

CONTINUED GROWTH AND STRATEGIC ACQUISITION

Year-end report 2016

Published February 14th, 2017

INTEGRATED IN 21 MOBILE DEVICES

Q4

- ▶ 21 mobile devices were launched with Precise BioMatch Mobile in the fourth quarter
- ▶ First device integration of Precise BioMatch Mobile through partnership with Chipone
- ▶ Precise BioMatch Embedded was integrated in a credit card from Kona-i that was demonstrated at Money 20/20

2016

- ▶ 110 mobile devices were launched with Precise BioMatch Mobile in 2016 – double from the previous year



NEW LICENSE AGREEMENTS AND ROYALTY CUSTOMERS

Q4

- ▶ License agreements with Samsung System LSI Business, Image Match Design, InvenSense and VKANSEE
- ▶ Royalty revenue from nine customers

2016

- ▶ 14 license agreements for distribution of our fingerprint software



ACQUISITION OF NEXID BIOMETRICS ENABLES US TO OFFER LIVENESS DETECTION

Q4

- ▶ Agreement to acquire NexID Biometrics, a specialist in spoof mitigation and liveness detection solutions
- ▶ Enables us to expand our offering with a software based solution for liveness detection that significantly increases security and address customer demand for fraud mitigation
- ▶ Access to academia and senior experts in liveness detection
- ▶ Acquisition financed through a private placement of shares, generating 47,2 MSEK



INCREASED TACTIVO SALES

Q4

- ▶ Sales increase during the fourth quarter
- ▶ Several major orders from the US Government and smaller orders from the Swedish healthcare market

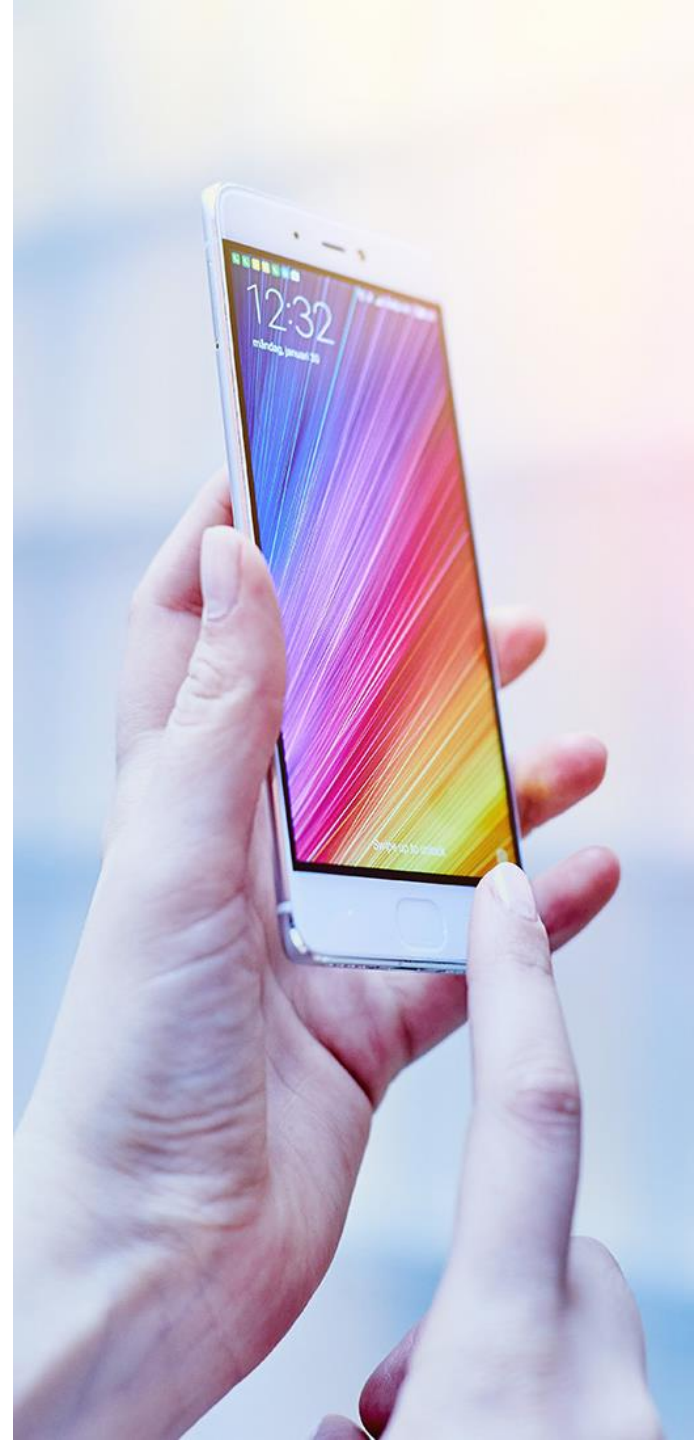
2016

- ▶ Sales for the full year has not met our expectations, mainly due to lower sales to the US Government in combination with that the UK and Swedish healthcare market has not grown as expected

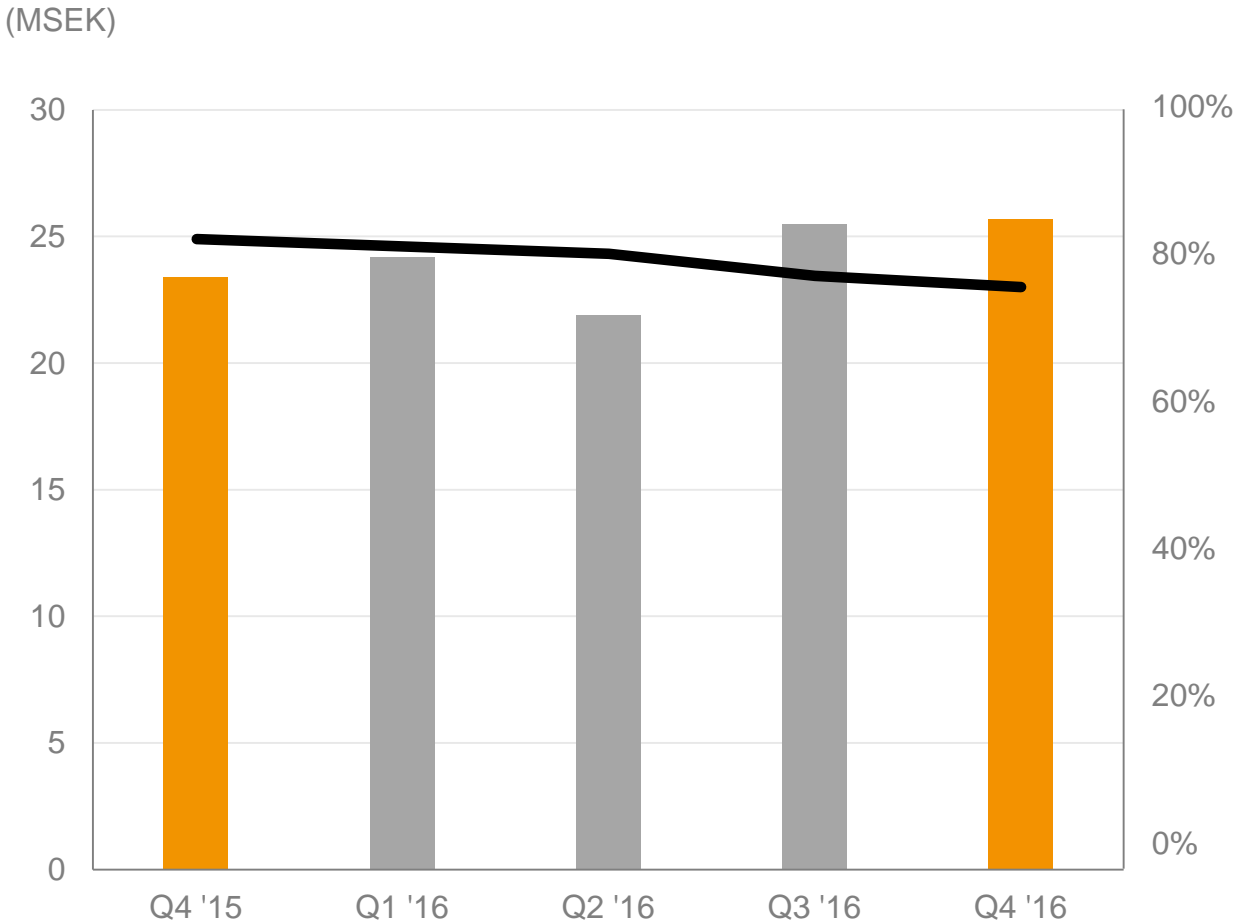


MAIN EVENTS AFTER THE FOURTH QUARTER

- ▶ Two mobile devices with Precise BioMatch Mobile have been launched so far
- ▶ Extended license agreement with an existing sensor customer that guarantees total license revenues of a minimum of 17.5 million SEK during 2017 and 2018
- ▶ Finalized the acquisition of NexID Biometrics after government approvals



NET SALES & GROSS MARGIN



▶ Net sales increased with 9.4% to 25.7 MSEK (23.5) in Q4

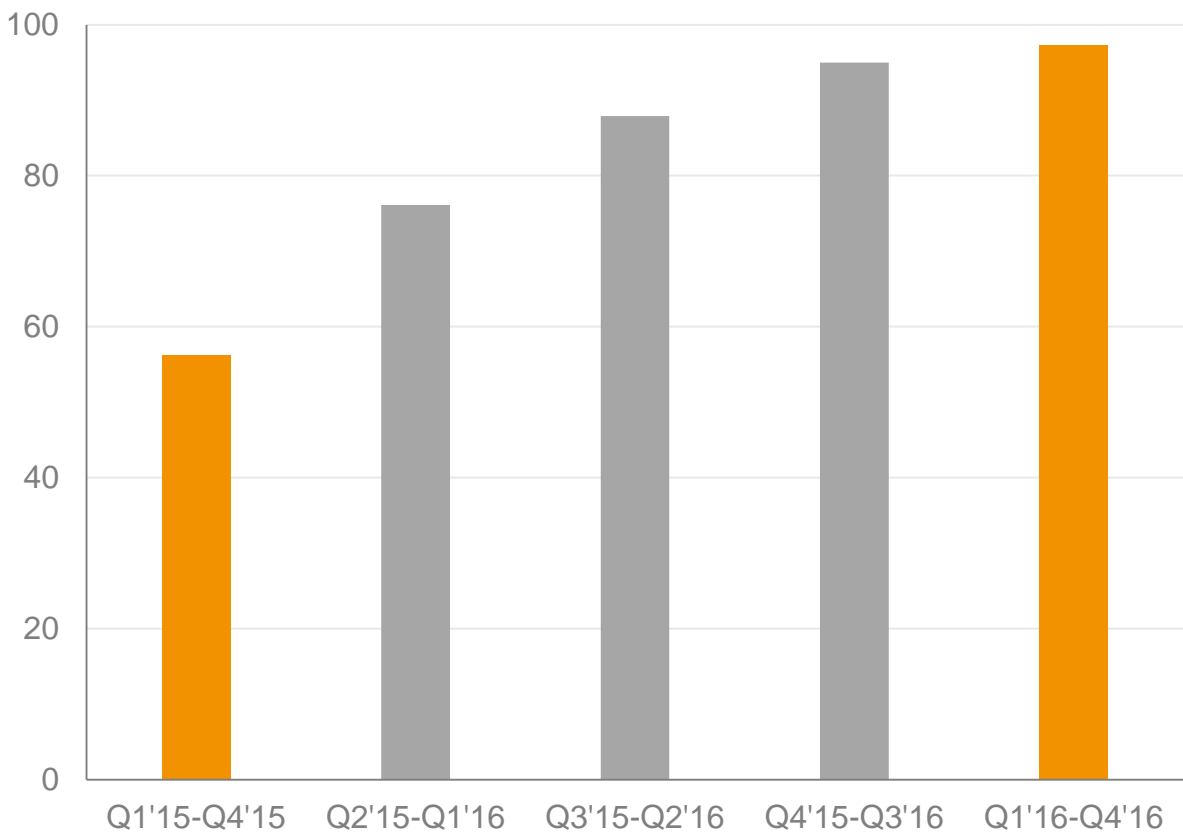
▶ Sales in Business Area Fingerprint Technology increased with 10.7% to 20.8 MSEK (18.8) in Q4

▶ Write-down of inventory impacted gross margin with 11.2%-units in Q4

- Gross margin
- Net sales
- Net sales

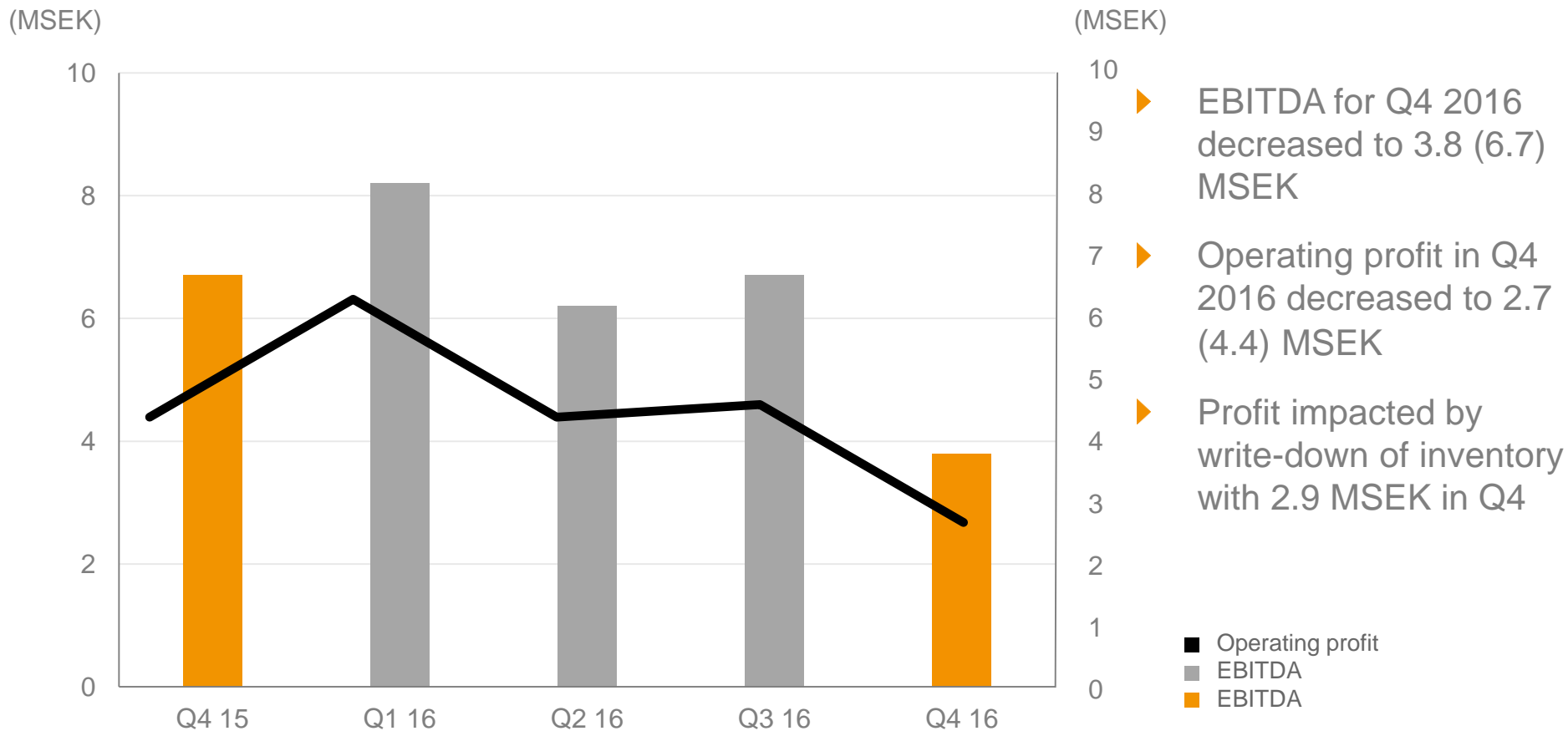
NET SALES INCREASED WITH 73% FOR THE FULL-YEAR 2016

(MSEK)

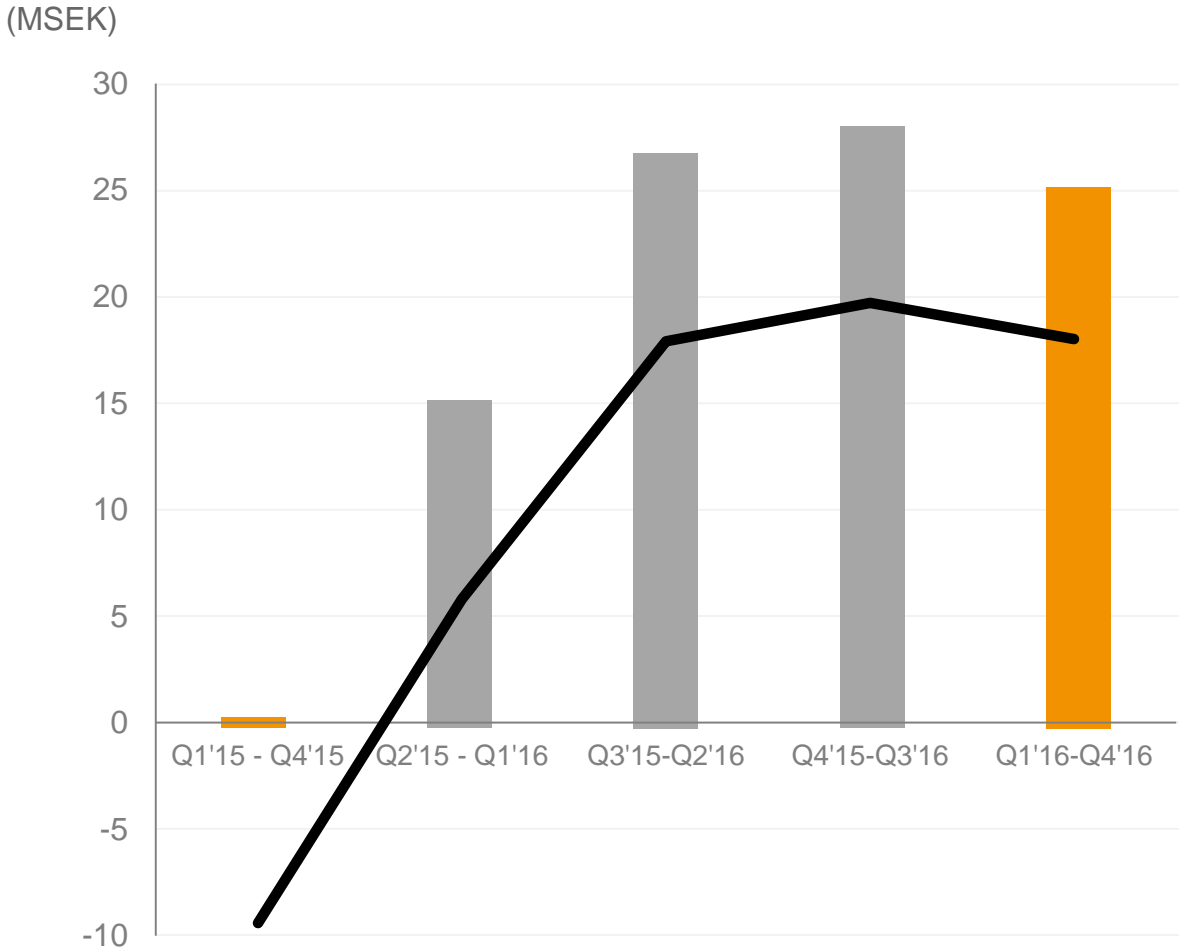


- ▶ Net sales for 2016 increased with 72.6% to 97.2 MSEK (56.3)
- ▶ Business Area Fingerprint Technology increased sales with 95.7% to 83.3 MSEK (42.6) in 2016

PROFIT IMPACTED BY WRITE DOWN & ACQUISITION COSTS



SOLID INCREASE IN PROFIT FOR 2016

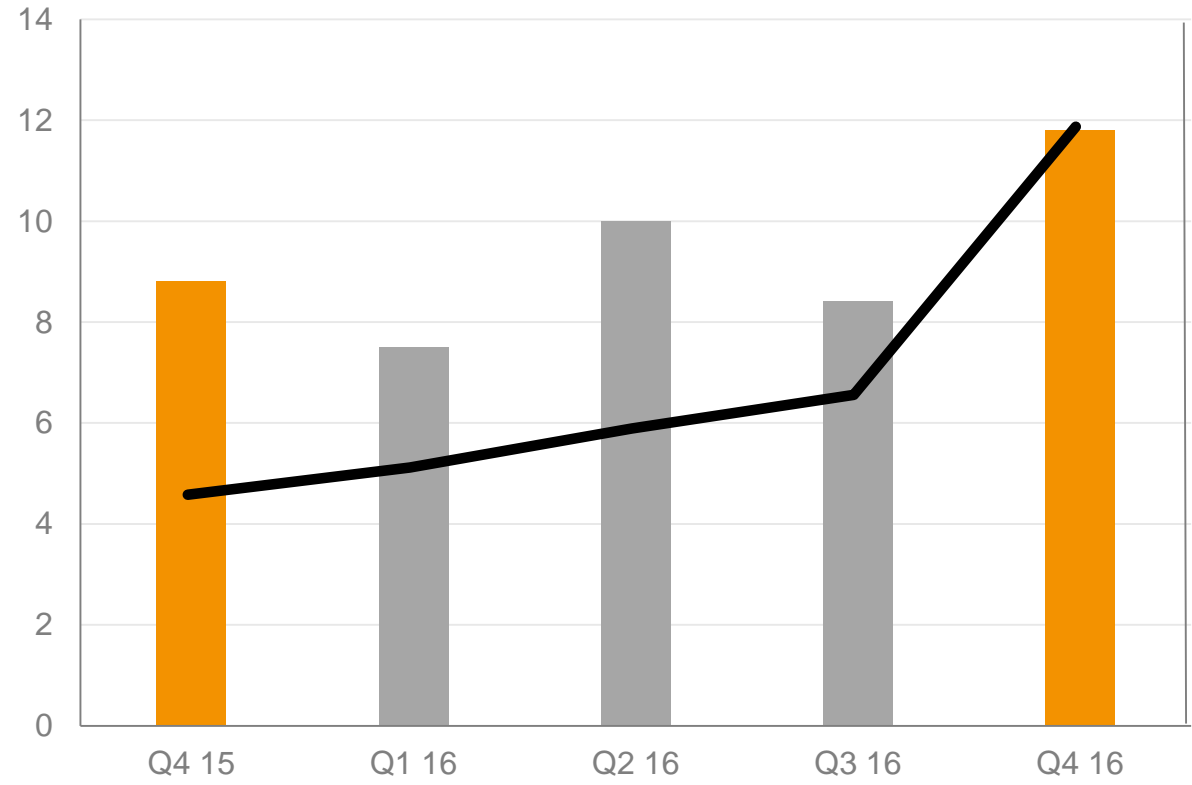


- ▶ EBITDA increased to 24.8 (0.5) MSEK in 2016
- ▶ Operating profit increased to 18.0 (-9.4) MSEK in 2016
- ▶ Write-down of inventory impacted profit with 5.1 MSEK

■ Operating profit
■ EBITDA
■ EBITDA

INCREASE IN OPERATIONAL CASH FLOW & CASH AT BANK

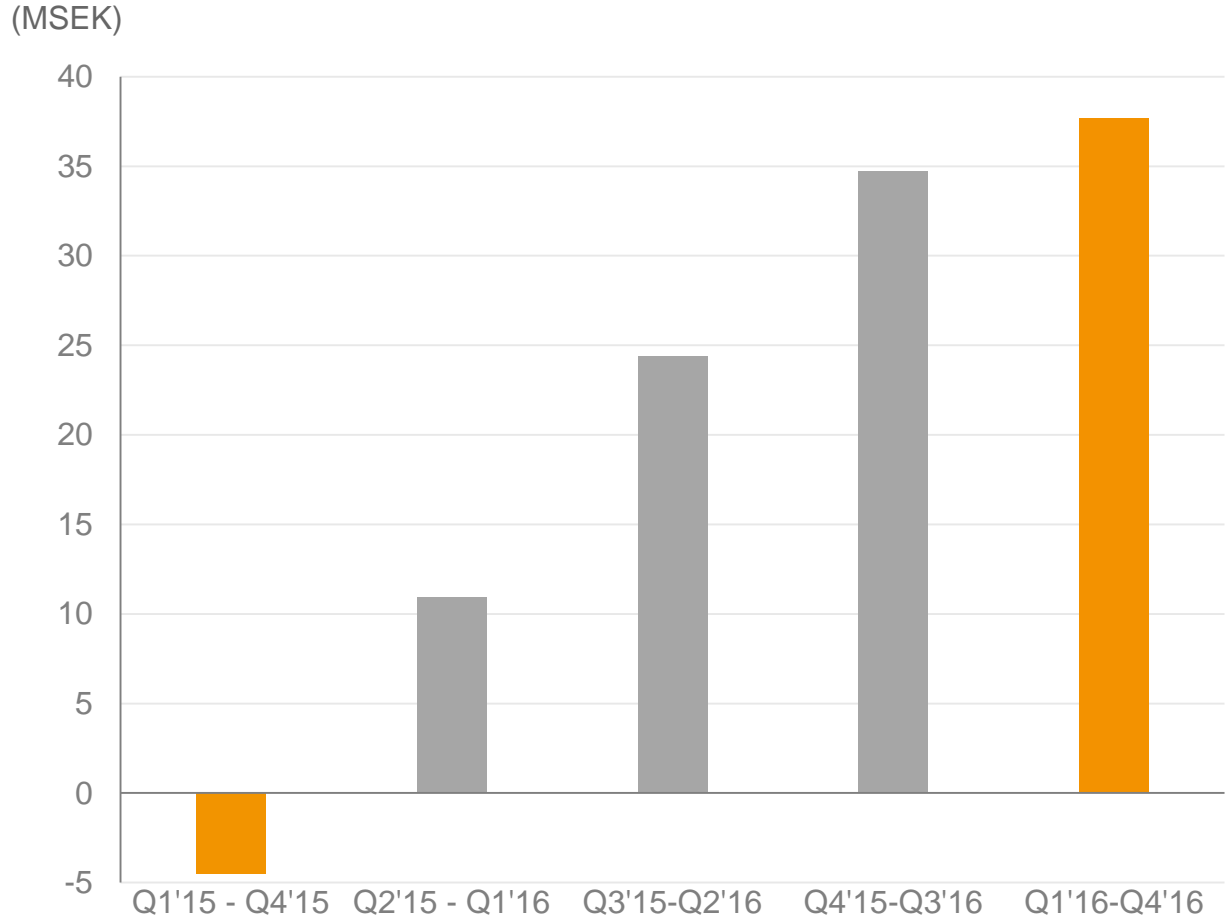
(MSEK)



(MSEK)

- ▶ Cash flow from operations increased to 11.8 (8.8) MSEK in Q4
 - ▶ Available cash of 135.8 MSEK (52.4) includes 50 MSEK from new share issue
 - ▶ Acquisition cost of 3.5 MUSD was paid in February
- Cash at Bank
 Cash flow
 Cash flow

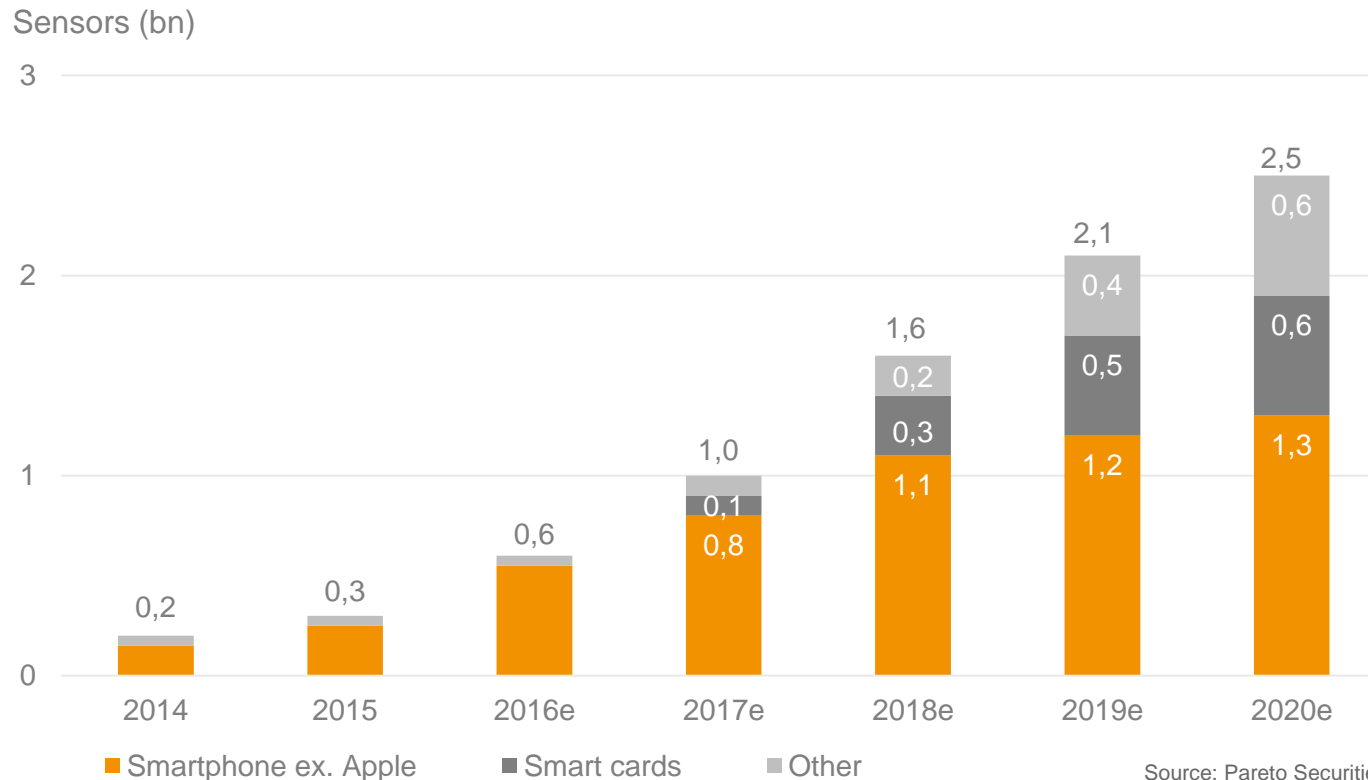
IMPROVED OPERATIONAL CASH FLOW



▶ Cash Flow from operations increased with 42.2 MSEK (- 4.5) to 37.7 MSEK

CONTINUED FAST MARKET GROWTH - ~2.5BN UNITS IN 2020

- ▶ Shipments of fingerprint sensors doubled in 2016
- ▶ Addressable market of 1 billion units in 2017
- ▶ Estimated 40 % average annual growth between 2016-2020 with a total addressable market of 2.5 billion units in 2020



SALES & TRENDS IN THE MOBILE MARKET

- ▶ Revenues from Fingerprint Cards (FPC) continues to decrease
- ▶ Many customers are in final stages of integration projects that will generate significant volumes starting from the second half year.
- ▶ Increased demand for integration services - Growing organization in Asia to meet demand
- ▶ Under glass deployment increases the need of image improvement
- ▶ Liveness detection will become crucial to avoid fake finger authentication



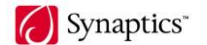
TRACTION IN THE EMBEDDED MARKET

- ▶ The Embedded market is gaining momentum, in particular smart cards, wearables and Internet of Things
- ▶ We are working on several projects that we expect will be launched and generate initial revenues this year
- ▶ Industry shift towards smaller MCUs to decrease costs, which further increase the demand for resource effective algorithms that provide a good user experience and security



GLOBAL CUSTOMER BASE KEY TO GROWTH

- ▶ 24 license agreements with sensor manufacturers, security companies and resellers
- ▶ Global reach for distribution of fingerprint software, covering both the mobile and embedded market
- ▶ Strengthening cooperation with customers
- ▶ Continuous evaluation of new potential partners



OUTLOOK

- ▶ A strong market position, the markets best fingerprint software and a global distribution network give us growth opportunities
- ▶ Weaker revenue development during the first half 2017. Strong growth during the second half year expected to compensate for the revenue decline from FPC
- ▶ Revenues for the full year are expected to be in line with 2016 revenues
- ▶ Investing for future growth
 - ▶ R&D to secure our technology leadership
 - ▶ Technical support to better serve our customers



THANK YOU!

precisebiometrics.com

VERIFIED **BY YOU**