

DNB Nordic TMT & Consumer Conference



2 September 2020

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IDEX Strategy and Competitive Advantage

Company Overview



- **Strategy:** Focused on developing technology for biometric payment cards
- **Problems to solve:** **Fraud prevention and product differentiation for issuers, “top of wallet” card**
- **Market Ready:** Certification by the major global payment networks; pricing cards at mass volume prices
- **Total System Solution:** Low-cost sensor, biometric matching software and energy harvesting
- **Patents:** Approx. 200 granted or pending
- **Current Certifications:** China UnionPay and a leading global payment network; EMVCo® security certified
- **Employees:** ~100 total staff with deep semiconductor and biometric expertise

Locations and Markets



- **Locations:** U.S., EU, APAC
- **Markets:** Payments, Access, Govt. and Healthcare, Transportation, Retail

Recent Developments

- Mobile payments providers (i.e. Apple, Google) leveraging smart cards to meet consumer demand and security thresholds; COVID-19 has accelerated demand for **contactless or touch-free** payment methods
- IDEX the **only** technical solution optimized for biometric payment cards, a USD 2B+ market opportunity by 2024¹
- Selected by IDEMIA, a leading global tier 1 smart card manufacturer, to supply its TrustedBio sensor for use in its next generation high volume biometric payment card platform

¹ IDEX estimate

Highly Experienced Management Team and Board

Management Team



Vince Graziani
CEO



Derek D'Antilio
CFO




Stan Swearingen
SVP




Anthony Eaton
CTO




Board of Directors




Morten Opstad
Chair




Lawrence John Ciaccia
Deputy Chair



Deborah Davis
Board Member



Stephen Skaggs
Board Member



Hanne Høvding
Board Member

Business Update and Recent highlights

- **COVID-19 is accelerating a touch-free society; while COVID caused short-term delays in pilots, IDEX sees this as a market acceleration catalyst**
- IDEX's technology was certified by two major global payment networks: China Union Pay and a large US based network that have a combined issuance of 70% of global branded payment cards. IDEX is the only fingerprint sensor company to have achieved certification for its system solution with two global payment networks
- IDEX has received greater than USD 1 million in product orders to date in 2020 as the company begins its commercial ramp
- IDEX TrustedBio™ technology was selected by IDEMIA, the global leader in augmented identity and a leading global payment card manufacturer, for their next generation biometric payment card
- IDEX's sensor was selected by Zwipe, a pioneer in the biometric payment card market, to be combined with the Zwipe Pay ONE platform, to enable a complete system solution for biometric payment cards
- IDEX has begun shipping TrustedBio™ based products; this marks a major milestone for IDEX, our customers and the biometric smartcard market and the company has received its first orders for sensors based on TrustedBio™ technology
- IDEX successfully claimed additional research and development tax relief in the UK and the U.S and received a cash refund of USD 0.6 million, has received USD 1.4 million in 2020 and expects additional funds from the U.S. for tax claims
- IDEX raised USD 10.3 million to fund product development, meet customer production requirements and fund working capital

PAYMENT CARD MARKET



IDEX

Market Trends – Very Positive



COVID:
Contactless limit increased in 31 countries.
As of April **75% of all Mastercard Transactions in EU** were contactless (source: Mastercard)



Contactless mandate
All EU payment terminal Contactless from 12/19



Strong Customer Authentication:
Mandated in EU and taking effect starting in 2020/2021

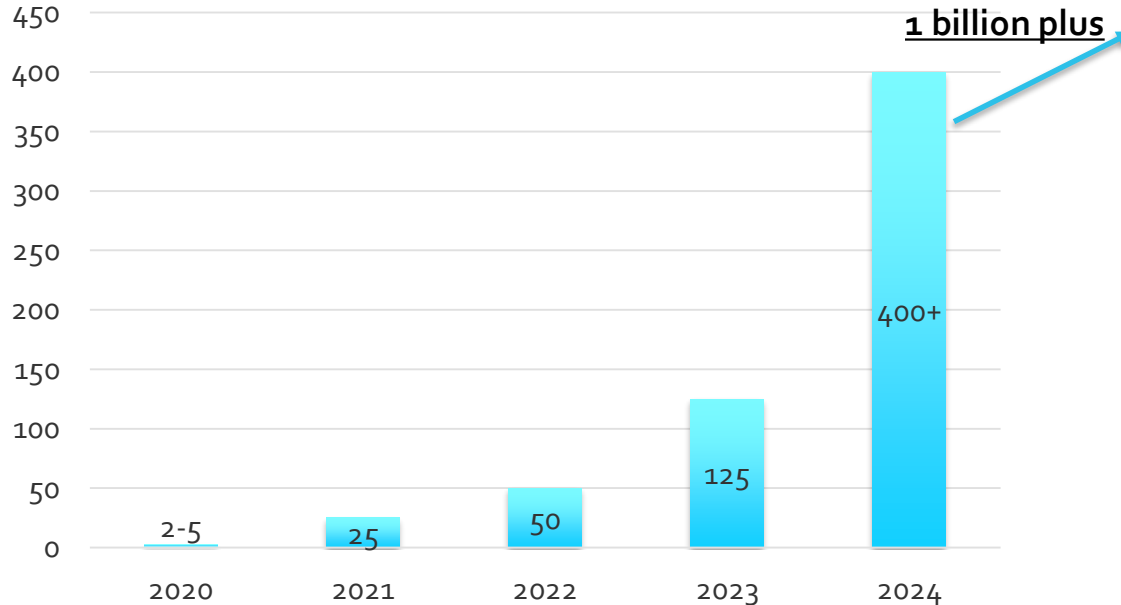


CUP, Mastercard and VISA have **specifications**, process and multiple **certified test labs** ready for biometric card certification testing

Payment Cards - a Very Large and Growing Market

22 billion payment cards in circulation and growing to over 29 billion by 2023¹

~5 billion new smartcards issued annually



- **Payment cards projected to continue strong growth**
- **Contactless growing even faster driven by:**
 - Covid-19 and touch-free
 - Ease of use
 - Fast authentication speeds
- **Biometrics add security and convenience**
 - Infrastructure already in place
 - Removes contactless limits
 - Helps issuers remain top of wallet

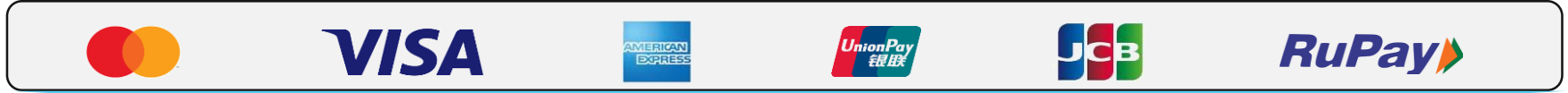
Projected number of biometric payment card shipments (millions of units)

Sources: 1. Nilson Report, 2. Chart based on average of industry analyst estimates excluding highest estimate, 2024 is IDEX estimate

Biometric Card Value Chain

Key customer partnerships with 10+ leaders in the payment card ecosystem

Payment Networks / Specification Providers



Biometric Algorithms



Fingerprint Sensors



Card Inlay Providers



Secure Elements



Card Manufacturers



Card Issuers



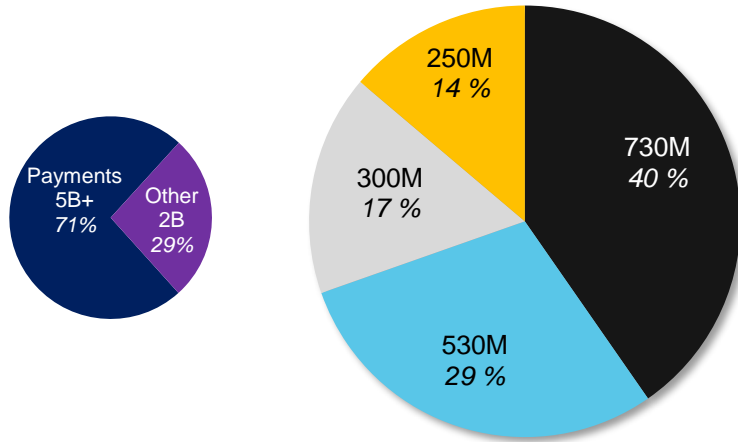
OTHER LARGE AND GROWING MARKETS



Other Markets (Excluding Payment)

Multiple industry verticals can utilize biometric smart cards as a competitive advantage to enhance product features

2023E Smart Cards Shipped



■ Gov. & healthcare ■ Transport. ■ Retail & other ■ Access

Source: ABI Research Smart Card Technologies

Segment Breakdown

Govt. and Healthcare

- Financial inclusion
- Secure identification
- Voting

Transport.

- Public transport systems
- Increased mobility

Retail and Other

- Loyalty cards
- Internet of things

Access

- Information security
- Facility/physical access control

PRODUCTS AND TECHNOLOGY

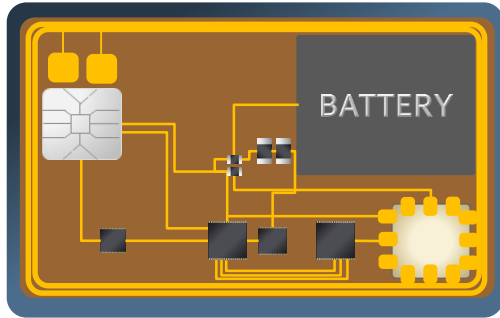


IDEX

Lowering Manufacturing Complexity and Card Cost

TrustedBio™ yields cost, performance, and reduced manufacturing complexity

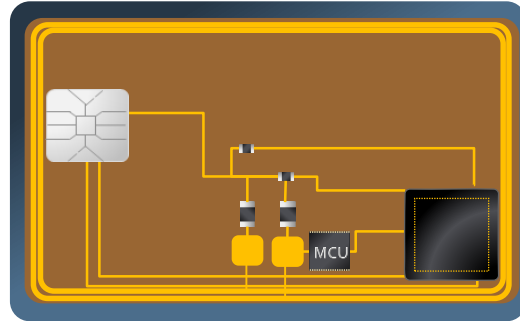
\$40+



FIRST GENERATION CARD

- Battery/supercapacitor
- Complex and expensive flexible PCB (MCU, companion chip, basic PMU)
- Complex embedding (12+ connections to sensor)

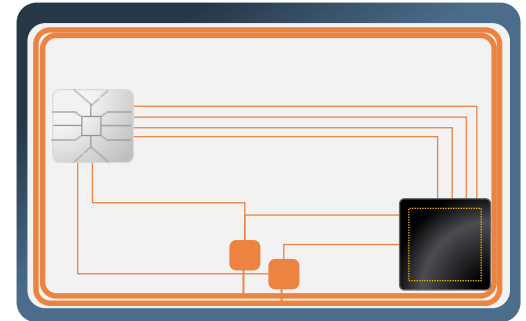
~\$15 - \$20



CURRENT GENERATION CARDS

- No battery or supercapacitor
- Simplified flexible PCB with discrete components (MCU, PMU)
- Improvement of manufacturing/ACF Compatible

~\$5



IDEX TrustedBio™ CARDS

- Fully Integrated, Improved Performance
- Passive inlay, copper-wire compliant
- Stabilized manufacturing process (4 or 8 pads)

IDEX's Optimized Biometric System-on-Chip Advantage

Features:

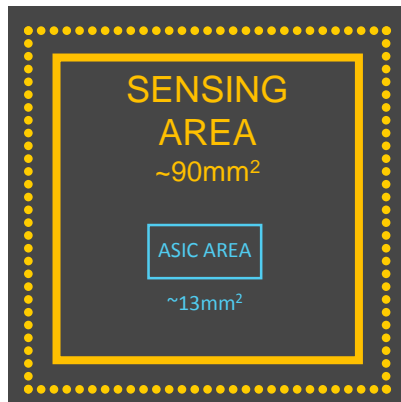
- Large sensor area
- Image capture
- **MCU:** image processing and feature extract
- **PMU:** Energy harvesting and power management

Additional Costs:

- + SE: \$ 0.50-\$1.50
- + Mfg cost: \$~0.50

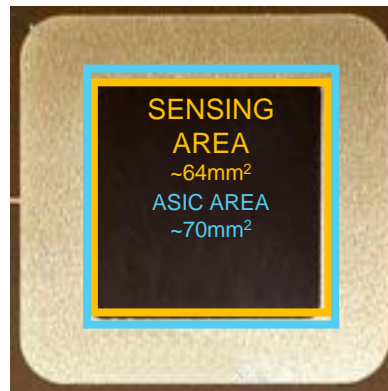


IDEX off-chip BSoC



ASP: ~\$3.50

Competitor Silicon Sensor



~\$5.50

Vs.

Features:

- Limited sensor area
- Image capture only

Additional Costs:

- + MCU: \$1.50-\$2.00
 - + FPCB/PMU/passives/assembly: \$3.50-\$4.50
 - + SE: \$0.50-\$1.50
 - + Mfg Costs: \$2.00-\$3.00
- ~\$7.50~\$11.00**

Resulting card cost: ~\$5.00

\$15-\$20

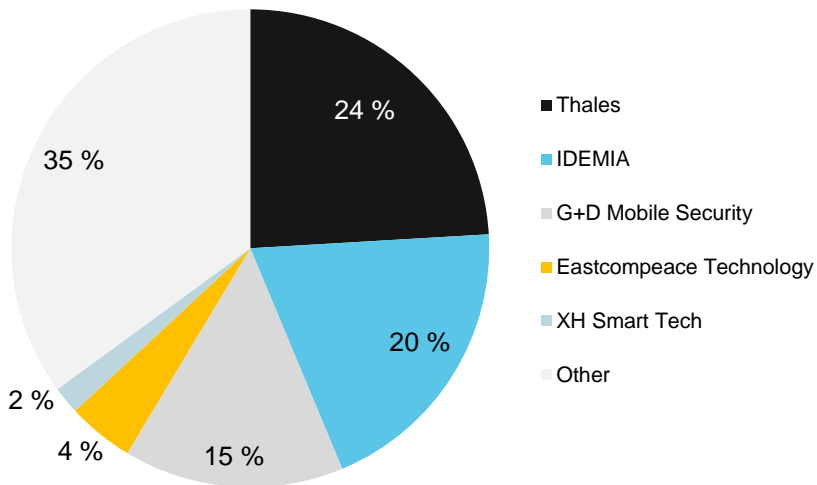
CUSTOMERS



Current and Target Customers

Customer relationships with 30%+ of global payment card manufacturers, with additional on horizon

Global Payment Card Manufacturers



Source: The Nilson Report

Global Customer Base



Target Customers



KEY FINANCIALS AND FINANCIAL MODEL



August 2020

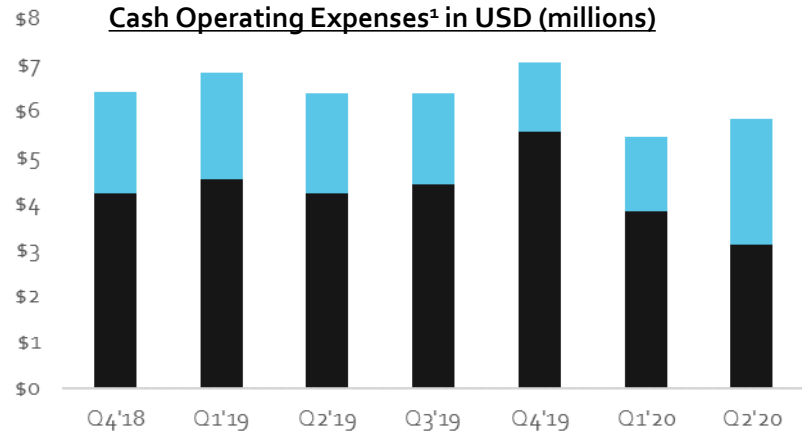
Strong Operating Leverage in Financial Model

Fabless semiconductor model:

- 50% gross margins and stable opex at scale
- 30% operating margins at scale
- Break-even target of between USD 10-12 million in quarterly revenue

Cost reduction implemented as planned

Operating expenses down 27 % since Q4-19



¹Cash Operating Expenses is operating expense excluding stock compensation and development inventory and intangibles reserve related to a discontinued product in Q4 of 2019

Financial Update

P&L

- Q2 revenue was USD 149 thousand compared to USD 43 thousand in the second quarter of 2019
- Gross margin during the quarter was 79% largely driven by high margin product sales
- Operating expenses were USD 5.8 million compared to USD 7 million in the second quarter of 2019 (operating expenses includes USD 0.4 million of non-cash stock based compensation)
- Operating expenses in the second quarter included USD 1 million to achieve the tape-out of silicon on the TrustedBio products
- Operating expenses are 27% below the fourth quarter of 2019, approaching the company's cost savings target of 30%
- IDEX successfully claimed additional research and development tax relief in the UK and received a cash refund of USD 550 thousand. This is in addition to USD 850 thousand received in the first quarter of 2020. The company expects additional research and development funds in the U.S in 2020
- The company received payroll tax relief in the U.S through the CARES ACT

Balance sheet

- The company had USD 11.4 million in cash as of June 30, 2020 and no debt
- The company completed a capital raise on 11 May, 2020 raising an additional USD 10.3 million to fund R&D, customer production requirements and working capital

Investment Highlights

Massive Addressable Market	<ul style="list-style-type: none">• 22B payment cards in circulation and growing (source: Nilson report)• Contactless cards have accelerated significantly• USD 2B+ biometric payment cards by 2024; 200% plus CAGR for biometric payment card shipments
Large-Scale Certification	<ul style="list-style-type: none">• Only fingerprint company to achieve certification with China UnionPay and certification from another leading global payment network• Both platforms represent 70% of all global branded payment cards
Sales and Pipeline Momentum	<ul style="list-style-type: none">• IDEMIA: pilot and early production orders; licensing agreements for remote enrollment technology• Leading financial markets data provider: first volume production orders for USD 6M contract delivered in 2020
Defensible IP / Technology	<ul style="list-style-type: none">• TrustedBio: dual interface solution, industry's highest level of integration enables lower costs while improving performance, security and manufacturability• 200 plus patents granted or pending patents• EMVCo® certified
Highly Experienced Management	<ul style="list-style-type: none">• Accomplished executive team with experience bringing new technologies to market• Management and board with significant experience managing U.S. public companies

Thank You



IDEX