



# IDEX Biometrics

Second Quarter 2023

Presentation

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August 10, 2023

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# Quarterly highlights



## Payments

- ⌚ 18 banks now in motion with IDEX Biometrics
- ⌚ New market entry with bank in Azerbaijan
- ⌚ 1mn USD order from European card manufacturer for banks in Bangladesh, India, and Eastern Europe
- ⌚ IDEX Pay successfully passed Mastercard certification testing

**Acceleration in APAC and Eastern Europe for IDEX Complete Payment Solution**

## Digital Authentication

- ⌚ AuthenTrend, Taiwan
- ⌚ MCS Microelectronics, Malaysia
- ⌚ PONE Biometrics, Europe
- ⌚ FIDO Alliance associate membership
- ⌚ Sentry launches biometric cold storage crypto wallet Sentinel

**Continued commercial advancement access and crypto**

## Card Manufacturers and Resellers

- ⌚ Goldpac, Hong Kong
- ⌚ Beautiful Card Corporation, Taiwan
- ⌚ Thames Card, Europe
- ⌚ SELP, Europe
- ⌚ Major card manufacturer, Middle East

**Card manufacturers and resellers chose to go to market with IDEX**

# Financial Summary

# Financial summary second quarter and first half 2023

## → Record revenue in a quarter

- Revenues increased 32% year over year, and 18% compared to last quarter
- This revenue growth reflects shipment to two largest manufacturing partners for payment cards

## → Margins at 22%

- Gross margin in the second quarter was 22% compared to 26% in the first quarter of 2023
- Gross margin was impacted by inventory adjustments recorded in the quarter. Absent these adjustments, gross margin would have been similar to the prior quarter

## → Operating expenses decreased

- Operating expenses, excluding the cost of materials, were \$7.3 million in the second quarter, decreasing 9,5% year over year
- The company has taken actions to streamline operations reduce ongoing operating expenses by 30% compared to the first quarter of 2023

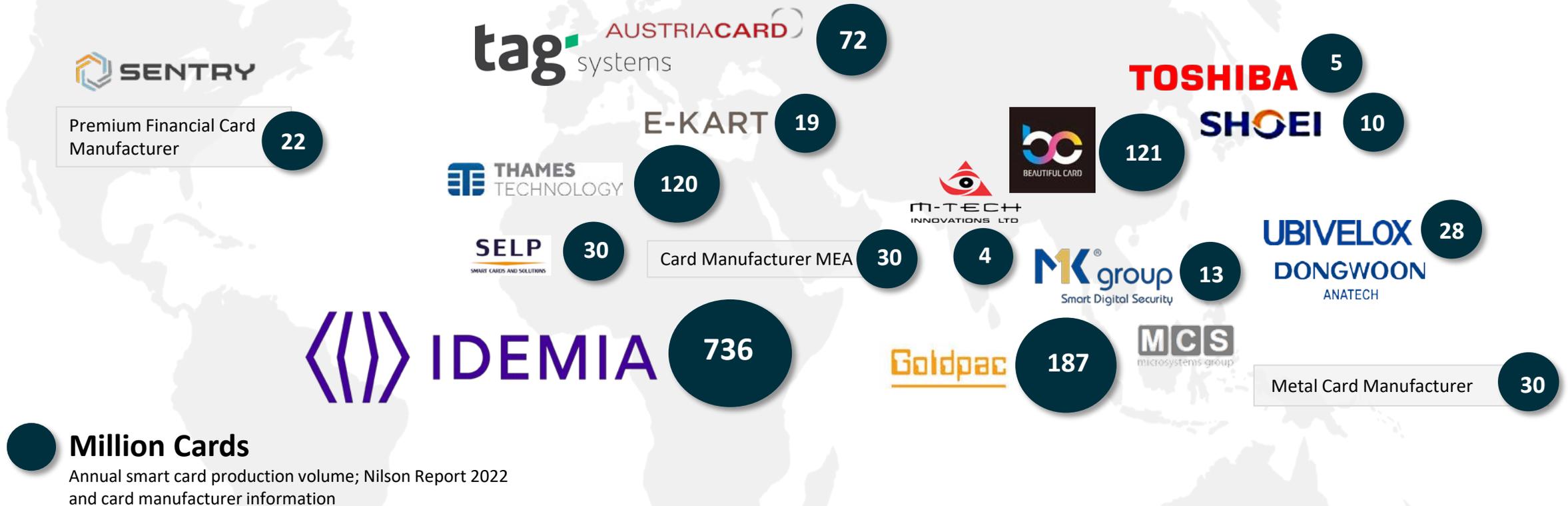
SUMMARY PROFIT & LOSS (\$ 000)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Product	1 463	1 242	1 051	844	1005
Services	-	-	16	84	103
<b>Total Revenue</b>	<b>\$1 463</b>	<b>\$1 242</b>	<b>\$1 066</b>	<b>\$928</b>	<b>\$1 108</b>
Cost of Materials	1 145	913	715	819	1 034
Compensation & Benefits	3 968	4 408	4 378	5 081	4 776
Research & Development	853	933	230	1 033	958
Other Operating Expenses	2 462	2 055	2 367	1 783	2 314
Depreciation & Amortization	403	340	316	333	334
<b>Total Operating Expenses</b>	<b>8 832</b>	<b>8 648</b>	<b>8 005</b>	<b>9 049</b>	<b>9 416</b>
Loss From Operations	\$(7,369)	\$(7,407)	\$(6,939)	\$(8,121)	\$(8,308)

# Commercial Update

# 19 card manufacturers coming to market with IDEX Biometrics



+4000 banks reached by IDEX Biometrics manufacturers



Annual card production of these card manufacturers

# > 1.4 billion cards

# 18 banks launching biometric payment cards on IDEX Biometrics technology



Note: Sella, manager.one, FAB, Rocker and banks in France are with IDEMIA, Nordic Banks and KIB with Zwipe and banks in Turkey, Azerbaijan and Bangladesh with IDEX Pay

# 9 partners launching digital authentication solutions based on IDEX technology

- Cyber attack prevention
- Compliance driven demands
- User login convenience

Identity and Access management is a

## \$50 -100 billion

market<sup>1</sup>

### IDEX solutions

- ⊙ Biometric multifactor authentication
- ⊙ On card biometric storage and matching
- ⊙ NFC powered system (no battery required)

The grid displays the following partners and their solutions:

- e-Signus** (Spain): A hand holding a blue digital card.
- TrustSec** (Poland): A white card with a fingerprint scanner and 'SLOOS' branding.
- Enqura** (Turkey): The Enqura logo on a black background.
- Reltime** (Norway): A digital interface showing a person's profile and data.
- Global financial service provider** (USA): A desk with a laptop displaying a stock market chart.
- Sentry** (USA): A 'SENTINEL WALLET' card and a 'SENTRY' card.
- PONE** (Norway): A black device with a fingerprint scanner and 'OFFPAD' branding.
- MCS** (Malaysia): The MCS logo and 'MiCroSystems Group' text.
- AuthenTrend** (Taiwan): A 'WALLET' card, a 'fido CERTIFIED FIDO2' logo, and another card.

<sup>1</sup>Source: McKinsey, 2022

# IDEX Biometrics is accelerating globally



## India

- **1bn** payment cards in circulation, growing at CAGR 19%<sup>1</sup>
- **5m** merchant terminals
- **60% market share for RuPay**, India's card payment network
- Most new cards issued are **dual interface**, most new POS terminals **support contactless**

**Government financial plan for digital inclusion**



## Turkey

- **265m** payment cards in circulation, growing at CAGR 26%<sup>2</sup>
- **2m** merchant terminals
- **\$216bn** purchase volume
- **55%** contactless penetration
- IDEX Biometrics partner with E-Kart

**Largest payment card market in Europe, innovation driven**



## Bangladesh

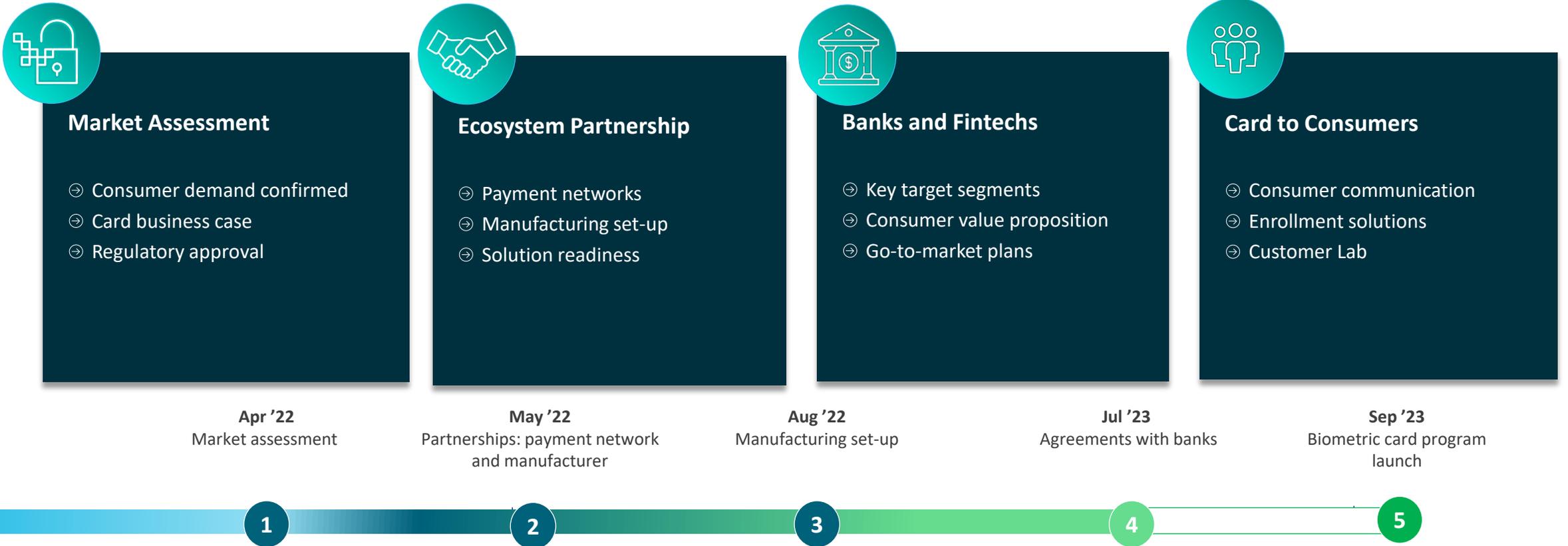
- **33m** payment cards in circulation, digital payments growing at CAGR 19%
- **4.7m** merchant terminals
- **16%** contactless penetration
- **6.8bn** volume of card payments in 2022
- **60m unbanked adults**, 60% of population in need of digital ID solution for financial inclusion

**Digital payments and identification for financial inclusion**

<sup>1</sup> 2022–2026, reaching \$581.2bn in '26; source: Global Data (2023), <sup>2</sup> 203-2026, valued at \$365.1bn in '23; source: Global Data (2023)

# IDEX Biometrics Go To Market Strategy

Card manufacturers prepared to launch IDEX Pay cards with banks as of September



# Regulatory landscape and industry standardization enabling the market



## Market trends

- Fraud and hacking of identity a growing concern for governments, enterprises and consumers
- Consumers are worried about their data privacy
- Digital exclusion a growing issue with increasing inequalities

## Regulatory environment

- Stricter biometric data privacy regulations favoring off cloud/on-device solutions
- US White House Modernization of Multi-Factor Authentication Symposium with representation from IDEX Biometrics
- EU Payment Services Directive (PSD3) focus on accessible payments and inclusive authentication solutions

## Industry standardization

- EMVCo standardization for biometric payment performance
- FIDO Alliance standards for passwordless authentication
- National Payment Schemes progressing with biometric payments for debit cards

# IDEX Biometrics business model



## IDEX Products

- 1 **Biometric sensor**
- 2 **Biometric system**  
(sensor + software)
- 3 **Certified card solution** (incl. COS and applications)

## IDEX Go To Market

- Market education; demand creation
- Card manufacturing partners
- Resellers



**Payment and Banking**



**Public and Private Services**



**Enterprise/  
Gov't Security**

# The seamless customer journey of biometric payment cards



## 01 Add Fingerprint

Add fingerprint via device or mobile phone



## 02 Activate Card

Card activation through secure banking channels



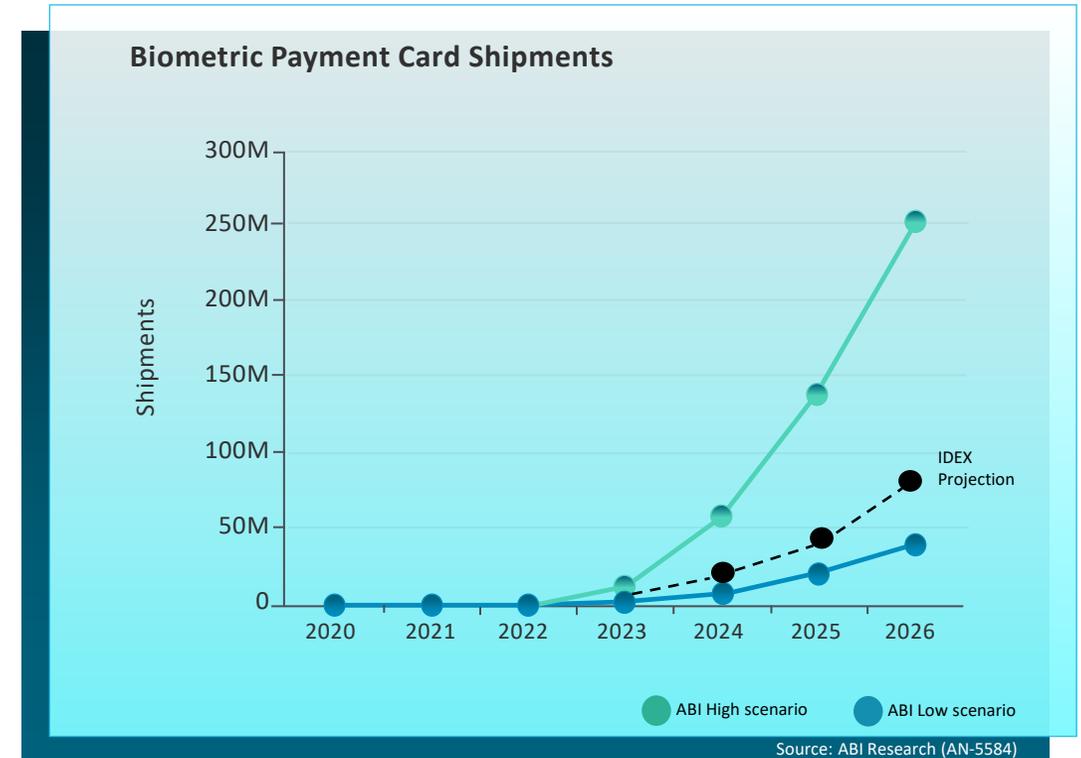
## 03 Pay

Fast and secure payments in less than a second with biometric authentication

# Market Outlook

## Enabling the future of payments and authentication

- Production orders received for both payment and access markets
- IDEX Pay certified solution has accelerated market penetration with 19 card manufactures now coming to market
- 18 banks and issuers coming to market with IDEX biometric payment solution
- 9 partners for digital authentication and identity access solutions
- IDEX is ideally positioned for global scale; one platform addressing multiple markets



# Summary

# One integrated and scalable solution – multiple applications

## One solution platform



Largest biometric sensor in the industry enabling high performance with lowest power



Biometric software platform with built in security protecting users and minimizing risk of hacking



Ready-to-launch and pre-certified card solutions on industry standard APIs



## Flexible and scalable products, new segment penetration



### Secure Payments

Seamless and faster experience with enhanced security for consumers and merchants



### Identity Access

Protect proprietary assets from cyber attacks, reduce fraud risk



### Crypto Asset Management

Access and control crypto funds in a highly secure and authenticated way



# Strong operating leverage in long-term model

## Foundation for strong revenue growth

- ⊖ Solid customer base with 19 card manufacturers serving both payments and access
- ⊖ Certified card solution enables tier 2 and tier 3 card makers:
  - ⊖ Lower barrier to investment enables new manufacturers to access biometric cards
  - ⊖ Shortens time to market
  - ⊖ Provides more value per card

## Target operating model at scale

- ⊖ Scalable fabless semiconductor model
- ⊖ Long-term goal of 50%+ gross margins
  - Consistent with fabless model
  - Reflects differentiation and solution cost leadership
- ⊖ Long-term goal of 30% operating margins
- ⊖ Scalable for sustained cash flow
  - Concentrated customer base limits channel expenses
  - Low CapEx and leveraged OpEx



# Enabling the future of payments and authentication

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01

**Multi-billion  
market  
opportunity**

02

**Industry leading  
customer  
experience**

03

**Disruptive  
biometric  
solution**

04

**Capturing  
a market  
inflection point**



**IDEX**