



# Interim Management Statement 1Q-2025

Lars Boilesen, CEO  
Heine Thorsgaard, CFO

May 26, 2025

# Q&A Session

## Following the presentation

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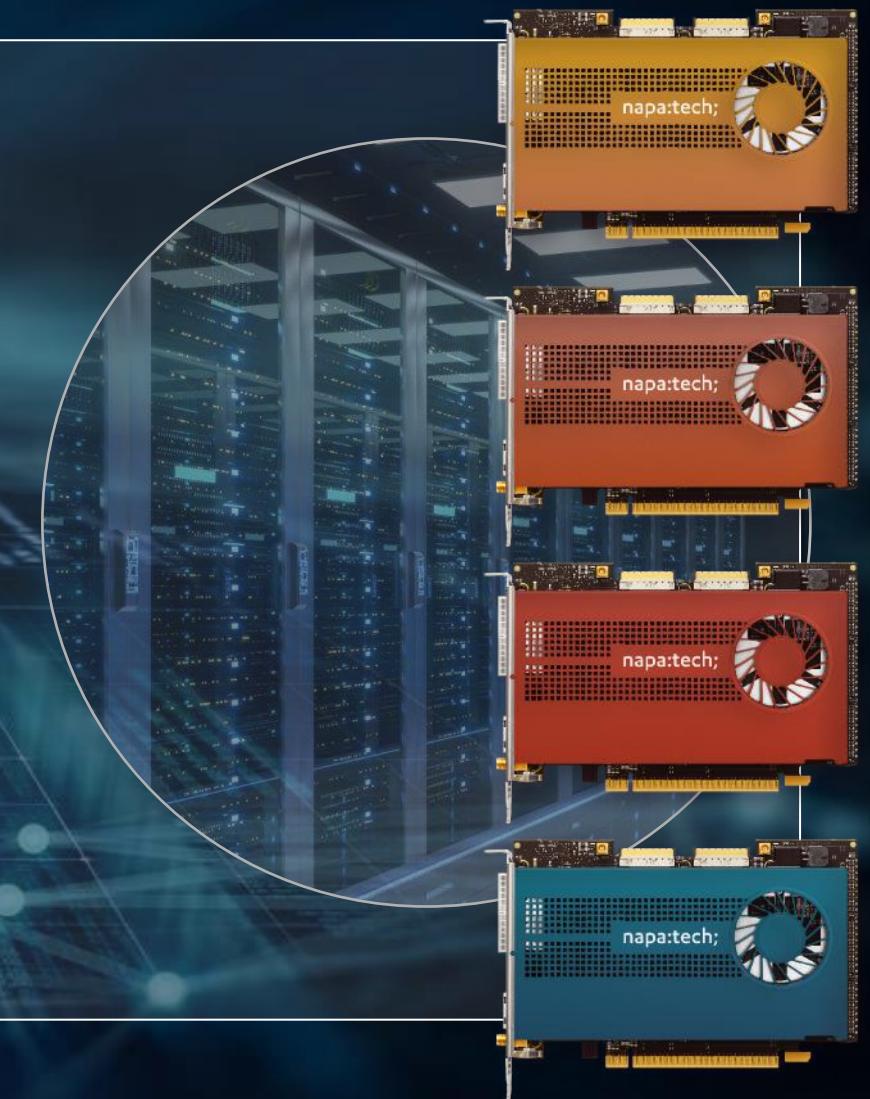
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# AGENDA

- BUSINESS STATUS
- MARKET UPDATE
- PIPELINE SPOTLIGHT
- FINANCIAL RESULTS



# BUSINESS STATUS AND OUTLOOK

# BUSINESS STATUS

## Financial Results

- 1Q-2025 Revenue \$3.4M USD, +8% year over year
- 1Q-2025 Gross Margins 70.3%, as expected, within guidance
- 2Q-2025 Revenue Trending towards as +40-50% year over year

## Recent Highlights

- Tier-1 Server OEM Ahead of plan on programs and projects  
Delivered hardware ahead of schedule, exceeding expectations  
Expanding to 6 potential use cases and opportunities
- AI Infrastructure Win Disclosed high volume design-win with d-Matrix  
Contract signed, with committed units and NRE, with program under way
- Other Winning Solutions Disclosed new solutions that powered by Napatech  
Broadcom Symantec, Eideticom, Xelera
- Design-Win Pipeline New opportunities and use cases emerging regularly, expanding our pipeline  
Partnership with Intel-Altera continues to exceed expectations

## MARKET UPDATE

Limitless AI powered by networks that think

## SITUATION: SERVER REQUIREMENTS ARE TRANSFORMING

### BASIC



25-year evolution  
Best-effort  
100s of users  
Milliseconds  
1-10 Gigabits  
Static



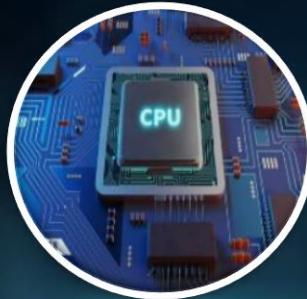
### ADVANCED



Daily-weekly revolution  
Real-time  
Billions of users, devices  
Nanoseconds  
100-800 Gigabits  
Evolving



*Napatech Sits in the Eye of this Storm of Change  
That is Happening Right Now*



**PROCESSING:** Suffocating tasks amidst decreasing generational improvements

*Research from Google and Facebook has shown **infrastructure workloads consume up to 80 percent of CPU cycles***



**NETWORKING:** AI/cloud drives complexity, data overload, and insatiable connectivity



**COST:** Unavoidable escalating costs and constraints from space, power, cooling and scalability

**BASIC NETWORK CARDS CANNOT FULFILL THE AI VISION**

## SOLUTION: ADVANCED NETWORK INTERFACE CARDS

### ACCELERATED PROCESSING



Offload and accelerate burdensome CPU network, security, storage processing

### PROGRAMMABLE NETWORKING



Hardware performance at the speed of Software innovation

### SUSTAINABLE COST



Rearchitect servers to remove ROI constraints from space, power and cooling



NIC  
Accelerator Card  
iNIC  
Offload NIC  
SmartNIC  
Programmable NIC  
DPU  
IPU  
SuperNIC



Napatech Advanced NICs [Programmable SmartNICs and IPUs]



Hyperscale  
Cloud Operators

## DEPLOYED NOW

8 global companies  
Initially niche, bespoke  
Component self-built DIY  
Not for sale  
**Intel-Altera** dominance  
>12M cards in 2024



Next-Wave  
Cloud Operators



Equipment  
Manufacturers

## EMERGING NOW:

5000+ mass market  
Early cases emerging  
Merchant-built  
Turnkey solutions  
**Napatech** 400+ adopters  
>12M cards in 2029



Telecomm  
Operators

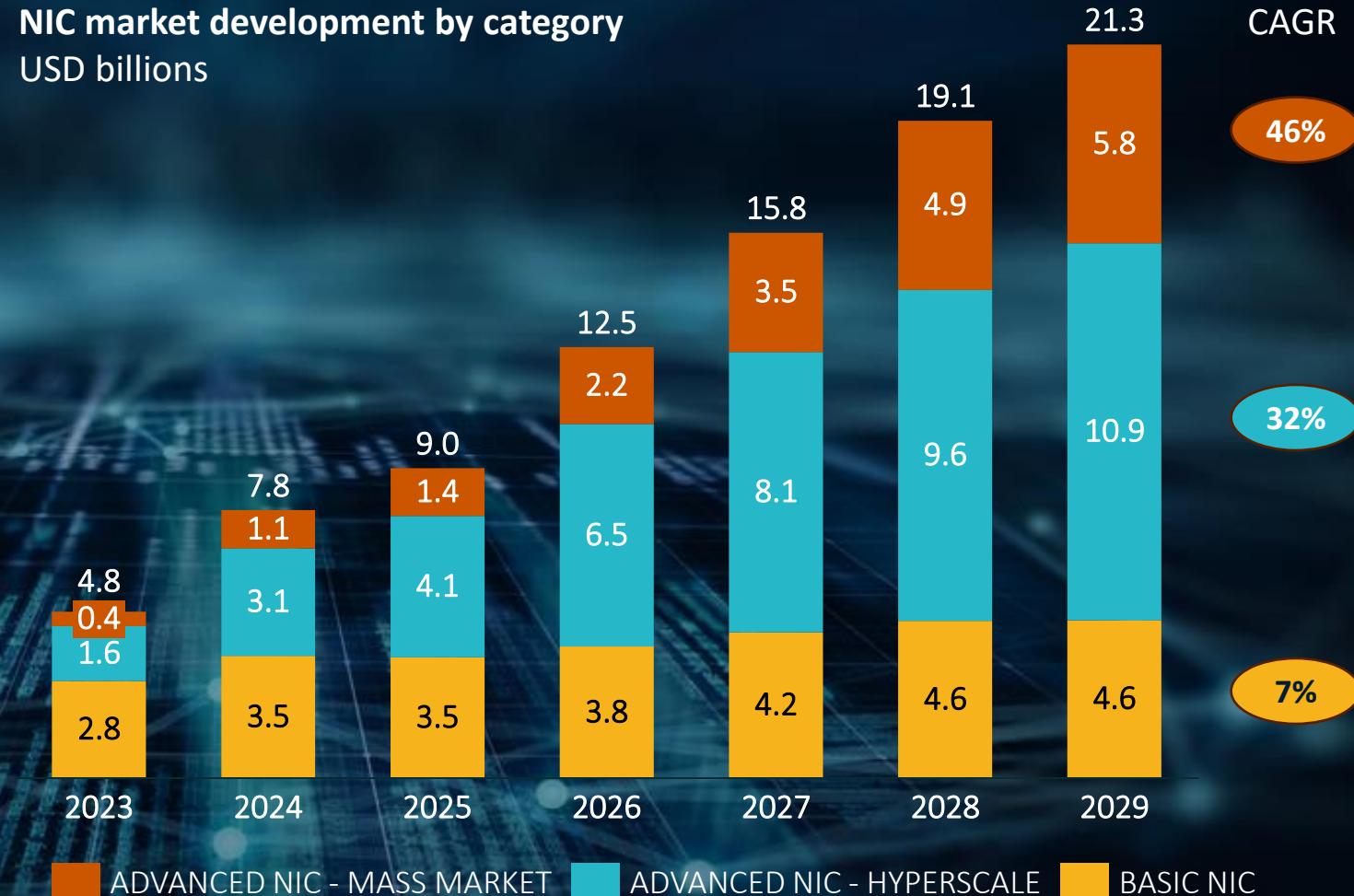


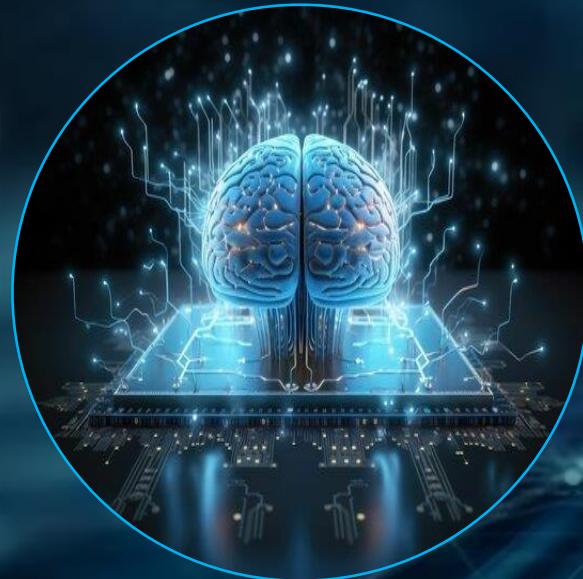
Government  
& Defense



Fortune-500  
Enterprises

- Advanced Network Cards are the future
- 92% of demand is from Hyperscale operators
- The mass market will become 37% of demand
- Creating a \$6B mass market SAM in 2028
- >20M servers per year by 2029
- 2-4 network cards per server





### CLOUD AND ARTIFICIAL INTELLIGENCE

- AI Infrastructure
- AI Coprocessing
- Storage Acceleration
- Network Offload



### BUSINESS CRITICAL APPLICATIONS

- Cybersecurity
- Fintech Financial Services
- Regulatory Compliance
- Network Forensics



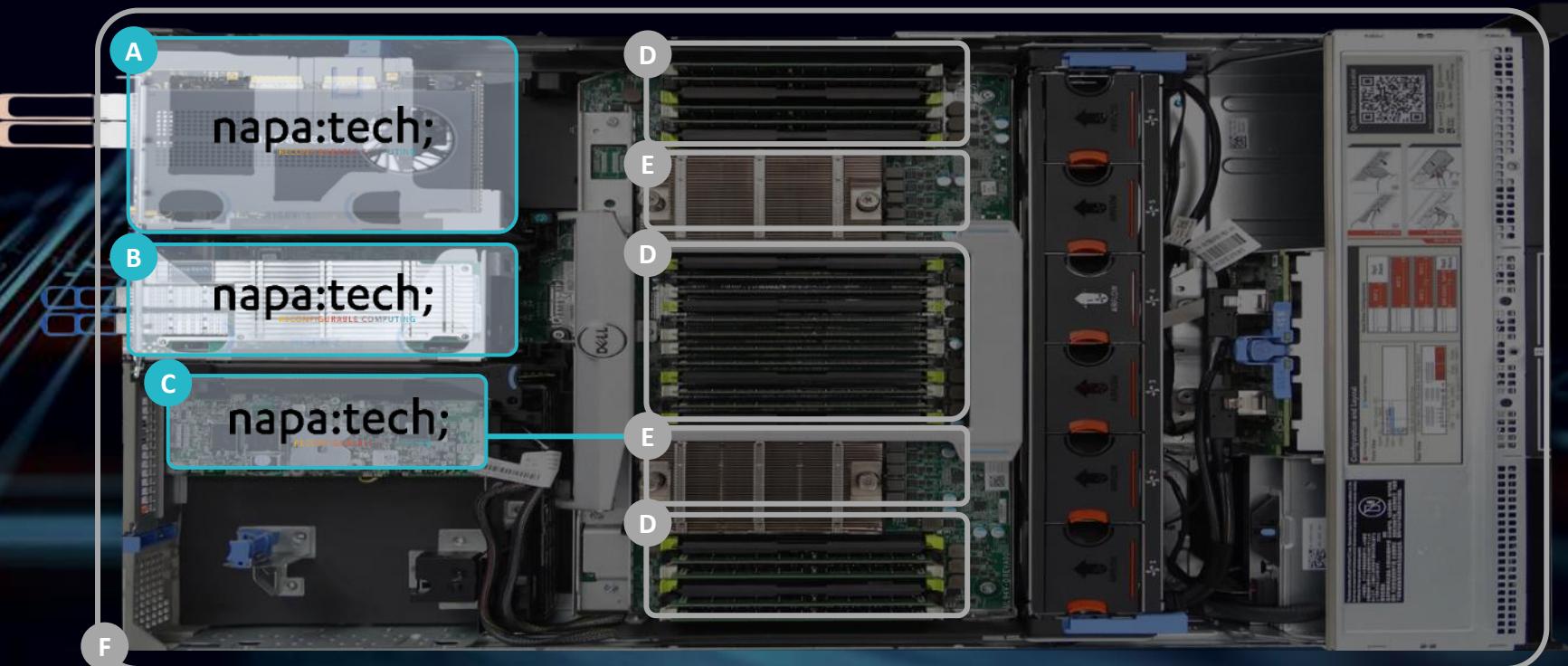
### NETWORK INFRASTRUCTURE

- Application and Network Monitoring
- 5G Mobile Infrastructure
- Capture and Replay
- Deep Packet Inspection

## PRODUCT: ADVANCED NICs [Programmable SmartNICs, IPUs, Coprocessors]

Link™

- A** Infrastructure Processing Unit
- B** SmartNIC
- C** GPU/ASIC, FPGA for AI
- D** Memory chip
- E** Central Processing Unit
- F** Server



Napatech's Advanced NICs play a crucial role in modern datacenter designs ...



... providing access to CPU and GPU resources that deliver AI, security and other services

### Increased Volumes

Scalability with Intel's proven architecture and design in large-volume applications and use cases



### Go-to-market

Access to Intel-Altera's global reach and collaboration with sales, marketing and business development into high volume prospects



### Engineering collaboration

Tailoring and specified hardware and software solutions with Intel for highest growth segments



### Access to latest technology

First mover advantage with access to Intel and Altera's latest CPU and FPGA technology

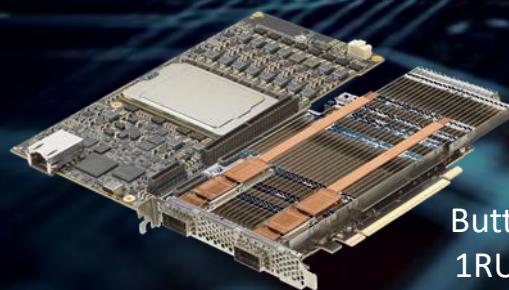


## PIPELINE SPOTLIGHTS

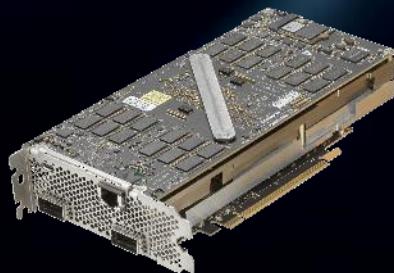
### HARDWARE



Standalone  
SmartNIC  
(N3070X)



Butterfly  
1RU IPU  
(F3070X)



Stacked  
2RU IPU  
(F3070X)

### SOFTWARE

NETWORKING  
STORAGE  
SECURITY  
INFRASTRUCTURE  
MANAGEMENT  
AND MORE....

### USE CASES

AI STORAGE  
CLOUD STORAGE  
AI CONTENT AND DATA REDUCTION  
CLOUD TENANT SERVICES  
5G MOBILE INFRASTRUCTURE  
PARALLEL FILE SYSTEM

- 2024: On time delivery of all hardware, exceeding customer expectations
- 2025: Transitioning to software requirements per use case

***Land-and-expand from initial engagement to 6 unique opportunities***

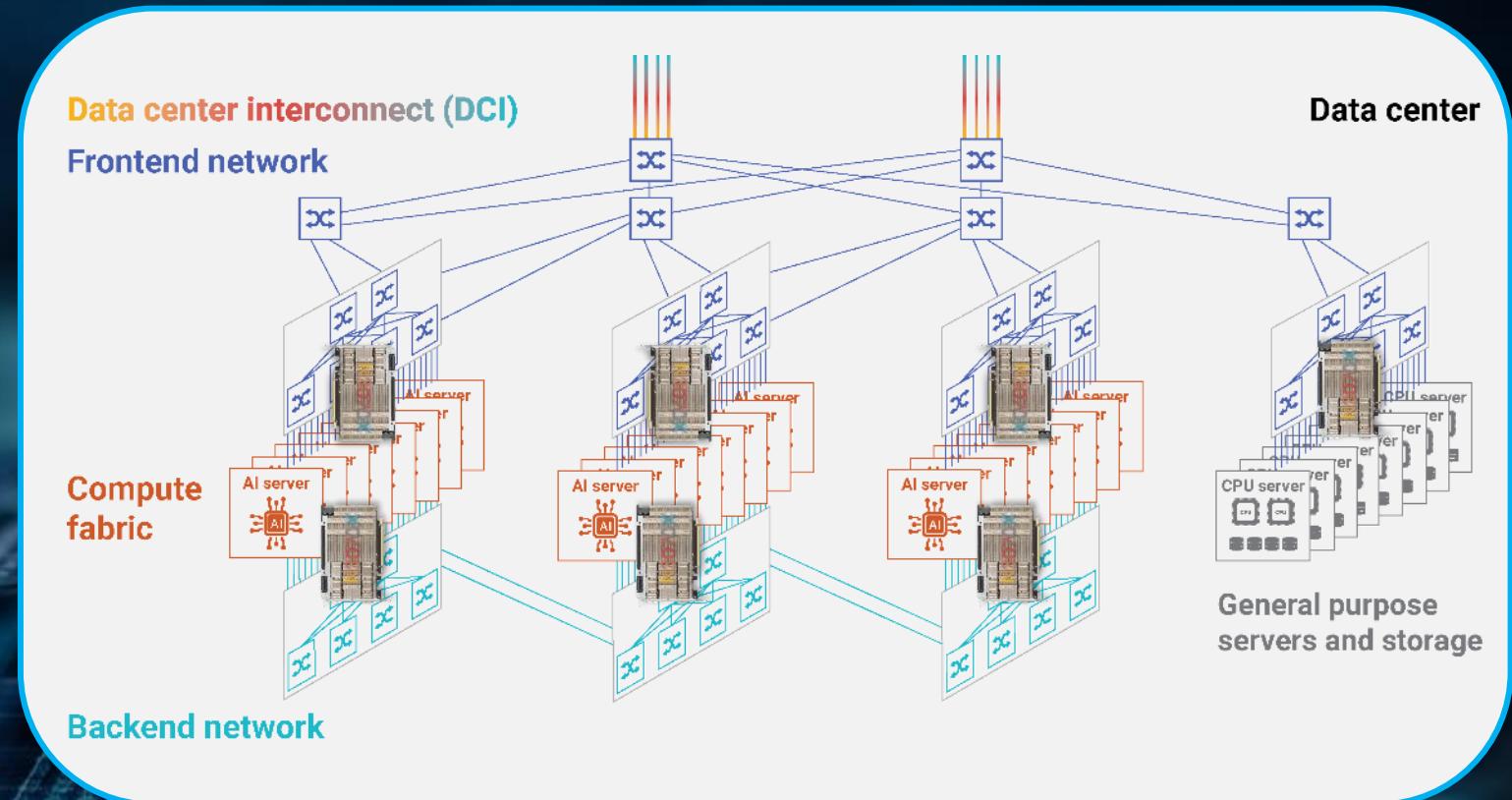
## CASE STUDY: ARTIFICIAL INTELLIGENCE INFRASTRUCTURE

- AI inferencing vendor
- AI infrastructure back-end network
- High-volume production
- Replication: N3070X SW and HW
- Commitments: units, NRE fee
- 5-year supply agreement

*“Traditional Front-end Networks Remain Vital as AI Back-end Network Investment Skyrocket”*  
- Dell’Oro Feb 2024

*“d-Matrix is at the forefront of a monumental shift in Gen AI as the first company to fully address the pain points of AI in the enterprise”*  
- Michael Stewart, Microsoft’s Venture Fund

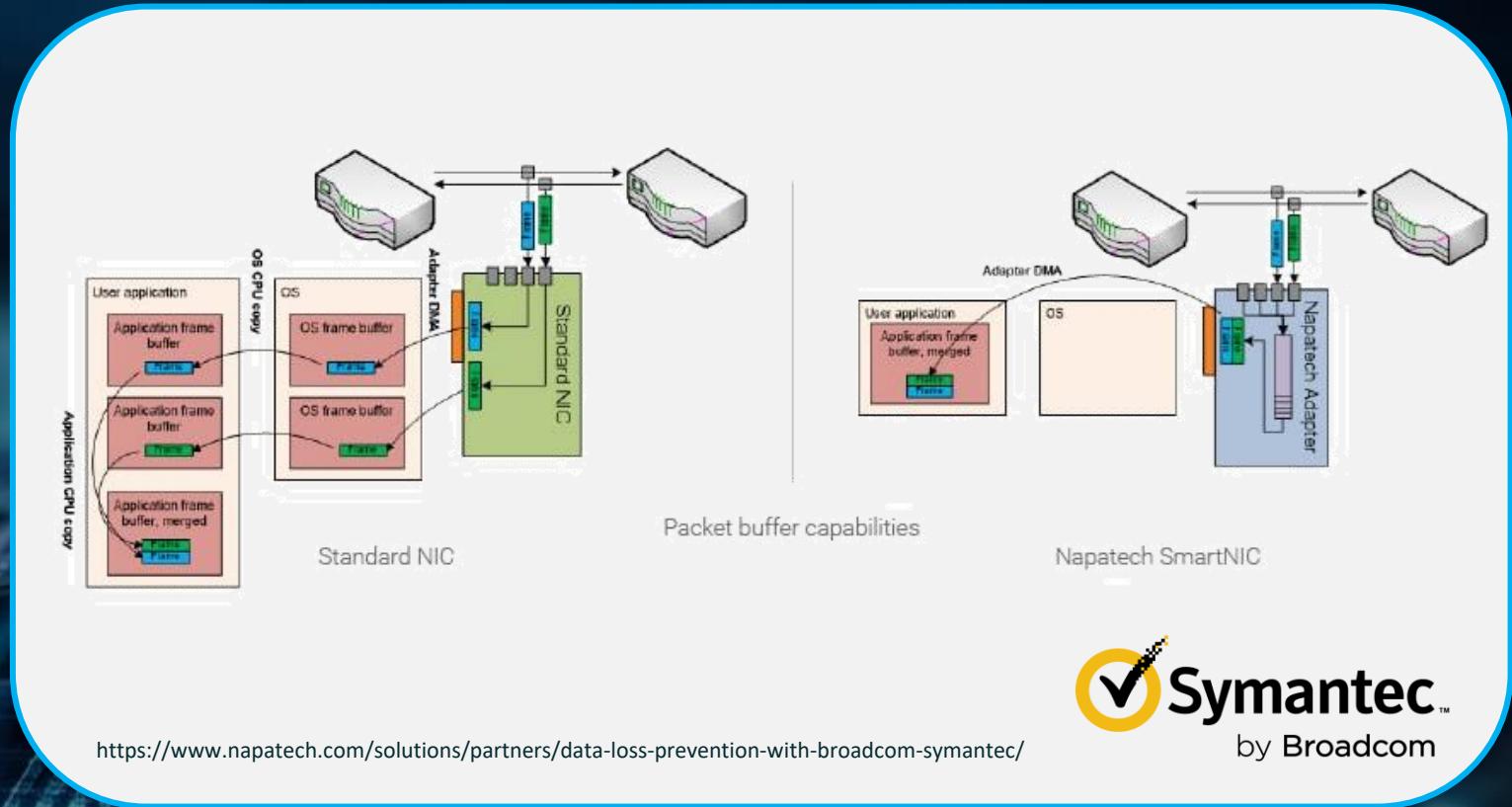
*“Our high-performance end-to-end liquid- and air-cooled systems incorporating Corsair are ideal for next-level AI compute.”*  
Vik Malyala, SVP Technology and AI, Supermicro.



*“Napatech’s Intel-Altera programmable NIC enables d-Matrix to deliver efficient ultra-low latency distributed inference across multiple servers. Our customers get the benefit of deploying an industry-standard ethernet-based scale-out solution while taking advantage of Corsair’s blazing fast inference speeds.”*  
- Sree Ganesen, Vice President of Product at d-Matrix.

## CASE STUDY: CYBERSECURITY

- Data loss prevention
- Software cybersecurity application
- Run on standard server platform
- Suffers on basic NIC
- Run best on Napatech
- >5x performance on advanced NIC



<https://www.napatech.com/solutions/partners/data-loss-prevention-with-broadcom-symantec/>

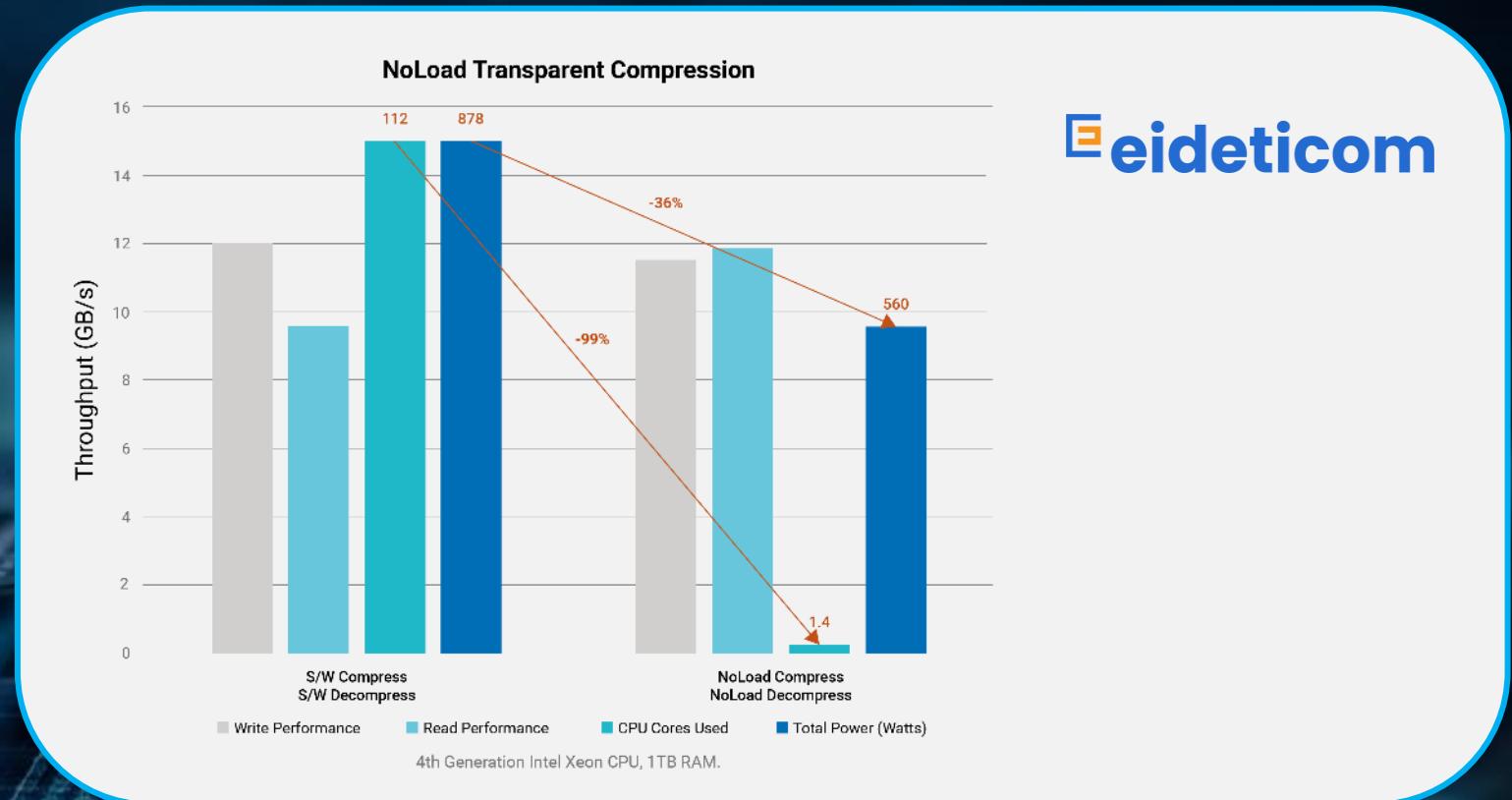


*"As network traffic volumes surge, maintaining optimal performance becomes increasingly complex. Integrating Napatech's programmable NICs accelerates the capabilities of Symantec DLP, enabling processing so powerful that users can effectively monitor and protect their data without compromising performance."*

*- Nate Fitzgerald, Head of Product Management, Enterprise Security Group, Broadcom.*

## CASE STUDY: CRITICAL INFRASTRUCTURE

- Improves cybersecurity
- Improves storage and data for AI
- Cryptographic acceleration
- Transparent compression
- Up to 99% lower CPU, at 36% power

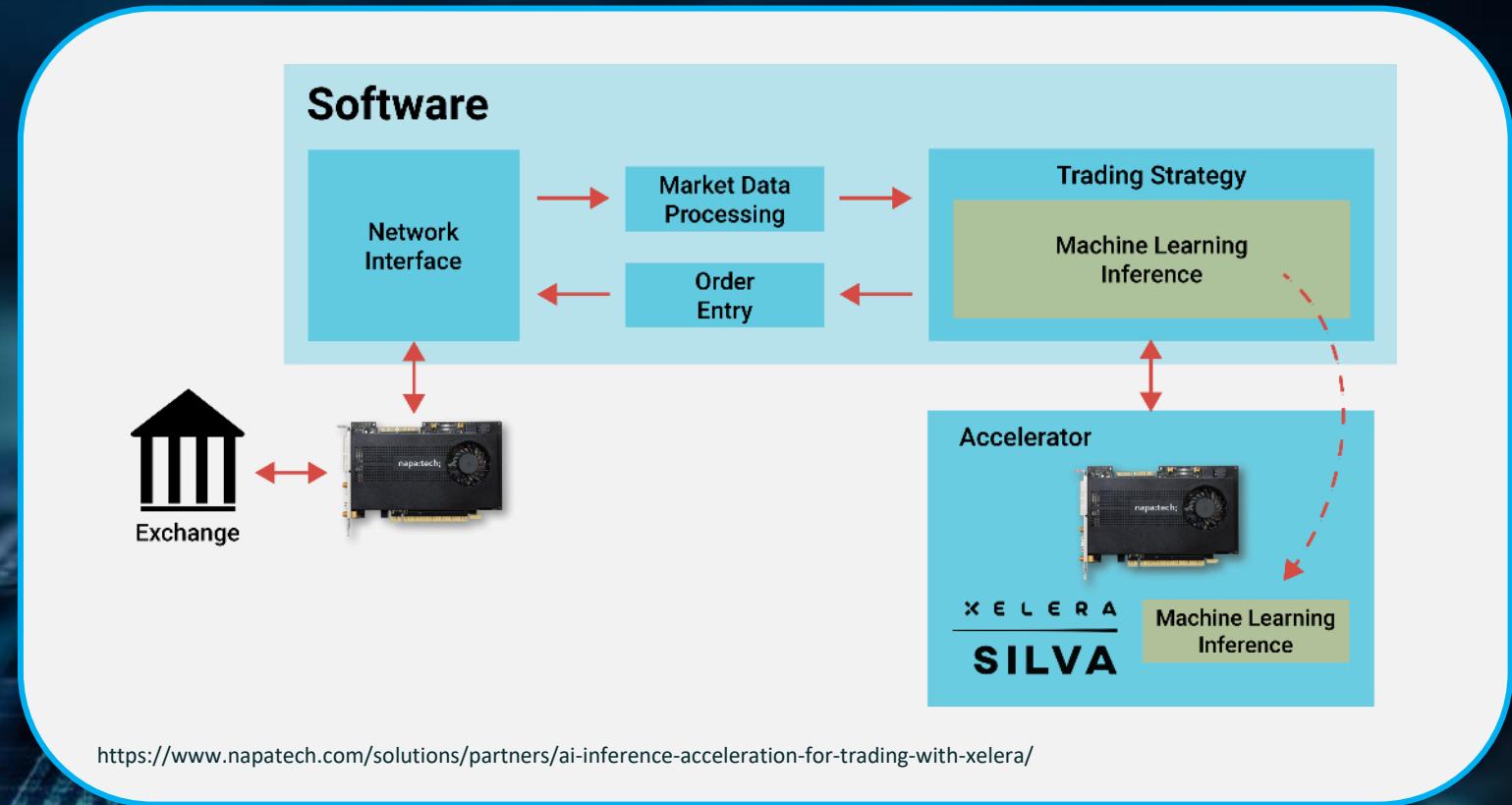


*"The combination of Napatech's programmable NICs and our NoLoad® acceleration solutions for cryptography and compression is a game changer. Their Altera-based solutions enable us to deliver high-performance, lower system-level TCO, and enhanced security."*

*- Roger Bertschmann, CEO of Eideticom.*

## CASE STUDY: AI FOR FINANCIAL SERVICES

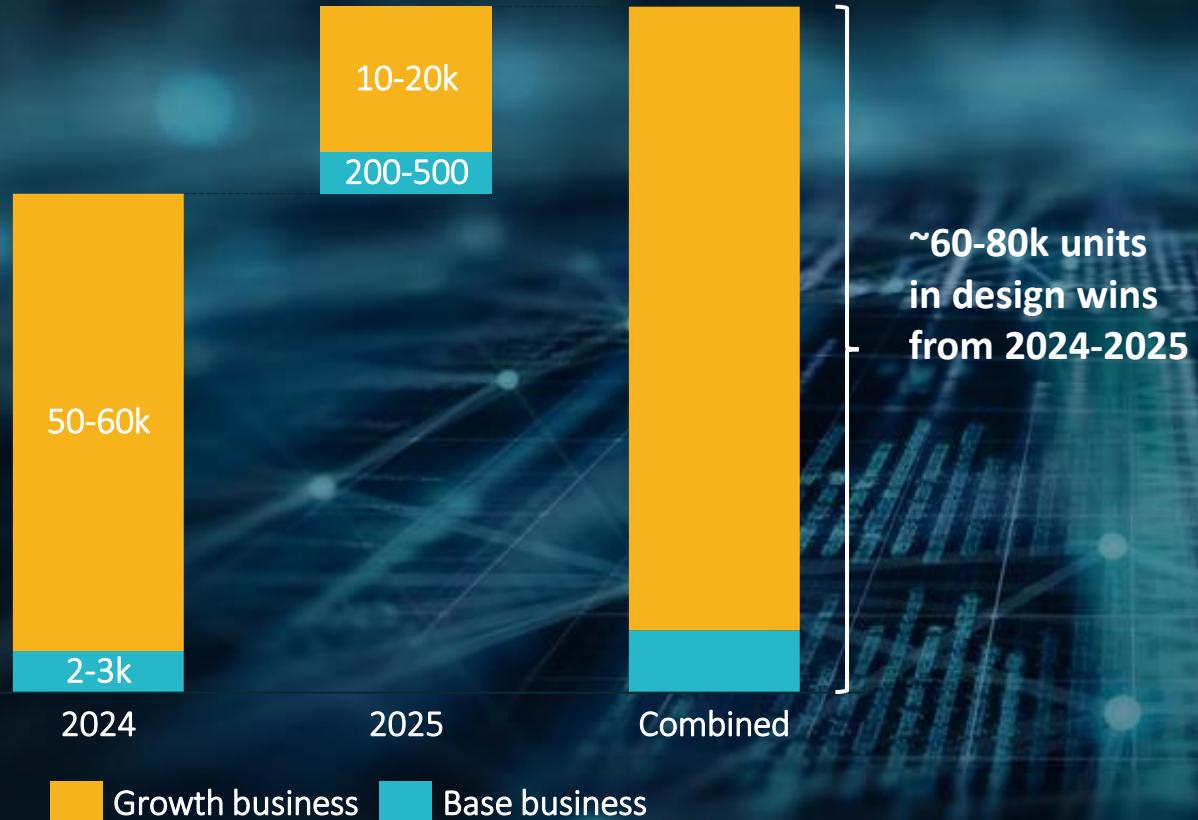
- Targeting financial services
- High frequency trading
- Ultra-low latency inferencing
- FPGA-based software application
- Runs best on Napatech



***"Our collaboration with Napatech allows us to bring state-of-the-art AI inference solutions to the financial sector. By combining our software expertise with Napatech's advanced hardware, we're setting new standards for performance and efficiency in trading applications."***

***- Andrea Suardi, Head of Acceleration Technology at Xelera.***

## Growth impact of 2024 and 2025 design wins # unit projection in future peak year of production



### CURRENT PIPELINE:

- 400+ base customers
- 250+ new opportunities
- >\$375M in value

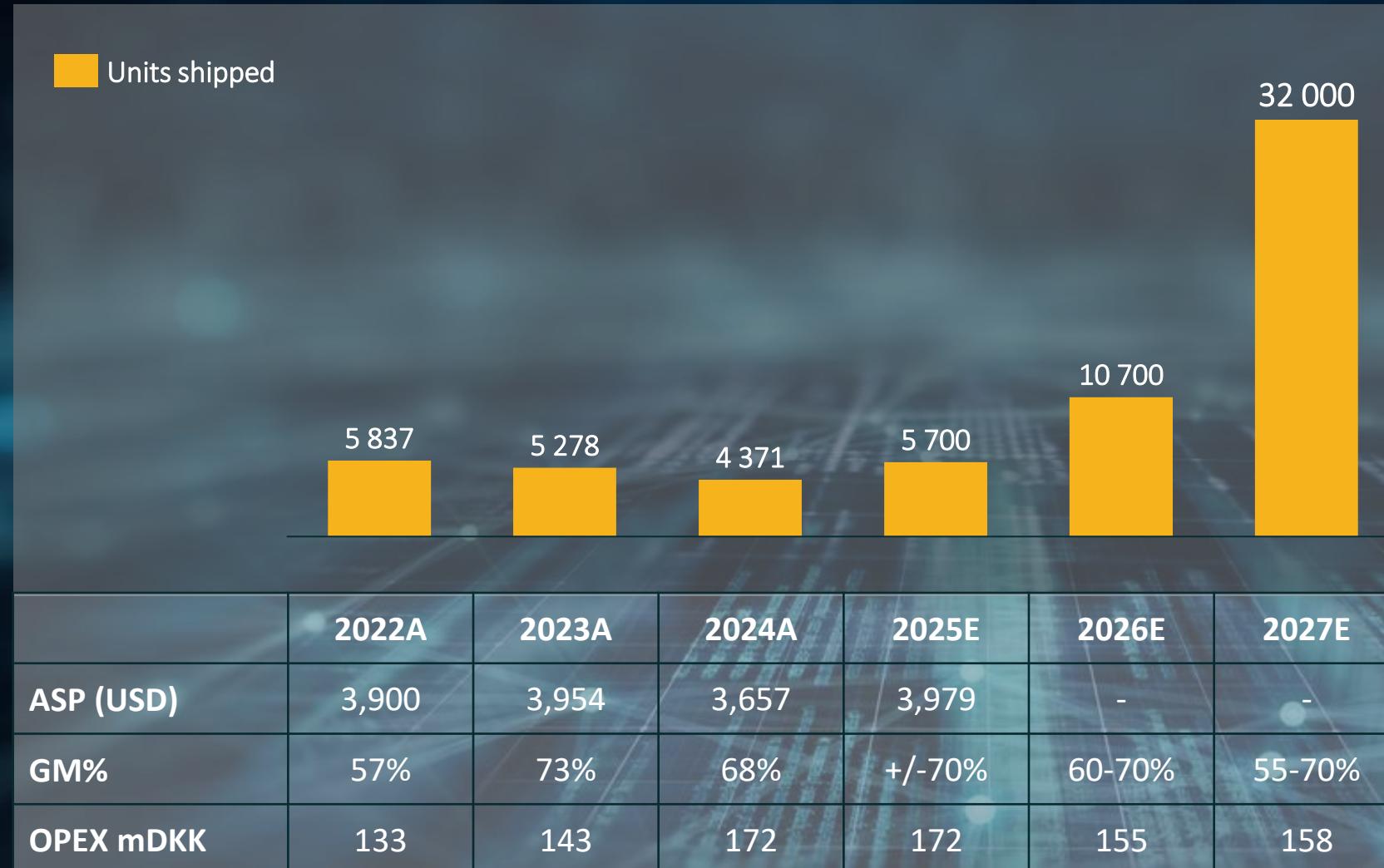
### DESIGN WINS:

- Design wins take 1-3 years to ramp to peak production
- Unit projections are peak year production
- Unit volumes are probability weighted

### FINANCIAL IMPACT:

- Growth significantly derisked
- Visibility greatly increased
- Opportunity for annual revenue of \$100M from 2027
- Product margins 55-70%, based on volume and content

## FINANCIAL OUTLOOK: KEY PERFORMANCE INDICATORS



- **Unit sales** driven by increasing demand among mass-market customers
- High **gross margins** enabled by the strong software component in Napatech's products, which also promote customer stickiness
- **Opex reduced** through right-sizing the organization while still enabling growth
- Additionally, **net working capital** is expected to drastically improve due to new model taking orders before incurring expenses

# FINANCIAL REVIEW AND OUTLOOK

## 1Q 2025

# Consolidated Income Statement Q1 2025

| DKK'000                                      | Q1              |                 | Q1<br>Δ     |
|--|-----------------|-----------------|-------------|
|  | 2025            | 2024            |             |
| <b>Revenue</b>                               | <b>23,849</b>   | <b>21,542</b>   | <b>11%</b>  |
| Cost of goods sold                           | (7,078)         | (6,112)         |             |
| <b>Gross profit</b>                          | <b>16,771</b>   | <b>15,430</b>   | <b>9%</b>   |
| <b>GM%</b>                                   | <b>70.3%</b>    | <b>71.6%</b>    |             |
| Staff costs                                  | (35,059)        | (27,758)        | <b>26%</b>  |
| Other external costs                         | (13,846)        | (12,836)        | <b>8%</b>   |
| <b>EBITDAC</b>                               | <b>(32,134)</b> | <b>(25,164)</b> |             |
| Transferred to capitalized development costs | 3,083           | 849             | <b>263%</b> |
| <b>EBITDA</b>                                | <b>(29,051)</b> | <b>(24,315)</b> |             |
| Depreciation, amortization and impairment    | (6,457)         | (7,944)         | <b>-19%</b> |
| <b>Operating result (EBIT)</b>               | <b>(35,508)</b> | <b>(32,259)</b> |             |
| Finance income                               | 27              | 833             |             |
| Finance costs                                | (1,334)         | (757)           |             |
| <b>Result before tax</b>                     | <b>(36,815)</b> | <b>(32,183)</b> |             |
| Income tax                                   | 6               | (2)             |             |
| <b>Result for the period</b>                 | <b>(36,809)</b> | <b>(32,185)</b> |             |

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

## Key Developments

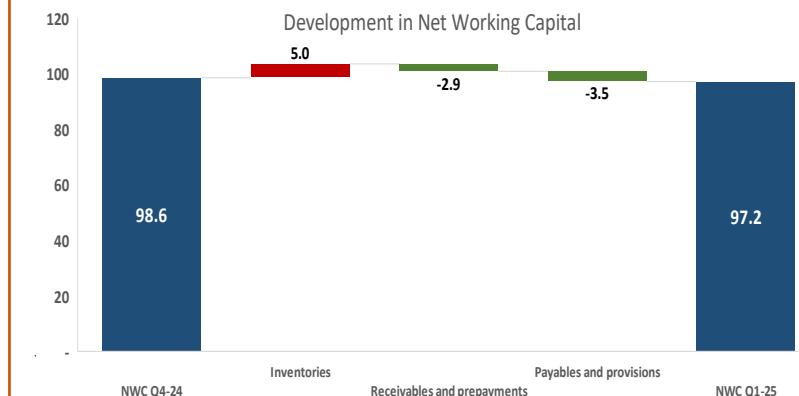
- Revenue in Q1 up 11% compared to Q1'24
- GM in Q1 70%
- Staff costs in Q1 up 26% compared to Q1'24 due to the build of development staff to serve the increased design win pipeline.
- Other external costs in Q1 up 8% compared to Q1'24.
- Q1 EBITDA negative DKK 29.0m in Q1 compared to negative DKK 24.3m in Q1'24.

# Consolidated Cash Flow Statement Q1 2025

| DKK'000  | Q1              |                 |
|--|-----------------|-----------------|
|  | 2025            | 2024            |
| <b>Earnings before tax (EBT)</b>                             | <b>(36,815)</b> | <b>(32,183)</b> |
| Adjustments to reconcile profit before tax to net cash flows | 10,530          | 9,882           |
| Working capital adjustments                                  | 1,083           | 17,222          |
| Interest and tax   | (472)           | (359)           |
| <b>Net cash flows from operating activities</b>              | <b>(25,674)</b> | <b>(5,438)</b>  |
| <b>Net cash used in investing activities</b>                 | <b>(3,746)</b>  | <b>(1,009)</b>  |
| <b>Free cash flow</b>  | <b>(29,420)</b> | <b>(6,447)</b>  |
| <b>Net cash flows used in financing activities</b>           | <b>535</b>      | <b>(8,434)</b>  |
| <b>Net change in cash and cash equivalents</b>               | <b>(28,885)</b> | <b>(14,881)</b> |
| Net foreign exchange difference                              | (858)           | 32              |
| Cash and cash equivalents at the beginning of the period     | 64,341          | 42,367          |
| <b>Cash and cash equivalents at the end of the period</b>    | <b>34,598</b>   | <b>27,518</b>   |

## Key Developments

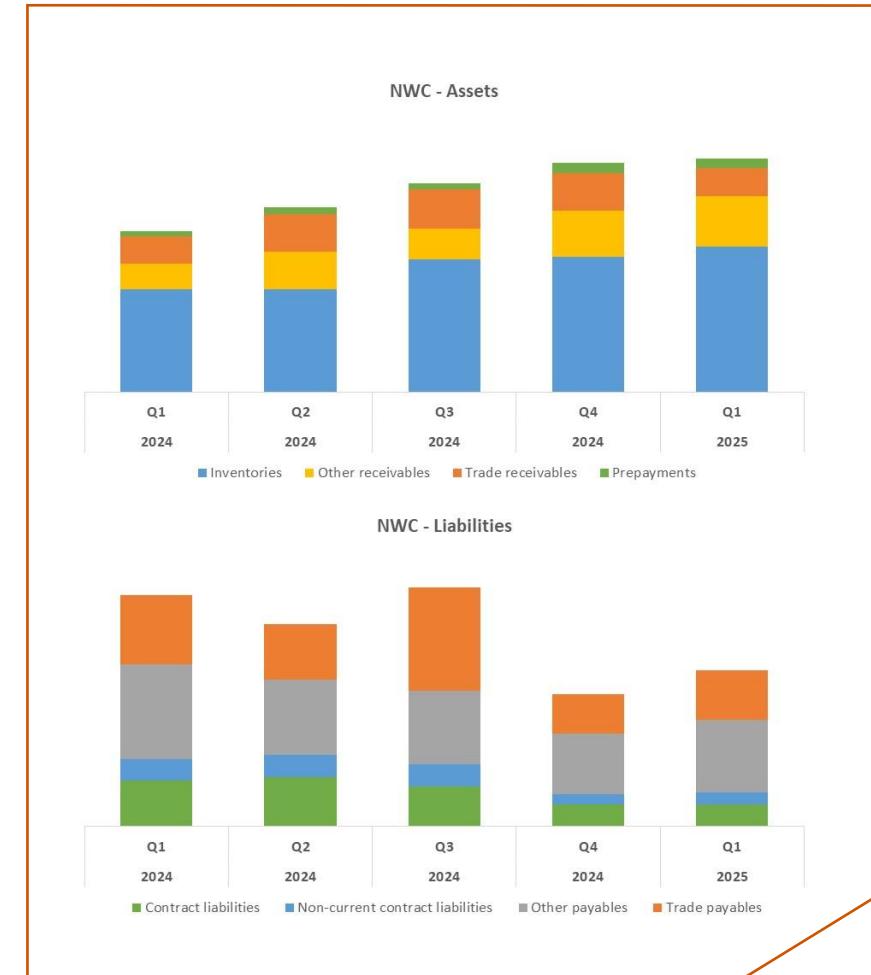
- Net Cash flow from operating activities in Q1 negative DKK 25.7m
- Net working capital end of Q1 down DKK 1.4m compared to end of Q4 2024



- Free cash flow in Q1 negative DKK 29.4m
- Cash and cash equivalents of DKK 34.6m end of Q1 compared to DKK 27.5m end of Q1'24

# NWC Improvement Initiatives

- Our Net Working Capital has had an unfortunate development for the past five quarters.
- We have planned and implemented a number of different improvement initiatives that will bring our NWC down over the coming quarters, and as we implement new design wins in our supply chain and operations, that will lead to a more optimized logistics setup with a significantly reduced need for working capital.
- In the coming years, most of our new business will be based on large-volume orders rather than producing for stock.
- In addition, we are implementing optimized payment terms for customers and suppliers.



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