



Q4 2023 IMS Presentation

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Heine Thorsgaard, CFO

February 28, 2024

Q&A Session at the end of the presentation

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Agenda

- Management Update
- Business Status and Outlook
- Strategy Mileposts
- Market Update
- Financial Review and Outlook
- Q&A Session



Management Update

Lars Boilesen

Appointed Napatech
Chief Executive Officer

- Former Chairman
Napatech
- Former CEO
Opera Software
- Former CEO
Otello Corporation



Lars Boilesen, CEO



Heine Thorsgaard, CFO



Henrik Brill Jensen, COO



Flemming Andersen, CDO



Jarrod Siket, CMO

Progress in Business, Market and Strategy

Business Status and Outlook

FY-2023 Financial Results

- 26.5 MUSD in Revenue, 17% up YoY.
- 73% in Gross Margins, up 16% YoY
- Strong Q4, 8.4 MUSD, 71% up YoY

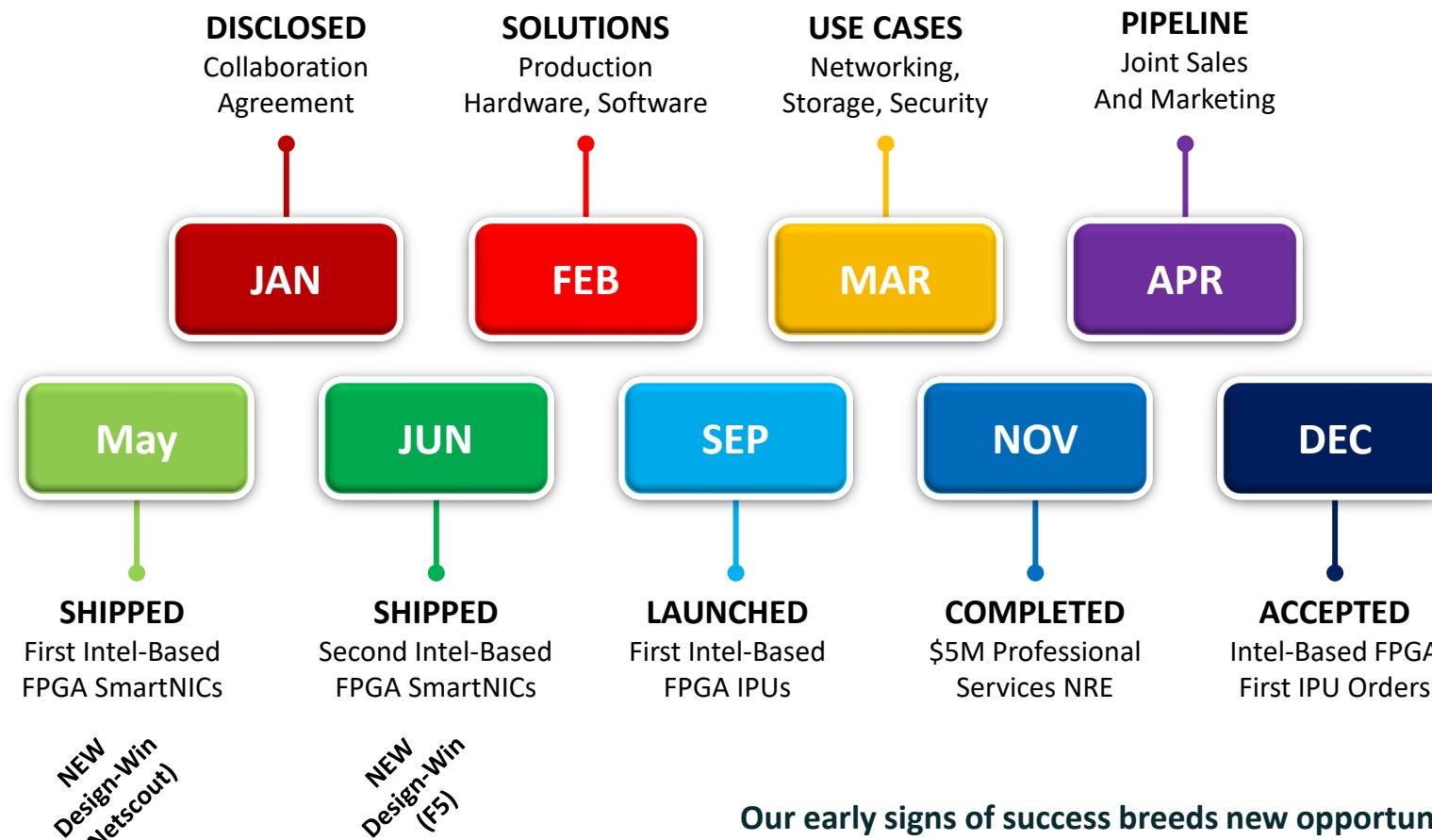
FY-2023 Strategic Imperatives

- Developed our first IPU product (F2070X) in partnership with Intel
- Delivered Intel-based SmartNICs (NT400) to current and new customers
- Delivered new SW for acceleration of Monitoring, 5G UPF, Cybersecurity
- Strategic investment from Netscout, secured \$7.5M in capital
- R&D up by 13%, supporting new high-growth industry megatrends
- 10 new ecosystem partners, enhance our future go-to-market strategy
- Business development unlocked transformational pipeline of opportunities

Napatech Strategic Plan

- Servicing our valuable installed base of customers
- Accelerating engineering in software and hardware, extending our Programmable NICs into high growth segments
- Developing our partner ecosystem to unlock high growth segments.

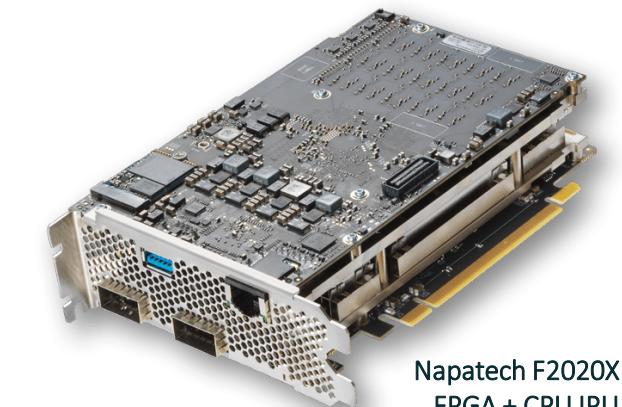
Strategy Milepost: Our Intel Journey



Our early signs of success breeds new opportunities
with Intel and our shared pipeline of prospects.

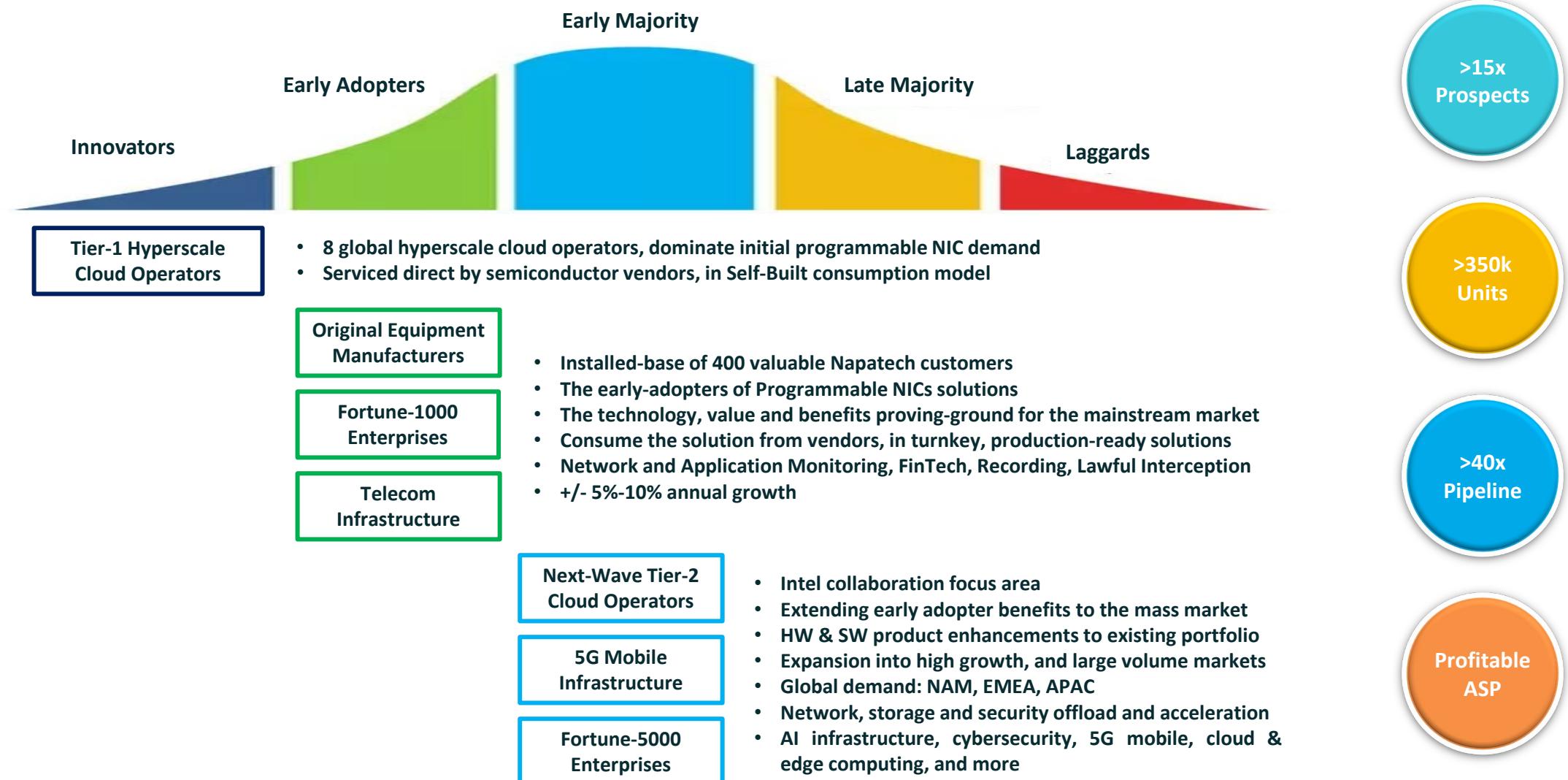


napatech NT400
FPGA SmartNIC

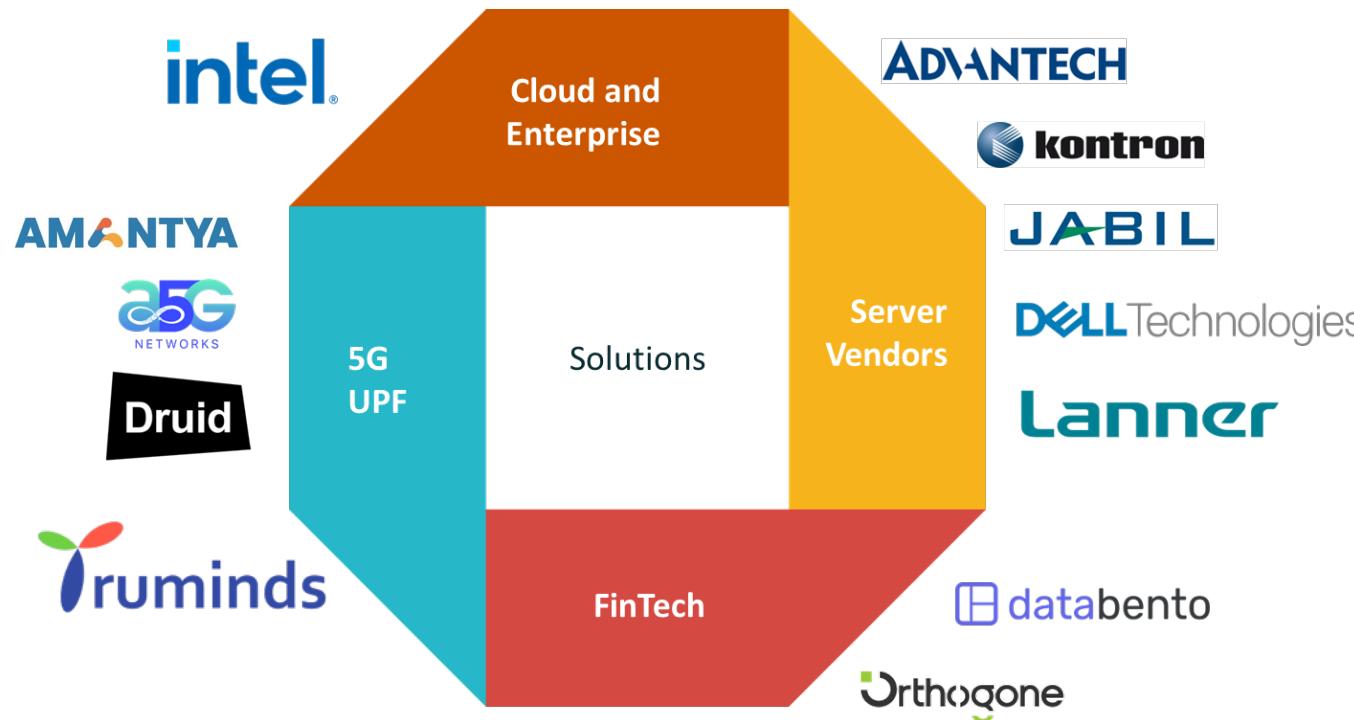


Napatech F2020X
FPGA + CPU IPU

Unlocking Transformational Scale of Opportunities



Strategy Milepost: Ecosystem Extends Customer Reach



Partnerships lower the barriers to customer adoption and validate the Napatech solution by the partner for their customers

- Improved time to proof-of-concept, trial and design-win
- System integration
- Expand our customer access
- Joint marketing
- New pipeline development

Product Strategy: Extending Portfolio to Growth Segments



APPLICATION DRIVEN

Napatech production grade solutions target high growth applications and services in modern networks

Programmable NIC Software

Network Offload and Acceleration

Storage Offload and Acceleration

Security Offload and Acceleration

SOFTWARE FOCUSED

Link-Capture™
Link-Inline™
Link-Virtualization™
Link-Storage™
Link-Security™

In success, people choose Napatech because we have the solution-focused software to power the Programmable NIC



AMD based SmartNIC



Intel based SmartNIC



Intel based IPU

HARDWARE INDEPENDENT

Link-Hardware™
Link-Programmable™

Napatech deliver production grade hardware platforms based on the latest technology from both Intel and AMD (Xilinx)

Network Interface Cards (NIC) Market Overview



Basic NIC

ASIC-based. Multiple years between silicon revisions. Ultra-low cost. Ultra-low power. Small form-factor. Fixed network connectivity functions, and not programmable

Offload NIC

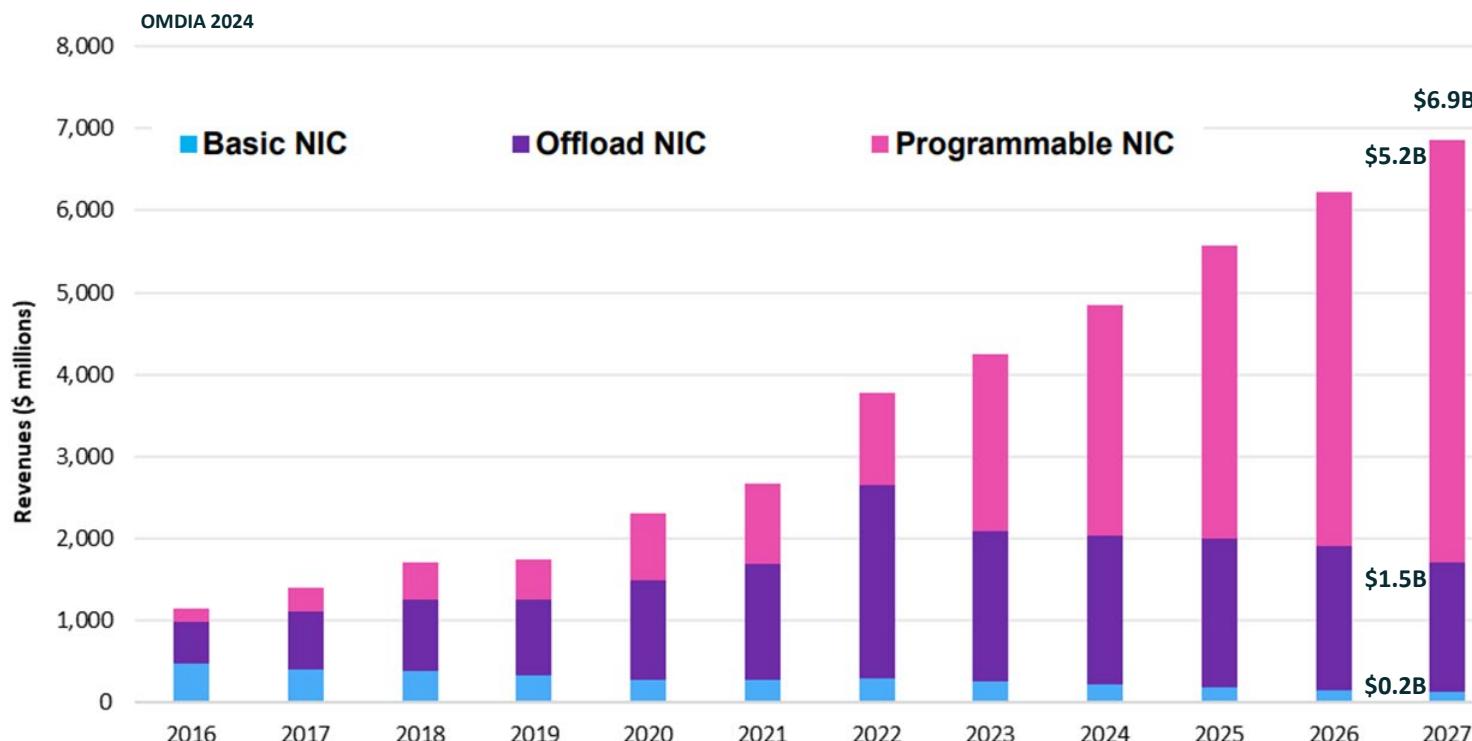
ASIC-based. Multiple years between silicon revisions. Slightly more expensive. Low power. Small form-factor. Multiple specialized functions, and not programmable

Programmable NIC

FPGA, SOC, CPU-based [SmartNICs](#), [IPUs](#) and DPUs. Multiple form-factors. Fully programmable for efficient, flexible and real-time upgradable functionality.



Industry Megatrends Boost Programmable NIC Opportunities



Industry Mega-Trends:

Programmable NIC use-cases that are relevant to Napatech explode towards 2026:

- Hybrid multi-cloud services
- Telco 5G Core and Edge
- Private 5G
- Cybersecurity, monitoring
- FinTech and Financial Services
- Storage and Content Delivery
- Artificial Intelligence

These market opportunities pave the way for future growth

Live from Mobile World Congress



Pre-Show News and Promo:



Partner Booth Exhibits:



Mobile World Congress:

- February 26-29, 2024
- Barcelona, Spain
- Hall #7, Booth #7B67

Solutions:

- 5G Core UPF Acceleration
- Network Performance Monitoring
- Application Performance Monitoring
- Lawful Interception
- Signaling Gateways
- Cybersecurity

Financial Review and Outlook

Consolidated Income Statement Q4 2023

DKK'000	Q4		FY		Q4 Δ	FY Δ
	2023	2022	2023	2022		
Revenue	58,081	33,931	182,674	158,628	71%	15%
Cost of goods sold	(12,483)	(14,073)	(49,126)	(68,931)		
Gross profit	45,598	19,858	133,548	89,697	130%	49%
GM%	79%	59%	73%	57%		
Staff costs	(22,404)	(18,448)	(96,924)	(98,911)	21%	-2%
Other external costs	(16,066)	(10,075)	(46,361)	(34,178)	59%	36%
EBITDAC	7,128	(8,665)	(9,737)	(43,392)		
Transferred to capitalized development costs	872	4,493	9,299	23,270	-81%	-60%
EBITDA	8,000	(4,172)	(438)	(20,122)		
Depreciation, amortization and impairment	(8,172)	(6,807)	(32,461)	(26,078)	20%	24%
Operating result (EBIT)	(172)	(10,979)	(32,899)	(46,200)		
Finance income	(49)	(1,946)	358	3,596		
Finance costs	(1,977)	(587)	(3,904)	(1,540)		
Result before tax	(2,198)	(13,512)	(36,445)	(44,144)		
Income tax	5,510	(4,091)	4,429	(4,115)		
Result for the period	3,312	(17,603)	(32,016)	(48,259)		

Financial Summary

- Revenue in Q4 in USD up 75% compared to Q4'22 (*up 71% in DKK*). Revenue for the full-year in USD up 17% compared to '22 (*up 15% in DKK*)
- GM in Q4 79% up 20 basis points compared to Q4'22. GM FY 73% up 16 basis points compared to '22
- Staff costs in Q4 up 21% compared to Q4'22 and down 2% FY '23 compared to '22.
- Other external costs in Q4 up 59% compared to Q4'22 and up 36% FY compared to '22
- Q4 EBITDAC positive DKK 7.1m – up DKK 15.8m compared to Q4'22. EBITDAC FY negative DKK 9.7m – up DKK 33.7m compared to '22.

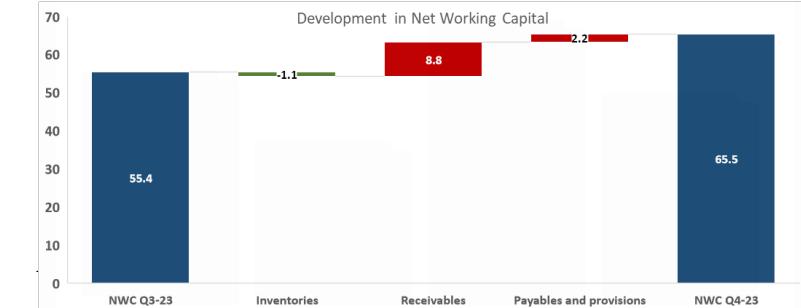
EBITDAC: Earnings before depreciation, amortization and impairment, and staff cost transferred to development projects

Consolidated Cash Flow Statement Q4 2023

DKK'000	Q4		FY	
	2023	2022	2023	2022
Earnings before tax (EBT)	(2,198)	(13,512)	(36,445)	(44,144)
Adjustments to reconcile profit before tax to net cash flows	10,886	10,507	38,543	29,696
Working capital adjustments	(11,147)	(7,716)	(10,404)	(8,254)
Cash flows from operating activities	(2,459)	(10,721)	(8,306)	(22,702)
Interest and tax	4,342	(435)	1,521	(1,264)
Net cash flows from operating activities	1,883	(11,156)	(6,785)	(23,966)
 Net cash used in investing activities	 (2,517)	 (5,468)	 (12,690)	 (32,738)
 Free cash flow	 (634)	 (16,624)	 (19,475)	 (56,704)
 Net cash flows used in financing activities	 (581)	 1,105	 50,507	 28,561
 Net change in cash and cash equivalents	 (1,215)	 (15,519)	 31,032	 (28,143)
Net foreign exchange difference	(665)	(440)	(627)	656
Cash and cash equivalents at the beginning of the period	44,247	27,921	11,962	39,449
Cash and cash equivalents at the end of the period	42,367	11,962	42,367	11,962
 Net working capital	 2023	 2022		
- NWC as % of revenue in quarter	65,462	55,708		
	113%	164%		

Financial Summary

- Net Cash flow from operating activities in Q4 positive DKK 1.9m
- Net working capital end of Q4 DKK 65.5m ~ 113% of revenue in quarter

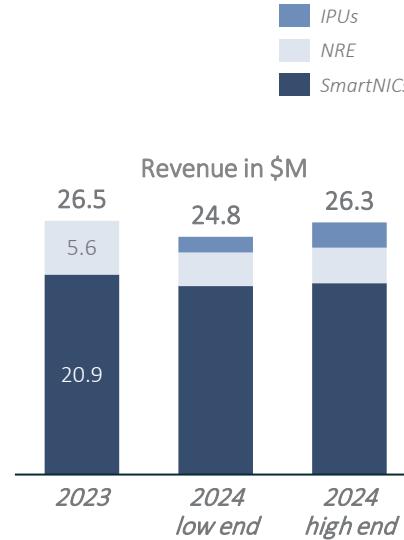


- Free cash flow in Q4 negative DKK 0.6m
- Cash and cash equivalents of DKK 42.4m end of Q4'23 compared to DKK 12.0m end of Q4'22

2024 Expectations

Financial targets

- SmartNIC business in the US under pressure in H1 but we expect to start seeing revenue from IPUs
- In 2024, we expect:
 - Revenue in the range of 170 to 180mDKK
 - GM% between 69%-71%
 - Operating costs between 145-155 mDKK



Strategic targets

- 2023 was focused on acceleration of our investment in IPUs to unlock access to new market opportunities.
- 2024 will be focused on winning new design wins
- We are targeting 4-6 IPU design wins with a total annual unit potential of 30-40,000 units at peak years.

Summary

- With performance in the middle of the guided ranges, in 2024:
 - Revenue is expected to decline 4%
 - EBITDA will be negative 15mDKK

	Guidance
Revenue	DKK 170-180m
Gross margin	69-71%
Staff expenses & Other external costs	DKK 145-155m
Transferred to capitalized development costs	DKK 10-15m

- We are targeting 4-6 IPU design wins with a total annual unit potential of 30-40,000 units at peak years

Q&A Session

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