

# FINGERPRINT CARDS AB Q2 2023

July 20, 2023



FINGERPRINTS

# Q2 2023 Summary

Revenues	Margins & profitability	Highlights
<ul style="list-style-type: none"> <li>⌚ <b>Revenues in Q2 2023:</b> SEK 203 M (228), a 11% decrease year-over-year (16% decrease in constant currency terms)</li> <li>⌚ Compared to Q1 2023, revenue increased by 74 percent (73 percent in constant currency terms)</li> </ul>	<ul style="list-style-type: none"> <li>⌚ <b>Gross profit:</b> SEK 27 M (71)</li> <li>⌚ <b>Gross Margin:</b> 13% (31)</li> <li>⌚ <b>EBITDA:</b> SEK -58 M (6)</li> <li>⌚ <b>EBITDA margin:</b> -28% (3%)</li> <li>⌚ <b>Operating profit:</b> SEK -76 M (-12)</li> <li>⌚ <b>Operating margin:</b> -37% (-5)</li> <li>⌚ <b>Operating Cash Flow:</b> SEK 52 M (-28)</li> <li>⌚ <b>Net Profit/Loss:</b> SEK -76 M (-10)</li> <li>⌚ <b>Cash position*:</b> SEK 252 M (213)</li> </ul>	<ul style="list-style-type: none"> <li>⌚ 74-percent sales increase compared with the first quarter of 2023</li> <li>⌚ Inventories declined 26 percent since the end of the first quarter of 2023, with a positive effect on cash flow</li> <li>⌚ Healthy growth in PCs and Mobile</li> <li>⌚ Continued price pressure within Mobile and weaker sales in Payment &amp; Access during the quarter had a negative impact on the gross margin</li> </ul>

\*\* Net debt was SEK 60,4 million (96,5). Interest-bearing liabilities consist of a bond loan amounting to SEK 295,2 million and leasing liabilities for office premises amounting to SEK 17,6 million (16,8), reported according to IFRS 16.



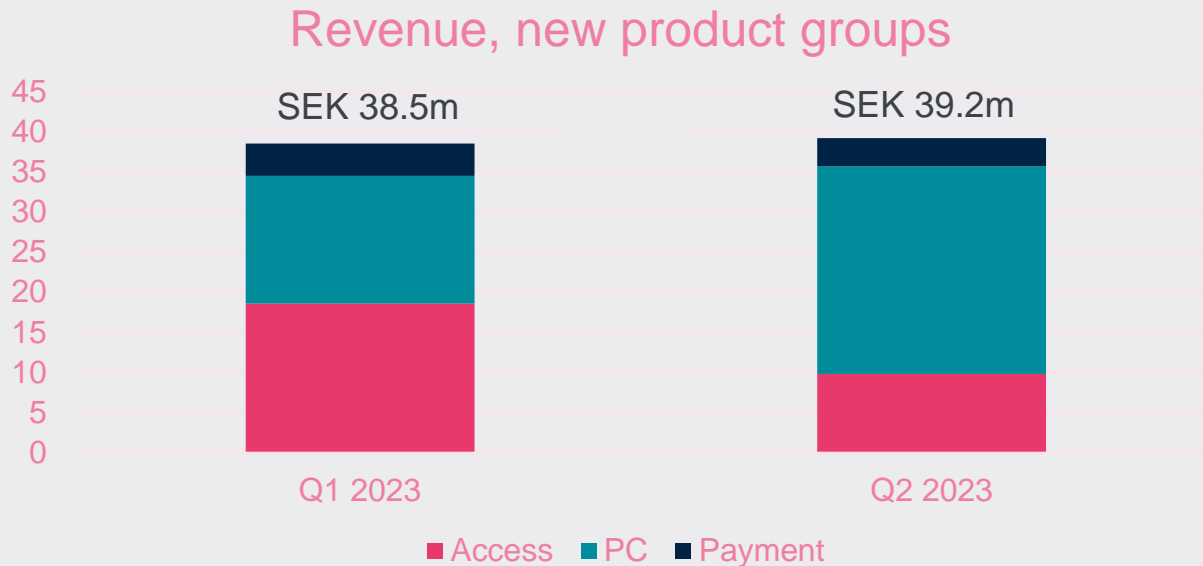
# BUSINESS UPDATE

# Continued positive order stock development in Q2 2023

Order stock development, week 1 – week 27,  
2023

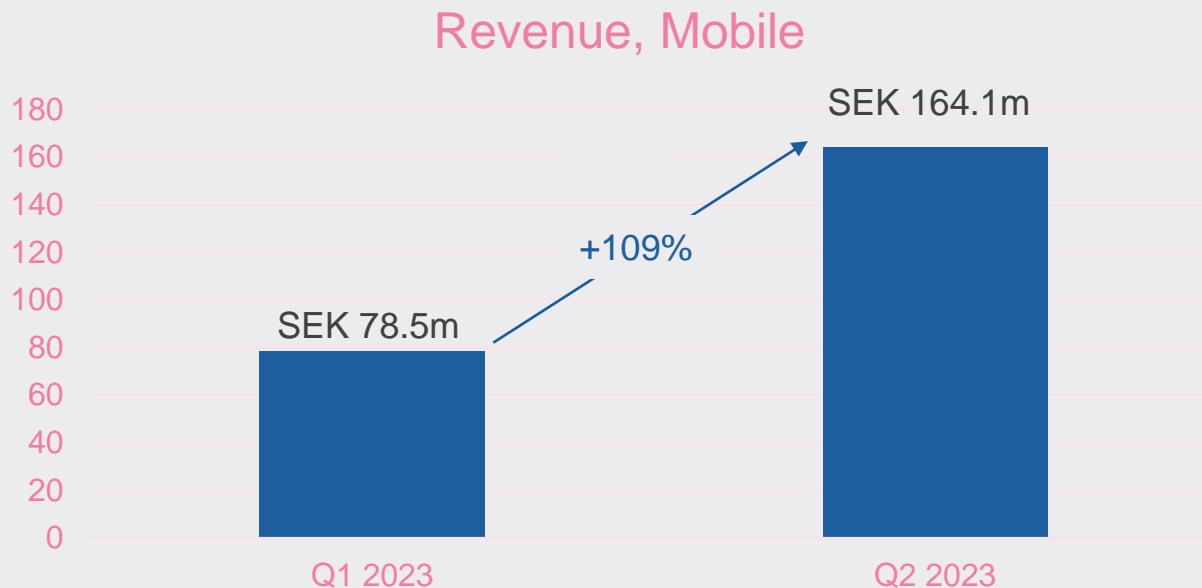


# Continued positive development in PC while Access sales came in weaker this quarter, impacting on gross margin



Revenue in the new product groups in Q2 2022 was SEK 77.6m

Mobile revenue more than doubled since last quarter, but we face intense price pressure in this area



Revenue in Mobile in Q2 2022 was SEK 150.6m

# Status - Mobile segment

Current situation



## Current market conditions

- High price competition due to unbalanced market with temporarily disturbed demand/ supply (suppliers releasing large inventories at low prices)
- Signs of market consolidation
- Positive trend in volumes though current roll-out cycle is affected by price pressure



## Input costs and cost structure

- Cost structure and OpEx levels influenced by high degree of competition in recent years
- Significant decreased input costs: positive margins if products were bought and sold today
- Efforts being made to optimise efficiency and resource allocation



## Market position

- Fingerprints maintains a market leading position in China

Expectations

- ✓ Price pressure likely to cease when inventory levels are back to normal, and the market is consolidating
- ✓ Expected strong rebound in demand over coming quarters
- ✓ Large scalability effects will likely have positive effect on margins
- ✓ Fingerprints expected to gain market share as fewer companies are invited to OEM tender processes

- ✓ Larger share of sensors purchased at lower prices from Q3 onwards
- ✓ Continued focus on efficiency improvements and reduced OPEX, expected to have further positive margin effects

- ✓ Maintained or increased market share despite tough market conditions due to a highly competitive solution
- ✓ Significant increase in total addressable market given the entry into under-display market

# Status - PC segment

Current situation



Fingerprints is a trusted and proven partner

- PC manufacturers partner with suppliers in a gradual way
- Suppliers need to “prove their worth” by supplying reliable components
- Fingerprints’ solutions used by many of the world’s leading PC OEMs over numerous years



Opportunities for high margins

- Manufacturers increasingly demand complete biometric solutions from their suppliers
- Well-positioned by supplying readers, MCUs, algorithms and support



Market growth and market position

- Slight decline in PC market since covid-boosted 2021
- Penetration of fingerprint sensors is continuing
- Fingerprints’ PC segment revenue has grown rapidly, despite limited market growth

Expectations

- ✓ **Well-positioned to continue to gain business:**
  - ✓ Long-standing relationships with leading PC OEMs
  - ✓ High-quality offering ensuring that OEMs will favour Fingerprints’ solutions over competitors’

- ✓ Fingerprints is moving towards a complete solution offering which entails integration higher up the value chain
- ✓ As such, ASPs expected to reach ~5 times higher than within Mobile

- ✓ PC segment expected to continue to grow significantly throughout 2023
- ✓ Gain market share through new customers and existing customers
- ✓ Scandinavian roots help to win business in a polarised environment







# Status - Payments and Access

## PAYMENTS

## ACCESS

Current situation

 <p><b>Investments in the ecosystem</b></p>	 <p><b>Market growth and market position</b></p>
<ul style="list-style-type: none"> <li>▪ Larger and more frequent investments into the ecosystem of biometric cards than ever before</li> <li>▪ Several large banks have launched commercially</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fingerprints has shipped over a million modules for biometric payment cards and has won 10 of the world's 14 commercial launches</li> <li>▪ Slow moving market until now – larger and faster roll-out was expected</li> </ul>

 <p><b>New partnerships and launches</b></p>	 <p><b>Market growth and market position</b></p>
<ul style="list-style-type: none"> <li>▪ Access business stems from China, affected by significant lock-down</li> <li>▪ Significant growth in adoption rate for biometric access systems in Europe and the US</li> <li>▪ Received first USD 1m+ order from outside Asia</li> </ul>	<ul style="list-style-type: none"> <li>▪ Market for biometric access is still undeveloped</li> <li>▪ Significant market growth expected over the coming years</li> </ul>

Expectations

<ul style="list-style-type: none"> <li>✓ Cooperation between Fingerprints and card manufacturers likely to reduce card costs and increase demand</li> <li>✓ Niche banks catching up and want to attract customers through tech-leadership, including innovative payment cards</li> </ul>	<ul style="list-style-type: none"> <li>✓ Positive indications on market growth</li> <li>✓ Significant uplift in demand</li> <li>✓ Maintained position as the clear market leader</li> <li>✓ Well positioned: Biometric solutions tailored with the largest customers</li> </ul>
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<ul style="list-style-type: none"> <li>✓ Key partnerships entered with large and well-known companies in digital authentication and finance</li> </ul>	<ul style="list-style-type: none"> <li>✓ Fingerprints will capitalize on the structural market growth in the near and long term</li> <li>✓ Ideally positioned through key partnerships to benefit from the structural trends</li> </ul>
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# New Business: the next step in our growth strategy

## New Business is a new organizational unit, under the leadership of Thomas Rex, charged with developing new business and driving revenue growth

- ① **New partners** – explore opportunities to expand into adjacent markets by entering collaborative agreements with technology companies that can benefit from Fingerprints' technical expertise and sales channels in their go-to-market strategy
- ① **M&A** – In cases where we see the potential for realizing major synergies with a partner company, we may evaluate carrying out targeted, smaller acquisitions to complement our portfolio
- ① **Automotive** – Forthcoming legal requirements for Driver Monitoring (DMS) using infrared cameras create a strong case for integrating iris recognition technology
- ① **Monetizing intellectual property rights (IPR)** – We see an increased potential for monetizing our intellectual property rights, and we are working with leading patent law firms to this effect

## Issue of convertible bonds and a guaranteed rights issue improve our financial flexibility

- ① Early redemption of our SEK 300m bond loan, which limited our financial flexibility through restrictive covenants. We have secured new financing through convertible loans and a fully guaranteed rights issue.
- ① Increased financial flexibility with fewer restrictive financial commitments and no collateral restrictions
- ① Significantly lower interest cost at a fixed interest rate of six percent per annum.
- ① The company may choose to pay the instalments in cash at 100 percent of the applicable instalment amount or in B-shares at 90 percent of the market price
- ① Will allow us to focus on our operations and continue to implement our strategic plan with an increased focus on growth segments, improved diversification and increased gross margin as well as to selectively implement smaller acquisitions

A large, faint fingerprint graphic is centered in the background of the slide. The lines of the fingerprint are a slightly darker shade of teal than the background, creating a subtle watermark effect.

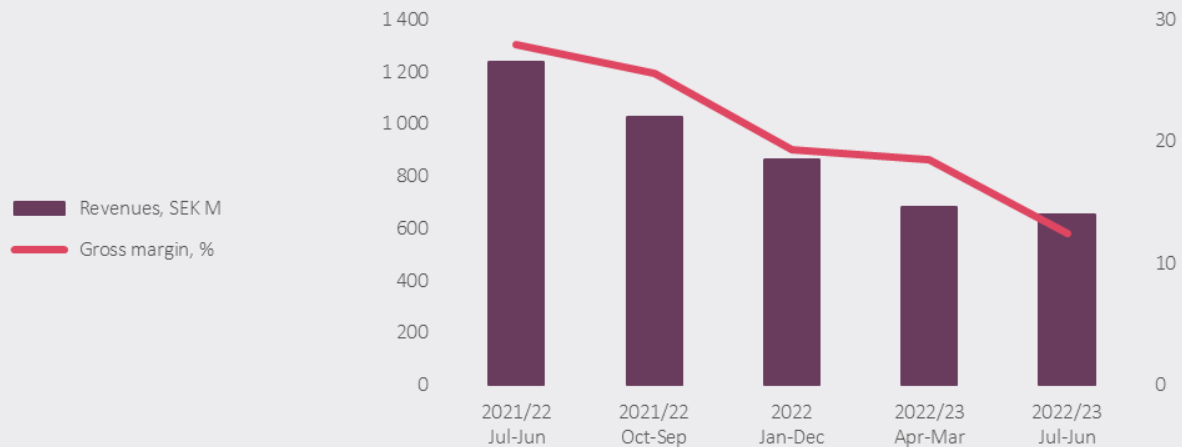
# Q2 2023 FINANCIAL RESULTS

# Q2 2023 financial performance

Revenues, Operating profit/loss, Gross margin and Operating margin, quarters.

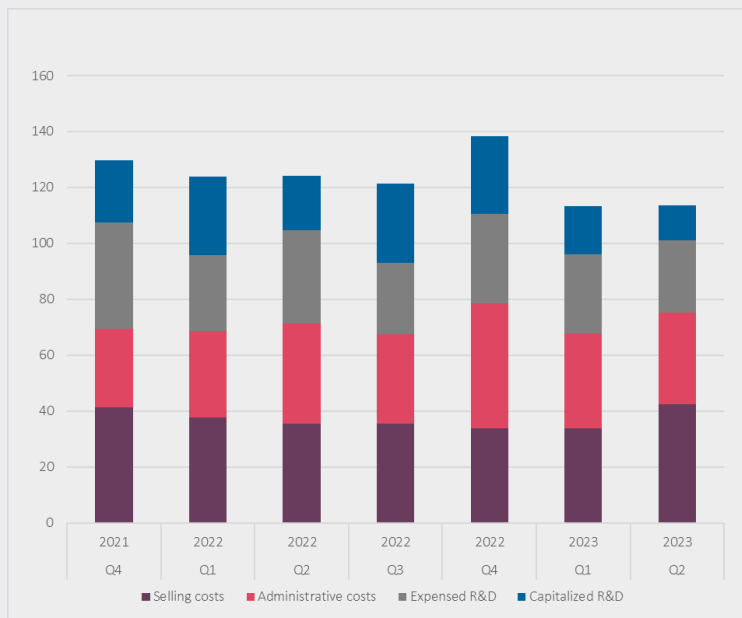


# Revenue and gross margin, rolling 12 months

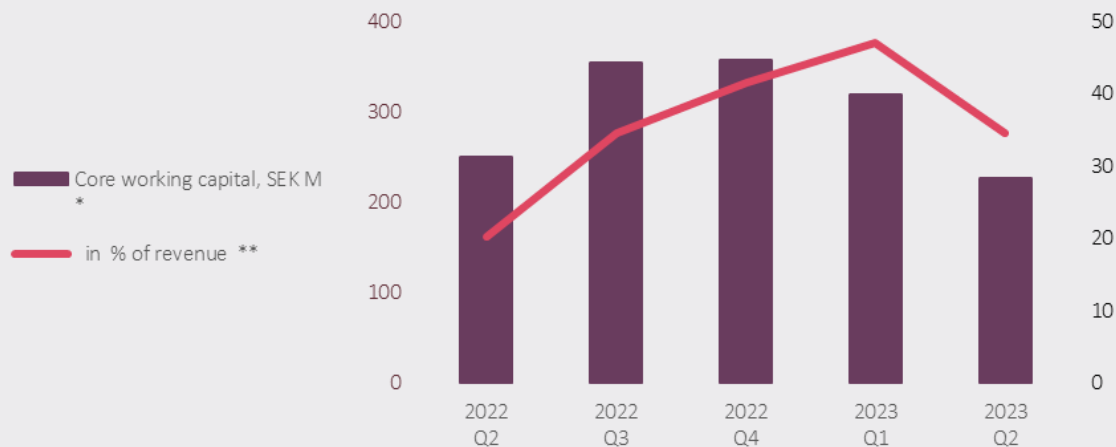


# Operating expense development (including capitalized R&D expenses)

Operating expenses and capitalized R&D expenses, MSEK



# Core working capital development



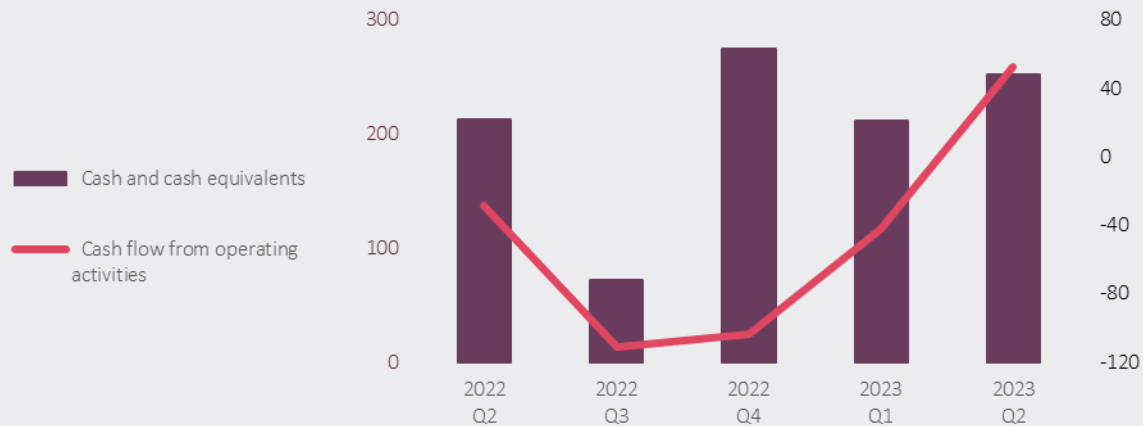
\* Accounts receivable + Inventory – Accounts payable

\*\* Rolling 12-month revenue



# Cash flow and net cash trend

Cash and cash equivalents and cash flow, MSEK



- In November and December 2022, set-off issue and rights issue: SEK 341 million after transaction expenses



# Q&A

## Links to additional information

- ① Financial reports and presentations: <https://www.fingerprints.com/investors/reports-presentations/>
- ① Press releases: <https://www.fingerprints.com/newsroom/press-releases/>
- ① News items: <https://www.fingerprints.com/newsroom/news-stories/>
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