

# FINGERPRINT CARDS

## Q2 2022

JULY 18, 2022



FINGERPRINTS

# Q2 2022 Summary

Revenues	Margins & profitability	Highlights
<ul style="list-style-type: none"><li>Revenues in Q2 2022: SEK 228 M (290), a 21 % decrease year-over-year (33 % decrease in constant currency terms)</li></ul>	<ul style="list-style-type: none"><li>Gross profit: SEK 71 M (80)</li><li>Gross Margin: 31% (28)</li><li>EBITDA: SEK 6 M (9)</li><li>EBITDA margin: 3% (3)</li><li>Operating profit: SEK -12 M (-24);</li><li>Operating margin: -5% (-8)</li><li>Operating Cash Flow: SEK -28 M (50)</li><li>Net Profit: SEK -10 M (-25)</li><li>Cash position*: SEK 213 M (193)</li></ul>	<ul style="list-style-type: none"><li>Lockdowns in China had a significant impact on revenue</li><li>Improved gross margin as revenue streams diversify</li><li>Cost reduction program to mitigate effects of temporary market downturn in China</li><li>First design win for optical under-display solution, expanding our addressable market in Mobile</li><li>We expect revenue streams to continue to diversify rapidly</li></ul>



# BUSINESS UPDATE

# Significant drop in smartphone shipments in China during the first half of 2022

Over the past 5 months, shipments were down 27% vs same period last year.

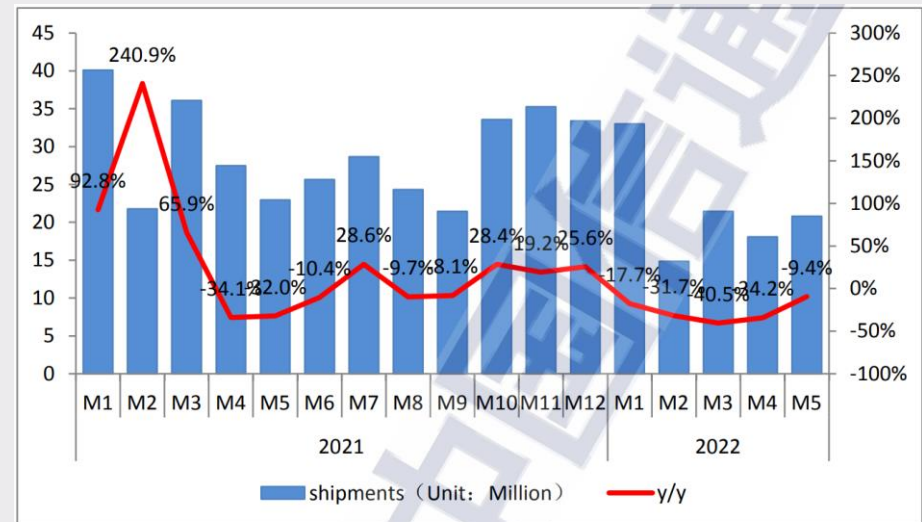


Chart 1: Domestic mobile phone shipments from January 2021 to May 2022

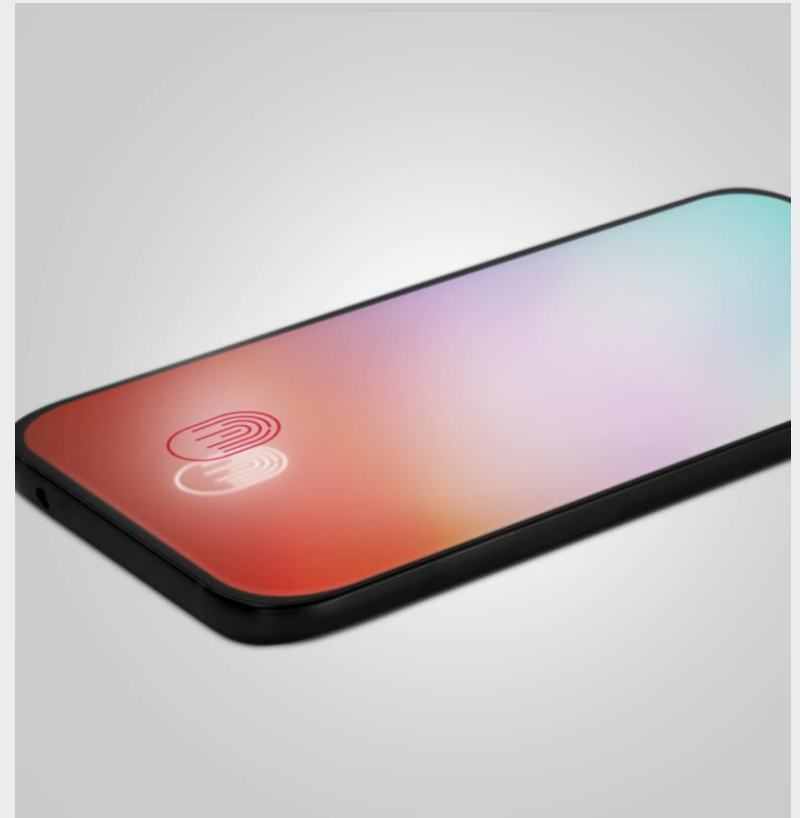
Source: <http://www.caict.ac.cn/kxyj/qwfb/qwsj/index.htm>

# Cost reductions to mitigate effects of lockdowns in China

- ⊗ Annual operating cost run rate will decrease by approximately 20 percent, or SEK 80 million, with full effect from Q4 2022
- ⊗ Global workforce reduced by approximately 10 percent
- ⊗ Other cost reductions include the postponement of certain projects, although all growth-oriented projects will continue according to plan

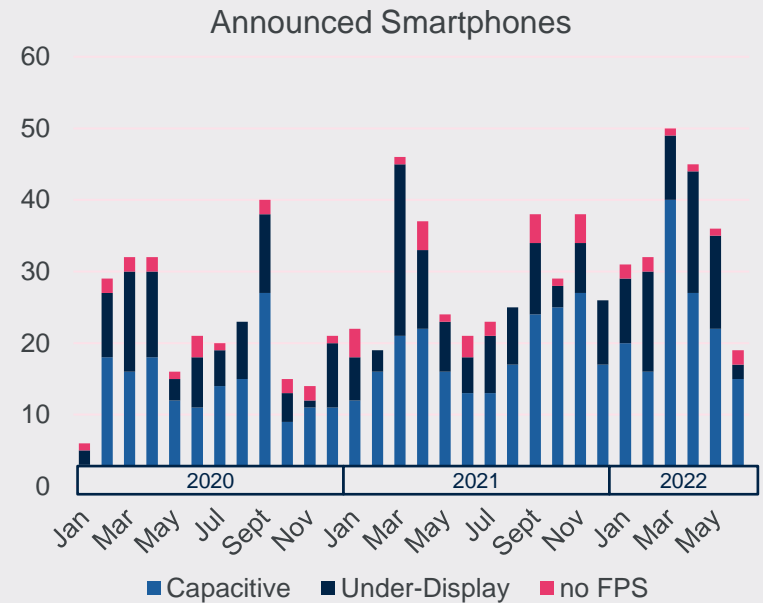
# Our entry into under-display significantly expands our addressable market

- ① First design win for FPC 1632 received from major Asian OEM, following successful qualification tests earlier this year
- ① We expect to commence shipments during Q4 2022
- ① Our aspiration is to be a significant player in the segment



# Android smartphone market by fingerprint sensor type

- Capacitive fingerprint sensors continue to be the most popular modality in announced smartphones in 2022.
- So far in 2022, 66% of announced phones by top-10 Android brands used capacitive fingerprint sensors. 30 % used under-display.
- 64% of phones in 2021 used a capacitive fingerprint sensor. 29% used under-display.



Source: GSMArena, Devicespecifications, Fingerprints analysis

# Revenue mix is shifting towards new, higher-margin areas

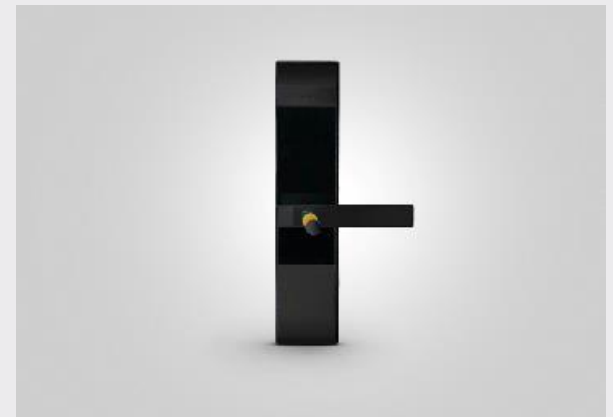
- ✓ In recent years, areas outside of Mobile capacitive have accounted for around 10 percent of our revenue. During the first half of this year, however, we saw a significant increase.
- ✓ The shift in revenue mix, in particular PC and Access, had a positive impact on gross margin in Q2
- ✓ New areas, outside of capacitive sensors for smartphones, are estimated to account for around 25 percent of revenue in 2022, and we expect this share to continue to increase rapidly during next year.
- ✓ Four out of the world's six largest PC OEMs are already using our technology in their products
- ✓ Access cards and door locks are two examples of high-growth areas in our Access segment



**PC**



**ACCESS**





# High activity level in Payments



## PAYMENTS

- ✓ Fingerprints is supporting two additional commercial launches of biometric payment cards in Morocco
- ✓ Collaboration with BCC, a leading card manufacturer based in Taiwan, with the objective of developing and launching biometric cards, both for access and payment
- ✓ MoriX Co., LTD, a leading Tokyo-based electronics company, will introduce biometric cards in Japan, featuring Fingerprints' T-Shape module and software platform
- ✓ Feitian, a global leading provider of cyber security products and solutions, and Fingerprints collaborate on bringing to market biometric cards based on Fingerprints' next generation T-Shape (T2) module and BEP-software platform, aimed at the payment and access segments
- ✓ Fingerprints and Mswipe, one of India's leading end-to-end digital enablers for SMEs, collaborate on bringing biometric debit and credit cards to India
- ✓ Fingerprints and Transcorp, a 27-year-old Reserve Bank of India regulated Prepaid Instruments license holder, collaborate on bringing contactless biometric cards to Transcorp's customers



# Key focus areas going forward

## DRIVE INNOVATION AND CONTINUE TO DIVERSIFY THE REVENUE STREAMS



- ⌚ Continue to strengthen the core offering in Mobile capacitive, while driving cost efficiencies.
- ⌚ Our entry into under-display is significantly expanding our addressable market – we expect further design wins and anticipate that under-display sensors will make a sizeable contribution to our revenue from next year.
- ⌚ Continue to expand our business in PC and Access while continuing to drive the emerging Payments market.
- ⌚ Continue expanding supplier base.

## MAINTAIN A STABLE GROSS MARGIN AND GROW PROFITABLY



- ⌚ Scale on the well-invested R&D portfolio and organisation to drive profitability
- ⌚ Strive to maintain a sustainable gross margin around 30%
- ⌚ Focus on sales growth to enable the substantial financial and operational leverage inherent in the business model to generate significant long-term profitability through economies of scale

## GENERATE HEALTHY CASH FLOWS



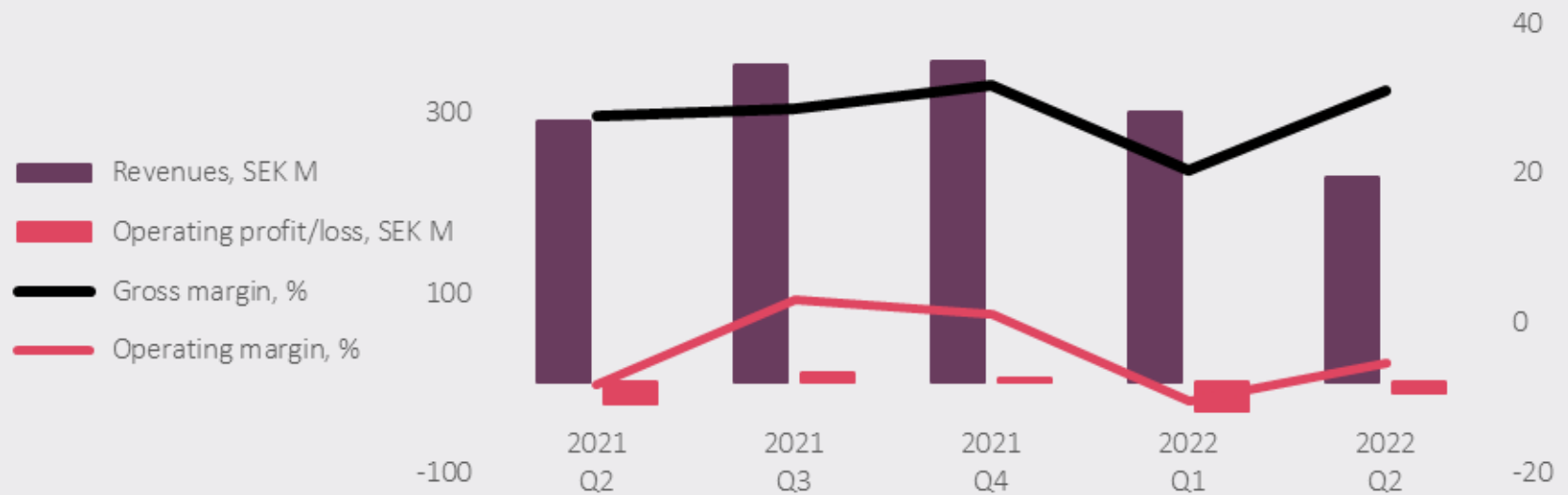
- ⌚ Focus on substantial cash flow generation to support a positive sales growth short-term whilst maintaining a high R&D activity to capture the growing market for biometrics
- ⌚ Cost savings measures implemented in response to market downturn in China.

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.

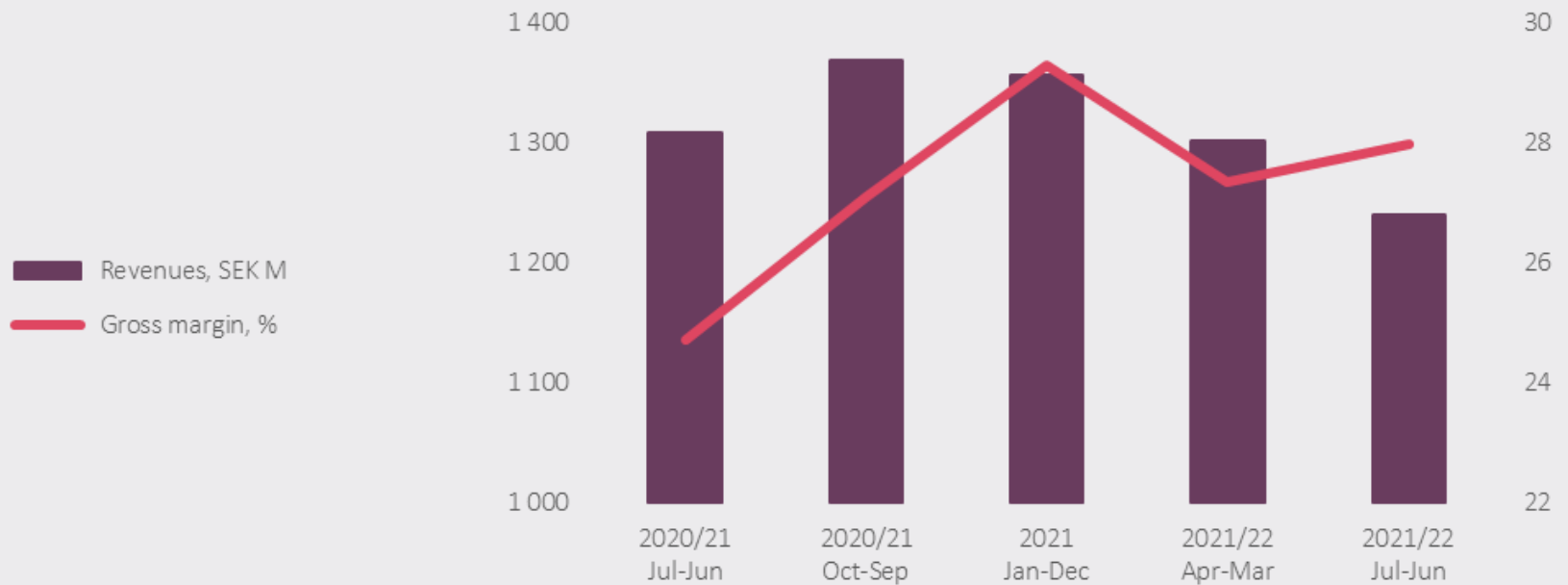
# Q2 2022 FINANCIAL RESULTS

# Q2 2022 financial performance

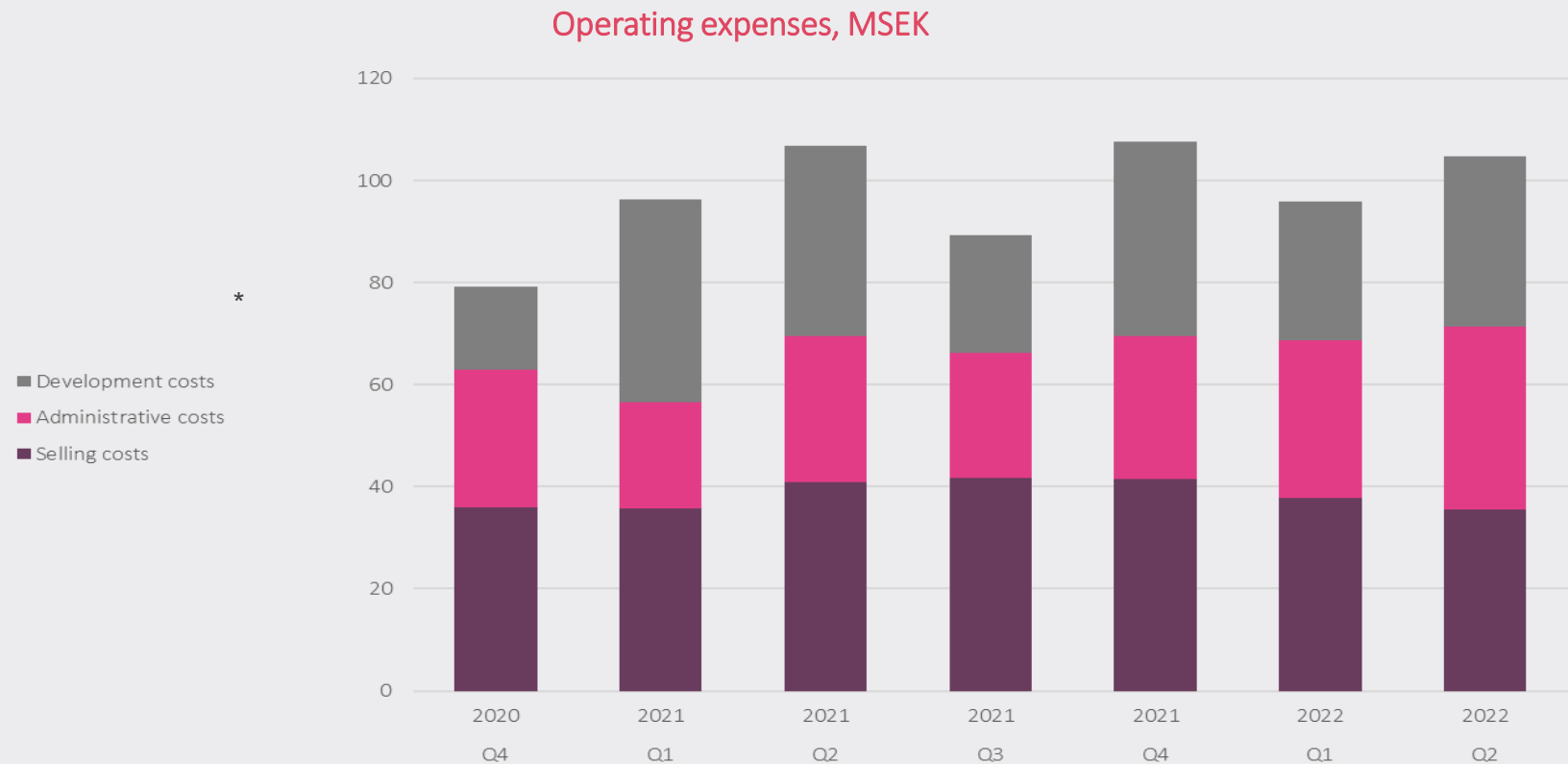
Revenues, Operating profit/loss, Gross margin and Operating margin, quarters.



# Revenue and gross margin, rolling 12 months

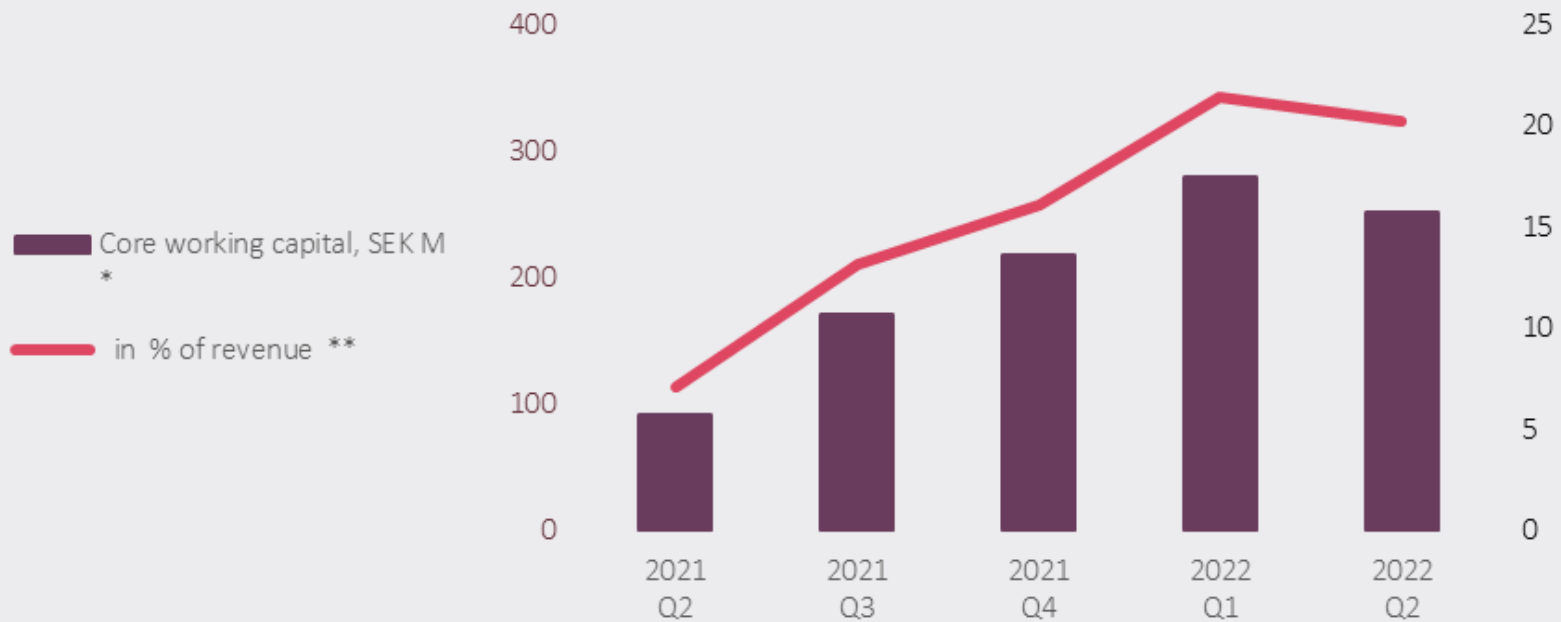


# Operating expense development



\* 41 percent of total development costs were capitalized in Q2 2022, compared to 32 percent in the corresponding quarter of 2021.

# Core working capital development

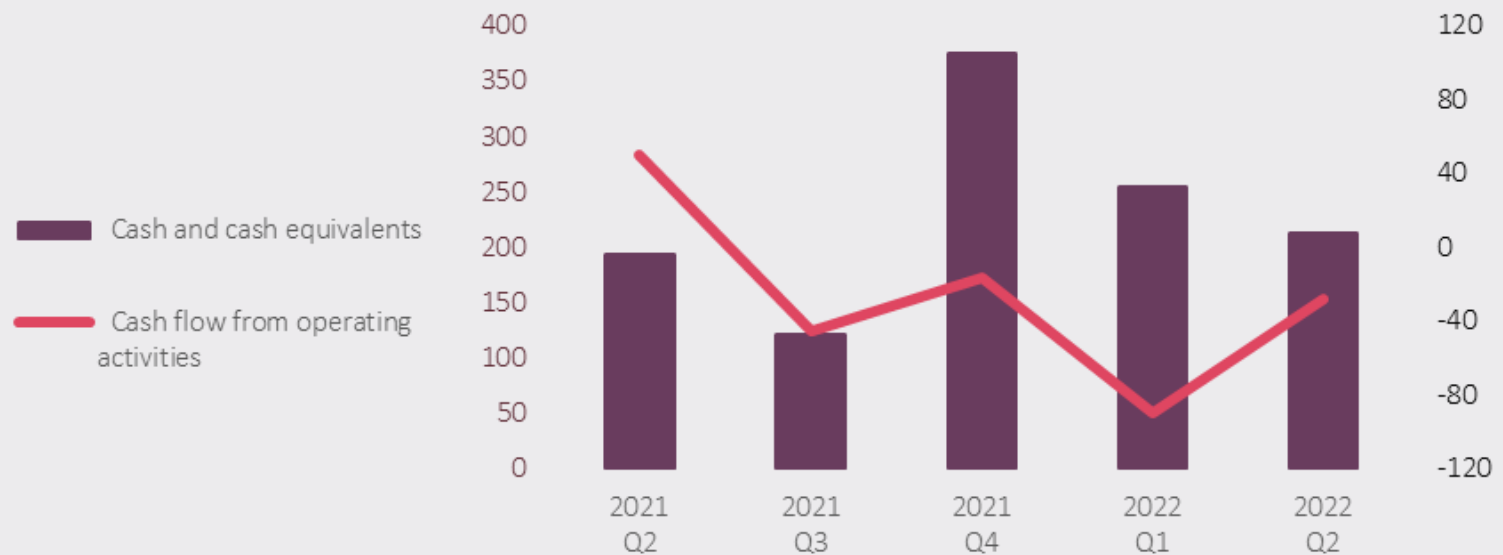


\* Accounts receivable + Inventory – Accounts payable

\*\* Rolling 12-month revenue

# Cash flow and net cash trend

Cash and cash equivalents and cash flow, MSEK



- During 2021, shares were bought back for SEK 225.4 million
- In December 2021, FPC issued SEK 300 million in senior secured bonds





# 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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THANK YOU!



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