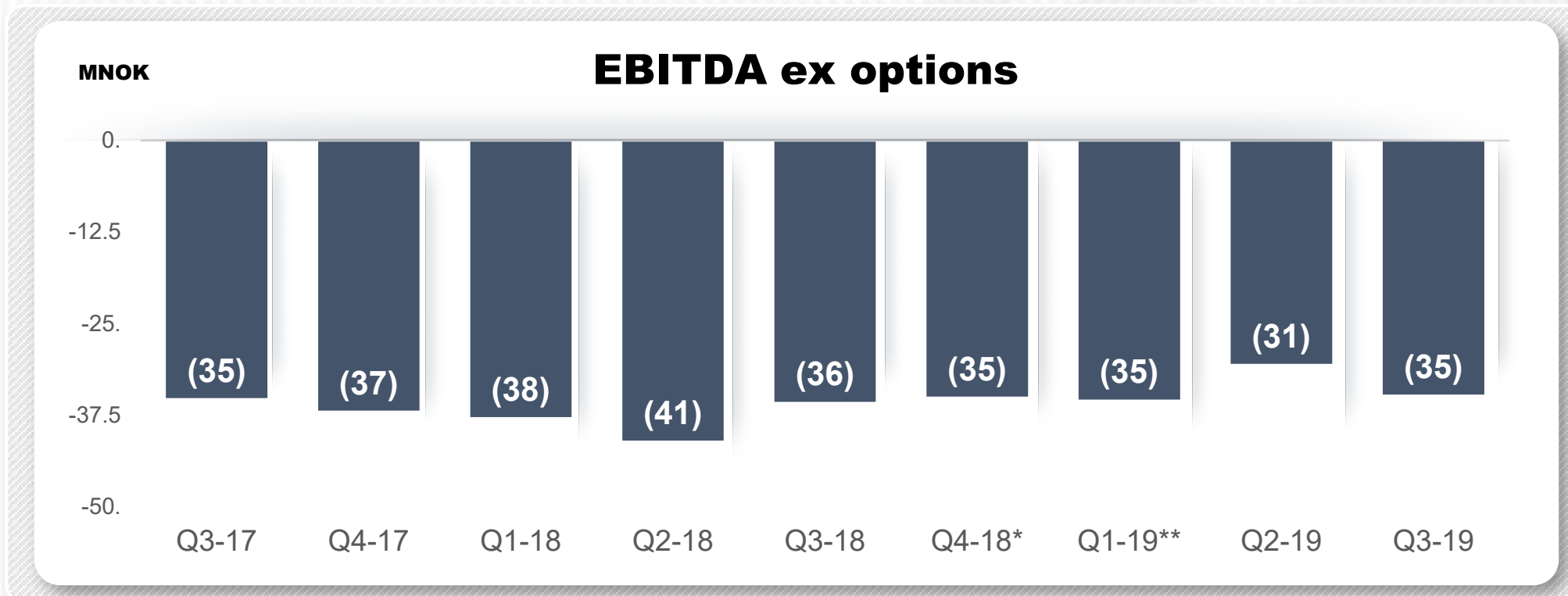
Focus on generating near-term opportunities

Payment card solution and FAP 20 sensor on track

*) Q4-2017/18 incl. NOK 5 million Skattefunn effect and Q4-2018 incl. additional NOK 3 million of R&D expense following a non-recurring reclassification of investments

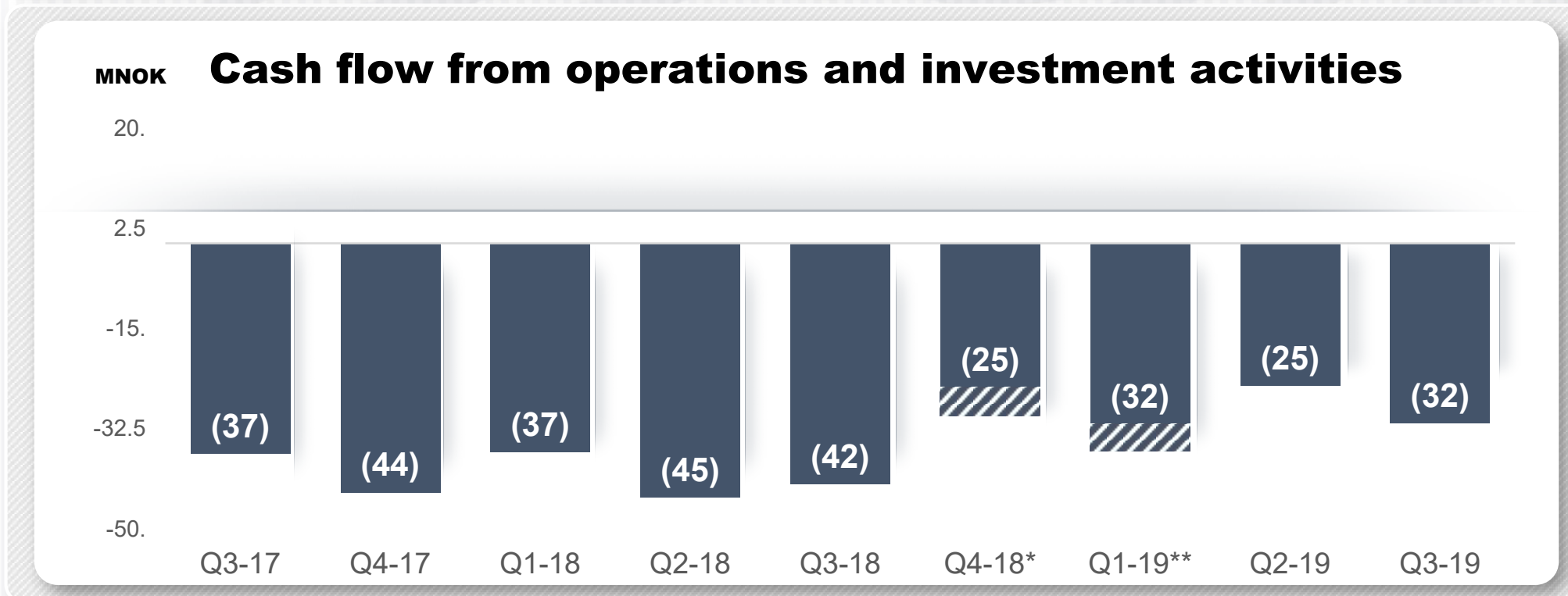
***) Adjusted for NOK 4.8 million severance pay and other one-off effects

EBITDA and Cash Flow Performance



EBITDA:

- Q3-2019 adjusted EBITDA-loss of NOK 34.7 million vs. NOK 35.7 million in Q3-2018
- Includes inventory write-down of NOK 3 million in Q3-2019



Cash flow:

- Cash used for operations of NOK 32 million in Q3 2019, down from NOK 42 million in Q3-2019

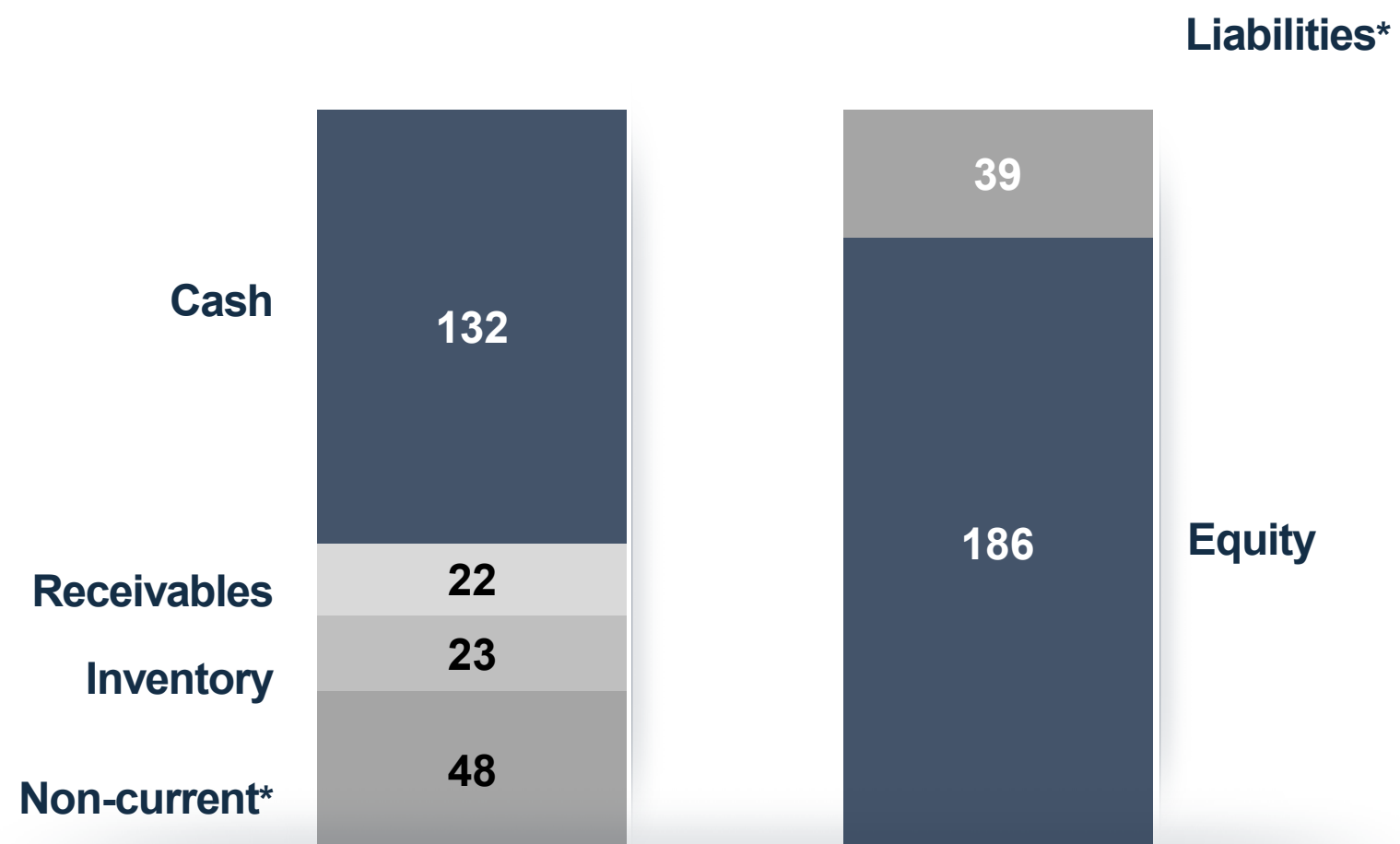
*) Q4-2018 Adjusted for Skattefunn effect of NOK 5 million

***) Q1-2019 Adjusted for NOK 4.8 million severance pay and other one-off effects

Balance Sheet & Cash Flow Development

Balance sheet

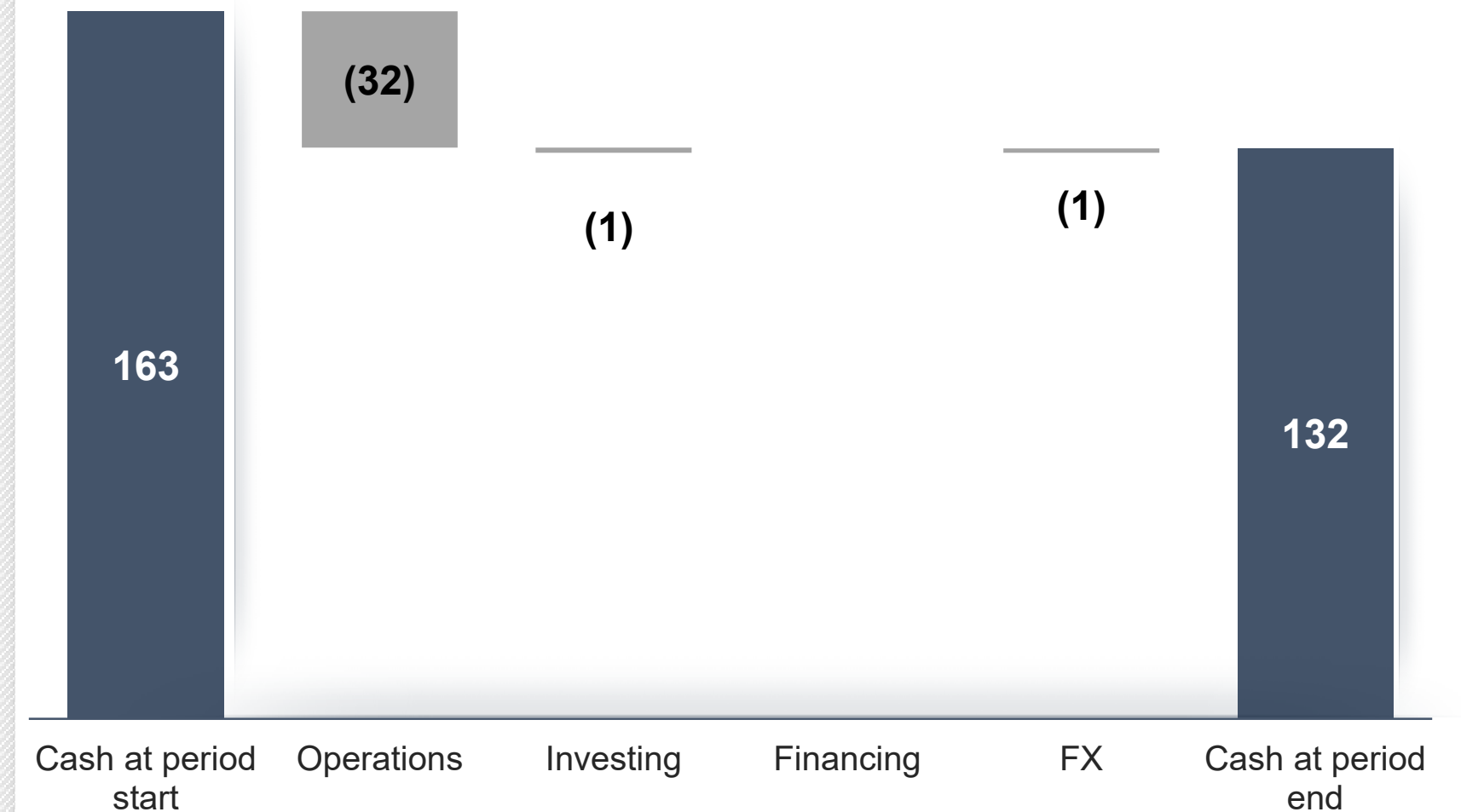
NOK million



*) Included the effect of the implantation of IFRS16 - Leases

Cash flow development

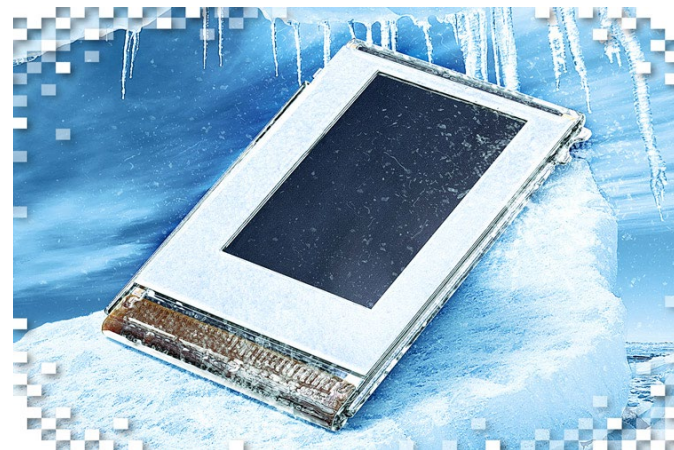
NOK million



Targeting existing growth markets

Access Control

- USD 100k sensor module purchase order for delivery in Q4 2019 and into 2020
- Launched new module for harsh conditions (October)
- Promoting One Touch ID FAP20



Government ID

- Design-in contracts (POS)
- High tendering activity in India
- Promoting One Touch ID FAP20



Notebook

- Stable Fujitsu volumes
- Target to close design-in agreements with additional notebook manufacturers for One Touch ID FAP20
- Reduced shipments to US tier-1 customer



Smart card

- Complete development of dual Interface solution
- Expand eco-system

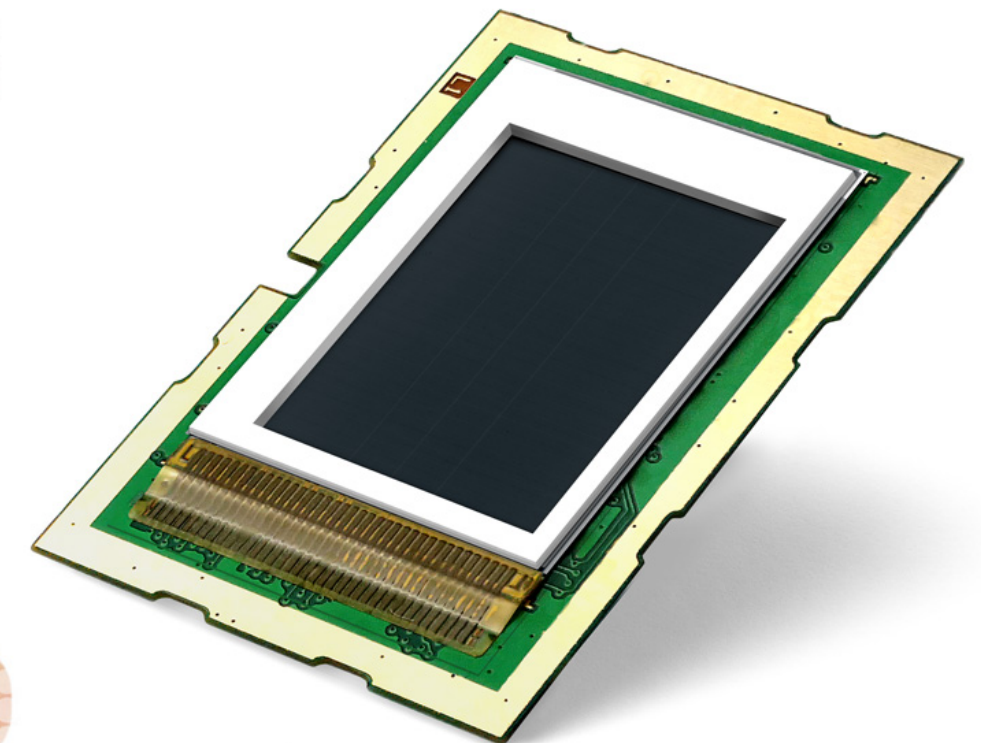


Strengths

- Core hardware skills from Architecture to Productification
- Unique IP that addresses broad markets
- Strong manufacturing partners and proven execution delivering to multiple Tier 1 global customers
- Compelling roadmap, example FAP 20 that competes across multiple axes (cost-and form factor advantages)

Areas of improvement

- Growth agenda
- Customer centric
- Resource & Capital allocation



Main priorities



- Accelerate short/mid-term commercial focus
- Secure required sales competence
- Improve technical sales support
- Win market share in target segments



- Prioritise external customer demand to fully leverage proven technology
- Improve company understanding “what it takes to win”
- Bring more Software into our solutions - easier/faster customer integrations and margin potential



- Improve balance of short/mid/long-term priorities
- Extend company runway
- Selective investments in new customer-focused solutions

Outlook

Reduced shipments to the US tier-1 notebook customer expected to impact revenue in the fourth quarter and early 2020

Challenging to immediately offset impact due to sales lead-times and design-in cycles

Focus on diversification of customer base to drive increased revenue and generate a longer runway with existing capital

- Strengthen sales and commercial focus
- Deliver customer-focused solutions
- Cost conciseness and selectively invest in new products/solutions





One Touch.
One You.
NEXT Biometrics

