

# GROWTH AND POSITIVE CASH FLOW

Q4 2014 PRESENTATION

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# FINANCIAL HIGHLIGHTS Q4 2014

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Invoiced USD sales in 2014 where 32.9 MUSD

Revenue for the full year 2014 of 182.3 MDKK

- 0.1% increase compared to 2013

Revenue in Q4 2014 was 48.4 MDKK

- 10% increase compared to Q4 2013
- 9% increase compared to Q3 2014

Gross margin in Q4 2014 was 73%

- Compared to 74% for Q4 2013

EBITDA in Q4 2014 was 4.6 MDKK

- Decrease from 10.5 MDKK in Q4 2013

EBITDA margin in Q4 2014 was 10%

- Compared to 24% for Q4 2013

EBT in Q4 2014 was (0.3) MDKK

- Increase from (1.5) MDKK in Q4 2013

Cash & Cash equivalents at 88 MDKK

- Increase of 3.7 MDKK during the quarter
- Net cash at 82.6 MDKK by end of Q4 2014

# FINANCIAL RESULTS Q4 2014

	Q4'14	Q3'14	Q4'13
Revenue (MDKK)	48.4	44.3	44.0
Growth YoY*	10%	5%	(16%)
Gross Margin	73%	75%	74%
EBITDA (MDKK)	4.6	5.1	10.5
EBT (MDKK)	(0.3)	2.4	(1.5)

\*YoY is the growth of current quarter compared with the same quarter one year earlier

# FINANCIAL RESULTS Q4 2014 AND FULL YEAR 2014

	Q4'14	Q4'13	2014 FY	2013 FY
Invoiced sale (MUSD)	-	-	32.9	32.6
Revenue (MDKK)	48.4	44.0	182	182
Growth	10%	(16%)	0.1%	0.5%
Gross margin	73%	74%	73%	72%
EBITDA (MDKK)	4.6	10.4	18.0	29.4
EBIT (MDKK)	(1.9)	(1.6)	(5.9)	1.2
EBT (MDKK)	(0.3)	(1.5)	(0.7)	1.8
Ports shipped	-	-	24.143	25.616

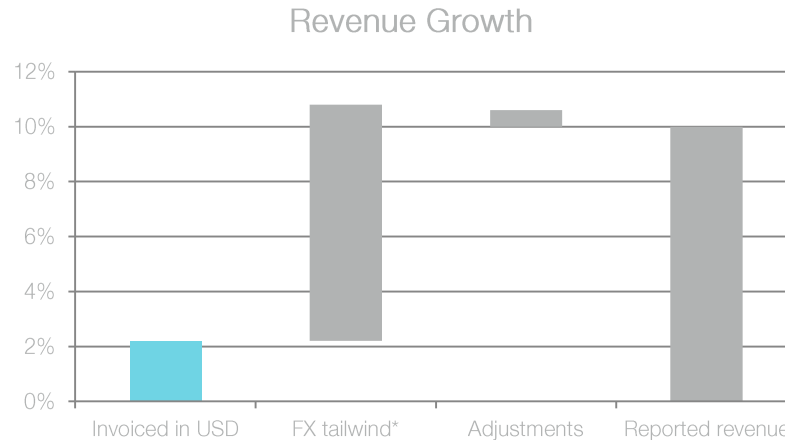
\*YoY is the growth of current quarter compared with the same quarter one year earlier

# CASH FLOW Q4 2014

1,000 DKK	Q4'14	Q4'13
Net cash flow from operating activities	15.515	9.600
Investments in product development	(10.098)	(8.810)
Net cash used in investments activities	(11.381)	(10.829)
Issue of shares	0	99.970
Net cash flow from financing	(188)	99.970
Net increase in cash & cash equivalents	3.713	98.618
Cash and cash equivalents at October 1'st	84.325	23.605
Cash and cash equivalents at December 31'st	88.230	122.223

# Q4 2014 INCREASE IN REVENUE

Invoiced Sales / Revenue Growth (YoY)



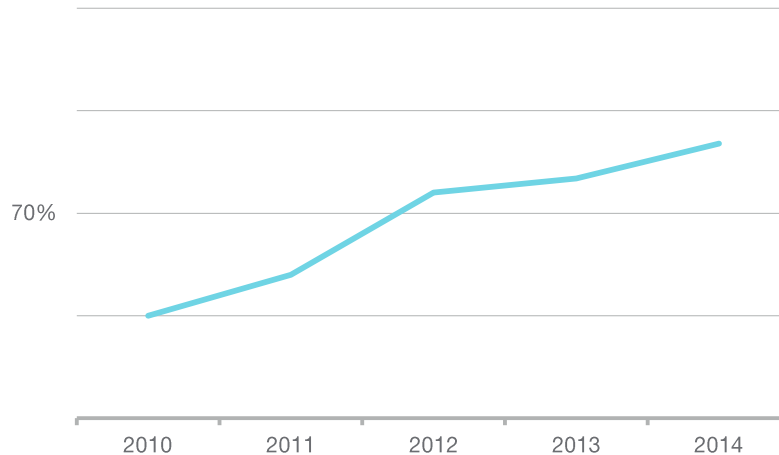
## Influencing factors:

- Overall market situation is still challenging
- Revenue affected by a combination of push out of customer projects and some projects not materializing or being redefined
- Higher US Dollar to Danish Kroner exchange rate, creates tailwind to the revenue
- Revenue recognition and accounting adjustment has a minor negative effect

\* Based on average bookkeeping rates

# GROSS MARGIN – CONTINUED IMPROVEMENTS

Gross Margin (Yearly)

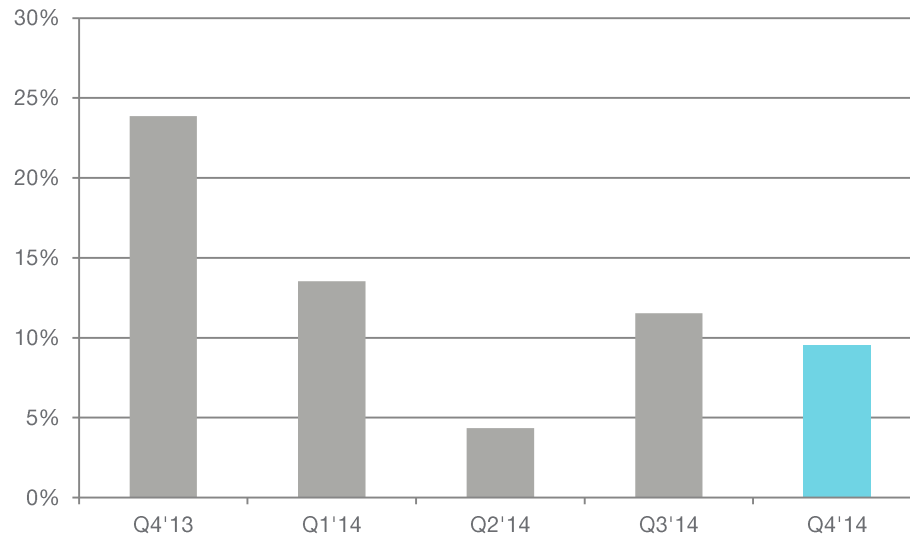


## Margin development

- Transition towards higher speed products, continues to improve margin
- Operational excellence and improvements in production have a positive effect as well
- It is our ambition to utilize the strong gross margin to enhance our business performance
- The longer term gross margin expectation is around 70%

# EBITDA MARGIN

EBITDA Margin



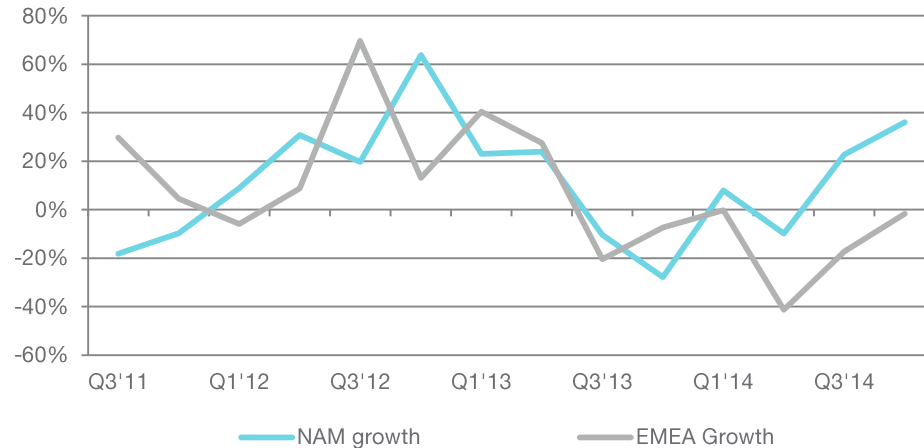
## Q4 2014 EBITDA margin

- EBITDA is primarily influenced by the level of revenue
- Gross margin increase has positive impact on EBITDA
- Increased sales and marketing costs and other planned investments in future growth have a negative impact on the EBITDA margin
- The strong USD affects cost from our US operation negatively, which has a negative effect on EBITDA margin



# POSITIVE PROGRESS IN KEY REGIONS

## YoY Revenue Growth



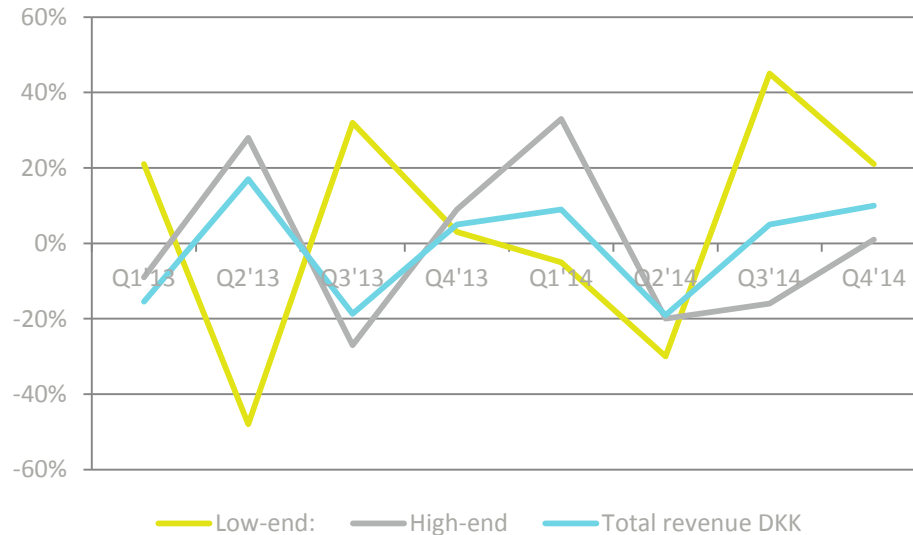
### Geographical split

- North America delivered a great quarter with close to 40% growth. North America accounts for 80% of the total revenue
- EMEA continues to be affected by a combination of push out of customer projects and some projects not materializing or being redefined.
- APAC was negatively affected by delays in projects, almost all the business in APAC is project driven, and the delays had a significantly negative impact on Q4 revenue in the region.

# COMMUNICATION & SHAREHOLDER STATUS

# THE QUARTERLY SHIPMENT INDICATOR

## Sequential port growth



### The QSI

- The QSI has been published for the past four quarters as early information to the market
- Based on market feedback we have decided to discontinue the QSI announcement

### Invoiced sales

- We have on a yearly basis announced the company invoiced sales in USD with the intention to guide the market on the progress in the underlying business
- **Based on market feedback we have decided to announce the invoiced sales in USD on a quarterly basis**

# TOP 20 SHAREHOLDERS 31 JAN, 2015

## Shareholders 1 - 10

Investor	Type	Country	(%)
Verdane Capital VIII	Ordinary	Denmark	22.2
Northzone IV K/S	Ordinary	Denmark	22.0
Skandinaviske Enskilda	Nominee	Sweden	6.5
Danske Bank A/S	Nominee	Denmark	4.5
Skandinaviske Enskilda	Nominee	Denmark	4.4
State Street Bank	Nominee	US	4.1
Six SIS AG	Nominee	Switzerland	3.7
Swedbank AS	Nominee	Estonia	3.1
SEB Private Bank S.A	Nominee	Luxembourg	2.5
The Bank of New York	Nominee	Denmark	2.1
Top 10 total			75.1

## Shareholders 11 - 20

Investor	Type	Country	(%)
DTU Invest rep. ved Sympion	Ordinary	Denmark	2.0
BNP Paribas	Nominee	Italy	1.7
Northzea Management	Ordinary	US	1.4
J.P Morgan Chase Bank	Nominee	Great Britain	1.2
MVTU rep. ved DTU symbion	Ordinary	Denmark	1.1
Private Investor	Ordinary	Norway	1.0
Park Lane Family Office	Ordinary	Norway	0.9
Nordnet Bank AB	Nominee	Sweden	0.8
AKA AS	Ordinary	Norway	0.7
Nordea Bank Denmark	Nominee	Denmark	0.6
Others			13.5
Total			100.0








The background of the slide is a dark, abstract composition. It features a complex network of thin, white, curved lines that sweep across the frame, creating a sense of motion and connectivity. These lines are interspersed with numerous small, white, square and circular nodes. In the upper right and lower right, there are large, semi-transparent spheres that appear to be composed of these same network elements, giving the impression of a global or data network. A series of overlapping, semi-transparent rectangular bars in shades of gray and white are positioned horizontally across the middle of the slide, serving as a backdrop for the title text.

# STRATEGIC DIRECTION AND FOCUS



# NEW SALES AND MARKETING ORGANIZATION

- In connection with our reporting in November we announced an expansion of our sales and marketing organization, in order to improve our Sales and Marketing power and scalability
- We have successfully attracted two very competent and experienced leaders that have started working at Napatech as of February 16'th
  - Andrew Patterson, SVP Global Sales and Support
  - Walther Johannessen, SVP Global Marketing
- We are confident that this enhancement will help us secure our growth ambitions and focus on our strategic direction moving forward

		Enterprise Security		Enterprise Mngt.
		Telecom Operators		
		Financial services		
		Cloud and Data Center services		
		E-commerce and Media		
		Infrastructure and Defense		

# RE-FOCUS RESOURCES AND EFFORTS TO SECURE A MORE COMMERCIAL CULTURE

- As seen from the 2014 figures, a significant amount of resources were added in the organization to generate growth
- However, the additional resources have not yet provided the expected growth, but Management expects these and additional resources and efforts will pave way for future growth and success
- In addition, the whole organization is now being shaped and made even more effective to allow for a maximum of efforts and resources being directed towards sales and marketing allowing our two new SVP's to establish their own successful operations

## Notes:

- Sales and Marketing cost for Q4 2014 increased more than 50%, where the strong USD accounts for approximately 10 percent points of the increase
- The re-focus of resources and efforts in 2015 are planned to be cash neutral

# CONTINUED FOCUS ON FUTURE 100G AND TELECOM PRODUCT LINE

- Development of our first 100G product completed as planned and the first customer shipment was done by December 2014
- Continued development of our 100G product portfolio during 2015 resulting in release of our 200G solution at Mobile World Congress
- As previously stated the market interest of 100G is significantly stronger than we initially expected, therefore we now plan with meaningful revenue already in 2015 from our 100G product line
- Our new release of a NEBS product portfolio aligns Napatech offerings with telecom carrier demands for this important certification and helps Napatech customers accelerate time-to-market and reduce costs





# CONQUER THE TIME-TO-MARKET CHALLENGE

- To support our customers in reducing time-to-market, Napatech in 2014 introduced the pre-integrated and pre-tested Napatech Acceleration Platform delivered through our **Dell OEM Technology Partnership**
- In 2015 Napatech will expand this concept further by delivering the first **Napatech Acceleration Platform** including new **Value-adding Software** functionality allowing our customers improve their time-to-market further
- The first release focused at **High-Speed Capture-to-Disk solutions** will be launched and demonstrated in Mar'15 at Mobile World Congress
- This new complementary software and platform portfolio is planned to significantly enhance future business opportunities and our customer base



Technology Partner



# RECENT DESIGN WINS IN OUR TARGET INDUSTRIES

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- 10 Gigabit design win at a US based Financial Customer for transaction latency monitoring
- 10 Gigabit design win with an Asia based telecom customer for quality monitoring of 4K video streams
- 10 Gigabit design win with an European based network security customer for national cyber security

## **Design wins underline**

- Pipeline of new customers
- Expansion of business with existing customers
- Customer confidence in Napatech technology, quality and future strategy
- Revenue stream linked to customers' market share

A woman with short dark hair is smiling broadly while looking at a computer screen. The background is a light green with a faint grid pattern. The title "BUSINESS TRENDS AND OUTLOOK" is centered in a white box.

# BUSINESS TRENDS AND OUTLOOK

# IMPROVING OUR PERFORMANCE AND BUSINESS PIPELINE

- Re-focus our resources to enable enhanced investments within sales and marketing activities to growth our business opportunities
- Continued focus on our organizational efficiency to secure significantly reduced cash burn in 2015 compared to 2014
- Enhanced strategic focus and engagement at our key customer to secure generation of long term relevance and future business
- Focused delivery of new solutions for the Telecom industry, addition of values added software and platforms to secure that our customers can conquer the time-to-market challenge

## Ambitions for 2015 initiatives

- Make it possible to create stronger pipeline of new customers both short and long term
- Secure expansion of business opportunities with existing strategic customers
- Create complementary business to current accelerator portfolio with shorter sales cycles
- Addition of values added software and platform portfolio will generate more than 10% of the revenue by 2016

# MANAGEMENT GUIDANCE 2015

- We plan for 2015 to be a challenging year with a revenue development in USD at around the same level as 2014
- We will benefit from favorable USD exchange rate as the net exposure has been hedged
- However, the Management Team believe that 2015 will be an exciting year, where the new initiatives, addition of products and strong focus on marketing and sales activities will position us well for regaining future growth

## Guidance for full year 2015:

- Revenue growth around 12%
- EBITDA margin around 12%

## Notes:

- Business in Q1 2015 will be challenging, partly due to an exceptional strong Q1 2014, and partly due to the inventory situation at some customers
- Hedging specifications are described in the Q4' 2014 report



# QUESTIONS AND ANSWERS SESSION

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