

The background of the slide features a dark blue gradient with faint, light blue grid lines. Overlaid on this are two data visualization elements: a white line graph with circular markers and a green line graph with circular markers, both showing fluctuating trends. In the background, there are also vertical bars of varying heights in shades of blue and green, resembling a bar chart.

# Q4 2016 PRESENTATION

February 14th, 2017 – Henrik Brill Jensen, CEO

# Financial Highlights Q4 2016

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2016 – full year

- Revenue 234.7 MDKK 8% growth
- EBITDA margin 19%

USD sales in Q4 2016 was 13.3 MUSD

- 27% increase compared to Q4 2015

Revenue in Q4 2016 was 92.3 MDKK

- 32% increase compared to Q4 2015
- 86% increase compared to Q3 2016

Gross margin in Q4 2016 was 66%

- Compared to 73% for Q4 2015

EBITDA in Q4 2016 was 28.0 MDKK

- 11.7 MDKK increase compared to Q4 2015
- 30% EBITDA margin in Q4 2016

EBIT in Q4 2016 was 17.7 MDKK

- Increase from 7.5 MDKK in Q4 2015

EPS in Q4 2016 was 0.56 DKK

- Increase from 0.22 DKK in Q4 2015

Cash and cash equivalents at 47.0 MDKK

- Decrease of 1.0 MDKK compared to Q3 2016
- Net cash at 41.6 MDKK by end of Q4 2016

# Financial Results Q4 2016

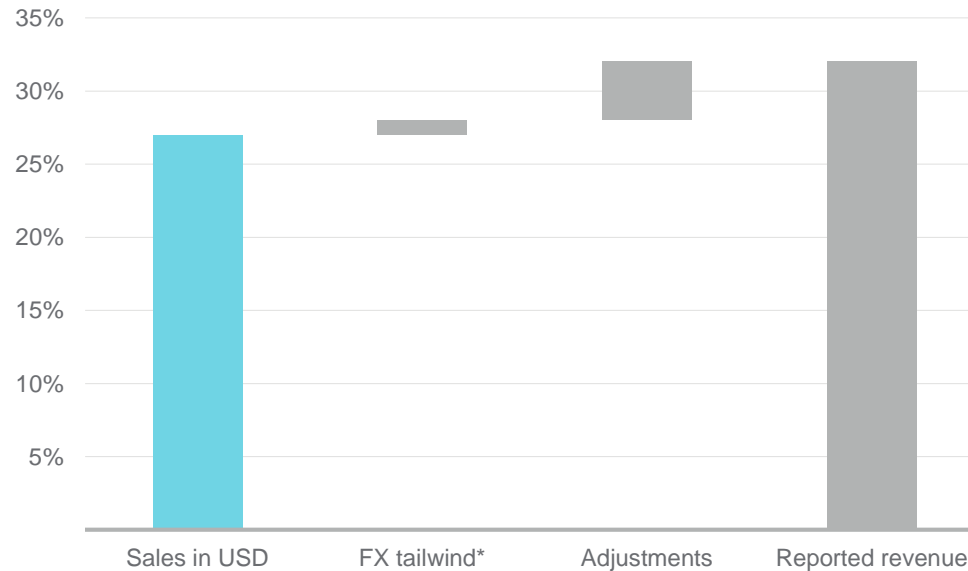
	Q4'16	Q3'16	Q4'15
Revenue (MDKK)	92.3	49.6	69.9
Growth YoY*	32%	(18%)	44%
Gross Margin	66%	71%	73%
EBITDA (MDKK)	28.0	6.1	16.3
EBT (MDKK)	17.7	(3.0)	7.5
Cash flow from operating activities (MDKK)	5.7	10.0	31.1
Cash and cash equivalents, end of quarter (MDKK)**	47.0	48.0	75.9

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

\*\* Trade receivables increased by 29 MDKK YoY driven by end of year growth

# Q4 2016 Revenue

## Sales / Revenue Growth (YoY)



\* Based on average rates

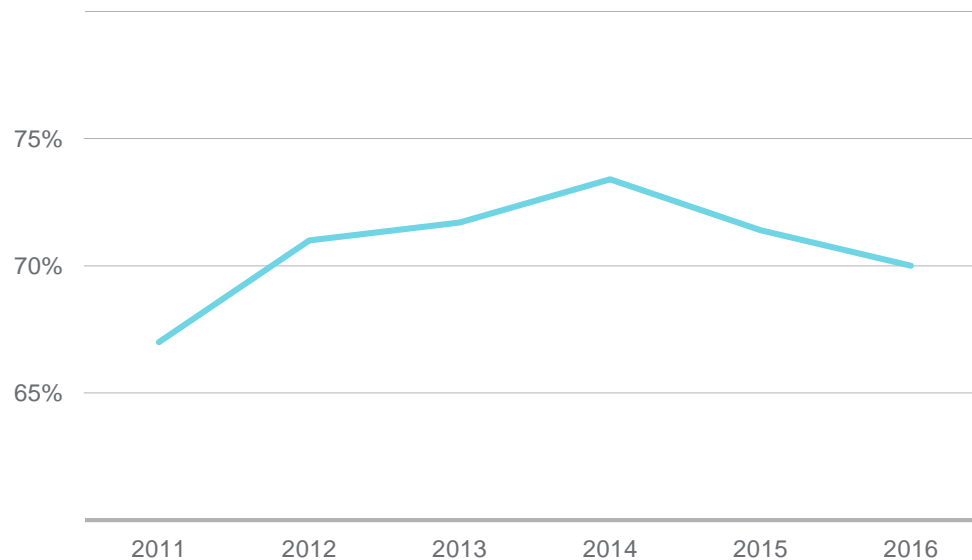
## Influencing factors:

- The growth is primarily driven by our Pandion business and recent Accelerator design wins
- Currency, revenue recognition and accounting adjustments have some effect as we have seen the USD exchange rate increase towards the end of the period

*Note: The US Dollar to Danish Kroner exchange rate is calculated as a daily average rate through the quarter and compared YoY*

# Gross Margin Development

## Gross Margin

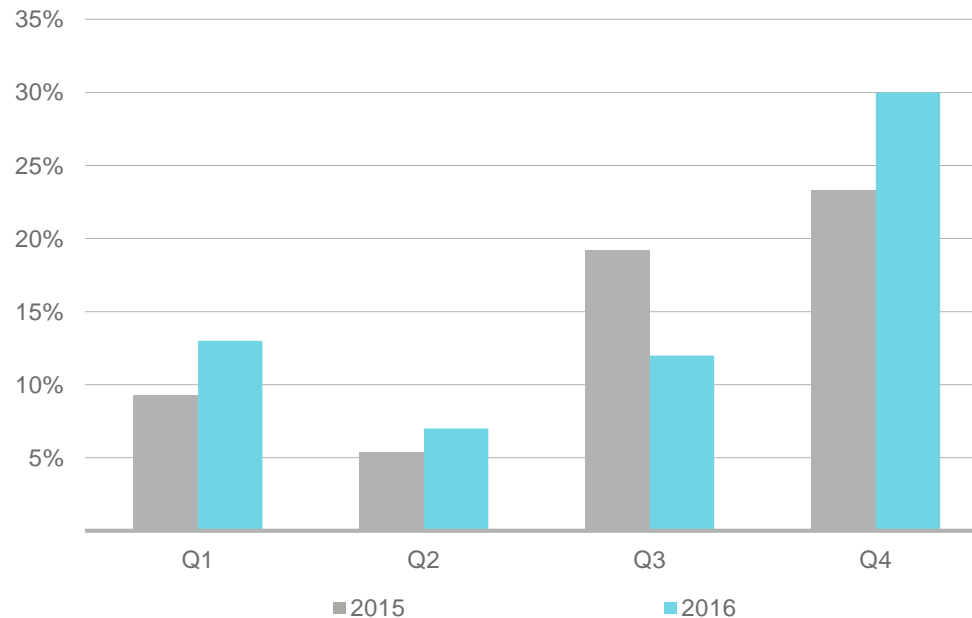


### Gross margin development:

- The gross margin in Q4'16 is at 66%, which brings the overall gross margin for 2016 to the expected level of 70%
- The gross margin in Q4'16 is affected by changes in the product-mix and enhanced Pandion sale

# EBITDA Margin

EBITDA Margin

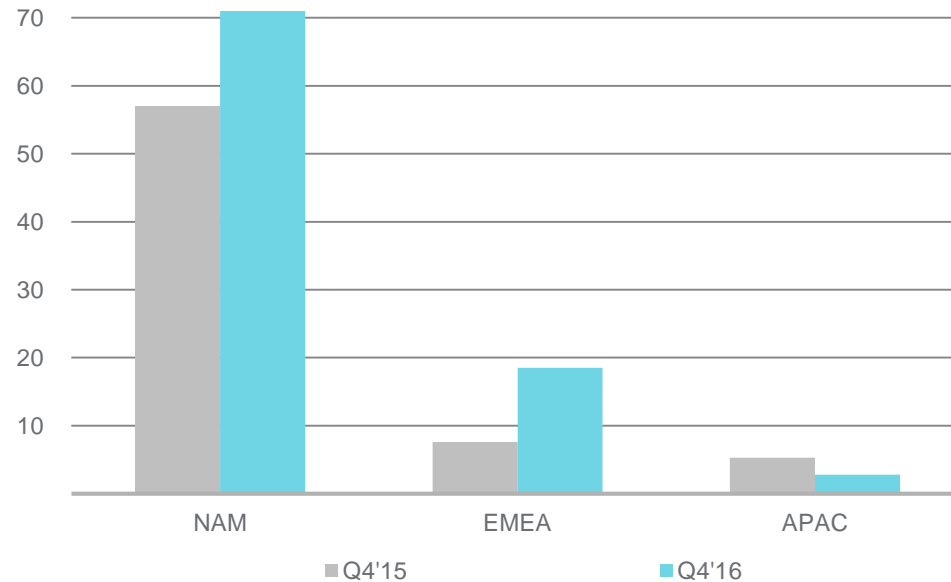


## Q4 2016 EBITDA margin:

- EBITDA margin is higher in Q4 compared to last year, this underlines the high scalability in Napatech's business, has higher revenue drives the EBITDA margin up

# Growth in NAM and EMEA

Quarterly Revenue in MDKK



## Geographical split:

- North America showed a growth of 25% compared with Q4 2015, related to a couple of large OEM customers
- EMEA showed a significant growth of 143% driven by ramp up of design wins secured in 2016, and one-off projects
- APAC showed a decline of 48% due to timing of the projects in the regions sale.

# 2016 Key Financial Focus Areas

## Full year compared to 2016 target & 2015

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Our focus areas	Target Comment	2016 Target	2016 Full Year compared to 2015
Revenue	Delivered to guidance	5 - 15% growth	8% growth
Gross Margin	Influenced by new product line(s) and go to market strategy	~ 70%	70%
Overall Costs	Improved overall profitability by sustained scalability	5% increase	0% increase
EBITDA Margin	Delivered to guidance	~ 20%	19%
R&D Investments	Product developed to support the strategy	> 40 MDKK	46 MDKK
Net Cash Position	Investments as planed, increased trade receivables	+/- 10 MDKK	- 28 MDKK



# This is Napatech

# Key Internet Trends fueling our Business Fundamental Needs of Users

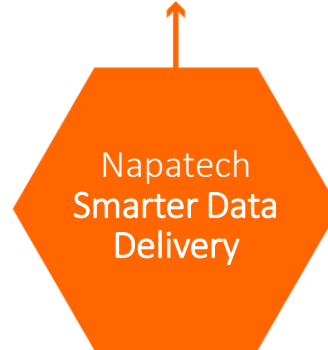


# Enabling Connectivity and Security Fundamental to our Internet Dependence

Network Management  
Applications ensuring  
users stay connected



Cybersecurity  
Applications ensuring  
users be secure



# Smarter Data Delivery at a Glance

## The Data Journey

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Click on Picture to start Video

# Smarter Data Delivery Targeting High-Value, Hi-Need Industries



Telecom  
Operators

Data for assuring a  
reliable and secure  
mobile connectivity  
experience



Financial  
Services

Data for  
ensuring efficient,  
secure and compliant  
financial transactions



Cloud and  
Data Center

Data for ensuring  
the accessibility and  
security of cloud  
services

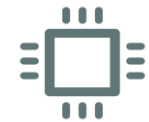


Infrastructure  
and Defence

Data for systems  
securing people and  
critical national  
infrastructure

# Smarter data. Delivered. our Strategic Ambition

- Our ambition is to be the #1 vendor for Smarter Data Delivery Solutions – providing a 100 MUSD top-line by 2020
- Our strategy is powered by major global trends within Mobile, Cyber Security, Virtualization and IOT, as well as continuous enhancement of network connectivity towards Terabit speeds
- Our strategy is to secure success, through close collaboration with selected market-leading and innovative customers by co-creating new solutions, products and value-adding services
- Our strategy is based on a strong product portfolio powered by leading-edge core technology and global internet trends fueling the need for guaranteed connectivity and security



ACCELERATOR  
SOLUTIONS



RECORDER  
SOLUTIONS



VIRTUALIZED  
NETWORKS

# Business Highlights

# Design-win effect on Q4 Revenue

## Strong Performance by recent Design Wins

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- Q4 2016 delivered a record high revenue, coming from both Accelerators and Pandion product lines – recent design wins and new customers contributed significantly to the growth
- The Pandion business delivered the following growth
  - 12% of the overall revenue in Q4 build on design-wins secured in 2016
  - Remember that this product line had no revenue in 2015.
- The Accelerator business delivered the following growth
  - 8% of the overall Q4 revenue build on design-wins secured in 2016
  - 28% of the overall Q4 revenue build on design-wins secured in 2015
  - A major part of the growth is delivered by a OEM customer catching up on their roll-out



# Recent Design Wins

- 10 Gigabit design win with European based network security company for a Public Infrastructure and Defense solution
- 10 Gigabit design win for a Tier 1 North American test & measurement equipment manufacturer for a Telecommunication solution
- 40 Gigabit design for a North American Federal customer for a Public Infrastructure and Defense solution



Technology Partner



# Business Outlook

# Management Outlook 2017

- Napatech's strategy is to be the #1 vendor of Smarter Data Delivery Solutions, based on market expansion, product line investment and strong Tier 1 customer penetration
- Based on the growth of 8% in 2016, the company expects the profitable revenue growth to continue in 2017, across the business areas
- Napatech is comfortable with an accelerated growth path towards the ambition of 100 MUSD top-line by 2020
- Short term visibility is limited and will be affected by quarter-to-quarter order fluctuations and general uncertainty

## Guidance for 2017:

- Revenue growth of 10% - 20%
- Gross margin around 68%
- EBITDA margin around 20%

# Q&A Session

**Stay Informed - Follow Napatech!**



**Save the Date: Capital Market  
Day in Oslo on April 5'th, 2017**

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- About Napatech, Smarter Data Delivery, Virtualization, IOT, 100 Gigabit .... and other trends in the industry
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- Sign up for Oslo Exch. News
- Follow us on any Social Media

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